

Required fields are shown with yellow backgrounds and asterisks.

Filing by Cboe BZX 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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<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 type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	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 type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
---	---

**Description**

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

The Exchange proposes to amend its definition of bulk messages in Rule 16.1 and amend Rule 21.1(l)(3).

**Contact Information**

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

First Name \* Rebecca Last Name \* Tenuta  
Title \* Counsel  
E-mail \* rtenuta@cboe.com  
Telephone \* (312) 786-7068 Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 04/24/2020 Vice President, Associate General Counsel  
By Laura G. Dickman

(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 \***

Add Remove View

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

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

Add Remove View

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

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

Add Remove View

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

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

Add Remove View

Exhibit Sent As Paper Document

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

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

Add Remove View

Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

Add Remove View

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

**Exhibit 5 - Proposed Rule Text**

Add Remove View

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

**Partial Amendment**

Add Remove View

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

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

(a) Cboe BZX Exchange, Inc. (the “Exchange” or “BZX Options”) proposes to amend its definition of bulk messages in Rule 16.1 and amend Rule 21.1(l)(3). 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 April 2, 2020.

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

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

(a) Purpose

Currently, BZX Options Market-Makers submit their quotes electronically as bulk messages. A bulk message is a single electronic message a User may submit to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers. Bulk message functionality was adopted by the Exchange in connection with a recent technology migration and designed to be consistent with the technology offering of the Exchange’s affiliated options exchanges, Cboe Exchange, Inc. (“Cboe Options”) and Cboe C2 Exchange, Inc. (“C2”).<sup>1</sup> Currently, the definition of a bulk message in Rule 16.1 provides that a User may submit a bulk message through a bulk port, which is a dedicated logical port. Current Rule 21.1(l)(3)

---

<sup>1</sup> See Securities Exchange Release No. 84928 (December 21, 2018) 83 FR 67794 (December 31, 2018) (SR-CboeBZX-2018-092).

provides that a bulk message submitted through a logical port is subject to certain conditions, including that a Market-Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, and other Users must designate a bulk message for that class as Post Only. Additionally, Users may submit single orders through a bulk port in the same manner as Users may submit orders to the Exchange through any other type of port, including designated with any order instruction and any time-in-force. The primary purpose of bulk ports and bulk messages is to encourage liquidity provision, particularly by Market-Makers, on the Exchange.<sup>2</sup>

The Exchange proposes to amend the definition of bulk messages in Rule 16.1 so that Market-Makers may exclusively submit bulk messages and proposes to update Rule 21.1(l)(3) regarding bulk ports accordingly. Specifically, the proposed rule change amends the definition of bulk messages to provide that the term “bulk message” means a single electronic message a User submits with an M Capacity (i.e., for the account of a Market-Maker) to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers. In this way, the bulk messages submitted through bulk ports would be attributed only to Market-Maker quotes. In line with the proposed amendment to the User Capacity permitted to submit bulk messages, the proposed rule change also updates Rule 21.1(l)(3)(A)(ii) to provide that, while a Market-Maker with an appointment in a class may designate a bulk message for that class as a Post Only or Book Only, a non-appointed Market-Maker, as opposed to any other User, must designate a bulk message for that class as Post Only. This is currently the case for Market-Makers submitting bulk messages in non-appointed classes and the proposed rule change merely reflects the specific type of other User (i.e., Market-Makers not appointed in a class) that will be able to submit bulk messages. The Exchange also notes that the proposed rule change updates the term User to Market-

---

<sup>2</sup> See supra note 1.

Maker in Rules 21.1(l)(3)(A)(iii) and (iv) to reflect the proposed amendment to the User Capacity permitted to submit bulk messages and provide uniformity for the terms used throughout Rule 21.1(l)(3)(A).

The Exchange notes that the vast majority of bulk messages submitted through bulk ports are for the account of a Market-Maker. Indeed, over the second half of March 2020 the Exchange observed that only 0.05% of bulk messages submitted through bulk ports were submitted by non-Market-Makers. Because so few non-Market-Maker Users opt to use this functionality, the Exchange believes that the current demand does not warrant the Exchange resources necessary for ongoing System support for non-Market-Maker bulk messaging. The Exchange notes that the use of bulk messages is voluntary and non-Market-Maker Users will continue to be able to submit their single orders and auction responses through bulk ports and other logical ports in the same manner as they currently do.

The Exchange notes that limiting the offering of quoting functionality to Market-Makers is not new or unique as other options exchanges currently offer quoting functionality only to their market makers.<sup>3</sup> Indeed, bulk message functionality (including submission through bulk ports) is geared toward encouraging Market-Maker quoting on the Exchange. For example, the requirement that bulk messages have a time-in-force of Day is intended to be consistent with a Market-Maker's obligation to update its quotes in response to changed market conditions in its appointed classes, and the provision that allows Market-Makers to designate their bulk messages as Post Only or Book Only (as opposed to the limitation to Post Only for other Users' bulk messages) is intended to provide Market-Makers with flexibility to use these instructions with respect to their bulk messages

---

<sup>3</sup> See Nasdaq Phlx Options 1, Section 7(a)(B), which provides for its "Specialized Quote Feed", a quoting interface offered specifically to market makers on Phlx; and see generally MIAX Options Rule 517, which provide for the different types of quotes and quoting mechanisms offered specifically to market makers on MIAX Options.

as additional tools to meet their quoting obligations in a manner they deem appropriate.<sup>4</sup>

Additionally, the Exchange notes that its affiliated options exchanges, C2 and Cboe Options, as well as Cboe EDGX Exchange, Inc. (“EDGX Options”) are simultaneously submitting filings to update their corresponding rules in connection with bulk messages. Thus, the proposed rule change is intended to continue to harmonize technology offerings across the affiliated options exchanges. Additionally, C2 and Cboe Options just recently adopted bulk message functionality to replace substantially similar quotation functionality that was previously offered only to their market makers.<sup>5</sup>

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>6</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>7</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

---

<sup>4</sup> See supra note 1.

<sup>5</sup> See Securities Exchange Release No. 86374 (July 15, 2019) 84 FR 34963 (July 19, 2019) (SR-CBOE-2019-033); and Securities Exchange Release No. 85038 (February 1, 2019) 84 FR 2598 (February 7, 2019) (SR-C2-2018-025).

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

<sup>7</sup> 15 U.S.C. 78f(b)(5).

consistent with the Section 6(b)(5)<sup>8</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and national market system and benefit investors, because it will delete from the Rules a functionality that is currently rarely used and as a result, the Exchange will no longer offer, thereby promoting transparency in its Rules. The Exchange notes that other options exchanges currently offer their quoting functionality and/or interfaces exclusively to market makers on their exchanges.<sup>9</sup> Moreover, the Exchange believes the proposed rule change will benefit investors by continuing to provide a harmonized technology offering across the Exchange and its affiliated options exchanges.<sup>10</sup> Also, up until recently, C2 and Cboe Options offered exclusively to their market makers quoting functionality substantially similar to current bulk message functionality.<sup>11</sup> Moreover, the Exchange does not believe that the proposed rule change raises any new or novel issues for Users and will not affect the protection of investors and the public interest because this functionality is so infrequently used by non-Market-Makers. In addition to this, the Exchange notes that the submission of bulk messages to the Exchange is voluntary, and, as stated, non-Market-Makers will continue to be able to submit single order and auction responses through bulk ports and other logical ports to connect to the Exchange and enter orders, receive data, and access information. Also, the Exchange believes that the low non-Market-Maker usage rate of bulk

---

<sup>8</sup> Id.

<sup>9</sup> See supra note 1.

<sup>10</sup> As stated, C2, Cboe Options, and EDGX Options intend to simultaneously submit filing to update their rules in connection with bulk messages in the same manner as proposed herein.

<sup>11</sup> See supra note 5.

message functionality does not warrant the continued resources necessary for System support of bulk messaging for non-Market-Maker Users. As a result, the Exchange believes the proposed rule change will also remove impediments to and perfect the mechanism of a free and open market and national market system by allowing the Exchange to reallocate System capacity and resources to other System functionality, which benefits all market participants.

Additionally, the Exchange does not believe that the proposed rule change would permit unfair discrimination as, according to March 2020 data, a negligible portion of bulk messages are submitted by non-Market-Makers, and, as stated above, bulk message functionality is principally designed to assist Market-Makers in providing liquidity to the Exchange. The options market is driven by Market-Maker quotes, and thus Market-Maker quotes are critical to provide liquidity to the market and contribute to price discovery for investors. Additionally, Market-Makers are subject to continuous quoting obligations (which other Users are not), and bulk message functionality provides Market-Makers with a means to help them satisfy these obligations. Indeed, when bulk messages were adopted, the Exchange expected Market-Makers regularly to use bulk messages to input and update prices on multiple series of options at the same time, and noted that the functionality was intended primarily for the use of Market-Makers.<sup>12</sup>

**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 that the proposed rule change will change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because bulk messages functionality will be available for all Exchange Market-Makers in the

---

<sup>12</sup> See supra note 1.

same manner as it is today. Non-Market-Makers will continue to be able to submit their single orders and auction responses through bulk ports, as well as all orders and other data through logical ports, in the same manner as they currently do. As noted above, this is consistent with the primary purpose of bulk messages, which is to encourage Market-Maker quoting and liquidity on the Exchange. The Exchange further notes that if any non-Market-Makers wish to submit liquidity to the Exchange using bulk messages they are free to register as an Exchange Market-Maker and choose the appointed classes in which they wish to quote. Non-Market-Makers so infrequently use bulk message functionality, thus the proposed rule change is not expected to have any impact on their business need.

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 other options exchanges currently limit their quoting functionality and/or interface to market makers on their exchanges.<sup>13</sup> Additionally, as noted above, until recently the Exchange's affiliated options exchanges, C2 and Cboe Options, both which intend to update their corresponding bulk message rules in the same manner as proposed herein, offered exclusively to their market makers quoting functionality substantially similar to the current bulk message functionality.<sup>14</sup>

**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.

---

<sup>13</sup> See supra note 3.

<sup>14</sup> See supra note 5.

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act<sup>15</sup> and Rule 19b-4(f)(6)<sup>16</sup> thereunder.

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

The Exchange does not believe that the proposed rule change would significantly affect the protection of investors, but is intended rather to benefit investors and the public interest by removing rarely used functionality that the Exchange intends to cease offering, thereby promoting transparency in the Exchange Rules. The Exchange does not believe the proposed rule change will significantly affect the protection of investors because the use of bulk messaging functionality is voluntary and seldom used by non-Market-Makers. As stated, bulk ports and other logical ports remain available to all Users and will continue to provide all Users with the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information. In addition to this, the proposed rule change will benefit investors by enabling System capacity and resources that are currently devoted to

---

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

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

supporting functionality seldom used by non-Market-Makers to focus on supporting and enhancing other System functionality. Further, the proposed rule change will not significantly affect the protection of investors or the public interest because it does not raise any new or novel issues for Users because other options exchanges currently offer their quoting functionality and/or interface exclusively to market makers on their exchanges. Additionally, the Exchange believes the proposed rule change would not significantly affect the protection of investors as non-Market-Makers are so infrequently submitting bulk messages to the Exchange and bulk message functionality is geared toward encouraging Market-Makers to provide liquidity to the Exchange.

The Exchange does not believe that the proposed rule change will impose any significant burden on competition, because the proposed rule change deletes a functionality offering in the Rules that is rarely, if at all, used on the Exchange by non-Market-Makers. Bulk message functionality will be available for all Exchange Market-Makers in the same manner as it is today. Non-Market-Makers will continue to be able to submit their single orders and auction responses through bulk ports and other logical ports in the same manner as they currently do. In addition to this, the Exchange also notes that other options exchanges also currently offer their quoting functionality and/or interface exclusively to market makers on their exchanges,<sup>17</sup> and, up until recently, the Exchange's affiliated options exchanges, C2 and Cboe Options offered exclusively to their market makers substantially similar quoting functionality.<sup>18</sup>

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

---

<sup>17</sup> See supra note 3

<sup>18</sup> See supra note 5.

Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The Exchange disseminated advanced notice of the proposed change to market participants on March 27, 2020 and plans to announce a specific implementation date in the near future. The Exchange believes such notice was disseminated with ample time prior to the implementation of this proposed rule change. The Exchange believes waiver of the operative delay will serve in the interests of investors and the public interest because, as stated, removing functionality seldom used by non-Market-Makers will allow the Exchange to realize System capacity and support for other functionality as soon as practicable. As noted above, non-Market-Maker usage rate of this functionality is so infrequent that elimination of the offering of bulk messaging to non-Market Makers will have little to no impact on such Users. Also, as described above, the Exchange does not believe that the proposed rule change will impact the protection of investors because this type of messaging is voluntary and rarely implemented by non-Market-Makers, and non-Market-Makers will continue to be able to submit single order and auction responses through bulk ports and other logical ports to connect to the Exchange and enter orders, receive data, and access information. The Exchange again notes that the proposal is not novel, as it is consistent with quoting functionality on other options exchanges which currently offer such only to their market makers (and the functionality of the Exchange's affiliated options exchange until recently). For

these reasons, the Exchange believes waiver of the 30-day operative delay is appropriate for 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**

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

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

Not applicable.

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

Not applicable.

**Item 11. Exhibits**

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

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2020-037]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Definition of Bulk Messages in Rule 16.1 and Amend Rule 21.1(1)(3)

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 BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX Options”) proposes to amend its definition of bulk messages in Rule 16.1 and amend Rule 21.1(1)(3). The text of the proposed rule change is provided in Exhibit 5.

---

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

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

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

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

The text of the proposed rule change is also available on the Exchange's website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), 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

Currently, BZX Options Market-Makers submit their quotes electronically as bulk messages. A bulk message is a single electronic message a User may submit to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers. Bulk message functionality was adopted by the Exchange in connection with a recent technology migration and designed to be consistent with the technology offering of the Exchange's affiliated options exchanges, Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2").<sup>5</sup> Currently, the definition of a bulk message in Rule 16.1 provides that a User may submit a bulk message through a bulk port, which is a dedicated logical port. Current Rule 21.1(1)(3) provides that a bulk message submitted through a logical port is subject to certain conditions, including that a Market-

---

<sup>5</sup> See Securities Exchange Release No. 84928 (December 21, 2018) 83 FR 67794 (December 31, 2018) (SR-CboeBZX-2018-092).

Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, and other Users must designate a bulk message for that class as Post Only. Additionally, Users may submit single orders through a bulk port in the same manner as Users may submit orders to the Exchange through any other type of port, including designated with any order instruction and any time-in-force. The primary purpose of bulk ports and bulk messages is to encourage liquidity provision, particularly by Market-Makers, on the Exchange.<sup>6</sup>

The Exchange proposes to amend the definition of bulk messages in Rule 16.1 so that Market-Makers may exclusively submit bulk messages and proposes to update Rule 21.1(l)(3) regarding bulk ports accordingly. Specifically, the proposed rule change amends the definition of bulk messages to provide that the term “bulk message” means a single electronic message a User submits with an M Capacity (i.e., for the account of a Market-Maker) to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers. In this way, the bulk messages submitted through bulk ports would be attributed only to Market-Maker quotes. In line with the proposed amendment to the User Capacity permitted to submit bulk messages, the proposed rule change also updates Rule 21.1(l)(3)(A)(ii) to provide that, while a Market-Maker with an appointment in a class may designate a bulk message for that class as a Post Only or Book Only, a non-appointed Market-Maker, as opposed to any other User, must designate a bulk message for that class as Post Only. This is currently the case for Market-Makers submitting bulk messages in non-appointed classes and the proposed rule change merely reflects the specific type of other User (i.e., Market-Makers not appointed in a class) that will be able to

---

<sup>6</sup> See supra note 5.

submit bulk messages. The Exchange also notes that the proposed rule change updates the term User to Market-Maker in Rules 21.1(l)(3)(A)(iii) and (iv) to reflect the proposed amendment to the User Capacity permitted to submit bulk messages and provide uniformity for the terms used throughout Rule 21.1(l)(3)(A).

The Exchange notes that the vast majority of bulk messages submitted through bulk ports are for the account of a Market-Maker. Indeed, over the second half of March 2020 the Exchange observed that only 0.05% of bulk messages submitted through bulk ports were submitted by non-Market-Makers. Because so few non-Market-Maker Users opt to use this functionality, the Exchange believes that the current demand does not warrant the Exchange resources necessary for ongoing System support for non-Market-Maker bulk messaging. The Exchange notes that the use of bulk messages is voluntary and non-Market-Maker Users will continue to be able to submit their single orders and auction responses through bulk ports and other logical ports in the same manner as they currently do.

The Exchange notes that limiting the offering of quoting functionality to Market-Makers is not new or unique as other options exchanges currently offer quoting functionality only to their market makers.<sup>7</sup> Indeed, bulk message functionality (including submission through bulk ports) is geared toward encouraging Market-Maker quoting on the Exchange. For example, the requirement that bulk messages have a time-in-force of Day is intended to be consistent with a Market-Maker's obligation to update its quotes in response to changed market conditions in its appointed classes, and the provision that

---

<sup>7</sup> See Nasdaq Phlx Options 1, Section 7(a)(B), which provides for its “Specialized Quote Feed”, a quoting interface offered specifically to market makers on Phlx; and see generally MIAX Options Rule 517, which provide for the different types of quotes and quoting mechanisms offered specifically to market makers on MIAX Options.

allows Market-Makers to designate their bulk messages as Post Only or Book Only (as opposed to the limitation to Post Only for other Users' bulk messages) is intended to provide Market-Makers with flexibility to use these instructions with respect to their bulk messages as additional tools to meet their quoting obligations in a manner they deem appropriate.<sup>8</sup> Additionally, the Exchange notes that its affiliated options exchanges, C2 and Cboe Options, as well as Cboe EDGX Exchange, Inc. ("EDGX Options") are simultaneously submitting filings to update their corresponding rules in connection with bulk messages. Thus, the proposed rule change is intended to continue to harmonize technology offerings across the affiliated options exchanges. Additionally, C2 and Cboe Options just recently adopted bulk message functionality to replace substantially similar quotation functionality that was previously offered only to their market makers.<sup>9</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>10</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>11</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating,

---

<sup>8</sup> See supra note 5.

<sup>9</sup> See Securities Exchange Release No. 86374 (July 15, 2019) 84 FR 34963 (July 19, 2019) (SR-CBOE-2019-033); and Securities Exchange Release No. 85038 (February 1, 2019) 84 FR 2598 (February 7, 2019) (SR-C2-2018-025).

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

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

clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>12</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and national market system and benefit investors, because it will delete from the Rules a functionality that is currently rarely used and as a result, the Exchange will no longer offer, thereby promoting transparency in its Rules. The Exchange notes that other options exchanges currently offer their quoting functionality and/or interfaces exclusively to market makers on their exchanges.<sup>13</sup> Moreover, the Exchange believes the proposed rule change will benefit investors by continuing to provide a harmonized technology offering across the Exchange and its affiliated options exchanges.<sup>14</sup> Also, up until recently, C2 and Cboe Options offered exclusively to their market makers quoting functionality substantially similar to current bulk message functionality.<sup>15</sup> Moreover, the Exchange does not believe that the proposed rule change raises any new or novel issues for Users and will not affect the protection of investors and the public interest because this functionality is so

---

<sup>12</sup> Id.

<sup>13</sup> See supra note 5.

<sup>14</sup> As stated, C2, Cboe Options, and EDGX Options intend to simultaneously submit filing to update their rules in connection with bulk messages in the same manner as proposed herein.

<sup>15</sup> See supra note 9.

infrequently used by non-Market-Makers. In addition to this, the Exchange notes that the submission of bulk messages to the Exchange is voluntary, and, as stated, non-Market-Makers will continue to be able to submit single order and auction responses through bulk ports and other logical ports to connect to the Exchange and enter orders, receive data, and access information. Also, the Exchange believes that the low non-Market-Maker usage rate of bulk message functionality does not warrant the continued resources necessary for System support of bulk messaging for non-Market-Maker Users. As a result, the Exchange believes the proposed rule change will also remove impediments to and perfect the mechanism of a free and open market and national market system by allowing the Exchange to reallocate System capacity and resources to other System functionality, which benefits all market participants.

Additionally, the Exchange does not believe that the proposed rule change would permit unfair discrimination as, according to March 2020 data, a negligible portion of bulk messages are submitted by non-Market-Makers, and, as stated above, bulk message functionality is principally designed to assist Market-Makers in providing liquidity to the Exchange. The options market is driven by Market-Maker quotes, and thus Market-Maker quotes are critical to provide liquidity to the market and contribute to price discovery for investors. Additionally, Market-Makers are subject to continuous quoting obligations (which other Users are not), and bulk message functionality provides Market-Makers with a means to help them satisfy these obligations. Indeed, when bulk messages were adopted, the Exchange expected Market-Makers regularly to use bulk messages to

input and update prices on multiple series of options at the same time, and noted that the functionality was intended primarily for the use of Market-Makers.<sup>16</sup>

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 that the proposed rule change will change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because bulk messages functionality will be available for all Exchange Market-Makers in the same manner as it is today. Non-Market-Makers will continue to be able to submit their single orders and auction responses through bulk ports, as well as all orders and other data through logical ports, in the same manner as they currently do. As noted above, this is consistent with the primary purpose of bulk messages, which is to encourage Market-Maker quoting and liquidity on the Exchange. The Exchange further notes that if any non-Market-Makers wish to submit liquidity to the Exchange using bulk messages they are free to register as an Exchange Market-Maker and choose the appointed classes in which they wish to quote. Non-Market-Makers so infrequently use bulk message functionality, thus the proposed rule change is not expected to have any impact on their business need.

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 other options exchanges currently limit their quoting

---

<sup>16</sup> See supra note 5.

functionality and/or interface to market makers on their exchanges.<sup>17</sup> Additionally, as noted above, until recently the Exchange's affiliated options exchanges, C2 and Cboe Options, both which intend to update their corresponding bulk message rules in the same manner as proposed herein, offered exclusively to their market makers quoting functionality substantially similar to the current bulk message functionality.<sup>18</sup>

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

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

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

Because the foregoing proposed rule change does not:

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

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and Rule 19b-4(f)(6)<sup>20</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,

---

<sup>17</sup> See supra note 7.

<sup>18</sup> See supra note 9.

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6).

the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2020-037 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-CboeBZX-2020-037. 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-CboeBZX-2020-037 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>21</sup>

Secretary

---

<sup>21</sup> 17 CFR 200.30-3(a)(12).

## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

## Rules of Cboe BZX Exchange, Inc.

\* \* \* \* \*

## Rule 16.1. Definitions

\* \* \* \* \*

**Bulk Message**

The term “bulk message” means a bid or offer included in a single electronic message a User submits with an M Capacity to the Exchange in which the User may enter, modify, or cancel up to an Exchange-specified number of bids and offers (which number the Exchange announces via Exchange notice or publicly available technical specifications). A User may submit a bulk message through a bulk port as set forth in Rule 21.1(j)(3). The System handles a bulk message in the same manner as it handles an order or quote, unless the Rules specify otherwise.

\* \* \* \* \*

## Rule 21.1. Definitions

\* \* \* \* \*

(l) *Port*. The term “port” includes the following types of ports:

(1)-(2) No change.

(3) A “bulk port” is a dedicated logical port that provides Users with the ability to submit:

(A) bulk messages, subject to the following:

(i) a bulk message has a Time-in-Force of Day;

(ii) a Market-Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, and [other Users]a non-appointed Market-Maker must designate a bulk message for that class as Post Only; and

(iii) a Market-Maker[User] may establish a default MTP Modifier of MCN, MCO, or MCB, and a default value of Attributable or Non-Attributable, for a bulk port, each of which applies to all bulk messages submitted to the Exchange through that bulk port;

(iv) a Market-Maker[User] may designate a bulk message as “Price Improving” (which designation applies to all bulk message bids and offers within a single message);

(v) - (vii) No change.

\* \* \* \* \*