

Required fields are shown with yellow backgrounds and asterisks.

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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<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) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<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 rules governing the give up of a Clearing Member by a User on Exchange transactions.

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 * Sarah	Last Name * Tadtman
Title * Counsel	
E-mail * stadtman@cboe.com	
Telephone * (913) 815-7203	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 01/02/2020	Assistant General Counsel
By Adrian Griffiths	
(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 EDGX Exchange, Inc. (the “Exchange” or “EDGX Options”)

proposes to amend its rules governing the give up of a Clearing Member by a User on Exchange transactions. 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 December 24, 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 Sarah Tadtman, (913) 815-7203.

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 Rule 21.12, which governs the give up of a Clearing Member¹ by a User² on Exchange transactions, to substantially conform to existing Cboe Exchange, Inc. (“Cboe Options”) Rule 5.10, proposed Cboe C2 Exchange, Inc. (“C2 Options”) Rule 6.30, and proposed Cboe BZX Exchange, Inc. (“BZX Options”)

¹ The term “Clearing Member” means an Options Member that is self-clearing or an Options Member that clears EDGX Options Transactions for other Members of EDGX Options. See Exchange Rule 16.1.

² The term “User” means any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access). See Exchange Rule 16.1.

Rule 21.12.³

Background

By way of background, Exchange Rule 21.12 provides that when a User executes a transaction on the Exchange, it must give up the name of the Clearing Member (the “Give Up”) through which the transaction will be cleared. Rule 21.12 also provides that a User may only give up a “Designated Give Up”⁴ or its “Guarantor.”⁵ This limitation is enforced by the Exchange’s trading systems.⁶

A “Designated Give Up” of a User refers to a Clearing Member identified to the Exchange by that User as a Clearing Member the User requests the ability to give up and that has been processed by the Exchange as a Designated Give Up.⁷ To designate a “Designated Give Up” every User (other than a Market-Maker) must submit written notification, in a form and manner prescribed by the Exchange.⁸ Specifically, the Exchange uses a standardized form (“Notification Form”) that a User needs to complete and submit to the Exchange’s Membership Services Department (“MSD”).⁹ The Exchange notes that a User may currently designate any Clearing Member as a Designated Give Up.¹⁰ Additionally, there is no minimum or maximum number of Designated Give Ups that a User must identify. Paragraph (d) of Rule 21.12 also requires

³ See SR-C2-2020-001 (filed January 2, 2020) and SR-CboeBZX-2020-002 (filed January 2, 2020).

⁴ See Exchange Rule 21.12(b)(1).

⁵ See Exchange Rule 21.12(b)(2).

⁶ See Exchange Rule 21.12(c).

⁷ Supra note 3.

⁸ See Exchange Rule 21.12(b)(3).

⁹ Id.

¹⁰ Id.

that the Exchange notify a Clearing Member, in writing and as soon as practicable, of each User that has identified it as a Designated Give Up. The Exchange however, will not accept any instructions from a Clearing Member to prohibit a User from designating the Clearing Member as a Designated Give Up. Additionally, there is no subjective evaluation of a User's list of proposed Designated Give Ups by the Exchange.

For purposes of Rule 21.12, a "Guarantor" of an executing User refers to a Clearing Member that has issued a Letter of Guarantee for the executing User under the Rules of the Exchange that are in effect at the time of the execution of the applicable trade.¹¹ An executing User may give up its Guarantor without having to first designate it to the Exchange as a "Designated Give Up."¹² Additionally, the Exchange notes that a Market-Maker is only enabled to give up the Guarantor of the Market-Maker pursuant to Exchange Rule 22.8 and also does not need to identify any Designated Give Ups.¹³

Beginning in early 2018, certain Clearing Members (in conjunction with the Securities Industry and Financial Markets Association ("SIFMA")) expressed concerns related to the process by which executing brokers on U.S. options exchanges (the "Exchanges") are allowed to designate or 'give up' a clearing firm for purposes of clearing particular transactions. The SIFMA-affiliated Clearing Members have recently identified the current give up process as a significant source of risk for clearing firms. SIFMA-affiliated Clearing Members subsequently requested that the Exchanges alleviate

¹¹ Supra note 4.

¹² The Exchange already knows each User's Guarantor and as such, no further designation or identification is required of Users to enable their respective Guarantors. See Exchange Rule 21.12(b)(6).

¹³ See Exchange Rule 21.12(b)(5).

this risk by amending Exchange rules governing the give up process.¹⁴

Proposed Rule Change

Based on the above, the Exchange now seeks to amend its rules regarding the current give up process in order to allow a Clearing Member to “opt in”, at the Options Clearing Corporation (“OCC”) clearing number level, to a feature that, if enabled by the Clearing Member, will allow the Clearing Member to specify which Users are authorized to give up that OCC clearing number. As proposed, Rule 21.12 will continue to require that Users identify to the Exchange, via the Notification Form, all Clearing Members that the User would like to have the ability to give up (i.e., Designated Give Ups).¹⁵ However, the Exchange proposes to modify the language of paragraph (a) to provide that a User may indicate, at the time of the trade or through post trade allocation, any OCC number

¹⁴ Cboe Options recently modified its give up procedure under rule 5.10 to allow clearing trading permit holders to “Opt In” such that the clearing trading permit holder (“TPH”) may specify which Cboe Options TPH organizations are authorized to give up that clearing trading permit holder. See Securities and Exchange Act Release No. 86401 (July 17, 2019), 84 FR 35433 (July 23, 2019) (SR-CBOE-19-036) (“Cboe Options Rule 5.10 Amendment”). Nasdaq PHLX LLC (“PHLX”), NYSE Arca, Inc., (“NYSE Arca”), and NYSE American LLC (“NYSE American”) also recently modified their respect give up rules to adopt an “Opt In” process. See also Securities and Exchange Act Release No. 85136 (February 14, 2019), 84 FR 5526 (February 21, 2019) (SR-PHLX-2018-72), Securities and Exchange Act Release No. 85871 (May 16, 2019), 84 FR 23613 (May 22, 2019) (SR-NYSEArca 2019-32) and Securities and Exchange Act Release 85875 (May 16, 2019), 84 FR 23591 (May 22, 2019) (SR-NYSEAMER-2019-17). The Exchange’s proposal leads to the same result of providing its Clearing Member’s the ability to control risk and includes PHLX’s, NYSE Arca’s and NYSE American’s “Opt In” process, but it otherwise differs slightly in process from their give up rules. For example, the Exchange intends to maintain its provisions relating to Designated Give Ups and eliminate its provisions relating to the rejection of a trade. The Exchange’s proposal is substantially the same as the existing give up process on Cboe Options.

¹⁵ Id.

of the Clearing Member through which the transaction will be cleared.¹⁶ The Exchange proposes to also add to Rule 21.12(a) that Clearing Members may elect to “Opt In,” as defined in paragraph (c) of the proposed Rule and described further below, and restrict one or more of its OCC number(s) (“Restricted OCC Number”).¹⁷ A User may Give Up a Restricted OCC Number provided the User has written authorization as described in paragraph (c)(2) (“Authorized User”).¹⁸ The Exchange notes that if a User identifies a particular Clearing Member as a Designated Give Up, but that Clearing Member has restricted its OCC number(s) and has not authorized the User to give it up, then the Exchange will not give effect to the designation on the Notification Form (i.e., the User will not be able to give up that Clearing Member even though it was identified as a Designated Give Up). Similarly, if a Clearing Member authorizes a User to give up its Restricted OCC Number(s), the Exchange will not enable that Clearing Member as a give up for that User until and unless the User identifies that Clearing Member as a Designated Give Up on a Notification Form. In light of Clearing Members having the ability to restrict their OCC numbers from being given up by unauthorized Users, the Exchange also proposes to eliminate the process for Clearing Members to “reject” trades. As such, the Exchange proposes to eliminate subparagraphs (e) and (f) of Rule 21.12 and

¹⁶ The Exchange notes that Cboe Options plans to amend paragraph (a) of Rule 5.10 to conform to proposed paragraph (a) of EDGX Options Rule 21.12 and C2 Options Rule 6.30 with a slight modification as it relates to floor trading on Cboe Options.

¹⁷ See proposed Exchange Rule 21.12(a); see also Cboe Options Rule 21.12(a).

¹⁸ Id.

any other references to the process in Rule 21.12.¹⁹

Proposed Rule 21.12(c) provides that Clearing Members may request the Exchange restrict one or more of their OCC clearing numbers (“Opt In”) from being given up unless otherwise authorized.²⁰ If a Clearing Member Opts In, the Exchange will require written authorization from the Clearing Member permitting a User to give up a Clearing Member’s Restricted OCC Number.²¹ An Opt In would remain in effect until the Clearing Member terminates the Opt In as described in proposed subparagraph (3).²² If a Clearing Member does not Opt In, that Clearing Member’s OCC number may be subject to being given up by any User that has designated it as a Designated Give Up.²³ Proposed Rule 21.12(c)(1) will set forth the process by which a Clearing Member may Opt In.²⁴ Specifically, a Clearing Member may Opt In by sending a completed “Clearing Member Restriction Form” listing all Restricted OCC Numbers and Authorized Users.²⁵ A copy of the proposed form is included in Exhibit 3. A Clearing Member may elect to

¹⁹ The Exchange notes that Cboe Options similarly eliminated the process for which Clearing Trading Permit Holders may “reject” trades in Rule 5.10. See the Cboe Options Rule 5.10 Amendment.

²⁰ See proposed Exchange Rule 21.12(c); see also Cboe Options Rule 5.10(c).

²¹ Id.

²² Id.

²³ Id.

²⁴ See proposed Exchange Rule 21.12(c)(1); see also Cboe Options Rule 5.10(c)(1).

²⁵ This form will be available on the Exchange’s website. The Exchange will also maintain, on its web site, a list of the Restricted OCC Numbers, which will be updated on a regular basis, and the Clearing Member’s contact information to assist Users (to the extent they are not already Authorized Users) with requesting authorization for a Restricted OCC Number. The Exchange may utilize additional means to inform its Members of such updates on a periodic basis.

restrict one or more OCC clearing numbers that are registered in its name at OCC.²⁶ The Clearing Member would be required to submit the Clearing Member Restriction Form to the Exchange's MSD as described on the form.²⁷ Once submitted, the Exchange requires ninety days before a Restricted OCC Number is effective within the System.²⁸ This time period is to provide adequate time for the Users of that Restricted OCC Number who are not initially specified by the Clearing Member as Authorized Users to obtain the required written authorization from the Clearing Member for that Restricted OCC Number. Such Users would still be able to give up that Restricted OCC Number during this ninety day period (i.e., until the number becomes restricted within the System).

Proposed Rule 21.12(c)(2) will set forth the process for Users to give up a Clearing Member's Restricted OCC Number.²⁹ Specifically, a User desiring to give up a Restricted OCC Number must become an Authorized User.³⁰ The Clearing Member will be required to authorize a User as described in subparagraph (1) or (3) of Rule 21.12(c) (i.e., through a Clearing Member Restriction Form), unless the Restricted OCC Number is already subject to a Letter of Guarantee that the User is a party to, as set forth in Rule 21.12(b)(6).³¹ Pursuant to proposed Rule 21.12(c)(3), a Clearing Member may amend the list of its Authorized Users or Restricted OCC Numbers by submitting a new Clearing Member Restriction Form to the Exchange's MSD indicating the amendment as

²⁶ Supra note 25.

²⁷ Id.

²⁸ Id.

²⁹ See proposed Exchange Rule 21.12(c)(2); see also Cboe Option Rule 5.10(c)(2).

³⁰ Id.

³¹ Id.

described on the form.³² Once a Restricted OCC Number is effective within the System pursuant to Rule 21.12(c)(1), the Exchange may permit the Clearing Member to authorize, or remove authorization for, a User to give up the Restricted OCC Number intra-day only in unusual circumstances, and on the next business day in all regular circumstances.³³ The Exchange will promptly notify Users if they are no longer authorized to give up a Clearing Member's Restricted OCC Number.³⁴ If a Clearing Member removes a Restricted OCC Number, any User may give up that OCC clearing number once the removal has become effective on or before the next business day, provided that Clearing Member has been designated as a Designated Give Up.³⁵

The Exchange also proposes to amend current subparagraph (c) (System) (to be relettered to paragraph (d)) of Rule 21.12 to clarify that in addition to the Exchange's system not accepting orders that identify a give up that is not at the time a Designated Give Up or a Guarantor, the System will also reject any order that designates a Restricted OCC Number for which the User is not an Authorized User.³⁶

The Exchange proposes to amend current paragraph (d) (Notice to Clearing Members) (to be relettered to paragraph (e)) of Rule 21.12 to provide that the Exchange will provide notice to Users that they are authorized or unauthorized by Clearing Members.³⁷

The Exchange also proposes to amend current paragraph (g) (Other Give Up

³² See proposed Exchange Rule 21.12(c)(3); see also Cboe Options Rule 5.10(c)(3).

³³ Id.

³⁴ Id.

³⁵ Id.

³⁶ See proposed Exchange Rule 21.12(d); see also Cboe Options Rule 5.10(d).

³⁷ See proposed Exchange Rule 21.12(e); see also Cboe Options Rule 5.10(e).

Changes) (to be relettered to subparagraph (f)) of Rule 21.12 to provide that a User may change the give up on the trade to another Designated Give Up, provided it's an Authorized User for any Restricted OCC Number, or to its Grantor.³⁸ Additionally, the Exchange seeks to define a specific "Trade Date Cutoff Time"³⁹ and "T+1 Cutoff Time" in the rule text of proposed paragraph (f).⁴⁰

The Exchange proposes to amend current paragraph (h) (Responsibility) (to be relettered to paragraph (g)) of Rule 21.12 to eliminate any applicable reference to current paragraph (e) or (f) of the Rule and to conform with Cboe Options Rule 5.10(g).

The Exchange also proposes to adopt subparagraph (h) of Rule 21.12 to provide that an intentional misuse of this Rule is impermissible, and may be treated as a violation of Rule 3.1, titled "Business Conduct of Members."⁴¹ This language will make clear that the Exchange will regulate an intentional misuse of this Rule, and that such behavior would be a violation of Exchange rules. The proposed language is similar to corresponding provisions in other exchanges' give up rules.⁴²

Lastly, the Exchange proposes to amend its current Member Notification of Designated Give Ups Form ("Designated Give Ups Form"). As of October 7, 2019 the

³⁸ See proposed Exchange Rule 21.12(f); see also Cboe Options Rule 5.10(f).

³⁹ The "Trade Date Cutoff Time" is established by the Clearing Corporation (or 15 minutes thereafter if the Exchange receives and is able to process a request to extend its time of final trade submission to the Clearing Corporation). See proposed Exchange Rule 21.12(f)(1); see also Cboe Options Rule 5.10(f)(1).

⁴⁰ The "T+1 Cutoff Time" is 1:00 p.m. Eastern Time on T+1; see proposed Exchange Rule 21.12(f)(3); see also Cboe Options Rule 5.10(f)(3) (which provides a cutoff time of 12:00 p.m. Central Time).

⁴¹ See Cboe Options Rule 5.10(h), which states that intentional misuse of Rule 5.10 may be treated as a violation of Rule 8.1 (Just and Equitable Principles of Trade).

⁴² See, e.g., Cboe Options Rule 5.10(h).

Exchange and each of its affiliated options exchanges (i.e., C2 Options, BZX Options, and Cboe Options (collectively, “Cboe Markets”)) are on the same technology platform. To provide further harmonization across the Cboe Markets and provide more seamless administration of the Give up rule, the Exchange proposes to eliminate the current Designated Give Ups Form and adopt a new form which would be applicable to all Cboe Markets going forward. The proposed Designated Give Ups Form is included in Exhibit 3.

Implementation Date

The Exchange proposes to announce the implementation date of the proposed rule change in an Exchange Notice, to be published no later than thirty (30) days following the operative date. The implementation date will be no later than sixty (60) days following the operative date.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴⁴ 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 facilitation 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

⁴³ 15 U.S.C. 78f(b).

⁴⁴ 15 U.S.C. 78f(b)(5).

protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴⁵ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Particularly, as discussed above, several clearing firms affiliated with SIFMA have recently expressed concerns relating to the current give up process, which permits Users to identify any Clearing Member as a Designated Give Up for purposes of clearing particular transactions, and have identified the current give up process (i.e., a process that lacks authorization) as a significant source of risk for clearing firms. The Exchange believes that the proposed changes to Rule 21.12 help alleviate this risk by enabling Clearing Members to ‘Opt In’ to restrict one or more of its OCC clearing numbers (i.e., Restricted OCC Numbers), and to specify which Authorized Users may give up those Restricted OCC Numbers. As described above, all other Users would be required to receive written authorization from the Clearing Member before they can give up that Clearing Member’s Restricted OCC Number. The Exchange believes that this authorization provides proper safeguards and protections for Clearing Members as it provides controls for Clearing Members to restrict access to their OCC clearing numbers, allowing access only to those Authorized Users upon their request. The Exchange also believes that its proposed Clearing Member Restriction Form allows the Exchange to receive in a uniform fashion, written and transparent authorization from Clearing Members, which ensures seamless administration of the Rule.

⁴⁵

Id.

The Exchange believes that the proposed Opt In process strikes the right balance between the various views and interests across the industry. For example, although the proposed rule would require Users (other than Authorized Users) to seek authorization from Clearing Members in order to have the ability to give them up, each User will still have the ability to give up a Restricted OCC Number that is subject to a Letter of Guarantee without obtaining any further authorization if that User is party to that arrangement. The Exchange also notes that to the extent the executing User has a clearing arrangement with a Clearing Member (i.e., through a Letter of Guarantee), a trade can be assigned to the executing User's guarantor. Accordingly, the Exchange believes that the proposed rule change is reasonable and continues to provide certainty that a Clearing Member would be responsible for a trade, which protects investors and the public interest.

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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose an unnecessary burden on intramarket competition because it would apply equally to all similarly situated Members. The Exchange also notes that, should the proposed changes make the Exchange more attractive for trading, market participants trading on other exchanges can always elect to become Members on the Exchange to take advantage of the trading opportunities. Furthermore, the proposed rule change does not address any competitive issues and ultimately, the target of the Exchange's proposal is to reduce risk for Clearing Members under the current give up model. Clearing firms make financial decisions based on risk and reward, and while it is generally in their beneficial interest to

clear transactions for market participants in order to generate profit, it is the Exchange's understanding from SIFMA and clearing firms that the current process can create significant risk when the clearing firm can be given up on any market participant's transaction, even where there is no prior customer relationship or authorization for that designated transaction. In the absence of a mechanism that governs a market participant's use of a Clearing Member's services, the Exchange's proposal may indirectly facilitate the ability of a Clearing Member to manage their existing customer relationships while continuing to allow market participant choice in broker execution services. While Clearing Members may compete with executing brokers for order flow, the Exchange does not believe this proposal imposes an undue burden on competition. Rather, the Exchange believes that the proposed rule change balances the need for Clearing Members to manage risks and allows them to address outlier behavior from executing brokers while still allowing freedom of choice to select an executing broker.

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 written 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)

The Exchange believes that the proposal qualifies for immediate effectiveness upon filing as a “non-controversial” rule change in accordance with Section 19(b)(3)(A) of the Act⁴⁶ and Rule 19b-4(f)(6) thereunder.⁴⁷

The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) by its terms, will not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. In addition, the Exchange provided the Commission with 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, or such shorter time as the Commission may designate.

The Exchange believes the proposed rule change does not present any new, unique or substantive issues; it merely establishes a rule regarding the give up of a Clearing Member in order to help clearing firms manage risk while continuing to allow market participants choice in broker execution services. Ultimately, the result of the proposed rule change is that the give up mechanism utilized by the Exchange would align with the rules of other exchanges, and specifically Cboe Options.⁴⁸ While the Exchange notes that paragraph (a) of proposed Exchange Rule 21.12 slightly deviates from Cboe Options Rule 5.10, Cboe Options plans to amend paragraph (a) of Rule 5.10 to conform to the Exchange’s proposed

⁴⁶ 15 U.S.C. 78s(b)(3)(A).

⁴⁷ 17 CFR 240.19b-4(f)(6).

⁴⁸ Supra note 14.

rule 21.12(a), with a slight modification as it relates to floor trading. Furthermore, the phrase of paragraph (a) at issue does not change the manner in which a Member may give up a trade, but rather clarifies the existing process. Accordingly, the Exchange believes that the proposed rule change is non-controversial and is therefore eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.

For the foregoing reasons, the rule filing qualifies for immediate effectiveness as a "non-controversial" rule change under Rule 19b-4(f)(6). 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. The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. As described above, the proposed rule change does not present any novel issues and a waiver would allow Clearing Members to better manage their potential risks as soon as possible.

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

The proposed rule change is based on Cboe Options Rule 5.10, PHLX Rule 1037.31, NYSE Arca Rule 6.15-O and NYSE American Rule 961.⁴⁹

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

Not applicable.

⁴⁹ Supra note 14.

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 3. Clearing Member Restriction Form.
Notification Form.

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeEDGX-2020-001]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Rules Governing the Give Up of a Clearing Member by a User on Exchange Transactions

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 Act³ 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 Options”) proposes to amend its rules governing the give up of a Clearing Member by a User on Exchange transactions. 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

The Exchange proposes to amend Rule 21.12, which governs the give up of a Clearing Member⁵ by a User⁶ on Exchange transactions, to substantially conform to existing Cboe Exchange, Inc. ("Cboe Options") Rule 5.10, proposed Cboe C2 Exchange, Inc. ("C2 Options") Rule 6.30, and proposed Cboe BZX Exchange, Inc. ("BZX Options") Rule 21.12.⁷

Background

⁵ The term "Clearing Member" means an Options Member that is self-clearing or an Options Member that clears EDGX Options Transactions for other Members of EDGX Options. See Exchange Rule 16.1.

⁶ The term "User" means any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access). See Exchange Rule 16.1.

⁷ See SR-C2-2020-001 (filed January 2, 2020) and SR-CboeBZX-2020-002 (filed January 2, 2020).

By way of background, Exchange Rule 21.12 provides that when a User executes a transaction on the Exchange, it must give up the name of the Clearing Member (the “Give Up”) through which the transaction will be cleared. Rule 21.12 also provides that a User may only give up a “Designated Give Up”⁸ or its “Guarantor.”⁹ This limitation is enforced by the Exchange’s trading systems.¹⁰

A “Designated Give Up” of a User refers to a Clearing Member identified to the Exchange by that User as a Clearing Member the User requests the ability to give up and that has been processed by the Exchange as a Designated Give Up.¹¹ To designate a “Designated Give Up” every User (other than a Market-Maker) must submit written notification, in a form and manner prescribed by the Exchange.¹² Specifically, the Exchange uses a standardized form (“Notification Form”) that a User needs to complete and submit to the Exchange’s Membership Services Department (“MSD”).¹³ The Exchange notes that a User may currently designate any Clearing Member as a Designated Give Up.¹⁴ Additionally, there is no minimum or maximum number of Designated Give Ups that a User must identify. Paragraph (d) of Rule 21.12 also requires that the Exchange notify a Clearing Member, in writing and as soon as practicable, of each User that has identified it as a Designated Give Up. The Exchange however, will not accept any instructions from a Clearing Member to prohibit a User from designating the

⁸ See Exchange Rule 21.12(b)(1).

⁹ See Exchange Rule 21.12(b)(2).

¹⁰ See Exchange Rule 21.12(c).

¹¹ Supra note 7.

¹² See Exchange Rule 21.12(b)(3).

¹³ Id.

¹⁴ Id.

Clearing Member as a Designated Give Up. Additionally, there is no subjective evaluation of a User's list of proposed Designated Give Ups by the Exchange.

For purposes of Rule 21.12, a "Guarantor" of an executing User refers to a Clearing Member that has issued a Letter of Guarantee for the executing User under the Rules of the Exchange that are in effect at the time of the execution of the applicable trade.¹⁵ An executing User may give up its Guarantor without having to first designate it to the Exchange as a "Designated Give Up."¹⁶ Additionally, the Exchange notes that a Market-Maker is only enabled to give up the Guarantor of the Market-Maker pursuant to Exchange Rule 22.8 and also does not need to identify any Designated Give Ups.¹⁷

Beginning in early 2018, certain Clearing Members (in conjunction with the Securities Industry and Financial Markets Association ("SIFMA")) expressed concerns related to the process by which executing brokers on U.S. options exchanges (the "Exchanges") are allowed to designate or 'give up' a clearing firm for purposes of clearing particular transactions. The SIFMA-affiliated Clearing Members have recently identified the current give up process as a significant source of risk for clearing firms. SIFMA-affiliated Clearing Members subsequently requested that the Exchanges alleviate this risk by amending Exchange rules governing the give up process.¹⁸

¹⁵ Supra note 8.

¹⁶ The Exchange already knows each User's Guarantor and as such, no further designation or identification is required of Users to enable their respective Guarantors. See Exchange Rule 21.12(b)(6).

¹⁷ See Exchange Rule 21.12(b)(5).

¹⁸ Cboe Options recently modified its give up procedure under rule 5.10 to allow clearing trading permit holders to "Opt In" such that the clearing trading permit holder ("TPH") may specify which Cboe Options TPH organizations are authorized to give up that clearing trading permit holder. See Securities and Exchange Act Release No. 86401 (July 17, 2019), 84 FR 35433 (July 23, 2019)

Proposed Rule Change

Based on the above, the Exchange now seeks to amend its rules regarding the current give up process in order to allow a Clearing Member to “opt in”, at the Options Clearing Corporation (“OCC”) clearing number level, to a feature that, if enabled by the Clearing Member, will allow the Clearing Member to specify which Users are authorized to give up that OCC clearing number. As proposed, Rule 21.12 will continue to require that Users identify to the Exchange, via the Notification Form, all Clearing Members that the User would like to have the ability to give up (i.e., Designated Give Ups).¹⁹ However, the Exchange proposes to modify the language of paragraph (a) to provide that a User may indicate, at the time of the trade or through post trade allocation, any OCC number of the Clearing Member through which the transaction will be cleared.²⁰ The Exchange proposes to also add to Rule 21.12(a) that Clearing Members may elect to “Opt In,” as

(SR-CBOE-19-036) (“Cboe Options Rule 5.10 Amendment”). Nasdaq PHLX LLC (“PHLX”), NYSE Arca, Inc., (“NYSE Arca”), and NYSE American LLC (“NYSE American”) also recently modified their respect give up rules to adopt an “Opt In” process. See also Securities and Exchange Act Release No. 85136 (February 14, 2019), 84 FR 5526 (February 21, 2019) (SR-PHLX-2018-72), Securities and Exchange Act Release No. 85871 (May 16, 2019), 84 FR 23613 (May 22, 2019) (SR-NYSEArca 2019-32) and Securities and Exchange Act Release 85875 (May 16, 2019), 84 FR 23591 (May 22, 2019) (SR-NYSEAMER-2019-17). The Exchange’s proposal leads to the same result of providing its Clearing Member’s the ability to control risk and includes PHLX’s, NYSE Arca’s and NYSE American’s “Opt In” process, but it otherwise differs slightly in process from their give up rules. For example, the Exchange intends to maintain its provisions relating to Designated Give Ups and eliminate its provisions relating to the rejection of a trade. The Exchange’s proposal is substantially the same as the existing give up process on Cboe Options.

¹⁹ Id.

²⁰ The Exchange notes that Cboe Options plans to amend paragraph (a) of Rule 5.10 to conform to proposed paragraph (a) of EDGX Options Rule 21.12 and C2 Options Rule 6.30 with a slight modification as it relates to floor trading on Cboe Options.

defined in paragraph (c) of the proposed Rule and described further below, and restrict one or more of its OCC number(s) (“Restricted OCC Number”).²¹ A User may Give Up a Restricted OCC Number provided the User has written authorization as described in paragraph (c)(2) (“Authorized User”).²² The Exchange notes that if a User identifies a particular Clearing Member as a Designated Give Up, but that Clearing Member has restricted its OCC number(s) and has not authorized the User to give it up, then the Exchange will not give effect to the designation on the Notification Form (i.e., the User will not be able to give up that Clearing Member even though it was identified as a Designated Give Up). Similarly, if a Clearing Member authorizes a User to give up its Restricted OCC Number(s), the Exchange will not enable that Clearing Member as a give up for that User until and unless the User identifies that Clearing Member as a Designated Give Up on a Notification Form. In light of Clearing Members having the ability to restrict their OCC numbers from being given up by unauthorized Users, the Exchange also proposes to eliminate the process for Clearing Members to “reject” trades. As such, the Exchange proposes to eliminate subparagraphs (e) and (f) of Rule 21.12 and any other references to the process in Rule 21.12.²³

Proposed Rule 21.12(c) provides that Clearing Members may request the Exchange restrict one or more of their OCC clearing numbers (“Opt In”) from being given up unless otherwise authorized.²⁴ If a Clearing Member Opts In, the Exchange will

²¹ See proposed Exchange Rule 21.12(a); see also Cboe Options Rule 21.12(a).

²² Id.

²³ The Exchange notes that Cboe Options similarly eliminated the process for which Clearing Trading Permit Holders may “reject” trades in Rule 5.10. See the Cboe Options Rule 5.10 Amendment.

²⁴ See proposed Exchange Rule 21.12(c); see also Cboe Options Rule 5.10(c).

require written authorization from the Clearing Member permitting a User to give up a Clearing Member's Restricted OCC Number.²⁵ An Opt In would remain in effect until the Clearing Member terminates the Opt In as described in proposed subparagraph (3).²⁶ If a Clearing Member does not Opt In, that Clearing Member's OCC number may be subject to being given up by any User that has designated it as a Designated Give Up.²⁷ Proposed Rule 21.12(c)(1) will set forth the process by which a Clearing Member may Opt In.²⁸ Specifically, a Clearing Member may Opt In by sending a completed "Clearing Member Restriction Form" listing all Restricted OCC Numbers and Authorized Users.²⁹ A copy of the proposed form is included in Exhibit 3. A Clearing Member may elect to restrict one or more OCC clearing numbers that are registered in its name at OCC.³⁰ The Clearing Member would be required to submit the Clearing Member Restriction Form to the Exchange's MSD as described on the form.³¹ Once submitted, the Exchange requires ninety days before a Restricted OCC Number is effective within the System.³² This time period is to provide adequate time for the Users of that Restricted OCC Number who are not initially specified by the Clearing Member as Authorized Users to obtain the required

²⁵ Id.

²⁶ Id.

²⁷ Id.

²⁸ See proposed Exchange Rule 21.12(c)(1); see also Cboe Options Rule 5.10(c)(1).

²⁹ This form will be available on the Exchange's website. The Exchange will also maintain, on its web site, a list of the Restricted OCC Numbers, which will be updated on a regular basis, and the Clearing Member's contact information to assist Users (to the extent they are not already Authorized Users) with requesting authorization for a Restricted OCC Number. The Exchange may utilize additional means to inform its Members of such updates on a periodic basis.

³⁰ Supra note 29.

³¹ Id.

³² Id.

written authorization from the Clearing Member for that Restricted OCC Number. Such Users would still be able to give up that Restricted OCC Number during this ninety day period (i.e., until the number becomes restricted within the System).

Proposed Rule 21.12(c)(2) will set forth the process for Users to give up a Clearing Member's Restricted OCC Number.³³ Specifically, a User desiring to give up a Restricted OCC Number must become an Authorized User.³⁴ The Clearing Member will be required to authorize a User as described in subparagraph (1) or (3) of Rule 21.12(c) (i.e., through a Clearing Member Restriction Form), unless the Restricted OCC Number is already subject to a Letter of Guarantee that the User is a party to, as set forth in Rule 21.12(b)(6).³⁵ Pursuant to proposed Rule 21.12(c)(3), a Clearing Member may amend the list of its Authorized Users or Restricted OCC Numbers by submitting a new Clearing Member Restriction Form to the Exchange's MSD indicating the amendment as described on the form.³⁶ Once a Restricted OCC Number is effective within the System pursuant to Rule 21.12(c)(1), the Exchange may permit the Clearing Member to authorize, or remove authorization for, a User to give up the Restricted OCC Number intra-day only in unusual circumstances, and on the next business day in all regular circumstances.³⁷ The Exchange will promptly notify Users if they are no longer authorized to give up a Clearing Member's Restricted OCC Number.³⁸ If a Clearing

³³ See proposed Exchange Rule 21.12(c)(2); see also Cboe Option Rule 5.10(c)(2).

³⁴ Id.

³⁵ Id.

³⁶ See proposed Exchange Rule 21.12(c)(3); see also Cboe Options Rule 5.10(c)(3).

³⁷ Id.

³⁸ Id.

Member removes a Restricted OCC Number, any User may give up that OCC clearing number once the removal has become effective on or before the next business day, provided that Clearing Member has been designated as a Designated Give Up.³⁹

The Exchange also proposes to amend current subparagraph (c) (System) (to be relettered to paragraph (d)) of Rule 21.12 to clarify that in addition to the Exchange's system not accepting orders that identify a give up that is not at the time a Designated Give Up or a Guarantor, the System will also reject any order that designates a Restricted OCC Number for which the User is not an Authorized User.⁴⁰

The Exchange proposes to amend current paragraph (d) (Notice to Clearing Members) (to be relettered to paragraph (e)) of Rule 21.12 to provide that the Exchange will provide notice to Users that they are authorized or unauthorized by Clearing Members.⁴¹

The Exchange also proposes to amend current paragraph (g) (Other Give Up Changes) (to be relettered to subparagraph (f)) of Rule 21.12 to provide that a User may change the give up on the trade to another Designated Give Up, provided it's an Authorized User for any Restricted OCC Number, or to its Grantor.⁴² Additionally, the Exchange seeks to define a specific "Trade Date Cutoff Time"⁴³ and "T+1 Cutoff Time"

³⁹ Id.

⁴⁰ See proposed Exchange Rule 21.12(d); see also Cboe Options Rule 5.10(d).

⁴¹ See proposed Exchange Rule 21.12(e); see also Cboe Options Rule 5.10(e).

⁴² See proposed Exchange Rule 21.12(f); see also Cboe Options Rule 5.10(f).

⁴³ The "Trade Date Cutoff Time" is established by the Clearing Corporation (or 15 minutes thereafter if the Exchange receives and is able to process a request to extend its time of final trade submission to the Clearing Corporation). See proposed Exchange Rule 21.12(f)(1); see also Cboe Options Rule 5.10(f)(1).

in the rule text of proposed paragraph (f).⁴⁴

The Exchange proposes to amend current paragraph (h) (Responsibility) (to be relettered to paragraph (g)) of Rule 21.12 to eliminate any applicable reference to current paragraph (e) or (f) of the Rule and to conform with Cboe Options Rule 5.10(g).

The Exchange also proposes to adopt subparagraph (h) of Rule 21.12 to provide that an intentional misuse of this Rule is impermissible, and may be treated as a violation of Rule 3.1, titled “Business Conduct of Members.”⁴⁵ This language will make clear that the Exchange will regulate an intentional misuse of this Rule, and that such behavior would be a violation of Exchange rules. The proposed language is similar to corresponding provisions in other exchanges’ give up rules.⁴⁶

Lastly, the Exchange proposes to amend its current Member Notification of Designated Give Ups Form (“Designated Give Ups Form”). As of October 7, 2019 the Exchange and each of its affiliated options exchanges (i.e., C2 Options, BZX Options, and Cboe Options (collectively, “Cboe Markets”)) are on the same technology platform. To provide further harmonization across the Cboe Markets and provide more seamless administration of the Give up rule, the Exchange proposes to eliminate the current Designated Give Ups Form and adopt a new form which would be applicable to all Cboe Markets going forward. The proposed Designated Give Ups Form is included in Exhibit 3.

⁴⁴ The “T+1 Cutoff Time” is 1:00 p.m. Eastern Time on T+1; see proposed Exchange Rule 21.12(f)(3); see also Cboe Options Rule 5.10(f)(3) (which provides a cutoff time of 12:00 p.m. Central Time).

⁴⁵ See Cboe Options Rule 5.10(h), which states that intentional misuse of Rule 5.10 may be treated as a violation of Rule 8.1 (Just and Equitable Principles of Trade).

⁴⁶ See, e.g., Cboe Options Rule 5.10(h).

Implementation Date

The Exchange proposes to announce the implementation date of the proposed rule change in an Exchange Notice, to be published no later than thirty (30) days following the operative date. The implementation date will be no later than sixty (60) days following the operative date.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴⁸ 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 facilitation 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)⁴⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Particularly, as discussed above, several clearing firms affiliated with SIFMA have recently expressed concerns relating to the current give up process, which permits

⁴⁷ 15 U.S.C. 78f(b).

⁴⁸ 15 U.S.C. 78f(b)(5).

⁴⁹ Id.

Users to identify any Clearing Member as a Designated Give Up for purposes of clearing particular transactions, and have identified the current give up process (i.e., a process that lacks authorization) as a significant source of risk for clearing firms. The Exchange believes that the proposed changes to Rule 21.12 help alleviate this risk by enabling Clearing Members to ‘Opt In’ to restrict one or more of its OCC clearing numbers (i.e., Restricted OCC Numbers), and to specify which Authorized Users may give up those Restricted OCC Numbers. As described above, all other Users would be required to receive written authorization from the Clearing Member before they can give up that Clearing Member’s Restricted OCC Number. The Exchange believes that this authorization provides proper safeguards and protections for Clearing Members as it provides controls for Clearing Members to restrict access to their OCC clearing numbers, allowing access only to those Authorized Users upon their request. The Exchange also believes that its proposed Clearing Member Restriction Form allows the Exchange to receive in a uniform fashion, written and transparent authorization from Clearing Members, which ensures seamless administration of the Rule.

The Exchange believes that the proposed Opt In process strikes the right balance between the various views and interests across the industry. For example, although the proposed rule would require Users (other than Authorized Users) to seek authorization from Clearing Members in order to have the ability to give them up, each User will still have the ability to give up a Restricted OCC Number that is subject to a Letter of Guarantee without obtaining any further authorization if that User is party to that arrangement. The Exchange also notes that to the extent the executing User has a clearing arrangement with a Clearing Member (i.e., through a Letter of Guarantee), a trade can be

assigned to the executing User's guarantor. Accordingly, the Exchange believes that the proposed rule change is reasonable and continues to provide certainty that a Clearing Member would be responsible for a trade, which protects investors and the public interest.

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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose an unnecessary burden on intramarket competition because it would apply equally to all similarly situated Members. The Exchange also notes that, should the proposed changes make the Exchange more attractive for trading, market participants trading on other exchanges can always elect to become Members on the Exchange to take advantage of the trading opportunities. Furthermore, the proposed rule change does not address any competitive issues and ultimately, the target of the Exchange's proposal is to reduce risk for Clearing Members under the current give up model. Clearing firms make financial decisions based on risk and reward, and while it is generally in their beneficial interest to clear transactions for market participants in order to generate profit, it is the Exchange's understanding from SIFMA and clearing firms that the current process can create significant risk when the clearing firm can be given up on any market participant's transaction, even where there is no prior customer relationship or authorization for that designated transaction. In the absence of a mechanism that governs a market participant's use of a Clearing Member's services, the Exchange's proposal may indirectly facilitate the ability of a Clearing Member to manage their existing customer relationships while

continuing to allow market participant choice in broker execution services. While Clearing Members may compete with executing brokers for order flow, the Exchange does not believe this proposal imposes an undue burden on competition. Rather, the Exchange believes that the proposed rule change balances the need for Clearing Members to manage risks and allows them to address outlier behavior from executing brokers while still allowing freedom of choice to select an executing broker.

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 written 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 Act⁵⁰ and Rule 19b-4(f)(6)⁵¹ 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,

⁵⁰ 15 U.S.C. 78s(b)(3)(A).

⁵¹ 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. Please include File Number SR-CboeEDGX-2020-001 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-2020-001. 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-2020-001 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.⁵²

Secretary

⁵² 17 CFR 200.30-3(a)(12).

EXHIBIT 3

Index to Forms in Exhibit 3

1. Clearing TPH Restriction Form
2. Notification Form

CLEARING TRADING PERMIT HOLDER/MEMBER RESTRICTION FORM

Clearing TPH/Member:

In accordance with Cboe Markets’ rules, the Clearing TPH/Member listed above authorizes Cboe to restrict The Options Clearing Corporation (“OCC”) number(s) listed below requiring prior authorization for use as a Give-Up on Cboe Exchange, Inc., Cboe C2 Exchange, Inc., Cboe BZX Exchange, Inc., and/or Cboe EDGX Exchange, Inc., (collectively, “Cboe Markets”). The Clearing TPH/Member must indicate below the OCC number(s) to be restricted for each relevant Cboe Market.

NOTE: Once an OCC number is marked as restricted, no TPH/Member will be able to use that restricted OCC number unless they have either: (1) an executed clearing guarantee on file with Membership with that Clearing TPH/Member; or (2) the TPH/Member is authorized by the Clearing TPH/Member pursuant to the applicable Cboe Market rule.

Instructions: To authorize or revoke a TPH’s/Member’s use of a restricted OCC number, please enter the applicable information below and submit to MembershipServices@cboe.com.. List the restricted OCC number in column 1 and provide, if applicable, each TPH/Member that is authorized or restricted on each OCC number in column 2. Check all applicable Cboe Markets in columns 5 through 8. If necessary, please attach additional sheets.

1	2	3	4	5	6	7	8
Restricted OCC Number	TPH/Member Name	Authorized	Revoked	Cboe Options	C2	Cboe BZX	Cboe EDGX
1							
2							
3							

By executing this Clearing TPH/Member Restriction Form, the Clearing TPH/Member grants Cboe permission to publish the Clearing TPH’s/Member’s restricted OCC number(s) on Cboe’s website for purposes of providing notice to other exchange members that the Clearing TPH’s/Member’s OCC number(s) will not be available for Give Up.

Authorized Signature:	Date:
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Print Name:	Title:
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Clearing TPH/Member Contact Person (to be provided to market participants seeking authorization):

Email Address:	Phone:
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**TRADING PERMIT HOLDER/MEMBER
NOTIFICATION OF IDENTIFIED DESIGNATED GIVE-UPS**

TPH/Member Organization:							
In accordance with Cboe Markets’ rules, the TPH/Member Organization listed above identifies the following Clearing TPHs/Members as Designated Give-Ups for the TPH/Member Organization on Cboe Exchange, Inc., Cboe C2 Exchange, Inc., Cboe BZX Exchange, Inc., and/or Cboe EDGX Exchange, Inc., (collectively, “Cboe Markets”), as applicable. Restricted OCC Numbers will not be enabled unless the TPH/Member Organization listed above is an Authorized Trading Permit Holder for such Restricted OCC Number pursuant to the applicable Cboe Market rule							
Instructions: Please enter the applicable information below and submit to MembershipServices@cboe.com. List the Designated Clearing TPH/Member in column 1 and provide, each respective OCC number being requested in column 2. Check whether requesting to enable Give-Up or disable Give-Up in columns 3 and 4. Finally check all applicable Cboe Markets in columns 5 through 8, as applicable. If necessary, please attach additional sheets.							
1	2	3	4	5	6	7	8
Clearing TPH/Member	OCC #	Enable	Disable	Cboe Options	C2	Cboe BZX	Cboe EDGX
1							
2							
3							
4							
5							
Authorized Representative Signature:					Date:		
Print Name:					Title:		

Email Address:	Phone:
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EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe EDGX Exchange, Inc.

* * * * *

Rule 21.12. Clearing Member Give Up

[The following rule text shall be effective through October 31, 2016:

A User must give up the name of the Clearing Member through which the transaction will be cleared. If there is a subsequent change in identity of the Clearing Member through whom a transaction will be cleared, the User must, as promptly as possible, report such change to EDGX Options.

The following rule text shall be effective beginning on November 1, 2016:]

(a) *General.* For each transaction in which a User participates, the User [must give up the name] may indicate, at the time of the trade or through post-trade allocation, any Options Clearing Corporation (“OCC”) number of the Clearing Member through which the transaction will be cleared (“give up”). The Clearing Member that is given up must be a Designated Give Up or a Guarantor of the User as set forth in paragraph (b) below. [If a Designated Give Up determines to reject a trade in accordance with this Rule, the Guarantor for the executing User will become the give up on the trade, unless another Clearing Member agrees to accept the trade, in accordance with paragraph (f) below.] Clearing Members may elect to Opt In, as defined and described in paragraph (c) below, and restrict one or more of its OCC number(s) (“Restricted OCC Number”). A User may give up a Restricted OCC Number provided the User has written authorization as described in paragraph (c)(2) below (“Authorized User”) and provided the Restricted OCC Number belongs to a Designated Give Up of the User.

(b) *Designated Give Ups.*

(1)-(2) No change.

(3) *Identification of Designated Give Up.* Every User (other than a Market-Maker) must identify, in a form and manner prescribed by the Exchange and in advance of giving up any Clearing Member that is not a Guarantor for the User, any Designated Give Ups. A User [will] shall only give up (A) a Clearing Member that has previously been identified and processed by the Exchange as a Designated Give Up for that User[;], provided that the Designated Give Up has not Opted In, or provided that the User is an Authorized User of that Designated Give Up, or (B) a Guarantor for that User[; or another Clearing Member that agrees to accept a trade in accordance with paragraph (f) below].

(4) *Non Market-Makers.* Any User (other than a Market-Maker) may designate, pursuant to subparagraph (b)(3) above, any Clearing Member other than its Guarantor, as a Designated Give Up. [The Exchange will not accept any instructions, and will not give effect to any previous instructions, from a Clearing Member not to permit a User to designate the Clearing Member as a Designated Give Up.]

(5) *Market-Makers.* For each transaction in which a Market-Maker participates, a Guarantor of the Market-Maker shall be the Clearing Member through which the transaction will be cleared.

(6) *Guarantors.* A Guarantor for a User will be enabled to be given up for that User without any further action by the Clearing Member or User.

(7) *Removal of Designated Give Up.* If a User (other than a Market-Maker) no longer wants the ability to give up a particular Designated Give Up, the User must notify the Exchange, in a form and manner prescribed by the Exchange.

(c) *Opt In.* Clearing Members may request the Exchange restrict one or more of their OCC clearing numbers (“Opt In”) as described in subparagraph (c)(1) below. If a Clearing Member Opts In, the Exchange will require written authorization from the Clearing Member permitting a User to give up a Clearing Member’s Restricted OCC Number. An Opt In would remain in effect until the Clearing Member terminates the Opt In as described in subparagraph (c)(3) below. If a Clearing Member does not Opt In, that Clearing Member’s OCC number would be subject to give up by any User.

(1) *Clearing Member Process to Opt In.* A Clearing Member may Opt In by sending a completed “Clearing Member Restriction Form” listing all Restricted OCC Numbers and Authorized Users. A Clearing Member may elect to restrict one or more OCC clearing numbers that are registered in its name at OCC. The Clearing Member would be required to submit the Clearing Member Restriction Form to the Exchange’s Membership Department as described on the form. Once submitted, the Exchange requires ninety days before a Restricted OCC Number is effective within the System.

(2) *User Give Up Process for Restricted OCC Numbers.* A User desiring to give up a Restricted OCC Number must become an Authorized User. The Clearing Member will be required to authorize a User as described in subparagraph (1) or (3), unless the Restricted OCC Number is already subject to a Letter of Guarantee that the User is a party to.

(3) *Amendments to Authorized Users or Restricted OCC Numbers.* A Clearing Member may amend its Authorized Users or Restricted OCC Numbers by submitting a new Clearing Member Restriction Form to the Exchange’s Membership Department indicating the amendment as described on the form. Once a Restricted OCC Number is effective within the System pursuant to paragraph (1) above, the Exchange may permit the Clearing Member to authorize, or remove authorization for, a User to Give Up the

Restricted OCC Number intra-day only in unusual circumstances, and on the next business day in all regular circumstances. The Exchange will promptly notify Users if they are no longer authorized to give up a Clearing Member's Restricted OCC Number. If a Clearing Member removes a Restricted OCC Number, any User may give up that OCC clearing number once the removal has become effective on or before the next business day, provided that the User has identified the Clearing Member as a Designated Give Up.

[(c)d] *System.* The Exchange's trading systems [will] shall only accept orders that identify an effective Designated Give Up or a Guarantor. For any Restricted OCC Number, the Exchange's trading systems will only accept orders for that number from an Authorized User that has also designated that Clearing Member as a Designated Give Up. [The Exchange's trading systems will reject any order entered by a User which designates a give up that is not at the time a Designated Give Up or Guarantor of the User.]

[(d)e] *Notice [to Clearing Members].* The Exchange [will] shall notify a Clearing [Trading] Member, in writing and as soon as practicable, of each User that has identified the Clearing Member as a Designated Give Up pursuant to subparagraph (b)(3) above. The Exchange shall notify a User, in writing and as soon as practicable, of each Clearing Member that has identified the User as an Authorized User pursuant to subparagraph (c) above.

[(e) Acceptance of a Trade.

(1) Designated Give Ups. A Designated Give Up may determine in accordance with the provisions of this Rule not to accept a trade for which its name was given up if it believes in good faith that it has a valid reason not to accept the trade and follows the procedures set forth in paragraph (f) below.

(2) Guarantors. A Guarantor must accept a trade for which its name was given up in relation to a User (other than a Market Maker) for which it is a Guarantor unless:

(A) another Clearing Member agrees to be the give up on the subject trade;

(B) the Clearing Member has notified the Exchange and the executing User in writing of its intent to accept the trade; and

(C) the give up is changed to the Clearing Member that has agreed to accept the trade in accordance with the procedures in paragraph (f) below.

(D) A Guarantor for a User that is a Market Maker must accept a trade for which its name was given up in relation to a Market Maker trade by that User.

(f) Procedures to Reject a Trade:

(1) A Designated Give Up can only change the give up to:

(A) another Clearing Member that has agreed to be the give up on the subject trade, provided such Clearing Member has notified the Exchange and the executing User in writing of its intent to accept the trade; or

(B) a Guarantor for the executing User, provided the Designated Give Up has notified the Guarantor in writing that the Designated Give Up is changing the give up on the trade to the Guarantor.

(2) A Guarantor can only change the give up to another Clearing Member that has agreed to be the give up on the subject trade, provided such Clearing Member has notified the Exchange and the executing User in writing of its intent to accept the trade.

(3) In the event a Designated Give Up determines to reject a trade, or another Clearing Member agrees to be the give up on a trade for which a Guarantor's name was given up, the following procedures shall apply:

(A) Notification to User. If a Designated Give Up decides to reject a trade, or another Clearing Member agrees to be the give up on a trade for which a Guarantor's name was given up, the rejecting Designated Give Up or Guarantor must notify the executing User or its designated agent as soon as possible and should attempt to resolve the disputed give up. The notification must be in writing. A Designated Give Up or Guarantor may contact the Exchange and request the identity and contact information of the executing User or its designated agent for any trade it intends to reject.

(B) Change of Give Up Made On Trade Date. A Designated Give Up or Guarantor may, following notification to the User pursuant to subparagraph (f)(3)(A), contact the Exchange and request the ability to change the give up on the trade, in a form and manner prescribed by the Exchange. Upon such a request and so long as the Exchange is able to process the request prior to the trade input cutoff time established by the Options Clearing Corporation (or the applicable later time if the Exchange receives and is able to process a request to extend its time of final trade submission to the Options Clearing Corporation) ("Trade Date Cutoff Time"), the Exchange will provide the Designated Give Up or Guarantor the ability to change the give up on the trade until the Trade Date Cutoff Time, at which point the ability to change the give up on a trade will end.

(C) Change of Give Up Made On T+1. A Designated Give Up or Guarantor may, following notification to the User pursuant to subparagraph (f)(3)(A), contact the Exchange and request the ability to reject the trade on the next trading day ("T+1"). Upon such a request, and provided the Exchange receives the request prior to 12:00 p.m Eastern Standard Time on T+1 ("T+1 Cutoff Time"), the Exchange will provide the Designated Give Up or Guarantor the ability to enter trade records into the Exchange's systems that will effect a transfer of the trade to another Clearing Member.

(D) **Expiring Options Series.** For transactions in an expiring options series that take place on the last trading day prior to its expiration, no changes can be made to the give up on T+1. A Designated Give Up or Guarantor may only reject these transactions on the trade date until the Trade Date Cutoff Time in accordance with subparagraph (f)(3)(B) above.

(E) **Notification of Change.** A Designated Give Up or Guarantor that changes the give up on a trade will immediately thereafter notify, in writing, the Exchange, the Clearing Member given up and all parties to the trade of the change.]

[(g)f] *Other Give Up Changes.*

(1) *Give Up Changes Made by Executing User.* If the executing User has the ability through an Exchange system to do so, the User may change the give up on the trade to another Designated Give Up, provided it's an Authorized User for any Restricted OCC Number, or to its Guarantor. The ability of an executing User to make any give up change will end at the trade input cutoff time established by the Clearing Corporation (or fifteen minutes thereafter if the Exchange receives and is able to process a request to extend its time of final trade submission to the Clearing Corporation) ("Trade Date Cutoff Time").

(2) *Give Up Changes Made by Designated Give Ups to Affiliates and Back Office Agents.* If a Designated Give Up has the ability through an Exchange system to do so, the Designated Give Up may change the give up on a trade to (A) another Clearing Member affiliated with the Designated Give Up or (B) a Clearing Member that is a back office agent for the Designated Give Up. The ability to make such a change will end at the Trade Date Cutoff Time. [The procedures in paragraph (f) above will not apply to give up changes made pursuant to this subparagraph (g)(2).]

(3) *Give Up Changes Made by Designated Give Ups or Guarantors and Clearing Members on T+1.* If a Designated Give Up (or Guarantor) and a Clearing Member have the ability through an Exchange system to do so, the Designated Give Up (or Guarantor) and Clearing Member may each enter trade records into the Exchange's systems on the next trading day ("T+1") that would effect a transfer of a trade in non-expired option series from that Designated Give Up (or Guarantor) to that Clearing Member. The ability to make such a change will end at [the] 1:00 p.m. Eastern Time on T+1 ("T+1 Cutoff Time"). The Designated Give Up (or Guarantor) will notify the Exchange and all the parties to the trade, in writing, of any such change. [The procedures in paragraph (f) above will not apply to give up changes made pursuant to this subparagraph (g)(3).]

[(h)g] *Responsibility:* [

(1)]For purposes of the Rules of the Exchange, a Clearing Member will be financially responsible for all trades for which it is the give up at the Applicable Cutoff Time. Nothing in this Rule will preclude a different party from being responsible for the trade outside of the Rules of the Exchange pursuant to the Rules of the Options Clearing

Corporation, any agreement between the applicable parties, other applicable rules and regulations, arbitration, court proceedings or otherwise. [In processing the request to provide a Designated Give Up the ability to change the give up or to reject a trade pursuant to this Rule, the Exchange will not, and has no obligation to, consider whether the Designated Give Up or any other party has satisfied the requirements of this Rule or any other Rule, including in relation to having a good faith belief that the Designated Give Up has a valid reason not to accept a trade or having notified the executing User and attempted to resolve the disputed give up prior to changing the give up or rejecting the trade. This Rule does not preclude these factors from being considered in a different forum such as is noted in the preceding sentence or by the Exchange for regulatory and disciplinary purposes. The Exchange's action to process a request to provide a Designated Give Up or Guarantor the ability to change the give up pursuant to this Rule will not be subject to review, but a User that violates the provisions of this Rule in taking such an action will be subject to discipline in accordance with the Rules.

(2)]_For purposes of this [paragraph (h)] Rule, the “Applicable Cutoff Time” [is:] shall refer to the Cutoff Time for non-expiring option series and to the Trade Date Cutoff Time for expiring option series.

[(A) For all trades in options, other than expiring options series that take place on the last trading day prior to their expiration, the T+1 Cutoff Time; and

(B) For all trades in expiring options series that take place on the last trading day prior to their expiration the Trade Date Cutoff Time.]

(h) An intentional misuse of this Rule is impermissible, and may be treated as a violation of Rule 3.1.

Interpretations and Policies:

.01 No change.

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