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

File No.* SR - 2020 - * 049
Amendment No. (req. for Amendments *)

Filing by Cboe EDGX Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *	Section 806(e)(2) *
☐	☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

The Exchange proposes to enhance its drill-through protections and make other clarifying changes.

Contact Information

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

First Name *	Laura	Last Name *	Dickman
Title *	VP, Associate General Counsel		
E-mail *	ldickman@cboe.com		
Telephone *	(312) 786-7572	Fax	

Signature

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

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

Date 10/09/2020

By Laura G. Dickman
(Name *)

(Title *)
VP, Associate General Counsel

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

ldickman@cboe.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO] -xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. <u>Text of the Proposed Rule Change</u>

(a) Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX Options") proposes to enhance its drill-through protections and make other clarifying changes. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

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

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on October 5, 2020. The Exchange will provide Trading Permit Holders with sufficient advanced notice of the implementation date of the proposed rule change in accordance with Rule 16.3.

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

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

(a) <u>Purpose</u>

The Exchange proposes to enhance its drill-through protections for simple and complex orders and make other clarifying changes. Currently, pursuant to Rule 21.17(a)(4) and (b)(6), the System will execute a marketable buy (sell) order or complex order,[1] respectively, up to a buffer amount above (below) the limit of the Opening Collar or the national best offer ("NBO") (national best bid ("NBB")), as applicable, or the synthetic

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1 The System may also initiate a complex order auction ("COA") at the drill-through price for a complex order that would otherwise initiate a COA.

national best offer ("SNBO") or synthetic national best bid ("SNBB"), respectively (the "drill-through price"). The System enters any order (or unexecuted portion), simple or complex, into the EDGX Options Book or the complex order book ("COB"), respectively, at the drill-through price for a specified period of time (determined by the Exchange).[2] At the end of the time period, the System cancels any portion of the order not executed during that time period.

The Exchange proposes to permit orders to rest in the EDGX Options Book or COB, as applicable, for multiple time periods and at more aggressive displayed prices during each time period.[3] Specifically, the System enters the order in the EDGX Options Book or COB with a displayed[4] price equal to the drill-through price (as discussed below, if an order's limit price is less aggressive than the drill-through price, the order will rest in the EDGX Options Book or COB, as applicable, at its limit price and subject to the User's instructions, and the drill-through mechanism as proposed to be amended would no longer apply to the order).[5] The order (or unexecuted portion) will rest in the EDGX Options Book or COB, as applicable, until the earlier to occur of the order's full execution and the end of the duration

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2 The current time period is two seconds, and the current default amounts are available in the technical specifications available at https://cdn.cboe.com/resources/membership/US_Options_BOE_Specification.pdf. Upon implementation of the proposed rule change, the Exchange will likely reduce the length of the time period and maintain the same buffer amounts.

3 The Exchange will announce to Trading Permit Holders the buffer amount, the number of time periods, and the length of the time periods in accordance with Rule 16.3. The Exchange notes that each time period will be the same length (as designated by the Exchange), and the buffer amount applied for each time period will be the same.

4 Currently, the drill-through price is the price of orders and complex orders in the book or COB, respectively. The proposed rule change clarifies that the drill-through price is displayed, which is consistent with current functionality.

5 See proposed Rule 21.17(a)(4)(B) and (b)(6)(B).

of the number of time periods.[6] Following the end of each period prior to the final period, the System adds (if a buy order) or subtracts (if a sell order) one buffer amount to the drill-through price displayed during the immediately preceding period (each new price becomes the "drill-through price").[7] The order (or unexecuted portion) rests in the EDGX Options Book or COB, as applicable, at that new drill-through price for the duration of the subsequent period. Following the end of the final period, the System cancels the simple or complex order (or unexecuted portion) not executed during any time period.[8] The Exchange has received feedback from Users that the current application of the drill-through mechanism is too limited. The Exchange believes this proposed rule change will provide additional execution opportunities for these orders (or unexecuted portions) while providing protection against execution at prices that may be erroneous.

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6 The Exchange will determine on a class-by-class basis the number of time periods, which may not exceed five, and the length of the time period, which may not exceed three seconds. See proposed Rule 21.17(a)(4)(B) and (b)(6)(B)(i). The proposed rule change adds class flexibility so that the Exchange may determine different time periods and buffer amounts for different classes, which may exhibit different trading characteristics and have different market models.

7 The System will apply a timestamp to the order (or unexecuted portion) based on the time it enters or is re-priced in the book or COB, as applicable, for priority purposes. See proposed Rule 21.17(a)(4)(B)(iii) and (b)(6)(B)(iii). This is consistent with the current drill-through functionality, pursuant to which the System applies a timestamp to the order (or unexecuted portion) based on the time it enters the book or COB, as applicable, modified to reflect the multiple price levels at which an order may rest. See current Rule 21.17(a)(4) and (b)(6)(A).

8 Note current Rule 21.17(b)(6)(B) uses the language "cancel or reject" while the proposed rule change deletes "reject," as both terms have the same result and merely relate to internal System code, making the use of both terms unnecessary.

For example, suppose the Exchange's market for a series in a class with a 0.05 minimum increment is 0.90 – 1.00, represented by a quote for 10 contracts on each side (the quote offer is Quote A). The following sell orders or quote offers for the series also rest in the EDGX Options Book:

- Order A: 10 contracts at 1.05;
- Quote B: 10 contracts at 1.10;
- Order B: 10 contracts at 1.15; and
- Order C: 20 contracts at 1.25.

The market for away exchanges is 0.80 – 1.45. The Exchange's buffer amount for the class is 0.10, the drill-through resting time period is one second, and the number of time periods is three. The System receives an incoming order to buy 100 at 1.40, which executes against resting orders and quotes as follows: 10 against Quote A at 1.00 (which is the national best offer), 10 against Order A at 1.05, and 10 against Quote B at 1.10. The System will not automatically execute any of the remaining 70 contracts from the incoming buy order against Order B, because 1.15 is more than 0.10 away from the national best offer at the time of order entry of 1.00 and thus exceeds the drill-through price check. The 70 unexecuted contracts then rest in the EDGX Options Book for one second at a price of 1.10 (the initial drill-through price). No incoming orders are entered during that one-second time period to trade against the remaining 70 contracts. The System then re-prices the buy order in the EDGX Options Book at a new drill-through price of 1.20 (drill-through price plus one buffer of 0.10). Ten contracts immediately execute against Order B at a price of 1.15 (the buy order is still handled as the "incoming order" that executes against the resting Order B, and thus receives price improvement to 1.15). An incoming order to sell 20 contracts at

1.20 enters the EDGX Options Book and executes against 20 of the resting contracts at that price. At the end of the second one-second time period, there are 40 remaining contracts. These contracts then rest in the EDGX Options Book at a price of 1.30 for the final one second time period. Twenty contracts immediately execute against Order C at a price of 1.25. No incoming orders are entered during that time period to trade against the remaining 20 contracts. At the end of the final one-second time period, the System cancels the remaining 20 contracts.[9]

Currently, Users may establish a higher or lower buffer amount than the default amount set by the Exchange with respect to complex orders subject to the drill-through protection.[10] Pursuant to the proposed rule change, if a User establishes its own buffer amount, the drill-through protection will work as it does today. In other words, if a User establishes its own buffer amount, a complex order will rest in the COB for one time period at the drill-through price and any unexecuted portion will be cancelled at the end of the time period. The proposed rule change clarifies that the length of the time period will continue to be determined by the Exchange, and will be the same as the length of the time period that applies to complex orders for which the User does not establish its own buffer amount. The Exchange believes this is consistent with a User's desire to set its own buffer to accommodate its own risk tolerance. All Users have the ability either to establish their own buffer amounts for complex orders, and thus have unexecuted orders rest for one time period, or let their complex orders be subject to the Exchange default buffer amount for

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9 The proposed drill-through protection for complex orders works in an identical manner.

10 See Rule 21.17(b)(6) (proposed subparagraph (b)(6)(A)).

complex orders, and thus have unexecuted orders rest at multiple price points for multiple time periods, as proposed.

The proposed rule change also makes certain clarifying and nonsubstantive changes, including movement of certain terms and provisions within Rule 21.17(a)(4) and (b)(6) due to the proposed rule changes described above. First, the proposed rule change combines the provisions in current subparagraphs (A) and (B) of Rule 21.17(a)(4) into proposed subparagraph (A). The drill-through protection in the following subparagraphs of Rule 21.17(a)(4) (currently and as proposed) apply to orders that enter the EDGX Options Book at the conclusion of the opening auction and intraday in the same manner. Therefore, current (and proposed) subparagraph (a)(4)(B) apply to all orders that enter the EDGX Options Book as described in proposed subparagraph (a)(4)(A) (current subparagraphs (a)(4)(A) and (B)). The proposed rule change clarifies that the drill-through protection applies to all orders that would enter the EDGX Options Book at prices worse than the drill-through price, including orders not executed during the opening auction and orders entered intraday. This is consistent with and a clarification of current functionality.

Second, the proposed rule change adds clarifying language regarding how the System handles orders for which the limit price is equal to or less than (if a buy order) or greater than (if a sell order) the drill-through price. Current Rule 21.17(b)(6) contemplates that complex orders with limit prices equal to or less aggressive than the drill-through price will not be subject to the mechanism pursuant to which orders will rest in the COB for a time period and then be cancelled. Specifically, Rule 21.17(b)(6)(A) states if a buy (sell) complex order would execute or enter the COB at a price *higher (lower) than the drill-through price*, the System enters the complex order into the COB with a price equal to the drill-through price and rests for the time period in accordance with the drill-through mechanism. Additionally, Rule 21.17(b)(6)(B) states that any complex order with a displayed price equal to the drill-through price *(unless the drill-through price equals the order's limit price)* will rest in the COB for the drill-through time period. Therefore, currently, if the limit price of a complex order is less aggressive than or equal to the drill-through price (i.e., if a buy (sell) complex order (or unexecuted portion) would execute or enter the COB at a price lower (higher) than or equal to the drill-through price), the complex order will rest in the COB, as applicable, and the drill-through mechanism stops (i.e., the time period will not occur and the System will not cancel the order). This is also true for simple orders but is not specified in the current Rules.

The proposed rule change clarifies that notwithstanding the provisions described above regarding an order or complex order resting in the EDGX Options Book or COB, respectively, for brief time periods at drill-through prices, if a buy (sell) order's limit price equals or is less (greater) than the drill-through price at any time during application of the drill-through mechanism, the order rests in the EDGX Options Book or COB, as applicable, subject to a User's instructions,[11] at its limit price and any remaining time period(s) described above do not occur.[12] If the drill-through price is equal to or more aggressive than the order's limit price, the additional protection of having the order rest in the COB for a short time period is not necessary given that the order will rest at the limit price entered by the User (and thus an acceptable execution price for that User). Additionally, displaying an order at a drill-through price (a price at which execution is possible) worse than the limit

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11 For example, the order will remain in force subject to any time-in-force instruction applied to the order by the User upon entry.

12 See proposed Rule 21.17(a)(4)(C)(iv) and (b)(6)(B)(iv).

price of the order would be inconsistent with the terms of the order. This is consistent with current functionality (updated to reflect the proposed rule change to allow multiple time periods) and the definition of limit orders and merely clarifies this in the Rules.

Third, the proposed rule change clarifies in proposed Rule 21.17(b)(6)(B)(ii) that if the synthetic best bid or offer ("SBBO") changes prior to the end of any time period but the complex order cannot leg into the simple book, and the new SBB or SBO, as applicable, crosses the drill-through price, the System changes the displayed price of the complex order to the new SBB or SBO, as applicable, plus or minus the applicable minimum increment for the class. The current Rule states that \$0.01 is added to or subtracted from the new SBBO. However, a class may have a minimum increment other than \$0.01 pursuant to Rule 5.4(b). Currently, the System adds or subtracts the applicable minimum increment. The proposed rule change corrects an inadvertent error in the Rules to conform to current System functionality and Rules regarding minimum increments for complex orders. The proposed rule change will ensure that a complex order will rest in the COB only with a displayed price in the applicable minimum increment applicable for the class of that complex order. The proposed rule change also clarifies that the complex order will rest in the COB (the current rule text says the complex order is not cancelled), and adds detail that the complex order rests at that displayed price, subject to a User's instructions, and if it was not the final period, any remaining time period(s) do not occur.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[13] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[14] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[15] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed enhancement to the drill-through mechanism removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest. The proposed rule change will permit orders (or unexecuted portions) to rest in the EDGX Options Book or COB, as applicable, at different displayed prices for a brief but overall longer period of time, which will provide market participants' orders with additional execution opportunities while continuing to protect them against execution at potentially erroneous prices. The proposed enhancement to the drill-through protection is similar to current drill-through functionality. The Exchange may determine the buffer amount for orders and the time period in which orders may rest in the EDGX

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

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

[15] Id.

Options Book or COB. The proposed rule change permits an order to rest at multiples of the buffer amount, which would have the same effect as the Exchange setting a larger buffer amount. For example, if the Exchange set a buffer amount of $0.75, that would allow orders to execute at any price no further than $0.75 away from the NBBO or SNBBO at the time of order entry (including at prices $0.25 and $0.50 away from the NBBO or SNBBO at the time of order entry). This allows for the same potential execution prices that would be possible if the Exchange set a buffer of $0.25 and three time periods under the proposed rule change. While the overall time period for which an order may rest in the EDGX Options Book or COB may be longer than the currently permissible time period, the longer time period will still be relatively brief (maximum of 15 seconds). The Exchange notes it may maintain the same buffer amounts that are in place today. However, rather than increase the buffer amount at one time, the proposed rule change adds the overall larger buffer amount incrementally over a potentially overall longer time period. While this may permit executions at prices farther away from the NBBO or SNBBO at the time of order entry, it will still never permit executions at prices through orders' limit prices. This will provide execution opportunities for orders at incremental amounts away from the NBBO or SNBBO, as applicable, over a slightly longer time period and thus against a potentially larger number of orders. Users also have the ability to cancel orders prior to the completion of the time periods if they do not want the orders resting for a longer period of time (and Users can set their own buffer for complex orders, which would cause those complex orders to rest for a single time period rather than multiple as proposed).

The Exchange believes the proposed clarifying and nonsubstantive changes to the drill-through protection rules protect investors by adding transparency to the rules regarding the drill-through functionality. These changes are consistent with current functionality and thus do not impact the applicability of the drill-through mechanism to orders.

Item 4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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 impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the enhanced drill-through protection will apply to all marketable orders in the same manner. Users may cancel orders resting on the EDGX Options Book during the drill-through time periods or set their own buffer with respect to complex orders if they do not want their orders resting for a longer period of time as proposed.

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 it relates solely to how and when marketable orders will rest on the EDGX Options Book or COB. The proposed enhancement to the drill-through protection is consistent with the current protection and provides orders subject to the protection with additional execution opportunities while providing continued protection against execution against potentially erroneous prices.

The Exchange believes the proposed rule change would ultimately provide all market participants with additional execution opportunities when appropriate while providing protection from erroneous execution. The Exchange believes the proposal will enhance risk protections, the individual firm benefits of which flow downstream to counterparties both at the Exchange and at other options exchanges, which increases systemic protections as well. The Exchange believes enhancing risk protections will allow Users to enter orders and quotes with further reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased liquidity for the execution of their orders. Without adequate risk management tools, such as the one proposed to be enhanced in this filing, Trading Permit Holders could reduce the amount of order flow and liquidity they provide. Such actions may undermine the quality of the markets available to customers and other market participants. Accordingly, the proposed rule change is designed to encourage Trading Permit Holders to submit additional order flow and liquidity to the Exchange. The proposed flexibility may similarly provide additional execution opportunities, which further benefits liquidity in potentially volatile markets. In addition, providing Trading Permit Holders with more tools for managing risk will facilitate transactions in securities because, as noted above, Trading Permit Holders will have more confidence protections are in place that reduce the risks from potential system errors and market events.

The proposed clarifying and nonsubstantive changes are consistent with current functionality and are intended to add clarity to the Rules, and thus the Exchange expects those changes to have no competitive impact.

Item 5. **<u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others</u>**

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

Item 6. **Extension of Time Period for Commission Action**

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act[16] and Rule 19b-4(f)(6)[17] thereunder.

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

The Exchange believes the proposed rule change will not significantly affect the protection of investors or the public interest. The proposed rule change will permit orders (or unexecuted portions) to rest in the EDGX Options Book or COB, as applicable, at different displayed prices for a brief but overall longer period of time, which will provide market participants' orders with additional execution opportunities while continuing to protect them against execution at potentially erroneous prices. The proposed enhancement to the drill-through protection is similar to current drill-through

16 15 U.S.C. 78s(b)(3)(A).

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

functionality. The Exchange may determine the buffer amount for orders and the time period in which orders may rest in the EDGX Options Book or COB. The proposed rule change permits an order to rest at multiples of the buffer amount, which would have the same effect as the Exchange setting a larger buffer amount. While the overall time period for which an order may rest in the EDGX Options Book or COB may be longer than the currently permissible time period, the longer time period will still be relatively brief (maximum of 15 seconds). This will provide execution opportunities for orders at incremental amounts away from the NBBO or SNBBO, as applicable, over a slightly longer time period and thus against a larger number of orders. Users also have the ability to cancel orders prior to the completion of the time periods if they do not want the orders resting for a longer period of time (and Users can set their own buffer for complex orders, which would cause those complex orders to rest for a single time period rather than multiple as proposed).

The Exchange believes the proposed clarifying and nonsubstantive changes to the drill-through protection rules protect investors by adding transparency to the rules regarding the drill-through functionality. These changes are consistent with current functionality and thus do not impact the applicability of the drill-through mechanism to orders.

The Exchange believes the proposed rule change will not impose any significant burden on competition because the enhanced drill-through protection will apply to all marketable orders in the same manner. Users may cancel orders resting on the EDGX Options Book during the drill-through time periods or set their own buffer with respect to complex orders if they do not want their orders resting for a longer period of time as proposed. The proposed rule change relates solely to how and when marketable orders will rest on the EDGX Options Book or COB. The proposed enhancement to the drill-through protection is consistent with the current protection and provides orders subject to the protection with additional execution opportunities while providing continued protection against execution against potentially erroneous prices.

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. As discussed above, the Exchange believes the proposed rule change will protect investors by providing their marketable orders with additional execution opportunities while continuing to protect them from execution at potentially erroneous prices. The proposed enhancement is consistent with the current drill-through protection, as it provides for orders to rest on the EDGX Options Book or COB, as applicable, for a brief amount of time at prices a certain amount away from the initial execution price. The proposed rule change merely permits the overall period during which an order rests prior to cancellation to be longer. Additionally, the proposed rule change permits the order to execute up to certain prices (at which prices they could execute while resting on the EDGX Options Book or COB pursuant to the current rule) at incremental amounts over this longer period. Ultimately, the primary purpose and functionality, including the potential execution prices for orders subject to the drill-through mechanism, of the drill-through mechanism remains the same. The proposed clarifying and nonsubstantive changes will protect investors by adding transparency regarding the drill-through mechanism to the Rules. These changes are consistent with current functionality and have no impact on how the drill-through mechanism applies to orders.

Waiver of the operative delay will permit the Exchange to provide all market participants with additional execution opportunities when appropriate while providing protection from erroneous execution as soon as System functionality to implement the proposed rule change is complete. The Exchange believes the proposal will enhance risk protections, the individual firm benefits of which flow downstream to counterparties both at the Exchange and at other options exchanges, which increases systemic protections as well. The Exchange believes enhancing risk protections will allow Users to enter orders and quotes with further reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased liquidity for the execution of their orders. Without adequate risk management tools, such as the one proposed to be enhanced in this filing, Trading Permit Holders could reduce the amount of order flow and liquidity they provide. Such actions may undermine the quality of the markets available to customers and other market participants. Accordingly, the proposed rule change is designed to encourage Trading Permit Holders to submit additional order flow and liquidity to the Exchange. The proposed flexibility may similarly provide additional execution opportunities, which further benefits liquidity in potentially volatile markets. In addition, providing Trading Permit Holders with more tools for managing risk will facilitate transactions in securities because, as noted above, Trading Permit Holders will have more confidence protections are in place that reduce the risks from potential system errors and market events. The Exchange will provide Users with sufficient prior written notice of the implementation date of the proposed rule change (including the initial buffer amount, number of time periods, and length of time period) pursuant to Rule 16.3.

(c) Not applicable.

(d) Not applicable.

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

The proposed rule change is substantively identical to SR-CBOE-2020-094, which Cboe Exchange, Inc. ("Cboe Options") filed with the Commission on October 5, 2020. The proposed rule change excludes proposed changes in the Cboe Options filing related to orders routing to a PAR workstation, which is a tool used in open outcry trading on the Cboe Options trading floor. As the Exchange does not have a trading floor, such changes are inapplicable to the Exchange. Additionally, the proposed rule change excludes proposed changes in the Cboe Options filing related to the types of orders that enter the EDGX Options Book after executing up to the drill-through price. Rule 21.17(a)(4) instead indicates that an order will enter the EDGX Options Book at the drill-through price unless the terms of the order instruct otherwise. This ultimately has the same meaning as Cboe Options Rule 5.34(a)(4), except it uses a general reference as opposed to specific order instructions as the Cboe Options rule.

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-   ; File No. SR-CboeEDGX-2020-049]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Enhance its Drill-through Protections and make other Clarifying Changes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on [insert date], Cboe EDGX Exchange, Inc. (the "Exchange" or "“EDGX”") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX Options") proposes to enhance its drill-through protections and make other clarifying changes. 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 enhance its drill-through protections for simple and complex orders and make other clarifying changes. Currently, pursuant to Rule 21.17(a)(4) and (b)(6), the System will execute a marketable buy (sell) order or complex order,[5] respectively, up to a buffer amount above (below) the limit of the Opening Collar or the national best offer ("NBO") (national best bid ("NBB")), as applicable, or the synthetic national best offer ("SNBO") or synthetic national best bid ("SNBB"), respectively (the "drill-through price"). The System enters any order (or unexecuted portion), simple or complex, into the EDGX Options Book or the complex order book ("COB"), respectively, at the drill-through price for a specified period of time (determined by the Exchange).[6] At

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5 The System may also initiate a complex order auction ("COA") at the drill-through price for a complex order that would otherwise initiate a COA.

6 The current time period is two seconds, and the current default amounts are

the end of the time period, the System cancels any portion of the order not executed during that time period.

The Exchange proposes to permit orders to rest in the EDGX Options Book or COB, as applicable, for multiple time periods and at more aggressive displayed prices during each time period.[7] Specifically, the System enters the order in the EDGX Options Book or COB with a displayed[8] price equal to the drill-through price (as discussed below, if an order's limit price is less aggressive than the drill-through price, the order will rest in the EDGX Options Book or COB, as applicable, at its limit price and subject to the User's instructions, and the drill-through mechanism as proposed to be amended would no longer apply to the order).[9] The order (or unexecuted portion) will rest in the EDGX Options Book or COB, as applicable, until the earlier to occur of the order's full execution and the end of the duration of the number of time periods.[10] Following the end of each period prior to the final period,

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available in the technical specifications available at https://cdn.cboe.com/resources/membership/US_Options_BOE_Specification.pdf. Upon implementation of the proposed rule change, the Exchange will likely reduce the length of the time period and maintain the same buffer amounts.

7 The Exchange will announce to Trading Permit Holders the buffer amount, the number of time periods, and the length of the time periods in accordance with Rule 16.3. The Exchange notes that each time period will be the same length (as designated by the Exchange), and the buffer amount applied for each time period will be the same.

8 Currently, the drill-through price is the price of orders and complex orders in the book or COB, respectively. The proposed rule change clarifies that the drill-through price is displayed, which is consistent with current functionality.

9 See proposed Rule 21.17(a)(4)(B) and (b)(6)(B).

10 The Exchange will determine on a class-by-class basis the number of time periods, which may not exceed five, and the length of the time period, which may not exceed three seconds. See proposed Rule 21.17(a)(4)(B) and (b)(6)(B)(i). The proposed rule change adds class flexibility so that the Exchange may determine different time periods and buffer amounts for different classes, which may exhibit different trading characteristics and have different market models.

the System adds (if a buy order) or subtracts (if a sell order) one buffer amount to the drill-through price displayed during the immediately preceding period (each new price becomes the "drill-through price").[11] The order (or unexecuted portion) rests in the EDGX Options Book or COB, as applicable, at that new drill-through price for the duration of the subsequent period. Following the end of the final period, the System cancels the simple or complex order (or unexecuted portion) not executed during any time period.[12] The Exchange has received feedback from Users that the current application of the drill-through mechanism is too limited. The Exchange believes this proposed rule change will provide additional execution opportunities for these orders (or unexecuted portions) while providing protection against execution at prices that may be erroneous.

For example, suppose the Exchange's market for a series in a class with a 0.05 minimum increment is 0.90 – 1.00, represented by a quote for 10 contracts on each side (the quote offer is Quote A). The following sell orders or quote offers for the series also rest in the EDGX Options Book:

- Order A: 10 contracts at 1.05;
- Quote B: 10 contracts at 1.10;
- Order B: 10 contracts at 1.15; and

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11 The System will apply a timestamp to the order (or unexecuted portion) based on the time it enters or is re-priced in the book or COB, as applicable, for priority purposes. See proposed Rule 21.17(a)(4)(B)(iii) and (b)(6)(B)(iii). This is consistent with the current drill-through functionality, pursuant to which the System applies a timestamp to the order (or unexecuted portion) based on the time it enters the book or COB, as applicable, modified to reflect the multiple price levels at which an order may rest. See current Rule 21.17(a)(4) and (b)(6)(A).

12 Note current Rule 21.17(b)(6)(B) uses the language "cancel or reject" while the proposed rule change deletes "reject," as both terms have the same result and merely relate to internal System code, making the use of both terms unnecessary.

- Order C: 20 contracts at 1.25.

The market for away exchanges is 0.80 – 1.45. The Exchange's buffer amount for the class is 0.10, the drill-through resting time period is one second, and the number of time periods is three. The System receives an incoming order to buy 100 at 1.40, which executes against resting orders and quotes as follows: 10 against Quote A at 1.00 (which is the national best offer), 10 against Order A at 1.05, and 10 against Quote B at 1.10. The System will not automatically execute any of the remaining 70 contracts from the incoming buy order against Order B, because 1.15 is more than 0.10 away from the national best offer at the time of order entry of 1.00 and thus exceeds the drill-through price check. The 70 unexecuted contracts then rest in the EDGX Options Book for one second at a price of 1.10 (the initial drill-through price). No incoming orders are entered during that one-second time period to trade against the remaining 70 contracts. The System then re-prices the buy order in the EDGX Options Book at a new drill-through price of 1.20 (drill-through price plus one buffer of 0.10). Ten contracts immediately execute against Order B at a price of 1.15 (the buy order is still handled as the "incoming order" that executes against the resting Order B, and thus receives price improvement to 1.15). An incoming order to sell 20 contracts at 1.20 enters the EDGX Options Book and executes against 20 of the resting contracts at that price. At the end of the second one-second time period, there are 40 remaining contracts. These contracts then rest in the EDGX Options Book at a price of 1.30 for the final one second time period. Twenty contracts immediately execute against Order C at a price of 1.25. No incoming orders are entered during that time period to trade against the remaining

20 contracts. At the end of the final one-second time period, the System cancels the remaining 20 contracts.[13]

Currently, Users may establish a higher or lower buffer amount than the default amount set by the Exchange with respect to complex orders subject to the drill-through protection.[14] Pursuant to the proposed rule change, if a User establishes its own buffer amount, the drill-through protection will work as it does today. In other words, if a User establishes its own buffer amount, a complex order will rest in the COB for one time period at the drill-through price and any unexecuted portion will be cancelled at the end of the time period. The proposed rule change clarifies that the length of the time period will continue to be determined by the Exchange, and will be the same as the length of the time period that applies to complex orders for which the User does not establish its own buffer amount. The Exchange believes this is consistent with a User's desire to set its own buffer to accommodate its own risk tolerance. All Users have the ability either to establish their own buffer amounts for complex orders, and thus have unexecuted orders rest for one time period, or let their complex orders be subject to the Exchange default buffer amount for complex orders, and thus have unexecuted orders rest at multiple price points for multiple time periods, as proposed.

The proposed rule change also makes certain clarifying and nonsubstantive changes, including movement of certain terms and provisions within Rule 21.17(a)(4) and (b)(6) due to the proposed rule changes described above. First, the proposed rule change combines the provisions in current subparagraphs (A) and (B) of Rule 21.17(a)(4) into proposed

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13 The proposed drill-through protection for complex orders works in an identical manner.

14 See Rule 21.17(b)(6) (proposed subparagraph (b)(6)(A)).

subparagraph (A). The drill-through protection in the following subparagraphs of Rule 21.17(a)(4) (currently and as proposed) apply to orders that enter the EDGX Options Book at the conclusion of the opening auction and intraday in the same manner. Therefore, current (and proposed) subparagraph (a)(4)(B) apply to all orders that enter the EDGX Options Book as described in proposed subparagraph (a)(4)(A) (current subparagraphs (a)(4)(A) and (B)). The proposed rule change clarifies that the drill-through protection applies to all orders that would enter the EDGX Options Book at prices worse than the drill-through price, including orders not executed during the opening auction and orders entered intraday. This is consistent with and a clarification of current functionality.

Second, the proposed rule change adds clarifying language regarding how the System handles orders for which the limit price is equal to or less than (if a buy order) or greater than (if a sell order) the drill-through price. Current Rule 21.17(b)(6) contemplates that complex orders with limit prices equal to or less aggressive than the drill-through price will not be subject to the mechanism pursuant to which orders will rest in the COB for a time period and then be cancelled. Specifically, Rule 21.17(b)(6)(A) states if a buy (sell) complex order would execute or enter the COB at a price *higher (lower) than the drill-through price*, the System enters the complex order into the COB with a price equal to the drill-through price and rests for the time period in accordance with the drill-through mechanism. Additionally, Rule 21.17(b)(6)(B) states that any complex order with a displayed price equal to the drill-through price *(unless the drill-through price equals the order's limit price)* will rest in the COB for the drill-through time period. Therefore, currently, if the limit price of a complex order is less aggressive than or equal to the drill-through price (i.e., if a buy (sell) complex order (or unexecuted portion) would execute or enter the COB at a price lower (higher) than or equal to the drill-through price), the complex order will rest in the COB, as applicable, and the drill-through mechanism stops (i.e., the time period will not occur and the System will not cancel the order). This is also true for simple orders but is not specified in the current Rules.

The proposed rule change clarifies that notwithstanding the provisions described above regarding an order or complex order resting in the EDGX Options Book or COB, respectively, for brief time periods at drill-through prices, if a buy (sell) order's limit price equals or is less (greater) than the drill-through price at any time during application of the drill-through mechanism, the order rests in the EDGX Options Book or COB, as applicable, subject to a User's instructions,[15] at its limit price and any remaining time period(s) described above do not occur.[16] If the drill-through price is equal to or more aggressive than the order's limit price, the additional protection of having the order rest in the COB for a short time period is not necessary given that the order will rest at the limit price entered by the User (and thus an acceptable execution price for that User). Additionally, displaying an order at a drill-through price (a price at which execution is possible) worse than the limit price of the order would be inconsistent with the terms of the order. This is consistent with current functionality (updated to reflect the proposed rule change to allow multiple time periods) and the definition of limit orders and merely clarifies this in the Rules.

Third, the proposed rule change clarifies in proposed Rule 21.17(b)(6)(B)(ii) that if the synthetic best bid or offer ("SBBO") changes prior to the end of any time period but the complex order cannot leg into the simple book, and the new SBB or SBO, as

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15 For example, the order will remain in force subject to any time-in-force instruction applied to the order by the User upon entry.

16 See proposed Rule 21.17(a)(4)(C)(iv) and (b)(6)(B)(iv).

applicable, crosses the drill-through price, the System changes the displayed price of the complex order to the new SBB or SBO, as applicable, plus or minus the applicable minimum increment for the class. The current Rule states that $0.01 is added to or subtracted from the new SBBO. However, a class may have a minimum increment other than $0.01 pursuant to Rule 5.4(b). Currently, the System adds or subtracts the applicable minimum increment. The proposed rule change corrects an inadvertent error in the Rules to conform to current System functionality and Rules regarding minimum increments for complex orders. The proposed rule change will ensure that a complex order will rest in the COB only with a displayed price in the applicable minimum increment applicable for the class of that complex order. The proposed rule change also clarifies that the complex order will rest in the COB (the current rule text says the complex order is not cancelled), and adds detail that the complex order rests at that displayed price, subject to a User's instructions, and if it was not the final period, any remaining time period(s) do not occur.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[17] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[18] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating,

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

[18] 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)[19] 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 the proposed enhancement to the drill-through mechanism removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest. The proposed rule change will permit orders (or unexecuted portions) to rest in the EDGX Options Book or COB, as applicable, at different displayed prices for a brief but overall longer period of time, which will provide market participants' orders with additional execution opportunities while continuing to protect them against execution at potentially erroneous prices. The proposed enhancement to the drill-through protection is similar to current drill-through functionality. The Exchange may determine the buffer amount for orders and the time period in which orders may rest in the EDGX Options Book or COB. The proposed rule change permits an order to rest at multiples of the buffer amount, which would have the same effect as the Exchange setting a larger buffer amount. For example, if the Exchange set a buffer amount of $0.75, that would allow orders to execute at any price no further than $0.75 away from the NBBO or SNBBO at the time of order entry (including at prices $0.25 and $0.50 away from the NBBO or SNBBO at the time of order entry). This allows for the same potential

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19 Id.

execution prices that would be possible if the Exchange set a buffer of $0.25 and three time periods under the proposed rule change. While the overall time period for which an order may rest in the EDGX Options Book or COB may be longer than the currently permissible time period, the longer time period will still be relatively brief (maximum of 15 seconds). The Exchange notes it may maintain the same buffer amounts that are in place today. However, rather than increase the buffer amount at one time, the proposed rule change adds the overall larger buffer amount incrementally over a potentially overall longer time period. While this may permit executions at prices farther away from the NBBO or SNBBO at the time of order entry, it will still never permit executions at prices through orders' limit prices. This will provide execution opportunities for orders at incremental amounts away from the NBBO or SNBBO, as applicable, over a slightly longer time period and thus against a potentially larger number of orders. Users also have the ability to cancel orders prior to the completion of the time periods if they do not want the orders resting for a longer period of time (and Users can set their own buffer for complex orders, which would cause those complex orders to rest for a single time period rather than multiple as proposed).

The Exchange believes the proposed clarifying and nonsubstantive changes to the drill-through protection rules protect investors by adding transparency to the rules regarding the drill-through functionality. These changes are consistent with current functionality and thus do not impact the applicability of the drill-through mechanism to orders.

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 impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the enhanced drill-through protection will apply to all marketable orders in the same manner. Users may cancel orders resting on the EDGX Options Book during the drill-through time periods or set their own buffer with respect to complex orders if they do not want their orders resting for a longer period of time as proposed.

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 it relates solely to how and when marketable orders will rest on the EDGX Options Book or COB. The proposed enhancement to the drill-through protection is consistent with the current protection and provides orders subject to the protection with additional execution opportunities while providing continued protection against execution against potentially erroneous prices.

The Exchange believes the proposed rule change would ultimately provide all market participants with additional execution opportunities when appropriate while providing protection from erroneous execution. The Exchange believes the proposal will enhance risk protections, the individual firm benefits of which flow downstream to counterparties both at the Exchange and at other options exchanges, which increases systemic protections as well. The Exchange believes enhancing risk protections will allow Users to enter orders and quotes with further reduced fear of inadvertent exposure to excessive risk, which will benefit investors through increased liquidity for the execution of their orders. Without adequate risk management tools, such as the one proposed to be enhanced in this filing, Trading Permit Holders could reduce the amount of order flow and liquidity they provide. Such actions may undermine the quality of the markets available to customers and other market participants. Accordingly, the proposed rule change is designed to encourage Trading Permit Holders to submit additional order flow and liquidity to the Exchange. The proposed flexibility may similarly provide additional execution opportunities, which further benefits liquidity in potentially volatile markets. In addition, providing Trading Permit Holders with more tools for managing risk will facilitate transactions in securities because, as noted above, Trading Permit Holders will have more confidence protections are in place that reduce the risks from potential system errors and market events.

The proposed clarifying and nonsubstantive changes are consistent with current functionality and are intended to add clarity to the Rules, and thus the Exchange expects those changes to have no competitive impact.

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[20] and Rule 19b-4(f)(6)[21] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2020-049 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-2020-049. 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

20 15 U.S.C. 78s(b)(3)(A).

21 17 CFR 240.19b-4(f)(6).

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-2020-049 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.[22]

Secretary

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[22] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe EDGX Exchange, Inc.

* * * * *

Rule 21.17. Additional Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders, quotes, and bulk messages, as applicable, are subject to the price protection mechanisms and risk controls in Rule 21.16, this Rule 21.17, and as otherwise set forth in the Rules. Unless otherwise specified the price protections set forth in this Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. The Exchange may share any of a User's risk settings with the Clearing Member that clears transactions on behalf of the User.

(a) *Simple Orders.*

(1) – (3) No change.

(4) *Drill-Through Price Protection.*

(A) If a buy (sell) order enters the EDGX Options Book at the conclusion of the opening auction process or would execute or post to the EDGX Options Book at the time of order entry, the System executes the order up to a buffer amount ([established by] the Exchange determines the buffer amount on a class and premium basis) above (below) the offer (bid) limit of the Opening Collar or the NBO (NBB) that existed at the time of order entry, respectively (the "Drill-Through Price").

[(B) If a buy (sell) order would execute or post to the EDGX Options Book at the time of order entry, the System executes the order up to a buffer amount (established by the Exchange) above (below) the NBO (NBB) that existed at the time of order entry (the "Drill-Through Price").]

(B) [If a buy (sell) order would execute or post to the EDGX Options Book at a price higher (lower) than the Drill-Through Price, t]The System [will instead post the]enters an order (or unexecuted portion) not executed pursuant to subparagraph (A) in [to] the EDGX Options Book [at]with a displayed price equal to the Drill-Through Price, unless the terms of the order instruct otherwise.

(i) [Any]The order (or unexecuted portion [thereof]) [will] rests in the EDGX Options Book until the earlier to occur of its full execution or the end of the duration of a number of time periods (the Exchange determines on a class-by-class basis the number of time periods, which may not exceed five, and the length of the [(based on the time at which it enters the book for priority purposes) for a] time period in milliseconds, which [that] may not exceed three seconds). [with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it.]

(ii) Following the end of each period prior to the final period, the System adds (if a buy order) or subtracts (if a sell order) one buffer amount to the Drill-Through Price displayed during the preceding period (each new price becomes the "Drill-Through Price"). The order (or unexecuted portion) rests in the Book at that new drill-through price during the subsequent period. Following the end of the final period, the System cancels the order (or unexecuted portion) not executed during any period.

(iii) The System applies a timestamp to the order (or unexecuted portion) based on the time it enters or is re-priced in the Book for priority purposes.

(iv) Notwithstanding the above, if a buy (sell) order's limit price equals or is less (greater) than the drill-through price at any time during application of the drill-through mechanism, the order rests in the Book at its limit price, subject to a User's instructions, and any remaining time period(s) described above do not occur.

(v) This protection does not apply to bulk messages.

* * * *

(b) *Complex Orders.*

(1) – (5) No change.

(6) *Drill-Through Protection.*

(A) If a User enters a buy (sell) complex order into the System, the System executes the order pursuant to Rule 21.20(e) up to a buffer amount above (below) the SNBO (SNBB) that existed at the time of order entry (the "drill-through price"), or initiates a COA at the drill-through price if the order would initiate a COA pursuant to Rule 21.20(d). The Exchange determines a default buffer amount on a class-by-class basis; however, a User may establish a higher or lower amount than the Exchange default amount.

([A]B) [If a buy (sell) complex order (or unexecuted portion) would execute or enter the COB at a price higher (lower) than the drill-through price, t]The System enters [the]a complex order (or unexecuted portion) not executed pursuant to subparagraph (A) in the COB [at]with a displayed price equal to the drill-through price [(receiving a timestamp based on the time it enters the COB for priority purposes)], unless the terms of the order instruct otherwise.

[(B) Any unexecuted order (or unexecuted portion) with a displayed price equal to the drill-through price (unless the drill-through price equals the order's limit price) will rest in the COB for a]

(i) The complex order (or unexecuted portion) rests in the COB until the earlier to occur of the order's full execution or the end of (a) if the inputting User did not establish a buffer amount for the complex order, the duration of a number of time periods (the Exchange determines on a class-by-class basis the number of time periods, which may not exceed five, and the length of the time period in milliseconds, which may not exceed three seconds) or (b) if the inputting User established a buffer amount for the complex order, one time period [in milliseconds] ([the Exchange determines]the length of the time period will be as determined by the Exchange pursuant to clause (a)[, which may not exceed three seconds]).

(ii) If the inputting User did not establish a buffer amount for the complex order, following the end of each period prior to the final period, the System adds (if a buy order) or subtracts (if a sell order) one buffer amount to the drill-through price displayed during the immediately preceding period (each new price becomes the "drill-through price"). The complex order (or unexecuted portion) rests in the COB at that new drill-through price during the subsequent period. Following the end of the final period, if the inputting User did not establish a buffer amount for the complex order, or following the single period, if the inputting User established a buffer amount, [If the order (or unexecuted portion) does not execute during that time period,] the System cancels [or rejects it] the complex order (or unexecuted portion) not executed during any time period. However, if the SBBO changes prior to the end of any[the time] period but the complex order cannot Leg, and the new SBO (SBB) crosses the drill-through price, the System changes the displayed price of the complex order to the new SBO (SBB) minus (plus) [$0.01] the applicable minimum increment for the class, and the order [is not cancelled at the end of the time period] rests in the COB at that displayed price, subject to a User's instructions, and, if it was not the final period, any remaining time period(s) described above do not occur.

(iii) The System applies a timestamp to the complex order (or unexecuted portion) based on the time it enters or is re-priced in the COB for priority purposes.

(iv) Notwithstanding the above, if a buy (sell) complex order's limit price equals or is less (greater) than the drill-through price at any time during application of the drill-through mechanism, the order rests in the COB at its limit price, subject to a User's instructions, and any remaining time period(s) described above do not occur.

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