OMB APPROVAL	
OMB Number:	3235-0045
Estimated average burden hours per response	38

Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2019 - * 007
Amendment No. (req. for Amendments *)

Filing by Cboe EDGX 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 proproses to amend the Bats Auction Mechanism (“BAM”).

Contact Information

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

First Name * Laura Last Name * Dickman

Title * Vice President, Associate General Counsel

E-mail * dickman@cboe.com

Telephone * (312) 786-7572 Fax

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 03/05/2019

By Laura G. Dickman

(Name *)

(Title *)

Vice President, Associate General 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.

dickman@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. <u>Text of the Proposed Rule Change</u>

(a) Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to amend the Bats Auction Mechanism ("BAM"). The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. <u>Procedures of the Self-Regulatory Organization</u>

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on February 15, 2019. The Exchange will announce the implementation date for the proposed changes via Exchange Notice, which date is currently expected to be March 21, 2019.

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

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

(a) <u>Purpose</u>

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. ("Cboe Global"), which is the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2"), acquired the Exchange, Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, the Exchange, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2, and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is available on Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The proposed rule change amends Rule 21.19 related to BAM, which the proposed rule change renames as the Automated Improvement Mechanism ("AIM"). This is the name of the corresponding price improvement auction mechanism on Cboe Options, and the proposed rule change will refer to the Exchange's auction process as AIM.[1]

The proposed rule change will permit the Initiating Order to consist of one or more solicited orders. This will accommodate multiple contra-parties and increase the opportunities for customer orders to be submitted into an AIM Auction with the potential for price improvement, since the Initiating Order must stop the full size of the Agency Order. This has no impact on the execution of the Agency Order, which may already trade against multiple contra-parties depending on the final auction price, as set forth in

---

1 See Cboe Options Rule 6.74A. The proposed rule change also replaces the reference to BAM with AIM in Rule 22.12(c).

proposed paragraph (e). This proposed change is consistent with Cboe Options AIM functionality.[2]

The proposed rule change adopts a Sweep and AIM order, which is the submission of two orders for crossing in an AIM Auction with a stop price that does not need to be within the BBO and where the Exchange sweeps all Protected Quotes, as defined in Rule 27.1, by routing one or more ISOs, as necessary, to execute against the full displayed size of any Protected Quote with a price better than the stop price, as well as sweep all interest in the EDGX Options Book with a price better than the stop price simultaneously with the commencement of the AIM Auction. Any execution(s) resulting from these sweeps accrue to the Agency Order.[3] This proposed order is consistent with the current BAM ISO functionality,[4] except the Exchange will route the ISOs on behalf of the User rather than requiring the User to route the ISOs itself. Additionally, the proposed rule change is consistent with Cboe Options functionality.[5] This proposed order type will provide Users with an additional, efficient method to initiate an AIM while preventing trade-throughs.

The proposed rule change clarifies that if an Initiating Member submits an AIM Sweep or Sweep and AIM order, the stop price may be inferior to the Initial NBBO, but is still subject to the price improvement requirement in proposed subparagraph (b)(1)(A).

---

2 See Cboe Options Regulatory Circular RG17-074 (May 19, 2017); see also NASDAQ ISE, LLC (“ISE”) Rule 723(b).

3 In other words, any contracts executed at an away exchange would count as execution against the Agency Order (and thus reduce the size of the Agency Order available for execution during an AIM Auction). This is consistent with how ISOs work for all order types.

4 See current Rule 21.19(b)(6) and proposed Rule 21.19(b)(3)(A); see also Cboe Options Rule 6.53(q).

5 See Cboe Options Rule 6.53(r).

In other words, while AIM Sweep and Sweep and AIM orders permit an Initiating Member to stop an Agency Order at a price inferior to the NBBO at the time it submits the Agency Order to an AIM Auction, the Initiating Member must still comply with the price-improvement requirement for smaller-sized orders if the width of the NBBO is $0.01. For example, if an Initiating Member submits an Agency Order to buy for 20 contracts as a Sweep and AIM with a stop price of 1.01 when the NBBO is 1.00 x 1.01, the System rejects the Agency Order (and the Initiating Order). Note if the Initiating Member instead submitted an AIM Sweep, the Exchange initiates an AIM, because the Initiating Member is responsible for submitting the ISO and the System cannot confirm that the NBBO width will ultimately be $0.01. However, the Initiating Member is still responsible for complying with the price-improvement requirement for smaller-sized orders if the width of the resulting NBBO following execution of the ISO is $0.01.

Proposed Rule 21.19(e)(1) provides that the Initiating Order allocation percentage is based on the number of contracts remaining of the Agency Order after execution against Priority Customer orders rather than the initial size of the Agency Order. This ensures the size used to determine the allocation percentage for the Initiating Order will be based on the same number of contracts that would otherwise be available to other contra-side interest. The proposed rule change is the same as the rules of other options exchanges.[6]

Additionally, pursuant to current Rule 21.19(b)(1)(A), the Initiating Member may receive an allocation up to 50% of the Agency Order if there interest from one other User at the stop price or 40% of the Agency Order if there is interest from two or more other

---

6 See, e.g., ISE Rule 723(d)(2) and MIAX Rule 515A, Interpretation and Policy .11.

Users at the stop price. Pursuant to proposed Rule 21.19(e)(1)(B), the Initiating Order may receive an allocation up to the greater of one contract or such percentage. If the Agency Order is small, it is possible that the Initiating Order may receive no contracts due to rounding. For example, if the Agency Order is for two contracts, and at the end of the AIM Auction there is a Priority Customer order for one contract at the final auction price and two other participants at the final auction price, allocation would be as follows (based on the proposed change above that the allocation percentage is based on the number of contracts remaining after execution against Priority Customer orders), the Initiating Order would receive zero contracts (40% of the one remaining contract after execution against the Priority Customer order contract, which is 0.4 that gets rounded down to zero), and the remaining contra-interest would receive the final contract. This proposed change will ensure that the Initiating Order will receive at least a partial execution in an AIM Auction of a small order, and thus continue to incentive Options Members to submit customer orders into AIM auctions for potential price improvement. This is also consistent with current AIM priority, which provides that the Initiating Order has priority over non-Priority Customer orders. This proposed change is the same as other options exchanges.[7]

Additionally, the proposed Sweep and AIM order described above provides that the paired orders submitted as a Sweep and AIM order may not both be for the accounts of Priority Customers.[8] Unlike an AIM ISO (for which the Initiating Member sends an

---

[7] See, e.g., Cboe Options Rule 6.74A(b)(3)(F); and Miami International Securities Exchange, LLC ("MIAX") Rule 515A(a)(2)(iii)(H).

[8] See proposed Rule 21.19(b)(3)(B).

ISO),[9] the Exchange sends the ISO for a Sweep and AIM order and then receives the fill report for the ISO during the AIM Auction period, so it knows by the end of the AIM Auction how much of the Agency Order is left for execution against contra-interest on the Exchange. If both orders were for Priority Customers, they would immediately cross pursuant to paragraph (f) (as described below), prior to the Exchange receiving information regarding the size of any executions on away exchanges (and thus prior to knowing the NBBO that price of the immediate cross should have traded through). Not permitting pairs of Priority Customer orders to be submitted as Sweep and AIM orders ensures that the Agency Order is not oversubscribed, which can be prevented if there is an AIM Auction period, and that the immediate cross occurs at a price at or better than the NBBO. Users can submit these pairs of orders through the AIM Auction process. The Exchange believes there is minimal demand to submit pairs of Priority Customer orders as Sweep and AIM orders.

Current Rule 21.19(c)(2) (and proposed paragraph (f)) provides that the System does not initiate a Customer-to-Customer AIM Immediate Cross if there is a resting Priority Customer order on the same side and at the same price as the Agency Order, and instead cancels the Agency Order and Initiating Order. However, current subparagraph (c)(3) will initiate an AIM Auction if the resting Priority Customer order is on the opposite side and at the same price as the Agency Order. Pursuant to the proposed rule

---

[9] Users are responsible for sending the ISO order for an AIM ISO, and thus the Exchange does not need to wait for a fill report for the ISO. Because it is a User's responsibility to send the ISO, and thus account for any executions resulting from that ISO at away exchanges (and the resulting NBBO), the proposed rule change does not prohibit pairs of Priority Customer orders to be submitted as an AIM ISO. However, the Exchange believes there is minimal demand for use of this order type for pairs of Priority Customer orders.

change, the System will also cancel the Agency Order and Initiating Order in this situation rather than initiate the auction process. The Exchange believes it is appropriate to cancel in this situation, as that will ensure the Agency Order will not trade at the same price as a resting Priority Customer. This is consistent with the provision in proposed subparagraph (f)(1), which states a Customer-to-Customer AIM Immediate Cross may not occur at the same price as any Priority Customer resting on the EDGX Options Book. This is the same as Cboe Options functionality.[10]

The proposed rule change also makes various clarifications in, and nonsubstantive changes to, Rule 21.19, including the following:

- The definition of "Initiating Member" moves from current paragraph (a) to the introductory paragraph, where the first reference to the submitting Options Member is first used.
- The restriction that a solicited order cannot be for the account of any Options Market Maker registered in the applicable series on the Exchange moves from current paragraph (a)(6) to the introductory paragraph.
- The provision that all options traded on the Exchange are eligible for AIM moves from current paragraph (a) to proposed subparagraph (a)(1).
- The requirement that the Initiating Member mark the Agency Order for AIM processing moves from current paragraph (b)(1)(A), which relates to the Auction process, to proposed subparagraph (a)(2), as this is a requirement to initiate an Auction rather than being a part of the Auction process.

---

[10] See Cboe Options Rule 6.74A, Interpretation and Policy .08.

- Proposed paragraph (a)(3) states there is no minimum size for Agency Orders, and that the Initiating Order must be for the same size as the Agency Order. This is consistent with current functionality, as the current rule states Agency Orders may have size smaller than and greater than 50 contracts, and states the Initiating Member must stop the entire Agency Order.[11]

- Proposed paragraph (a)(4) states the minimum increment for the Agency Order and Initiating Order is $0.01. This is consistent with current subparagraph (a)(1), except the proposed rule change eliminates Exchange flexibility to change the increment, as the Exchange does not intend to increase the minimum increment.

- The provision that states an Initiating Member may not submit an Agency Order if the NBBO is crossed moves from current subparagraph (a)(5) to proposed subparagraph (a)(6). The proposed rule change adds this does not apply in the case of an AIM ISO or Sweep and AIM order, consistent with the definitions of those two terms.

- Proposed subparagraph (a)(5) states an Initiating Member may not designate an Agency Order or Initiating Order as Post Only. This is consistent with current functionality, and the proposed rule change is merely clarifying this in the Rules. The Exchange believes this is appropriate, as the purpose of a Post Only order is to not execute upon entry and instead rest in the EDGX Options Book, while the purpose of an AIM Auction is to receive an execution following the auction but prior to entering the EDGX Options Book.

---

[11] See current Rule 21.19(a)(1); see also Cboe Options Rule 6.74A, Interpretation and Policy .03.

- The provisions that require the stop price be at least $0.01 better than the NBBO if the Agency Order is for less than 50 option contracts, and at or better than the NBBO in all other situations (if the Agency Order is for 50 contracts or more, or the NBO width is greater than $0.01) moves from current subparagraph (a)(1) to proposed subparagraph (b)(1), as proposed paragraph (b) contains all provisions regarding the price of the Agency and Initiating Orders.[12] The proposed rule change makes no substantive change to these price requirements.
- The provisions that require the stop price be at least $0.01 better than an order (including a Priority Customer order) at the EDGX BBO on the same side as the Agency Order or at or better than a non-Priority Customer order at the EDGX BBO on the same side as the Agency Order if the Agency Order is a Priority Customer order (and the Priority Customer overlay applies) moves from current paragraph (a)(2) to proposed paragraph (b)(2), as proposed paragraph (b) contains all provisions regarding the price of the Agency and Initiating Orders. The proposed rule change makes no substantive change to these price requirements.
- The provisions that state an Agency Order must satisfy all of the eligibility and price requirements are moved from various locations in the rule, including current subparagraphs (a)(4) and (a)(5), to proposed paragraphs (a) and (b). This

---

12 The proposed rule change clarifies the size requirements for mini-option contracts, which are 1/10th the size of standard option contracts. This is consistent with current functionality and is merely adding detail to the rule. See Rule 19.6, Interpretation and Policy .07 (which permits the listing of mini-options); see also Cboe Options Rule 6.74A(a)(3).

also clarifies which requirements must be met in order for an Agency Order to be accepted and initiate an AIM Auction.

- The proposed rule change simplifies current subparagraph (b)(1)(A) (and proposed subparagraph (b)(4)) regarding the instructions an Initiating Member must specify regarding the prices at which it is willing to trade with the Agency Order. The proposed rule change makes no substantive changes to these provisions.
- The provision regarding the submission of ISOs to BAM moves from current subparagraph (b)(6) to proposed subparagraph (b)(3)(A). These orders are renamed as AIM Sweep orders or AIM ISO orders. This is consistent with an AIM Sweep Order in Cboe Options Rule 6.53(q), as well as current functionality. The proposed rule change merely adds detail regarding how these orders work (substantively the same as the Cboe Options definition of an AIM Sweep Order). The functionality for these orders is not changing.
- The provision regarding concurrent AIM Auctions moves from current subparagraph (a)(3) and Interpretation and Policy .04 to proposed subparagraph (c)(1). The proposed rule change makes no substantive changes to the provisions regarding concurrent AIM Auctions.
- The provision that does not permit the Agency Order to be modified or cancelled after the Initiating Member submits the Agency Order to an AIM Auction moves from current subparagraph (b)(1)(A) to proposed paragraph (c)(4).
- Proposed subparagraph (c)(5) clarifies that an AIM response may only participate in the AIM Auction with the Auction ID specified in the response.

This is consistent with the requirement that a response identify the Auction to which it is being submitted and consistent with current functionality. The proposed rule change is merely adding this detail to the rule.

- The provision that states AIM responses will not be visible to Auction participants or disseminated to OPRA moves from current subparagraph (b)(1)(F) to proposed subparagraph (c)(5)(H).
- Current subparagraph (b)(1)(L) is deleted and replaced by proposed subparagraph (c)(5)(B), which states AIM responses that cross the Initial NBBO are capped at the Initial NBO on the same side as the Agency Order and $0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM). The System will execute AIM responses, if possible, at the most aggressive permissible price not outside the NBBO. This is consistent with current subparagraph (L), except clarifies that the System does accept AIM responses that cross the Initial NBBO (the current provision states responses cannot cross the NBBO, so the proposed rule change clarifies such responses would not be rejected) but capped and executed within the Initial NBBO (which is consistent with the current provision that states these responses will execute at the most aggressive permissible price).
- The provisions that state an AIM response is capped at the size of the Agency Order moves from current subparagraph (b)(1)(H) and (I) to proposed subparagraph (c)(5)(D).

- The provision that states AIM responses may be aggregated clarifies that these are aggregated by User by EFID. This is consistent with current functionality and is adding this detail to the Rule regarding how the System aggregates this interest.
- The provision that states AIM responses may not be designated as FOK or IOC moves form current subparagraph (b)(1)(K) to proposed subparagraph (c)(5)(G).
- The provision that states AIM responses may be modified or cancelled during an Auction moves from current subparagraph (b)(1)(J) to proposed subparagraph (c)(5)(I).
- Pursuant to proposed subparagraph (e)(6), the System cancels or rejects any unexecuted AIM response (or unexecuted portions) at the conclusion of the AIM Auction. This is consistent with current subparagraph (b)(5). However, currently, the System immediately rejects AIM responses if they are not executable based on the price of the Auction. The Exchange believes it is appropriate to cancel all unexecuted AIM responses, regardless of whether they are marketable, at the same time at the conclusion of the Auction. This has no impact on the allocation of an AIM Auction, as responses that are not marketable at the beginning of an AIM Auction will also be unmarketable at the conclusion of an AIM Auction and be cancelled. The proposed rule change merely changes the time at which these unmarketable responses are cancelled.
- Proposed paragraph (c)(5) specifies when the System will reject AIM responses if they do not meet the specified criteria and are obviously wrong (such

as being in the wrong increment or on the wrong side). This is consistent with current functionality, and the proposed rule change is adding this detail to the rule.

- Current subparagraph (b)(2)(B), which is proposed subparagraph (d)(1)(B), is clarified to state that the Auction will conclude upon receipt of a Priority Customer order on the same side as the Agency Order if the price of the Priority Customer order is at or better than the stop price. This is consistent with current functionality, as in both cases it would otherwise cause a Priority Customer Order to be posted on the EDGX Options Book with a price better than the stop price. The proposed rule change is adding this detail to the rule.
- The provisions regarding allocation when an Initiating Member selects Last Priority moves from current subparagraph (b)(1)(B) to proposed subparagraph (e)(5). Proposed paragraph (e) contains all provisions related to the allocation of the Agency Order. The proposed rule change makes no substantive changes to the application of Last Priority. The proposed rule change deletes current subparagraph (b)(1)(B)(ii), which states Last Priority will not be applied if both the Initiating Order and the Agency Order are Priority Customer orders. Because paired orders with a Priority Customer on both sides (Agency and Initiating) are immediately crossed pursuant to current paragraph (c) and proposed paragraph (f), Last Priority would never apply since there is no allocation order for such immediate crosses. Therefore, current subparagraph (b)(1)(B)(ii) is unnecessary.

- The proposed rule change moves all provisions regarding allocation of the Agency Order (including from current subparagraphs (b)(1)(A) and (B) and (b)(4)(B)) to proposed paragraph (e). The proposed rule change sets forth the exact order in which the Agency Order will be allocated to contra-side interest when there is no price improvement, when there is price improvement with a single-price submission, and when there is price improvement with auto-match. Except as discussed above, the proposed rule change makes no substantive changes to the order in which the Agency Order is allocated to contra-side interest. The Exchange believes this clarifies the allocation and priority provisions at the end of an AIM Auction.
- The proposed rule change adds detail regarding when the nondisplayed portions of Reserve Orders will trade against the Agency Order. Specifically, proposed subparagraphs (e)(2) and (3) provides that the nondisplayed Reserve Quantity will trade against the Agency Order at each price level better than the final auction price, after all displayed quantity at each price level (and after the Initiating Order if auto-match was selected). This is consistent with Rule 21.8(l), which provides that displayed orders have priority over nondisplayed orders, and that customer nondisplayed orders trade ahead of non-customer nondisplayed orders (if the Customer Overlay has been applied). This is consistent with current priority principles and functionality, and the proposed rule change is adding this detail to the Rules. The Exchange believes this is appropriate, as it ensures all interest (including nondisplayed interest) at a better price than the final auction price will trade against the Agency order (and thus provide maximum opportunity

for price improvement), while encouraging the submission of displayed orders, as nondisplayed interest at the final auction price will not trade, as remaining interest at the final auction price will trade against the Initiating Order. The one exception to this is, as provided in proposed subparagraph (e)(5), if the Initiating Member selects last priority, any nondisplayed interest at the final auction price will trade ahead of the Initiating Order, which is consistent with the Initiating Member's intentions by submitting the request for last priority.

- The proposed rule change makes certain rule language plain English, updates cross-references as necessary, and inserts defined terms as appropriate.

(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.[13] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[14] 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

---

13 15 U.S.C. 78f(b).

14 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)[15] 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 to permit the Initiating Order to be comprised of multiple contra-party orders will benefit investors, because it may increase the opportunity for customers to have orders participate in an AIM auction. As a result, this would increase opportunities for price improvement, because this will increase the liquidity available for the Initiating Order, which is consistent with the purpose of AIM Auctions. The Exchange believes that this will be beneficial to participants because allowing multiple contra-parties should foster competition for filling the Initiating Order and thereby result in potentially better prices, as opposed to only allowing one contra-party and, thereby requiring that contra-party to do a larger size order which could result in a worse price for the trade. The proposed rule change is also based on rules of other options exchanges.[16]

The proposed Sweep and AIM order type is similar to current AIM ISO functionality, except the Exchange will route the ISO orders on behalf of the Initiating Member rather than require the Initiating Member to separately route ISO orders. This will benefit investors and remove impediments to and perfect the mechanism of a free and open market and a national market system, as it will provide Users with an additional, efficient method to initiate an AIM while preventing trade-throughs. The proposed rule change is also based on the rules of another options exchange.[17]

---

15 Id.

16 See, e.g., Cboe Options Rule 6.74A and Regulatory Circular RG17-074 (May 19, 2017); and ISE Rule 723(b).

17 See, e.g., Cboe Options Rule 6.53(r).

The proposed rule change to provide that the Initiating Order will be allocated the greater of one contract or the specified percentage will ensure that the Initiating Order will receive at least a partial execution in an AIM Auction of a small order. This will incentive Options Members to continue submit customer orders into AIM auctions for potential price improvement, which ultimately benefits investors. This proposed change is the same as other options exchanges.[18]

The proposed rule change to provide that the Initiating Order's percentage allocation will be based on the number of contracts remaining after the Agency Order executes against Public Customer orders will promote just and equitable principles of trade, as it ensures the size used to determine the allocation percentage for the Initiating Order will be based on the same number of contracts that would otherwise be available to other contra-side interest. It is also the same as other options exchanges.[19]

The proposed rule change to not immediately cross a pair of orders for customer accounts at the same price as any Priority Customer order resting on the EDGX Options Book, and to cancel an Agency Order if there is a Priority Customer order resting on the opposite side of the market at the same price (as currently occurs if there is a Priority Customer order resting on the same side of the market at the same price), will protect customer orders that enter the EDGX Options Book. This proposed rule change is the same as the rules of another options exchange.[20] The Exchange believes it promotes just

---

18 See, e.g., Cboe Options Rule 6.74A(b)(3)(F); and MIAX Rule 515A(a)(2)(iii)(H).

19 See, e.g., ISE Rule 723(d)(2); and MIAX Rule 515A, Interpretation and Policy .11. While this functionality is not specified in Cboe Options Rule 6.74A, it is the Exchange's understanding this proposed rule change is consistent with Cboe Options functionality.

20 See Cboe Options Rule 6.74A, Interpretation and Policy .08.

and equitable principles of trade to limit immediate crosses without auctions only when there are no Priority Customer orders resting on the Book, as that is consistent will protect Priority Customer orders on the book, which may then have opportunities to trade against Agency Orders. The Exchange similarly believes it will protect investors by rejecting Sweep and AIM orders with pairs of orders for customer accounts, as this will ensure customers will receive better prices at least as good as the Initial NBBO and not oversubscribe the Agency Order. The Exchange does believes there is minimal demand for use of Sweep and AIM orders for pairs of Priority Customer orders.

The proposed clarifications and nonsubstantive changes will benefit investors, as they provide additional detail and transparency to the rules regarding the AIM Auction process, including the AIM eligibility requirements, AIM response parameters, and allocation of the Agency Order following an AIM Auction. This includes the proposed clarification that an Initiating Member may not designate an Agency Order or Initiating Order as Post Only. This clarification protects investors, because provides transparency regarding functionality that is not available on BAM today. The Exchange believes this is appropriate, as the purpose of a Post Only order is to not execute upon entry and instead rest in the EDGX Options Book, while the purpose of submitting orders to an AIM Auction is to receive an execution following the auction and not to have those orders enter the EDGX Options Book. Pursuant to current and proposed Rule 21.19, an Agency Order will fully execute against contra-side interest (possibly including the Initiating Order, which must be for the same size as the Agency Order, and thus there cannot be remaining contracts in an Agency Order to enter the EDGX Options Book if there is an execution following a BAM/AIM Auction). This proposed clarification is not changing current functionality, and the Post Only designation is not available to any Initiating Member for Agency Orders and Initiating Orders.

The proposed clarification that provides an AIM response that crosses the Initial NBBO is capped at the Initial NBBO on the same side as the Agency Order and $0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM), and that an AIM response will execute, if possible, at the most aggressive permissible price not outside the Initial NBBO protects investors, because it adds detail to the rules regarding current functionality. Current Rule 21.19 may imply the System may not accept responses that cross the Initial NBBO. However, because responses are a source of liquidity and potential price improvement, the Exchange believes it is appropriate to instead accept these responses and cap them at the Initial NBBO. This promotes just and equitable principles of trade, because it is consistent with the requirement that the stop price (which is the minimum price at which the Agency Order may execute) must be at or better than the Initial NBBO, and will ensure the execution price does not cross the Initial NBBO in accordance with linkage rules. This proposed clarification is not changing current functionality, and this functionality applies in the same manner to the responses of all Users.

The proposed clarification to state that the stop price requirements that apply to Agency Orders for less than 50 standard option contracts and to Agency Orders for 50 standard option contracts or more similarly apply to the corresponding number of mini-option contracts (*i.e.*, 500 mini-option contracts) protects investors, because it is consistent with current functionality. Rule 19.6, Interpretation and Policy .07 permits the listing of mini-options, which is an option with a 10 share deliverable of the underlying security rather than 100 share deliverable of the underlying security (which is the standard deliverable for a standard option contract). The proposed change to state that 50 standard option contracts is consistent with 500 mini-option contracts is consistent with this definition of mini-options. This provides transparency to investors that AIM functionality and the potential for price improvement is available to Agency Orders for mini-options as well as standard options. The proposed clarification also promotes fair and equitable principles of trade, because the volume restrictions apply in the same manner to an equivalent number of contracts in a standard option and a mini-option. This proposed clarification does not impose any significant burden on competition, as it applies in the same manner to all Agency Orders and is also the same as Cboe Options Rule 6.74A(a)(3).

Additionally, these proposed changes reorganize Rule 21.19 so that all provisions related to the same part of the auction process and located in the same part of the rule. These proposed changes have no impact on how the AIM Auction will work, as they are consistent with current functionality.

The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The Exchange believes this consistency will promote a fair and orderly national options market system. When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition, as the proposed rule change will apply in the same manner to all orders submitted to an AIM Auction. With respect to the proposed changes that limit the Immediate Customer-to-Customer AIM crosses, those changes will apply in the same manner to all pairs of customer orders submitted in those circumstances. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, because the proposed changes, as described above and below, are based on rules for similar price improvement auction mechanisms at other options exchanges.

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[21] and Rule 19b-4(f)(6)[22] 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 to permit the Initiating Order to be comprised of multiple contra-party orders does not significantly affect the protection of investors or the public interest. The Exchange believes this will benefit investors, because it may increase the opportunity for customers to have orders participate in an AIM Auction. As a result, this would increase opportunities for price improvement, because it will increase the liquidity available for the Initiating Order, which is consistent with the purpose of AIM Auctions. Additionally, this proposed rule change does not impose any significant burden on competition. The Exchange believes allowing multiple contra-parties should foster competition for filling the Initiating Order and thereby result in potentially better

---

21 15 U.S.C. 78s(b)(3)(A).

22 17 CFR 240.19b-4(f)(6).

prices. This functionality will be available to all Users that submit orders into an AIM Auction. It is also consistent with Cboe Options AIM functionality and the rules of another options exchange.[23]

The proposed rule change to adopt a Sweep and AIM order type does not significantly affect the protection of investors or the public interest. The proposed change is similar to current AIM ISO functionality, except the Exchange will route the ISO orders on behalf of the Initiating Member rather than require the Initiating Member to separately route ISO orders. This will benefit investors, as it will provide Users with an additional, efficient method to initiate an AIM while preventing trade-throughs. Additionally, this proposed rule change does not impose any significant burden on competition. This order type will be available to all users in the same manner. It merely automates a process that Options Members must manually perform today, but ultimately has the same result. Additionally, it is consistent with the Sweep and AIM order available on Cboe Options.[24] The Exchange additionally believes it does significantly affect the protection of investors and does not impose any significant burden on competition to not permit pairs of Priority Customer orders to be submitted as a Sweep and AIM orders, because it will ensure these orders do not become oversubscribed due to an immediate cross prior the Exchange receiving a fill report for the ISO, and ensures any cross of these orders will not trade-through the NBBO. The Exchange believes there is minimal demand to submit pairs of Priority Customer orders as Sweep and AIM orders.

---

23 See Cboe Options Regulatory Circular RG17-074 (May 19, 2017); see also NASDAQ ISE, LLC ("ISE") Rule 723(b).

24 See Cboe Options Rule 6.53(r).

The proposed rule change to provide that the Initiating Order will be allocated the greater of one contract or the specified percentage does not significantly affect the protection of investors or the public interest. It will ensure that the Initiating Order will incentive Options Members to continue submit customer orders into AIM auctions for potential price improvement, which ultimately benefits investors. Additionally, this proposed rule change does not impose any significant burden on competition. It will apply in the same manner to all Initiating Orders submitted into an AIM Auction. It is also the same as other options exchanges.[25]

The proposed rule change to provide that the Initiating Order's percentage allocation will be based on the number of contracts remaining after the Agency Order executes against Public Customer orders does not significantly affect the protection of investors or the public interest. The Exchange believes this proposed rule change will benefit investors, as it ensures the size used to determine the allocation percentage for the Initiating Order will be based on the same number of contracts that would otherwise be available to other contra-side interest, which will encourage participants to submit contra-side liquidity to participate in AIM Auctions. Additionally, this proposed rule change does not impose any significant burden on competition. It will apply in the same manner to all Initiating Orders submitted into an AIM Auction. It is also the same as other options exchanges.[26]

25 See, e.g, Cboe Options Rule 6.74A(b)(3)(F); and MIAX Rule 515A(a)(2)(iii)(H).

26 See, e.g., ISE Rule 723(d)(2); and MIAX Rule 515A, Interpretation and Policy .11. While this functionality is not specified in Cboe Options Rule 6.74A, it is the Exchange's understanding this proposed rule change is consistent with Cboe Options functionality.

The proposed rule change regarding Immediate Customer-to-Customer AIM Crosses does not significantly affect the protection of investors or the public interest. The proposed change is consistent with the principles of Customer priority and will protect Priority Customer orders on the EDGX Options Book, which may have opportunities to trade against Agency Orders and provide additional opportunities for price improvement for Priority Customer orders. Additionally, the proposed rule change does not impose any significant burden on competition. The proposed change will apply in the same manner to all pairs of Priority Customer orders submitted to AIM at the same price as any Priority Customer order resting on the EDGX Options Book. The proposed rule change is the same as the rules of another options exchange.[27]

The proposed clarifications and nonsubstantive changes do not significantly affect the protection of investors or the public interest or impose any significant burden on competition. This includes the proposed clarification that an Initiating Member may not designate an Agency Order or Initiating Order as Post Only. This clarification does not significantly affect the protection of investors or the public interest, because this is not available on BAM today. The Exchange believes this is appropriate, as the purpose of a Post Only order is to not execute upon entry and instead rest in the EDGX Options Book, while the purpose of submitting orders to an AIM Auction is to receive an execution following the auction and not to have those orders enter the EDGX Options Book. Pursuant to current and proposed Rule 21.19, an Agency Order will fully execute against contra-side interest (possibly including the Initiating Order, which must be for the same size as the Agency Order, and thus there cannot be remaining contracts in an Agency

---

27 See Cboe Options Rule 6.74A, Interpretation and Policy .08.

Order to enter the EDGX Options Book if there is an execution following a BAM/AIM Auction). This proposed clarification does not impose any significant burden on competition, because it is not changing current functionality, and the Post Only designation is not available to any Initiating Member for Agency Orders and Initiating Orders.

The proposed clarification that provides an AIM response that crosses the Initial NBBO is capped at the Initial NBBO on the same side as the Agency Order and $0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM), and that an AIM response will execute, if possible, at the most aggressive permissible price not outside the Initial NBBO does not significantly affect the protection of investors or the public interest, because it is consistent with current functionality. Current Rule 21.19 may imply the System may not accept responses that cross the Initial NBBO. However, because responses are a source of liquidity and potential price improvement, the Exchange believes it is appropriate to instead accept these responses and cap them at the Initial NBBO. This is consistent with the requirement that the stop price (which is the minimum price at which the Agency Order may execute) must be at or better than the Initial NBBO. This will ensure the execution price does not cross the Initial NBBO in accordance with linkage rules. This proposed clarification does not impose any significant burden on competition, because it is not changing current functionality, and this functionality applies in the same manner to the responses of all Users.

The proposed clarification to state that the stop price requirements that apply to Agency Orders for less than 50 standard option contracts and to Agency Orders for 50 standard option contracts or more similarly apply to the corresponding number of mini-option contracts (*i.e.*, 500 mini-option contracts) does not significantly affect the protection of investors or the public interest, because it is consistent with current functionality. Rule 19.6, Interpretation and Policy .07 permits the listing of mini-options, which is an option with a 10 share deliverable of the underlying security rather than 100 share deliverable of the underlying security (which is the standard deliverable for a standard option contract). The proposed change to state that 50 standard option contracts is consistent with 500 mini-option contracts is consistent with this definition of mini-options. This provides transparency to investors that AIM functionality and the potential for price improvement is available to Agency Orders for mini-options as well as standard options. The volume restrictions apply in the same manner to an equivalent number of contracts in a standard option and a mini-option. This proposed clarification does not impose any significant burden on competition, as it applies in the same manner to all Agency Orders and is also the same as Cboe Options Rule 6.74A(a)(3).

This proposed clarification does not impose any significant burden on competition, as it applies in the same manner to all Agency Orders and is also the same as Cboe Options Rule 6.74A(a)(3).

The Exchange believes these clarifications and nonsubstantive changes will benefit investors and have no competitive impact, as they provide additional detail to the rules regarding the AIM Auction process and better organize Rule 21.19 so that all provisions related to the same part of the auction process and located in the same part of the rule. These proposed changes have no impact on how the AIM Auction will work, as they are consistent with current functionality and merely add transparency to the Rules. As proposed, AIM will continue to apply in the same manner to all orders submitted to an AIM Auction.

The proposed rule change will allow the Exchange to continue to strive towards a complete technology integration of the Cboe Affiliated Exchanges, with gradual roll-outs of new functionality to ensure stability of the System. The proposed rule change is generally intended to add certain system functionality to the Exchange's System, as well as modify certain functionality, in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by Options Members of the Exchange that are also participants on Cboe Affiliated Exchanges.

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 discussed above and below, the proposed rule change is substantially the same as Cboe Options Rules 6.53(q) and (r) and 6.74A, as well as certain rules of other options exchanges, and does not significantly affect the protection of investors or the public interest or impose any significant burden on competition. Waiver of the operative delay will allow the Exchange to continue to strive towards a complete technology integration of the Cboe Affiliated Exchanges, with gradual roll-outs of new functionality to ensure stability of the System. The proposed rule change is generally intended to add or modify certain system functionality related to the Exchange's price improvement auction in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by Options Members of the Exchange that are also participants on Cboe Affiliated Exchanges and thus benefits investors. As noted above, the Exchange anticipates implementing the proposed rule change on March 21, 2019. Therefore, allowing the Exchange to adopt these changes without a 30-day operative delay is consistent with the protection of investors and the public interest.

(c) Not applicable.

(d) Not applicable.

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

Proposed Rule 21.19 is substantially similar Cboe Options Rule 6.74A. Cboe Options Rule 6.74A, Interpretation and Policy .07 describes how Cboe Options AIM will apply to complex orders. AIM will not be available for complex orders on the Exchange as of the implementation date of the proposed rule change. The Exchange will submit a rule filing to the extent it determines to apply AIM to complex orders in the future. Cboe

Options Rule 6.74A also requires a stop price to be better than the NBBO for all orders for fewer than 50 contracts, while Rule 21.19 only requires a stop price to be better than the NBBO for orders for fewer than 50 contracts when the width of the NBBO is $0.01 wide. Cboe Options Rule 6.74A also requires three market-makers to be quoting in the relevant series to initiate an auction, and limits responses to market-makers in the class and orders represented as agent at the top of the book. Currently, the Exchange does not require a minimum number of quoters to initiate a BAM and permits all Users to submit responses to a BAM auction, and these differences will continue to exist. Cboe Options Rule 6.74A, Interpretation and Policy .09 also offers AIM Retained order functionality, which provides that if the conditions to initiate an AIM Auction are not met, the Agency Order will route for processing. Pursuant to current and proposed Rule 21.19, the System will cancel an Agency Order if the conditions to initiate an AIM Auction are not met. The Exchange does not propose to adopt functionality similar to AIM Retained order functionality, and notes the crossing auction rules of other exchanges do not contain similar functionality. Pursuant to Cboe Options Rule 6.74A(b)(2), a Cboe Options AIM auction will terminate early for different reasons than those that will cause an Exchange auction to terminate early pursuant to proposed Rule 21.19(d). The Exchange believes, despite these differences, the primary functionality of AIM as proposed and Cboe Options AIM is substantially the same, and these differences between the two different price improvement auction mechanisms exist today and are unrelated to the proposed changes to Rule 21.19.

Currently, Options Members may submit ISOs into an AIM auction pursuant to current Rule 21.19(b)(6). The proposed AIM ISO in proposed Rule 21.19(b)(3)(A) is based on Cboe Rule 6.53(q). The proposed rule change is merely adding detail regarding how

AIM ISOs work, but the functionality is the same as ISOs that may currently be submitted into an AIM Auction.

The proposed Sweep and AIM order in proposed Rule 21.19(b)(3)(B) is substantially the same as the Sweep and AIM order in Cboe Options Rule 6.53(r). As discussed above, the proposed rule change does not permit pairs of Priority Customer orders to be submitted as Sweep and AIM orders, which is not prohibited by the Cboe Options rule. The Exchange believes this is a de minimis difference, as the primary purpose and function of the Sweep and AIM order is the same, and the proposed rule change only restricts submission for a small (and likely insubstantial) number of orders, as the Exchange believes there is minimal demand to submit pairs of Priority Customer orders as Sweep and AIM orders.

The proposed rule change in the introductory paragraph and proposed paragraph (f) of Rule 21.19 to permit the Initiating Order to be comprised of multiple contra-parties is consistent with Cboe Options AIM functionality, as set forth in Cboe Options Regulatory Circular RG17-074 (May 19, 2017). The proposed change is also the same as ISE Rule 723(b).

The proposed rule change in proposed Rule 21.19(e)(1)(B) that provides the Initiating Order will receive the greater of one contract or a specified percentage of the Agency Order is based on Cboe Options Rule 6.74A(b)(3)(F). It is also the same as MIAX Rule 515A(a)(2)(iii)(H).

The proposed rule change in proposed Rule 21.19(e)(1)(B) that provides the percentage allocation for the Initiating Order will be based on the contracts remaining after the Agency Order executes against Priority Customers is the same as Cboe Options functionality (although not clarified in the Cboe Options rules). Additionally, the proposed rule change is the same as ISE Rule 723(d)(2) and MIAX Rule 515A, Interpretation and Policy .11.

The proposed rule change regarding Immediate Customer-to-Customer AIM Crosses in proposed Rule 21.19(f)(2) does not significantly affect the protection of investors or the public interest. The proposed change is consistent with the principles of Customer priority and will protect Priority Customer orders on the EDGX Options Book, which may have opportunities to trade against Agency Orders and provide additional opportunities for price improvement for Priority Customer orders. Additionally, the proposed rule change does not impose any significant burden on competition. The proposed change will apply in the same manner to all pairs of Priority Customer orders submitted to AIM at the same price is based on Cboe Options Rule 6.74A, Interpretation and Policy .08.

The proposed change to apply the Agency Order volume restrictions to Agency Orders for mini-options is the same as Cboe Options Rule 6.74A(a)(3).

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-CboeEDGX-2019-007]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Bats Auction Mechanism ("BAM")

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 EDGX Exchange, Inc. (the "Exchange" or "“EDGX”") 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 EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to amend the Bats Auction Mechanism ("BAM"). The text of the proposed rule change is provided in Exhibit 5.

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

2 17 CFR 240.19b-4.

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

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

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/options/regulation/rule_filings/edgx/), 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. ("Cboe Global"), which is the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2"), acquired the Exchange, Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, the Exchange, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2, and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is available on Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The proposed rule change amends Rule 21.19 related to BAM, which the proposed rule change renames as the Automated Improvement Mechanism ("AIM"). This is the name of the corresponding price improvement auction mechanism on Cboe Options, and the proposed rule change will refer to the Exchange's auction process as AIM.[5]

The proposed rule change will permit the Initiating Order to consist of one or more solicited orders. This will accommodate multiple contra-parties and increase the opportunities for customer orders to be submitted into an AIM Auction with the potential for price improvement, since the Initiating Order must stop the full size of the Agency Order. This has no impact on the execution of the Agency Order, which may already trade against multiple contra-parties depending on the final auction price, as set forth in proposed paragraph (e). This proposed change is consistent with Cboe Options AIM functionality.[6]

The proposed rule change adopts a Sweep and AIM order, which is the submission of two orders for crossing in an AIM Auction with a stop price that does not

---

5 See Cboe Options Rule 6.74A. The proposed rule change also replaces the reference to BAM with AIM in Rule 22.12(c).

6 See Cboe Options Regulatory Circular RG17-074 (May 19, 2017); see also NASDAQ ISE, LLC ("ISE") Rule 723(b).

need to be within the BBO and where the Exchange sweeps all Protected Quotes, as defined in Rule 27.1, by routing one or more ISOs, as necessary, to execute against the full displayed size of any Protected Quote with a price better than the stop price, as well as sweep all interest in the EDGX Options Book with a price better than the stop price simultaneously with the commencement of the AIM Auction. Any execution(s) resulting from these sweeps accrue to the Agency Order.[7] This proposed order is consistent with the current BAM ISO functionality,[8] except the Exchange will route the ISOs on behalf of the User rather than requiring the User to route the ISOs itself. Additionally, the proposed rule change is consistent with Cboe Options functionality.[9] This proposed order type will provide Users with an additional, efficient method to initiate an AIM while preventing trade-throughs.

The proposed rule change clarifies that if an Initiating Member submits an AIM Sweep or Sweep and AIM order, the stop price may be inferior to the Initial NBBO, but is still subject to the price improvement requirement in proposed subparagraph (b)(1)(A). In other words, while AIM Sweep and Sweep and AIM orders permit an Initiating Member to stop an Agency Order at a price inferior to the NBBO at the time it submits the Agency Order to an AIM Auction, the Initiating Member must still comply with the price-improvement requirement for smaller-sized orders if the width of the NBBO is $0.01. For example, if an Initiating Member submits an Agency Order to buy for 20

---

7 In other words, any contracts executed at an away exchange would count as execution against the Agency Order (and thus reduce the size of the Agency Order available for execution during an AIM Auction). This is consistent with how ISOs work for all order types.

8 See current Rule 21.19(b)(6) and proposed Rule 21.19(b)(3)(A); see also Cboe Options Rule 6.53(q).

9 See Cboe Options Rule 6.53(r).

contracts as a Sweep and AIM with a stop price of 1.01 when the NBBO is 1.00 x 1.01, the System rejects the Agency Order (and the Initiating Order). Note if the Initiating Member instead submitted an AIM Sweep, the Exchange initiates an AIM, because the Initiating Member is responsible for submitting the ISO and the System cannot confirm that the NBBO width will ultimately be $0.01. However, the Initiating Member is still responsible for complying with the price-improvement requirement for smaller-sized orders if the width of the resulting NBBO following execution of the ISO is $0.01.

Proposed Rule 21.19(e)(1) provides that the Initiating Order allocation percentage is based on the number of contracts remaining of the Agency Order after execution against Priority Customer orders rather than the initial size of the Agency Order. This ensures the size used to determine the allocation percentage for the Initiating Order will be based on the same number of contracts that would otherwise be available to other contra-side interest. The proposed rule change is the same as the rules of other options exchanges.[10]

Additionally, pursuant to current Rule 21.19(b)(1)(A), the Initiating Member may receive an allocation up to 50% of the Agency Order if there interest from one other User at the stop price or 40% of the Agency Order if there is interest from two or more other Users at the stop price. Pursuant to proposed Rule 21.19(e)(1)(B), the Initiating Order may receive an allocation up to the greater of one contract or such percentage. If the Agency Order is small, it is possible that the Initiating Order may receive no contracts due to rounding. For example, if the Agency Order is for two contracts, and at the end of the AIM Auction there is a Priority Customer order for one contract at the final auction

---

10 See, e.g., ISE Rule 723(d)(2) and MIAX Rule 515A, Interpretation and Policy .11.

price and two other participants at the final auction price, allocation would be as follows (based on the proposed change above that the allocation percentage is based on the number of contracts remaining after execution against Priority Customer orders), the Initiating Order would receive zero contracts (40% of the one remaining contract after execution against the Priority Customer order contract, which is 0.4 that gets rounded down to zero), and the remaining contra-interest would receive the final contract. This proposed change will ensure that the Initiating Order will receive at least a partial execution in an AIM Auction of a small order, and thus continue to incentive Options Members to submit customer orders into AIM auctions for potential price improvement. This is also consistent with current AIM priority, which provides that the Initiating Order has priority over non-Priority Customer orders. This proposed change is the same as other options exchanges.[11]

Additionally, the proposed Sweep and AIM order described above provides that the paired orders submitted as a Sweep and AIM order may not both be for the accounts of Priority Customers.[12] Unlike an AIM ISO (for which the Initiating Member sends an ISO),[13] the Exchange sends the ISO for a Sweep and AIM order and then receives the fill report for the ISO during the AIM Auction period, so it knows by the end of the AIM

---

11 See, e.g., Cboe Options Rule 6.74A(b)(3)(F); and Miami International Securities Exchange, LLC ("MIAX") Rule 515A(a)(2)(iii)(H).

12 See proposed Rule 21.19(b)(3)(B).

13 Users are responsible for sending the ISO order for an AIM ISO, and thus the Exchange does not need to wait for a fill report for the ISO. Because it is a User's responsibility to send the ISO, and thus account for any executions resulting from that ISO at away exchanges (and the resulting NBBO), the proposed rule change does not prohibit pairs of Priority Customer orders to be submitted as an AIM ISO. However, the Exchange believes there is minimal demand for use of this order type for pairs of Priority Customer orders.

Auction how much of the Agency Order is left for execution against contra-interest on the Exchange. If both orders were for Priority Customers, they would immediately cross pursuant to paragraph (f) (as described below), prior to the Exchange receiving information regarding the size of any executions on away exchanges (and thus prior to knowing the NBBO that price of the immediate cross should have traded through). Not permitting pairs of Priority Customer orders to be submitted as Sweep and AIM orders ensures that the Agency Order is not oversubscribed, which can be prevented if there is an AIM Auction period, and that the immediate cross occurs at a price at or better than the NBBO. Users can submit these pairs of orders through the AIM Auction process. The Exchange believes there is minimal demand to submit pairs of Priority Customer orders as Sweep and AIM orders.

Current Rule 21.19(c)(2) (and proposed paragraph (f)) provides that the System does not initiate a Customer-to-Customer AIM Immediate Cross if there is a resting Priority Customer order on the same side and at the same price as the Agency Order, and instead cancels the Agency Order and Initiating Order. However, current subparagraph (c)(3) will initiate an AIM Auction if the resting Priority Customer order is on the opposite side and at the same price as the Agency Order. Pursuant to the proposed rule change, the System will also cancel the Agency Order and Initiating Order in this situation rather than initiate the auction process. The Exchange believes it is appropriate to cancel in this situation, as that will ensure the Agency Order will not trade at the same price as a resting Priority Customer. This is consistent with the provision in proposed subparagraph (f)(1), which states a Customer-to-Customer AIM Immediate Cross may not occur at the same price as any Priority Customer resting on the EDGX Options Book. This is the same as Cboe Options functionality.[14]

The proposed rule change also makes various clarifications in, and nonsubstantive changes to, Rule 21.19, including the following:

- The definition of "Initiating Member" moves from current paragraph (a) to the introductory paragraph, where the first reference to the submitting Options Member is first used.
- The restriction that a solicited order cannot be for the account of any Options Market Maker registered in the applicable series on the Exchange moves from current paragraph (a)(6) to the introductory paragraph.
- The provision that all options traded on the Exchange are eligible for AIM moves from current paragraph (a) to proposed subparagraph (a)(1).
- The requirement that the Initiating Member mark the Agency Order for AIM processing moves from current paragraph (b)(1)(A), which relates to the Auction process, to proposed subparagraph (a)(2), as this is a requirement to initiate an Auction rather than being a part of the Auction process.
- Proposed paragraph (a)(3) states there is no minimum size for Agency Orders, and that the Initiating Order must be for the same size as the Agency Order. This is consistent with current functionality, as the current rule states

[14] See Cboe Options Rule 6.74A, Interpretation and Policy .08.

Agency Orders may have size smaller than and greater than 50 contracts, and states the Initiating Member must stop the entire Agency Order.[15]

- Proposed paragraph (a)(4) states the minimum increment for the Agency Order and Initiating Order is $0.01. This is consistent with current subparagraph (a)(1), except the proposed rule change eliminates Exchange flexibility to change the increment, as the Exchange does not intend to increase the minimum increment.
- The provision that states an Initiating Member may not submit an Agency Order if the NBBO is crossed moves from current subparagraph (a)(5) to proposed subparagraph (a)(6). The proposed rule change adds this does not apply in the case of an AIM ISO or Sweep and AIM order, consistent with the definitions of those two terms.
- Proposed subparagraph (a)(5) states an Initiating Member may not designate an Agency Order or Initiating Order as Post Only. This is consistent with current functionality, and the proposed rule change is merely clarifying this in the Rules. The Exchange believes this is appropriate, as the purpose of a Post Only order is to not execute upon entry and instead rest in the EDGX Options Book, while the purpose of an AIM Auction is to receive an execution following the auction but prior to entering the EDGX Options Book.
- The provisions that require the stop price be at least $0.01 better than the NBBO if the Agency Order is for less than 50 option contracts, and at or better

---

[15] See current Rule 21.19(a)(1); see also Cboe Options Rule 6.74A, Interpretation and Policy .03.

than the NBBO in all other situations (if the Agency Order is for 50 contracts or more, or the NBO width is greater than $0.01) moves from current subparagraph (a)(1) to proposed subparagraph (b)(1), as proposed paragraph (b) contains all provisions regarding the price of the Agency and Initiating Orders.[16] The proposed rule change makes no substantive change to these price requirements.

- The provisions that require the stop price be at least $0.01 better than an order (including a Priority Customer order) at the EDGX BBO on the same side as the Agency Order or at or better than a non-Priority Customer order at the EDGX BBO on the same side as the Agency Order if the Agency Order is a Priority Customer order (and the Priority Customer overlay applies) moves from current paragraph (a)(2) to proposed paragraph (b)(2), as proposed paragraph (b) contains all provisions regarding the price of the Agency and Initiating Orders. The proposed rule change makes no substantive change to these price requirements.
- The provisions that state an Agency Order must satisfy all of the eligibility and price requirements are moved from various locations in the rule, including current subparagraphs (a)(4) and (a)(5), to proposed paragraphs (a) and (b). This also clarifies which requirements must be met in order for an Agency Order to be accepted and initiate an AIM Auction.

---

16 The proposed rule change clarifies the size requirements for mini-option contracts, which are 1/10th the size of standard option contracts. This is consistent with current functionality and is merely adding detail to the rule. See Rule 19.6, Interpretation and Policy .07 (which permits the listing of mini-options); see also Cboe Options Rule 6.74A(a)(3).

- The proposed rule change simplifies current subparagraph (b)(1)(A) (and proposed subparagraph (b)(4)) regarding the instructions an Initiating Member must specify regarding the prices at which it is willing to trade with the Agency Order. The proposed rule change makes no substantive changes to these provisions.
- The provision regarding the submission of ISOs to BAM moves from current subparagraph (b)(6) to proposed subparagraph (b)(3)(A). These orders are renamed as AIM Sweep orders or AIM ISO orders. This is consistent with an AIM Sweep Order in Cboe Options Rule 6.53(q), as well as current functionality. The proposed rule change merely adds detail regarding how these orders work (substantively the same as the Cboe Options definition of an AIM Sweep Order). The functionality for these orders is not changing.
- The provision regarding concurrent AIM Auctions moves from current subparagraph (a)(3) and Interpretation and Policy .04 to proposed subparagraph (c)(1). The proposed rule change makes no substantive changes to the provisions regarding concurrent AIM Auctions.
- The provision that does not permit the Agency Order to be modified or cancelled after the Initiating Member submits the Agency Order to an AIM Auction moves from current subparagraph (b)(1)(A) to proposed paragraph (c)(4).
- Proposed subparagraph (c)(5) clarifies that an AIM response may only participate in the AIM Auction with the Auction ID specified in the response. This is consistent with the requirement that a response identify the Auction to

which it is being submitted and consistent with current functionality. The proposed rule change is merely adding this detail to the rule.

- The provision that states AIM responses will not be visible to Auction participants or disseminated to OPRA moves from current subparagraph (b)(1)(F) to proposed subparagraph (c)(5)(H).
- Current subparagraph (b)(1)(L) is deleted and replaced by proposed subparagraph (c)(5)(B), which states AIM responses that cross the Initial NBBO are capped at the Initial NBO on the same side as the Agency Order and $0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM). The System will execute AIM responses, if possible, at the most aggressive permissible price not outside the NBBO. This is consistent with current subparagraph (L), except clarifies that the System does accept AIM responses that cross the Initial NBBO (the current provision states responses cannot cross the NBBO, so the proposed rule change clarifies such responses would not be rejected) but capped and executed within the Initial NBBO (which is consistent with the current provision that states these responses will execute at the most aggressive permissible price).
- The provisions that state an AIM response is capped at the size of the Agency Order moves from current subparagraph (b)(1)(H) and (I) to proposed subparagraph (c)(5)(D).
- The provision that states AIM responses may be aggregated clarifies that these are aggregated by User by EFID. This is consistent with current

functionality and is adding this detail to the Rule regarding how the System aggregates this interest.

- The provision that states AIM responses may not be designated as FOK or IOC moves form current subparagraph (b)(1)(K) to proposed subparagraph (c)(5)(G).
- The provision that states AIM responses may be modified or cancelled during an Auction moves from current subparagraph (b)(1)(J) to proposed subparagraph (c)(5)(I).
- Pursuant to proposed subparagraph (e)(6), the System cancels or rejects any unexecuted AIM response (or unexecuted portions) at the conclusion of the AIM Auction. This is consistent with current subparagraph (b)(5). However, currently, the System immediately rejects AIM responses if they are not executable based on the price of the Auction. The Exchange believes it is appropriate to cancel all unexecuted AIM responses, regardless of whether they are marketable, at the same time at the conclusion of the Auction. This has no impact on the allocation of an AIM Auction, as responses that are not marketable at the beginning of an AIM Auction will also be unmarketable at the conclusion of an AIM Auction and be cancelled. The proposed rule change merely changes the time at which these unmarketable responses are cancelled.
- Proposed paragraph (c)(5) specifies when the System will reject AIM responses if they do not meet the specified criteria and are obviously wrong (such as being in the wrong increment or on the wrong side). This is consistent with

current functionality, and the proposed rule change is adding this detail to the rule.

- Current subparagraph (b)(2)(B), which is proposed subparagraph (d)(1)(B), is clarified to state that the Auction will conclude upon receipt of a Priority Customer order on the same side as the Agency Order if the price of the Priority Customer order is at or better than the stop price. This is consistent with current functionality, as in both cases it would otherwise cause a Priority Customer Order to be posted on the EDGX Options Book with a price better than the stop price. The proposed rule change is adding this detail to the rule.

- The provisions regarding allocation when an Initiating Member selects Last Priority moves from current subparagraph (b)(1)(B) to proposed subparagraph (e)(5). Proposed paragraph (e) contains all provisions related to the allocation of the Agency Order. The proposed rule change makes no substantive changes to the application of Last Priority. The proposed rule change deletes current subparagraph (b)(1)(B)(ii), which states Last Priority will not be applied if both the Initiating Order and the Agency Order are Priority Customer orders. Because paired orders with a Priority Customer on both sides (Agency and Initiating) are immediately crossed pursuant to current paragraph (c) and proposed paragraph (f), Last Priority would never apply since there is no allocation order for such immediate crosses. Therefore, current subparagraph (b)(1)(B)(ii) is unnecessary.

- The proposed rule change moves all provisions regarding allocation of the Agency Order (including from current subparagraphs (b)(1)(A) and (B) and (b)(4)(B)) to proposed paragraph (e). The proposed rule change sets forth the exact order in which the Agency Order will be allocated to contra-side interest when there is no price improvement, when there is price improvement with a single-price submission, and when there is price improvement with auto-match. Except as discussed above, the proposed rule change makes no substantive changes to the order in which the Agency Order is allocated to contra-side interest. The Exchange believes this clarifies the allocation and priority provisions at the end of an AIM Auction.

- The proposed rule change adds detail regarding when the nondisplayed portions of Reserve Orders will trade against the Agency Order. Specifically, proposed subparagraphs (e)(2) and (3) provides that the nondisplayed Reserve Quantity will trade against the Agency Order at each price level better than the final auction price, after all displayed quantity at each price level (and after the Initiating Order if auto-match was selected). This is consistent with Rule 21.8(l), which provides that displayed orders have priority over nondisplayed orders, and that customer nondisplayed orders trade ahead of non-customer nondisplayed orders (if the Customer Overlay has been applied). This is consistent with current priority principles and functionality, and the proposed rule change is adding this detail to the Rules. The Exchange believes this is appropriate, as it ensures all interest (including nondisplayed interest) at a better price than the final auction price will trade against the Agency order (and thus provide maximum opportunity for price improvement), while encouraging the submission of displayed orders, as nondisplayed interest at the final auction price will not trade, as remaining interest at the final auction price will trade against the Initiating Order. The one exception to this is, as provided in proposed subparagraph (e)(5), if the Initiating Member selects last priority, any nondisplayed interest at the final auction price will trade ahead of the Initiating Order, which is consistent with the Initiating Member's intentions by submitting the request for last priority.

The proposed rule change makes certain rule language plain English, updates cross-references as necessary, and inserts defined terms as appropriate.

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.[17] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[18] 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

---

17 15 U.S.C. 78f(b).

18 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)[19] 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 to permit the Initiating Order to be comprised of multiple contra-party orders will benefit investors, because it may increase the opportunity for customers to have orders participate in an AIM auction. As a result, this would increase opportunities for price improvement, because this will increase the liquidity available for the Initiating Order, which is consistent with the purpose of AIM Auctions. The Exchange believes that this will be beneficial to participants because allowing multiple contra-parties should foster competition for filling the Initiating Order and thereby result in potentially better prices, as opposed to only allowing one contra-party and, thereby requiring that contra-party to do a larger size order which could result in a worse price for the trade. The proposed rule change is also based on rules of other options exchanges.[20]

The proposed Sweep and AIM order type is similar to current AIM ISO functionality, except the Exchange will route the ISO orders on behalf of the Initiating Member rather than require the Initiating Member to separately route ISO orders. This will benefit investors and remove impediments to and perfect the mechanism of a free and open market and a national market system, as it will provide Users with an additional, efficient method to initiate an AIM while preventing trade-throughs. The proposed rule change is also based on the rules of another options exchange.[21]

---

19 Id.

20 See, e.g., Cboe Options Rule 6.74A and Regulatory Circular RG17-074 (May 19, 2017); and ISE Rule 723(b).

21 See, e.g., Cboe Options Rule 6.53(r).

The proposed rule change to provide that the Initiating Order will be allocated the greater of one contract or the specified percentage will ensure that the Initiating Order will receive at least a partial execution in an AIM Auction of a small order. This will incentive Options Members to continue submit customer orders into AIM auctions for potential price improvement, which ultimately benefits investors. This proposed change is the same as other options exchanges.[22]

The proposed rule change to provide that the Initiating Order's percentage allocation will be based on the number of contracts remaining after the Agency Order executes against Public Customer orders will promote just and equitable principles of trade, as it ensures the size used to determine the allocation percentage for the Initiating Order will be based on the same number of contracts that would otherwise be available to other contra-side interest. It is also the same as other options exchanges.[23]

The proposed rule change to not immediately cross a pair of orders for customer accounts at the same price as any Priority Customer order resting on the EDGX Options Book, and to cancel an Agency Order if there is a Priority Customer order resting on the opposite side of the market at the same price (as currently occurs if there is a Priority Customer order resting on the same side of the market at the same price), will protect customer orders that enter the EDGX Options Book. This proposed rule change is the same as the rules of another options exchange.[24] The Exchange believes it promotes just

---

22 See, e.g., Cboe Options Rule 6.74A(b)(3)(F); and MIAX Rule 515A(a)(2)(iii)(H).

23 See, e.g., ISE Rule 723(d)(2); and MIAX Rule 515A, Interpretation and Policy .11. While this functionality is not specified in Cboe Options Rule 6.74A, it is the Exchange's understanding this proposed rule change is consistent with Cboe Options functionality.

24 See Cboe Options Rule 6.74A, Interpretation and Policy .08.

and equitable principles of trade to limit immediate crosses without auctions only when there are no Priority Customer orders resting on the Book, as that is consistent will protect Priority Customer orders on the book, which may then have opportunities to trade against Agency Orders. The Exchange similarly believes it will protect investors by rejecting Sweep and AIM orders with pairs of orders for customer accounts, as this will ensure customers will receive better prices at least as good as the Initial NBBO and not oversubscribe the Agency Order. The Exchange does believes there is minimal demand for use of Sweep and AIM orders for pairs of Priority Customer orders.

The proposed clarifications and nonsubstantive changes will benefit investors, as they provide additional detail and transparency to the rules regarding the AIM Auction process, including the AIM eligibility requirements, AIM response parameters, and allocation of the Agency Order following an AIM Auction. This includes the proposed clarification that an Initiating Member may not designate an Agency Order or Initiating Order as Post Only. This clarification protects investors, because provides transparency regarding functionality that is not available on BAM today. The Exchange believes this is appropriate, as the purpose of a Post Only order is to not execute upon entry and instead rest in the EDGX Options Book, while the purpose of submitting orders to an AIM Auction is to receive an execution following the auction and not to have those orders enter the EDGX Options Book. Pursuant to current and proposed Rule 21.19, an Agency Order will fully execute against contra-side interest (possibly including the Initiating Order, which must be for the same size as the Agency Order, and thus there cannot be remaining contracts in an Agency Order to enter the EDGX Options Book if there is an execution following a BAM/AIM Auction). This proposed clarification is not changing current functionality, and the Post Only designation is not available to any Initiating Member for Agency Orders and Initiating Orders.

The proposed clarification that provides an AIM response that crosses the Initial NBBO is capped at the Initial NBBO on the same side as the Agency Order and $0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM), and that an AIM response will execute, if possible, at the most aggressive permissible price not outside the Initial NBBO protects investors, because it adds detail to the rules regarding current functionality. Current Rule 21.19 may imply the System may not accept responses that cross the Initial NBBO. However, because responses are a source of liquidity and potential price improvement, the Exchange believes it is appropriate to instead accept these responses and cap them at the Initial NBBO. This promotes just and equitable principles of trade, because it is consistent with the requirement that the stop price (which is the minimum price at which the Agency Order may execute) must be at or better than the Initial NBBO, and will ensure the execution price does not cross the Initial NBBO in accordance with linkage rules. This proposed clarification is not changing current functionality, and this functionality applies in the same manner to the responses of all Users.

The proposed clarification to state that the stop price requirements that apply to Agency Orders for less than 50 standard option contracts and to Agency Orders for 50 standard option contracts or more similarly apply to the corresponding number of mini-option contracts (*i.e.*, 500 mini-option contracts) protects investors, because it is consistent with current functionality. Rule 19.6, Interpretation and Policy .07 permits the listing of mini-options, which is an option with a 10 share deliverable of the underlying security rather than 100 share deliverable of the underlying security (which is the standard deliverable for a standard option contract). The proposed change to state that 50 standard option contracts is consistent with 500 mini-option contracts is consistent with this definition of mini-options. This provides transparency to investors that AIM functionality and the potential for price improvement is available to Agency Orders for mini-options as well as standard options. The proposed clarification also promotes fair and equitable principles of trade, because the volume restrictions apply in the same manner to an equivalent number of contracts in a standard option and a mini-option. This proposed clarification does not impose any significant burden on competition, as it applies in the same manner to all Agency Orders and is also the same as Cboe Options Rule 6.74A(a)(3).

Additionally, these proposed changes reorganize Rule 21.19 so that all provisions related to the same part of the auction process and located in the same part of the rule. These proposed changes have no impact on how the AIM Auction will work, as they are consistent with current functionality.

The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The Exchange believes this consistency will promote a fair and orderly national options market system. When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition, as the proposed rule change will apply in the same manner to all orders submitted to an AIM Auction. With respect to the proposed changes that limit the Immediate Customer-to-Customer AIM crosses, those changes will apply in the same manner to all pairs of customer orders submitted in those circumstances. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, because the proposed changes, as described above and below, are based on rules for similar price improvement auction mechanisms at other options exchanges.

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[25] and Rule 19b-4(f)(6)[26] 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

---

25 15 U.S.C. 78s(b)(3)(A).

26 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2019-007 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-CboeEDGX-2019-007. 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-CboeEDGX-2019-007 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.[27]

Secretary

[27] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe EDGX Exchange, Inc.

* * * * *

Rule 21.19. [Bats Auction]Automated Improvement Mechanism ("AIM" or "AIM Auction")

[This Rule governs the operation of the Bats Auction Mechanism ("BAM").] An Options Member (the "Initiating Member") may electronically submit for execution an order it represents as agent [on behalf of a Priority Customer, broker dealer, or any other person or entity] ("Agency Order") against principal interest or [against any other order it represents as agent]a solicited order(s) (except for an order for the account of any Options Market Maker registered in the applicable series on the Exchange) (an "Initiating Order") provided it submits the Agency Order for electronic execution into [the BAM]an AIM Auction [("Auction")] pursuant to this Rule. For purposes of this Rule, the term "NBBO" [shall] means the national best bid or national best offer at the particular point in time applicable to the reference, and the term "Initial NBBO" [shall] means the national best bid or national best offer at the time an Auction is initiated. Bulk messages are not eligible for [BAM]AIM.

(a) *Auction Eligibility Requirements.* [All options traded on the Exchange are eligible for BAM. An Options Member (the "Initiating Member")] The Initiating Member may initiate an AIM Auction [subject to]if all of the following conditions are met:[.]

(1) *Class.* The Agency Order may be in any class of options traded on the Exchange.

(2) *Marking.* The Initiating Member must mark an Agency Order for AIM Auction processing.

(3) *Size.* There is no minimum size for Agency Orders. The Initiating Order must be for the same size as the Agency Order.

(4) *Minimum Increment.* The price of the Agency Order and Initiating Order must be in an increment of $0.01.

[(1) *Price.* The Initiating Member must stop the entire Agency Order as principal or with a solicited order at a price in an increment of $0.01 such that:

(A) if the Agency Order is for less than 50 option contracts and the difference between the NBB and NBO is $0.01, the Initiating Member must stop the entire Agency Order at one minimum price improvement increment better than the NBBO, which increment shall be determined by the Exchange but may not be smaller than $0.01; or

(B) for any other Agency Order, the Initiating Member must stop the entire Agency Order at the better of the NBBO or the Agency Order's limit price (if the order is a limit order).

(2) *Same-Side Orders.* If the EDGX BBO on the same side of the market as the Agency Order represents:

(A) a Priority Customer order on the book, the stop price must be at least $0.01 better than the booked order's limit price; or

(B) a quote or order that is not a Priority Customer order on the book, the stop price must be at least $0.01 better than the booked order's limit price unless the Agency Order is a Priority Customer order and the Customer Overlay set forth in Rule 21.8(d)(1) above is in effect.

(3) *Other Auctions in Same Series.* With respect to Agency Orders for less than 50 contracts, only one such Auction may be ongoing at any given time in a series and Auctions in the same series may not queue or overlap in any manner. Auctions for Agency Orders of 50 contracts or more will be allowed to occur at the same time as other Auctions in the same series.

(4) Agency Orders that do not meet the conditions of paragraph (a)(1) through (a)(3) above will be rejected.]

(5) *Post Only Orders.* An Initiating Member may not designate an Agency Order or Initiating Order as Post Only.

(6) *Time.* An Initiating Member may only submit an Agency Order[s] to an AIM Auction after the market open [submitted at or before the opening of trading or when the NBBO is crossed are not eligible to initiate an Auction and will be rejected].

(7) *NBBO.* An Initiating Member may not submit an Agency Order if the NBBO is crossed (unless the Agency Order is an AIM ISO or Sweep and AIM).

[(6) An Initiating Order may not be a solicited order for the account of any Options Market Maker registered in the applicable series on the Exchange.]

The System rejects or cancels both an Agency Order and Initiating Order submitted to an AIM Auction that do not meet the conditions in this paragraph (a).

(b) *Stop Price.* The Initiating Order must stop the entire Agency Order at a price that satisfies the following:

(1) *NBBO.* The stop price must be:

(A) if a buy (sell) Agency Order is for less than 50 standard option contracts (or 500 mini-option contracts) and the NBBO width is $0.01, at least $0.01 better than the then-current NBO (NBB); or

(B) if a buy (sell) Agency Order is for 50 standard option contracts (or 500 mini-option contracts) or more, or the NBBO width is greater than $0.01, at or better than the then-current NBO (NBB) or the Agency Order's limit price (if the order is a limit order), whichever is better.

(2) *Same-Side Orders.* If the Agency Order is to buy (sell) and the Exchange best bid (offer) represents:

(A) a Priority Customer order on the EDGX Options Book, the stop price must be at least $0.01 better than the Exchange best bid (offer); or

(B) a quote or order that is not a Priority Customer order on the EDGX Options Book, the stop price must be at least $0.01 better than the Exchange best bid (offer) unless the Agency Order is a Priority Customer order and the Exchange has applied the Customer Overlay set forth in Rule 21.8(d)(1), in which case the stop price must be at or better than the Exchange best bid (offer).

(3) *AIM Sweep and Sweep and AIM Orders.* If the Initiating Member submits an AIM Sweep or Sweep and AIM Order to an AIM Auction, AIM responses, stop price, and executions are permitted at a price inferior to the Initial NBBO. However, the stop price is still subject to the price improvement requirement in subparagraph (b)(1)(A) above.

(A) AIM Sweep Order or AIM ISO. An "AIM sweep order" or "AIM ISO" is the submission of two orders for crossing in an AIM Auction without regard for better-priced Protected Quotes (as defined in Rule 27.1) because the Initiating Member routed an ISO(s) simultaneously with the routing of the AIM ISO to execute against the full displayed size of any Protected Quote that is better than the stop price and has swept all interest in the EDGX Options Book with a price better than the stop price. Any execution(s) resulting from these sweeps accrue to the AIM Agency Order.

(B) Sweep and AIM Order. A "Sweep and AIM order" is the submission of two orders for crossing in an AIM Auction with a stop price that does not need to be within the BBO and where the Exchange sweeps all Protected Quotes (as defined in Rule 27.1) by routing one or more ISOs, as necessary, to execute against the full displayed size of any Protected Quote with a price better than the stop price, as well as sweep all interest in the EDGX Options Book with a price better than the stop price simultaneously with the commencement of the AIM Auction. Any execution(s) resulting from these sweeps accrue to the AIM Agency Order. The two orders submitted as a Sweep and AIM order may not both be for the accounts of Priority Customers.

[Auction Process. Once initiated, an Auction shall proceed as follows:

(1) Auction Period and BAM Auction Notifications.

(A) To initiate the Auction, the Initiating Member must mark the Agency Order for Auction processing, and specify either:]

(4) *Execution Price.* The Initiating Member must specify:

([i]A) a single price at which it seeks to execute the Agency Order against the Initiating Order (a "single-price submission"), including whether it elects to have last priority in allocation (as described in subparagraph (e)(5) below); or

([ii]B) an initial stop price and instruction [that it is willing] to automatically match [as principal or as agent on behalf of an Initiating Order] the price and size of all [BAM]AIM responses and other trading interest ("auto-match") up to a designated limit price or at all prices that improve the stop price. [as follows:

(a) stopping the entire order at a single stop price and auto-matching BAM responses and other trading interest at all prices that improve the stop price to a specified price; or

(b) stopping the entire order at a single stop price and auto-matching all BAM responses and other trading interest at all prices that improve the stop price.]

The System rejects or cancels both an Agency Order and Initiating Order submitted to an AIM Auction that do not meet the conditions in this paragraph (b).

[Once the Initiating Member has submitted an Agency Order for processing pursuant to this sub-paragraph, such Agency Order may not be modified or cancelled. Under no circumstances will the Initiating Member receive an allocation percentage, at the final price point, of more than 50% of the initial Agency Order in the event there is one competing quote, order or BAM response or 40% of the initial Agency Order in the event there are multiple competing quotes, orders or BAM responses.

(B) When starting an Auction, the Initiating Member may submit the Initiating Order with a designation of "last priority" to the other potential BAM participants ("Last Priority") which will result in the Initiating Member forfeiting the priority and trade allocation privileges to which it is otherwise entitled pursuant to sub-paragraphs (b)(4)(i) and (b)(4)(ii) below.

(i) If Last Priority is specified, the Initiating Order will only trade if there is not enough interest available to fully execute the Agency Order at prices which are equal to or improve upon the stop price.

(ii) Last Priority will not be applied if both the Initiating Order and the Agency Order are Priority Customer orders.

(iii) Last Priority cannot be designated on an Agency Order specified as auto-match, and thus, is only compatible with single-price submissions.

(iv) Last Priority information will not be available to other market participants and may not be modified.]

(c) *Auction Process.* Upon receipt of an Agency Order that meets the conditions in paragraphs (a) and (b), the AIM Auction process commences. [(C) When the Exchange receives an Agency Order for Auction processing,]

(1) *Concurrent Auctions in Same Series.* With respect to Agency Orders for less than 50 standard option contracts (or 500 mini-option contracts), only one AIM Auction may be ongoing at any given time in a series, and Auctions in the same series may not queue or overlap in any manner. One or more AIM Auctions in the same series for Agency Orders of 50 standard option contracts (or 500 mini-option contracts) or more may occur at the same time. To the extent there is more than one AIM Auction in a series underway at a time, the AIM Auctions conclude sequentially based on the exact time each AIM Auction commenced, unless terminated early pursuant to paragraph (d). At the time each AIM Auction concludes, the System allocates the Agency Order pursuant to paragraph (e) and takes into account all AIM Auction responses and unrelated orders and quotes in place at the exact time of conclusion. In the event there are multiple AIM Auctions underway that are each terminated early pursuant to paragraph (d), the System processes the AIM Auctions sequentially based on the exact time each AIM Auction commenced.

(2) *Auction Notification Message.* The System initiates the AIM Auction process by sending an AIM A[a]uction notification message detailing the side, size, price, Auction ID, and options series of the Agency Order [will be sent over the Exchange's Multicast PITCH Feed and Auction Feed]to all Options Members that elect to receive AIM Auction notification messages. [This]AIM Auction notification messages [will]are not [be] included in the [Exchange's] disseminated [best bid or offer]BBO [and will not be disseminated through]or OPRA.

([D]3) *Auction Period.* The AIM Auction [will] lasts for a period of time[, as] determined by the Exchange, [and announced on the Exchange's website. The Auction period will] which may be no less than [one hundred]100 milliseconds and no more than one second and which the Exchange will announce to Options Members via Exchange Notice and/or technical specifications.

(4) *Modification or Cancellation.* An Initiating Member may not modify or cancel an Agency Order or Initiating Order after submission to an AIM Auction.

(5) *Auction Responses.* [(E)] Any User [person or entity] other than the Initiating Member (determined by EFID) may submit responses to an AIM Auction[, provided such responses] that are properly marked specifying price, size, side of the market, and [information identifying] the Auction ID for the AIM Auction to which the User is submitting the response[is targeted]. An AIM response may only participate in the AIM Auction with the Auction ID specified in the response.

[(F) BAM responses will not be visible to Auction participants, and will not be disseminated to OPRA.]

([G]A) The minimum price increment for [BAM]AIM responses [and for the Initiating Member's submission shall be]is $0.01[increment, regardless if the class trades in another increment]. The System rejects an AIM response that is not in a $0.01 increment.

(B) AIM responses that cross the Initial NBBO are capped at the Initial NBBO on the same side as the Agency Order and $0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM). The System executes these AIM responses, if possible, at the most aggressive permissible price not outside the Initial NBBO.

[(H) A BAM response with a size greater than the size of the Agency Order will be capped at the size of the Agency Order (i.e., the excess size will be ignored when processing the Auction).]

([I]C) [Multiple BAM responses from the same]A User may [be] submit[ted during the] multiple AIM responses at the same or multiple prices to an AIM Auction. For purposes of an AIM Auction, the System aggregates all of a User's orders and quotes on the EDGX Options Book and AIM responses for the same EFID at the same price. [Multiple orders at a particular price point submitted by a User in response to an Auction or resting on the EDGX Options Book will be aggregated together and will be capped at the size of the Agency Order (i.e., the excess size will be ignored when processing the Auction).]

(D) The System caps the size of an AIM response, or the aggregate size of a User's orders and quotes on the EDGX Options Book and AIM responses for the same EFID at the same price, at the size of the Agency Order (*i.e.*, the System ignores size in excess of the size of the Agency Order when processing the AIM Auction).

[(J) BAM responses may be modified or cancelled during the Auction.]

([K]E) [BAM]AIM responses must be on the [same]opposite side of the market as the Agency Order[or with a Time in Force of IOC or FOK are considered invalid and will be immediately cancelled]. The System rejects an AIM response on the same side of the market as the Agency Order.

[(L) BAM responses cannot cross the price of the Initial NBBO but will be executed, if possible, at the most aggressive permissible price within such Initial NBBO.]

([M]F) [BAM]AIM responses may be designated with the MTP modifier of MTP Cancel Newest, but no other MTP modifiers. [A BAM]The System rejects an AIM response with any other MTP modifier[will be rejected].

(G) AIM responses may not be designated as IOC or FOK. The System rejects an AIM response designated as IOC or FOK.

(H) AIM responses are not be visible to AIM Auction participants or disseminated to OPRA.

(I) A User may modify or cancel its AIM responses during the AIM Auction.

([2]d) *Conclusion of Auction.* [Unless otherwise indicated, an Auction shall conclude with execution processing in accordance with sub-paragraph (b)(4) below. The]

(1) An AIM Auction [shall] concludes at the earliest to occur of the following times:

(A) [At] the end of the Auction period;

(B) [U]upon receipt by the [Exchange]System of a Priority Customer order on the same side of the market [and at]with a price the same as or better than the stop price of the Agency Order that [is to be posted]would post to the EDGX Options Book;

(C) [U]upon receipt by the [Exchange]System of an unrelated order or quote that is not a Priority Customer order on the same side of the market as the Agency Order that would cause the Agency Order's stop price to be outside of the EDGX BBO;

(D) [At] the market close[of trading]; and

(E) [A]any time [there is a trading halt on] the Exchange halts trading in the affected series, provided, however, that in such instance the AIM Auction [will be cancelled]concludes without execution.

([3]2) An unrelated market or marketable limit order (against the EDGX BBO), including a Post Only Order, on the opposite side of [the market from] the Agency Order received during the AIM Auction [will]does not cause the AIM Auction to end early and [will] executes against interest outside of the AIM Auction. If contracts remain from such unrelated order at the time the AIM Auction ends, they [will be considered for participation in the order allocation process described in]may be allocated for execution against the Agency Order pursuant to [sub-]paragraph [(b)(4)](e) below. [This sub-paragraph applies equally to all unrelated orders submitted to the Exchange, including orders marked as Post Only Orders pursuant to Rule 21.1(d)(8).]

([4]e) [Order Allocation]*Execution of Agency Order.* At the conclusion of the Auction, the System allocates contra-side interest against the Agency Order [will be allocated] at the best price(s) [with the following priority] as follows:

(1) *No Price Improvement.* If the Auction results in no price improvement, the System executes the Agency Order at the stop price, which price must be at or better than the both sides of the EDGX BBO, against contra-side interest in the following order:

(A) Priority Customer orders on the EDGX Options Book (in time priority);[shall have priority at each price level.]

(B) The Initiating Order for the greater of (i) one contract or (ii) up to 50% of the Agency Order if there is interest from one other User at the stop price or 40% of the Agency Order if there is interest from two or more other Users at the stop price (which percentages are based on the number of contracts remaining after execution against Priority Customer orders). Under no circumstances does the Initiating Member receive an allocation percentage, at the final price point, of more than 50% of the initial Agency Order in the event there is interest from one other User or 40% of the initial Agency Order in the event there is interest from two or more other Users;

(C) Priority Orders (if the Exchange has designated the class as eligible for Priority Order status, as described below), pursuant to Rule 21.8(c);

(D) All other contra-side trading interest (including AIM responses and orders and quotes on the EDGX Options Book) pursuant to Rule 21.8(c); and

(E) The Initiating Order to the extent there are any remaining contracts;

(2) *Price Improvement with Single-Price Submission.* If the Auction results in price improvement for the Agency Order and the Initiating Member selected a single-price submission, the System executes the Agency Order at each price level better than the stop price against contra-side interest in the following order:

(A) Priority Customer orders on the EDGX Options Book (in time priority);

(B) Priority Orders (if the Exchange has designated the class as eligible for Priority Order status, as described below) pursuant to Rule 21.8(c);

(C) All other contra-side trading interest (including AIM responses and orders and quotes on the EDGX Options Book) pursuant to Rule 21.8(c); and

(D) Any nondisplayed Reserve Quantity (Priority Customer before non-Priority Customer, each in time priority).

If the price at which the balance of the Agency Order can be fully executed equals the stop price, then the System executes any remaining contracts from the Agency Order at that price in the order set forth in subparagraph (e)(1).

(3) *Price Improvement with Auto-Match.* If the Auction results in price improvement for the Agency Order and the Initiating Member selected auto-match, at each price level better than the stop price (or at each price level better than the stop price up to the limit price if the Initiating Member specified one), the System executes the Agency Order against the Initiating Order for the number of contracts equal to the aggregate size of all other contra-side interest (including orders, quotes, and AIM responses) and then executes the Agency Order against that contra-side interest in the order set forth in subparagraph (e)(2). At the stop price, the System executes any remaining contracts from the Agency Order at that price in the order set forth in subparagraph (e)(1).

[(B) The Agency Order shall be allocated after Priority Customer orders as follows:

(i) If the Initiating Member selected the single-price submission option of the Auction, BAM executions will occur at prices that improve the stop price, and then at the stop price with up to 40% of the initial Agency Order allocated to the Initiating Member. However, if only one other quote, order or BAM response matches the stop price, then the Initiating Member may be allocated up to 50% of the initial Agency Order when executed at such price. Remaining contracts shall be allocated, pursuant to sub-paragraphs (iii) and (iv) below, among remaining quotes, orders and BAM responses at the stop price. Any remaining contracts shall be allocated to the Initiating Member. The allocation will account for Last Priority, if applicable.

(ii) If the Initiating Member selected the auto-match option of the Auction, the Initiating Member shall be allocated an equal number of contracts as the aggregate size of all other quotes, orders and BAM responses at each price point until a price point is reached where the balance of the order can be fully executed, except that the Initiating Member shall be entitled to receive up to 40% (multiple competing quotes, orders or BAM responses) or 50% (one competing quote, order or BAM response) of the initial Agency Order at the final price point (including situations where the stop price is the final price) after Priority Customer interest has been satisfied but before remaining interest. If there are other quotes, orders and BAM responses at the final price point the contracts will be allocated to such interest pursuant to sub-paragraphs (iii) and (iv) below. Any remaining contracts shall be allocated to the Initiating Member.]

([iii]4) *Priority Order Status*. [For classes designated by]If the Exchange designates a class as eligible for Priority Order status, Users with resting quotes and orders that were at a price [that is] equal to the Initial NBBO on the opposite side of the market from the Agency Order ("Priority Orders") [shall] have priority up to their size in the Initial NBBO at each price level at or better than [such]the Initial NBBO (after Priority Customers and the Initiating Member have received allocations, as set forth in subparagraphs (e)(1) through (3) above). [Priority Orders and BAM responses submitted by Users with Priority Order status will be allocated pursuant to Rule 21.8(c).] Priority Order status is only valid for the duration of the particular AIM Auction.

[(iv) After Priority Customers, the Initiating Member and Users with Priority Orders, if applicable, have received allocations, all other interest will be allocated pursuant to Rule 21.8(c).]

(5) *Last Priority*. If the Initiating Member selects a single-price submission, it may elect for the Initiating Order to have last priority to trade against the Agency Order. If the Initiating Member elects last priority, then notwithstanding subparagraphs (e)(1) and (2), the System only executes the Initiating Order against any remaining Agency Order contracts at stop price after the Agency Order is allocated to all other contra-side interest (in the order set forth in subparagraph (e)(2) above) at all prices equal to or better than the stop price. Last

Priority information is not available to other market participants and may not be modified after it is submitted.

(6) *Unexecuted Responses.* The System cancels or rejects any unexecuted AIM responses (or unexecuted portions) at the conclusion of the AIM Auction.

[(5) Any unexecuted BAM responses will be cancelled.

(6) ISO Orders. If an Auction is initiated for an Agency Order designated as an ISO Order, responses and executions will be permitted at a price inferior to the Initial NBBO.]

([c]f) *Customer-to-Customer Immediate Crosses.* In lieu of the procedures set forth above, an Initiating Member may enter an Agency Order for the account of a Priority Customer paired with a[n] solicited order(s) for the account of a Priority Customer, [and such]which paired orders [will be] the System automatically executes[d] without an AIM Auction ("Customer-to-Customer AIM Immediate Cross"), subject to the following:

(1) The price of the transaction must be [priced] at or between the EDGX BBO and the NBBO and not at the same price as any Priority Customer Order resting on the EDGX Options Book [and cannot trade through the NBBO]; and

(2) [A]The System does not initiate a Customer-to-Customer AIM Immediate Cross [will not be initiated but will instead be cancelled] if there is a resting Priority Customer order on the same side or opposite side of, [the market] and at the same price as, the Agency Order, and instead cancels the Agency Order and Initiating Order.[; and]

[(3) A Customer-to-Customer Immediate Cross will not be initiated if there is a resting Priority Customer order on the opposite side of the market from, and at the same price as, the Agency Order. Instead, the Agency Order will be subject to the Auction process set forth above, and the resting Priority Customer order will participate in such process.]

Interpretations and Policies

.01 An Options Member [The Auction] may [be used] only use an AIM Auction where there is a genuine intention to execute a bona fide transaction.

.02 A pattern or practice of submitting orders or quotes for the purpose of disrupting or manipulating [BAM]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 3.1. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 3.1 to engage in a pattern of conduct where the Initiating Member breaks up an Agency Order into separate orders for the purpose of gaining a higher allocation percentage than the Initiating Member would have otherwise received in accordance with the allocation procedures contained in [sub-paragraph (b)(4)]paragraph (e) above.

.03 Rule 22.12 prevents an Options Member 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 Options

Member was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for an Options Member 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 for an Options Member to circumvent such rule by providing an opportunity for ([i]a) a Priority Customer affiliated with the Options Member, or ([ii]b) a Priority Customer with whom the Options Member has an arrangement that allows the Options Member to realize similar economic benefits from the transaction as the Options Member would achieve by executing agency orders as principal, to regularly execute against agency orders handled by the firm immediately upon their entry as [BAM Priority] Customer-to-[Priority]Customer AIM [i]Immediate [c]Crosses pursuant to paragraph ([c]f) of this Rule.

[.04 Pursuant to paragraph (b) of this Rule, a BAM Auction will be allowed to commence despite an Auction in the same series already underway if such Auction is an Auction for an Agency Order of 50 contracts or more. To the extent there is more than one Auction in a series underway at a time, each Auction will conclude sequentially based on the exact time each Auction commenced, unless terminated early pursuant to (b)(2)(B) or (C) of this Rule. At the time each Auction concludes, such Auction will be allocated pursuant to this Rule and will take into account all responses and unrelated orders in place at the exact time of conclusion. In the event there are multiple Auctions underway that are each terminated early pursuant to paragraph (b)(2)(B) or (C) of this Rule, the Auctions will be processed sequentially based on the order in which they commenced. Because a BAM response must specifically identify the Auction for which it is targeted, and if not fully executed will be cancelled back at the conclusion of the Auction, BAM responses will only be considered in the specified Auction.]

* * * * *

Rule 22.12. Order Exposure Requirements

With respect to orders routed to EDGX Options, Options Members may not execute as principal orders they represent as agent unless:

(a) – (b) No change.

(c) such orders are entered into [a BAM] an AIM Auction pursuant to Rule 21.19.

* * * * *