

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="22"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2020"/> - * <input type="text" value="012"/> Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Cboe Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

The Exchange propose to amend its financial incentive programs for Global Trading Hours ("GTH") Lead Market -Makers ("LMMs") in VIX options.

**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 \*  Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*  Fax

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)  
Counsel

Date   
By

(Name \*)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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

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

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

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

(a) Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend its financial incentive programs for Global Trading Hours (“GTH”) Lead Market-Makers (“LMMs”) in VIX options. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

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

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on February 10, 2020.

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Rebecca Tenuta (312) 786-7068, Cboe Exchange, Inc., 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

The Exchange proposes to amend its GTH VIX LMMs Incentive Program, effective February 10, 2020.

By way of background, pursuant to the Fees Schedule, an LMM in VIX will receive a rebate for that month in the amount of a pro-rata share of a compensation pool equal to \$20,000 times the number of LMMs in that class (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month) if the LMM(s): provide continuous electronic quotes during GTH that meet or

exceed the following heightened quoting standards in at least 99% of the VIX series 90% of the time in a given month:

<b>Premium Level</b>	<b>Maximum Allowable Width</b>
\$0.00-\$100.00	\$10.00
\$100.01 - \$200.00	\$16.00
Greater than \$200.000	\$24.00

Additionally, a GTH LMM in VIX is not currently obligated to satisfy the heightened quoting standards described in the table above. Rather, an LMM is eligible to receive the rebate if they satisfy the heightened quoting standards above, which the Exchange believes encourage LMMs to provide liquidity during GTH. The Exchange may also consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances.

The Exchange now proposes to amend the GTH VIX LMM Program to separate the quoting standard for VIX and VIX Weeklys (“VIXW”); adopt a separate rebate for VIXW, increasing the total available rebate; eliminate the current compensation pool structure; and update the period in which the heightened quoting standard will apply for the month of February 2020. First, the Exchange proposes to separate the quoting standard for VIX and VIXW and adopt a separate rebate for VIXW.<sup>1</sup> As proposed, if the LMM meets the heightened quoting standard described above for VIX, the LMM will continue to receive a rebate of \$20,000 for VIX, and if the LMM separately meets the heightened quoting standard described above for VIXW, the LMM will receive an additional rebate of

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<sup>1</sup> The Exchange also proposes to update the title of the program accordingly to “GTH VIX/VIXW LMM Program”.

\$5,000 for VIXW (for a total increased rebate of \$25,000 per month for meeting the standard for both VIX and VIXW). The Exchange notes this is substantively identical to the format of the Exchange's current GTH SPX/SPXW LMM program and the manner in which a GTH SPX/SPXW LMM may meet the heightened quoting requirements today.<sup>2</sup> The Exchange also notes that like that of a SPX/SPXW LMM, an LMM appointed in VIX also holds an appointment in VIXW.

Next, the Exchange proposes to eliminate the current compensation pool structure and provide instead a straight rebate per product per LMM, which is also consistent with the manner in which the GTH SPX/SPXW LMM program is administered. More specifically, if a GTH VIX/VIXW LMM meets the heightened quoting standard, it will receive the applicable rebate per product, described above. The Exchange also proposes to eliminate the example of how the compensation pool works as it is no longer necessary given the elimination of the compensation pool structure. The Exchange believes the program as amended will continue to encourage the provision of liquidity in VIX and VIXW options during GTH, including during the open. Also, as is the case today, GTH VIX/VIXW LMM(s) will still not be obligated to satisfy the amended heightened quoting standard. Additionally, the Exchange notes that a VIX/VIXW GTH LMM may need to undertake expenses to be able to quote at a significantly heightened standard in VIX/VIXW, such as purchase more logical connectivity based on its increased capacity needs.

Finally, for the month of February 2020, the Exchange proposes to apply the heightened quoting standard from February 10 to February 29, in light of the mid-month

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<sup>2</sup> See Cboe Options Fees Schedule, "GTH SPX/SPXW LMM Incentive Program".

proposal to modify the rebate quoting standard. The Exchange also notes the previous LMM term expired January 31, 2020, and the Exchange intends to appoint a new LMM effective February 10, 2020. Such LMM will be eligible for the full financial payment for the month February 2020, if the LMM meets the heightened quoting standard from February 10 to February 29. The Exchange also proposes to remove obsolete language regarding applicability of the program in November 2019.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>3</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>4</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>5</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues,

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<sup>3</sup> 15 U.S.C. 78f(b).

<sup>4</sup> 15 U.S.C. 78f(b)(5).

<sup>5</sup> 15 U.S.C. 78f(b)(4).

fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes that separating the quoting standard for VIX and VIXW, and adopting a separate rebate for VIXW of \$5,000 is reasonable because it provides an additional rebate for GTH VIX LMM(s), who also hold appointments in VIXW, for meeting the heightened quoting standard and takes into consideration costs an LMM may incur. The Exchange also believes the proposed amount for meeting the requirements in VIXW series will continue to incentivize an appointed LMM to meet the GTH quoting standards for VIXW, and continue to meet the GTH quoting standard for VIX, thereby providing liquid and active markets, which facilitates tighter spreads and increased trading opportunities to the benefit of all market participants. The proposed change also provides harmonization between the GTH LMM programs (i.e., conforms to the format of the GTH SPX/SPXW LMM Program<sup>6</sup>). The Exchange believes amending the GTH VIX/VIXW LMM Program by removing the compensation pool and providing for a straight rebate per product is reasonable as a GTH VIX/VIXW GTH LMM will continue to be eligible to receive the current financial payment for VIX and proposed payment for VIXW. The Exchange believes the straight rebate simplifies administration of the Program's rebates for market participant and the monthly payment will continue to be commensurate with the heightened quoting standard, while still acting as an incentive for a GTH VIX LMM to provide liquid and active markets in VIX and VIXW during GTH. The Exchange believes that it is reasonable to apply the quoting standard from February 10 to February 29 for the month of February 2020, in light of the mid-month proposal to modify the heightened quoting

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<sup>6</sup> See supra note 2.

standard and in light of the fact that the previous LMM term expired January 31, 2020 and the Exchange intends to appoint a new LMM effective February 10, 2020 (i.e., there was no GTH LMM appointed as of February 3, this timeframe will have no impact on rebates available to any market participants).

The Exchange believes it is equitable and not unfairly discriminatory to continue to only offer this financial incentive to GTH VIX (and VIXW, as proposed) LMM(s) because it benefits all market participants trading VIX/VIXW during GTH to encourage the LMM(s) to satisfy the heightened quoting standard, which ensures, and may even provide increased, liquidity, which thereby may provide more trading opportunities and tighter spreads. Indeed, the Exchange notes that the GTH VIX/VIXW LMM(s) serve a crucial role in providing quotes and the opportunity for market participants to trade VIX/VIXW, which can lead to increased volume, providing a robust market. The Exchange ultimately wishes to ensure a GTH LMM is adequately incentivized to provide liquid and active markets in VIX/VIXW during GTH to encourage liquidity. The Exchange believes that the program, even as amended, will continue to encourage increased quoting to add liquidity in VIX, thereby protecting investors and the public interest. The Exchange also notes that a VIX GTH LMM may have added costs each month that it needs to undertake in order to satisfy that heightened quoting standard (e.g., having to purchase additional logical connectivity). The Exchange believes the proposed amendments are equitable and not unfairly discriminatory because they apply to any TPH that is appointed as a GTH VIX/VIXW LMM equally. Additionally, if a GTH VIX/VIXW LMM does not satisfy the heightened quoting standard for any given month, then it simply will not receive the offered payment for that month.

**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 intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. First, the Exchange believes the proposed rule change does impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it applies uniformly to similarly situated GTH VIX/VIXW LMMs, which market participants play a crucial role in providing active and liquid markets in VIX/VIXW during GTH. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because VIX/VIXW options are a proprietary product that will only be traded on Cboe Options. To the extent that the proposed changes make Cboe Options a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become Cboe Options market participants.

**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 the Act<sup>7</sup> and Rule 19b-4(f)(2)<sup>8</sup> thereunder.

(b) The Exchange designates that the proposed rule change establishes or changes a due, fee, or other charge imposed by the Exchange, which renders the proposed rule change effective upon filing with the Securities and Exchange Commission (the “Commission”). At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

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

Not applicable.

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(2).

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

Not applicable.

**Item 11.     Exhibits**

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

Exhibit 5.     Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CBOE-2020-012]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Financial Incentive Programs for Global Trading Hours (“GTH”) Lead Market-Makers (“LMMs”) in VIX Options

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

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend its financial incentive programs for Global Trading Hours (“GTH”) Lead Market-Makers (“LMMs”) in VIX options. The text of the proposed rule change is provided in Exhibit 5.

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

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

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

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

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

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

#### **1. Purpose**

The Exchange proposes to amend its GTH VIX LMMs Incentive Program, effective February 10, 2020.

By way of background, pursuant to the Fees Schedule, an LMM in VIX will receive a rebate for that month in the amount of a pro-rata share of a compensation pool equal to \$20,000 times the number of LMMs in that class (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month) if the LMM(s): provide continuous electronic quotes during GTH that meet or exceed the following heightened quoting standards in at least 99% of the VIX series 90% of the time in a given month:

<b>Premium Level</b>	<b>Maximum Allowable Width</b>
\$0.00-\$100.00	\$10.00
\$100.01 - \$200.00	\$16.00
Greater than \$200.000	\$24.00

Additionally, a GTH LMM in VIX is not currently obligated to satisfy the heightened quoting standards described in the table above. Rather, an LMM is eligible to

receive the rebate if they satisfy the heightened quoting standards above, which the Exchange believes encourage LMMs to provide liquidity during GTH. The Exchange may also consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances.

The Exchange now proposes to amend the GTH VIX LMM Program to separate the quoting standard for VIX and VIX Weeklys (“VIXW”); adopt a separate rebate for VIXW, increasing the total available rebate; eliminate the current compensation pool structure; and update the period in which the heightened quoting standard will apply for the month of February 2020. First, the Exchange proposes to separate the quoting standard for VIX and VIXW and adopt a separate rebate for VIXW.<sup>3</sup> As proposed, if the LMM meets the heightened quoting standard described above for VIX, the LMM will continue to receive a rebate of \$20,000 for VIX, and if the LMM separately meets the heightened quoting standard described above for VIXW, the LMM will receive an additional rebate of \$5,000 for VIXW (for a total increased rebate of \$25,000 per month for meeting the standard for both VIX and VIXW). The Exchange notes this is substantively identical to the format of the Exchange’s current GTH SPX/SPXW LMM program and the manner in which a GTH SPX/SPXW LMM may meet the heightened quoting requirements today.<sup>4</sup> The Exchange also notes that like that of a SPX/SPXW LMM, an LMM appointed in VIX also holds an appointment in VIXW.

Next, the Exchange proposes to eliminate the current compensation pool structure and provide instead a straight rebate per product per LMM, which is also consistent with

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<sup>3</sup> The Exchange also proposes to update the title of the program accordingly to “GTH VIX/VIXW LMM Program”.

<sup>4</sup> See Cboe Options Fees Schedule, “GTH SPX/SPXW LMM Incentive Program”.

the manner in which the GTH SPX/SPXW LMM program is administered. More specifically, if a GTH VIX/VIXW LMM meets the heightened quoting standard, it will receive the applicable rebate per product, described above. The Exchange also proposes to eliminate the example of how the compensation pool works as it is no longer necessary given the elimination of the compensation pool structure. The Exchange believes the program as amended will continue to encourage the provision of liquidity in VIX and VIXW options during GTH, including during the open. Also, as is the case today, GTH VIX/VIXW LMM(s) will still not be obligated to satisfy the amended heightened quoting standard. Additionally, the Exchange notes that a VIX/VIXW GTH LMM may need to undertake expenses to be able to quote at a significantly heightened standard in VIX/VIXW, such as purchase more logical connectivity based on its increased capacity needs.

Finally, for the month of February 2020, the Exchange proposes to apply the heightened quoting standard from February 10 to February 29, in light of the mid-month proposal to modify the rebate quoting standard. The Exchange also notes the previous LMM term expired January 31, 2020, and the Exchange intends to appoint a new LMM effective February 10, 2020. Such LMM will be eligible for the full financial payment for the month February 2020, if the LMM meets the heightened quoting standard from February 10 to February 29. The Exchange also proposes to remove obsolete language regarding applicability of the program in November 2019.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to

the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>6</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>7</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes that separating the quoting standard for VIX and VIXW, and adopting a separate rebate for VIXW of \$5,000 is reasonable because it provides an additional rebate for GTH VIX LMM(s), who also hold appointments in VIXW, for meeting the heightened quoting standard and takes into consideration costs an LMM may incur. The Exchange also believes the proposed amount for meeting the requirements in VIXW series will continue to incentivize an appointed LMM to meet the GTH quoting standards for VIXW, and continue to meet the GTH quoting standard for VIX, thereby providing liquid and active markets, which facilitates tighter spreads and increased trading opportunities to the benefit of all market participants. The proposed change also

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78f(b)(4).

provides harmonization between the GTH LMM programs (i.e., conforms to the format of the GTH SPX/SPXW LMM Program<sup>8</sup>). The Exchange believes amending the GTH VIX/VIXW LMM Program by removing the compensation pool and providing for a straight rebate per product is reasonable as a GTH VIX/VIXW GTH LMM will continue to be eligible to receive the current financial payment for VIX and proposed payment for VIXW. The Exchange believes the straight rebate simplifies administration of the Program's rebates for market participant and the monthly payment will continue to be commensurate with the heightened quoting standard, while still acting as an incentive for a GTH VIX LMM to provide liquid and active markets in VIX and VIXW during GTH. The Exchange believes that it is reasonable to apply the quoting standard from February 10 to February 29 for the month of February 2020, in light of the mid-month proposal to modify the heightened quoting standard and in light of the fact that the previous LMM term expired January 31, 2020 and the Exchange intends to appoint a new LMM effective February 10, 2020 (i.e., there was no GTH LMM appointed as of February 3, this timeframe will have no impact on rebates available to any market participants).

The Exchange believes it is equitable and not unfairly discriminatory to continue to only offer this financial incentive to GTH VIX (and VIXW, as proposed) LMM(s) because it benefits all market participants trading VIX/VIXW during GTH to encourage the LMM(s) to satisfy the heightened quoting standard, which ensures, and may even provide increased, liquidity, which thereby may provide more trading opportunities and tighter spreads. Indeed, the Exchange notes that the GTH VIX/VIXW LMM(s) serve a crucial role in providing quotes and the opportunity for market participants to trade

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<sup>8</sup> See supra note 4.

VIX/VIXW, which can lead to increased volume, providing a robust market. The Exchange ultimately wishes to ensure a GTH LMM is adequately incentivized to provide liquid and active markets in VIX/VIXW during GTH to encourage liquidity. The Exchange believes that the program, even as amended, will continue to encourage increased quoting to add liquidity in VIX, thereby protecting investors and the public interest. The Exchange also notes that a VIX GTH LMM may have added costs each month that it needs to undertake in order to satisfy that heightened quoting standard (e.g., having to purchase additional logical connectivity). The Exchange believes the proposed amendments are equitable and not unfairly discriminatory because they apply to any TPH that is appointed as a GTH VIX/VIXW LMM equally. Additionally, if a GTH VIX/VIXW LMM does not satisfy the heightened quoting standard for any given month, then it simply will not receive the offered payment for that month.

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 intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. First, the Exchange believes the proposed rule change does impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it applies uniformly to similarly situated GTH VIX/VIXW LMMs, which market participants play a crucial role in providing active and liquid markets in VIX/VIXW during GTH. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because VIX/VIXW options are a proprietary product that will only be traded on Cboe Options. To the extent that the proposed changes make Cboe Options a more attractive

marketplace for market participants at other exchanges, such market participants are welcome to become Cboe Options market participants.

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**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and paragraph (f) of Rule 19b-4<sup>10</sup> 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

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2020-012 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2020-012. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2020-012 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).



Options Transaction Fees (1)(3)(4)(7)(15)(33)(39)  
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GTH VIX/VIXW LMM Incentive Program			
Capacity	Capacity Code	Premium Level	Maximum Allowable Width
LMM	M	\$0.00 - \$100.00	\$10.00
		\$100.01 - \$200.00	\$16.00
		Greater than \$200.00	\$24.00

For VIX and VIXW if the appointed LMM provides continuous electronic quotes during Global Trading Hours that meet or exceed the above heightened quoting standards in at least 99% of each of the VIX and VIXW series, 90% of the time in a given month, the LMM will receive a rebate for that month in the amount of [a pro-rata share of a compensation pool for VIX equal to] \$20,000 [times the number of LMMs in that class] for VIX and \$5,000 for VIXW (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month) for that month. [For example, if two LMMs are appointed in VIX, a compensation pool will be established each month for VIX totaling \$40,000. If for example, each LMM meets the heightened continuous quoting standard in VIX during a month, each will receive \$20,000. If only one LMM meets the heightened continuous quoting standard in VIX during a month, that LMM would receive \$40,000 and the other one would receive nothing.] The Exchange may consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances. For [November 2019]February 2020, the heightened quoting standard will only apply for the period of [November 18 - November 30]February 10 - February 29.

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