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

Page 1 of * 31	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 063
		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) * ☐

Rule

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

☐ 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 amend EDGX Rule 11.8(g), which describes the handling of MidPoint Discretionary Orders entered on the Exchange.

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 *	Adrian	Last Name *	Griffiths

Title *   Assistant General Counsel

E-mail *   agriffiths@cboe.com

Telephone *   (646) 856-8723   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   12/15/2020

By   Kyle Murray
        (Name *)

(Title *)

VP, Associate General Counsel

kmurray@cboe.com

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 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.

1.   Text of the Proposed Rule Change

(a)   Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of

1934 ("Act")[1] and Rule 19b-4 thereunder,[2] Cboe EDGX Exchange, Inc. ("EDGX" or the

"Exchange") is filing with the Securities and Exchange Commission (the "Commission") a

proposed rule change to amend EDGX Rule 11.8(g), which describes the handling of MidPoint

Discretionary Orders entered on the Exchange.[3]

The text of the proposed rule change is enclosed as Exhibit 5. The text of the proposed

rule change is available on the Exchange's website at http://markets.cboe.com/, at the

Exchange's principal office and at the Public Reference Room of the Commission.

(b)   Not applicable.

(c)   Not applicable.

2.   Procedures of the Self-Regulatory Organization

(a)   The Exchange's President (or designee) pursuant to delegated authority approved

the proposed rule change on November 25, 2020.

(b)   Please refer questions and comments on the proposed rule change to Patrick Sexton,

Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Adrian

Griffiths, Assistant General Counsel, (646) 856-8723.

---

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

[2]   17 CFR 240.19b-4.

[3]   17 CFR 240.19b-4(f)(6)(iii).

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

(a)   Purpose

The purpose of the proposed rule change is to amend EDGX Rule 11.8(g) to allow Users

that enter MidPoint Discretionary Orders ("MDOs") with a Quote Depletion Protection ("QDP")

instruction[4] to also include an optional instruction to allow the MDO to remove liquidity. An

MDO is a Limit Order that when resting on the EDGX Book is pegged to the NBB for an order

to buy or the NBO for an order to sell, with or without an offset, with discretion to execute at

prices to and including the midpoint of the NBBO.[5] MDOs entered on the Exchange today are

designed to only act as the provider of liquidity, including when resting on the EDGX Book and

on entry.[6] On June 4, 2020, the Exchange received approval to introduce a new QDP instruction

that Users can include on their MDOs to limit the order's ability to exercise discretion in certain

circumstances where applicable market conditions indicate that it may be less desirable to

execute within the order's discretionary range.[7] QDP is designed to enable market participants to

enter orders that may exercise discretion to trade at more aggressive prices up to the midpoint of

the NBBO, while providing additional protection to those orders at times where the market for

the security may be about to transition to a worse price from the perspective of the MDO. As

proposed, Users that enter an MDO with a QDP instruction would be permitted to include an

---

[4]   QDP is an optional instruction that a User may include on an MDO to limit the order's ability to exercise discretion in certain circumstances. See EDGX Rule 11.9(g)(10).

[5]   See EDGX Rule 11.8(g).

[6]   Id.

[7]   See Securities Exchange Act Release No. 89007 (June 4, 2020), 85 FR 35454 (June 10, 2020) (SR-CboeEDGX-2020-010).

optional instruction to allow the MDO to remove liquidity, thereby facilitating the ability of such orders to aggressively seek an execution on entry and when posted to the EDGX Book.

Currently, an MDO entered on the Exchange will only act as a liquidity provider once resting on the EDGX Book, and will only execute on entry in limited circumstances where the resting order includes a Super Aggressive or Non-Displayed Swap ("NDS") instruction that allows for a liquidity swap with the incoming MDO.[8] As a result, MDOs entered on the Exchange will only act as liquidity provider – *i.e.*, either as the resting order, or by liquidity swapping with a resting order that is willing to assume the role of the liquidity remover in exchange for obtaining an execution.[9] By contrast, MDOs entered on the Exchange's affiliate, Cboe EDGA Exchange, Inc. ("EDGA"), are allowed to remove liquidity.[10] Although the Exchange believes that certain Users will continue to prefer to act solely as a liquidity provider, additional flexibility may be beneficial to market participants, particularly those that have begun entering MDOs with the recently-introduced QDP instruction. Indeed, the Exchange has received feedback from Users that utilize the QDP instruction on their MDOs indicating that they appreciate the protective features provided by QDP, but that it would also be valuable to improve fill rates by permitting such orders to remove liquidity. The Exchange is thus proposing to amend its rules such that Users would have the flexibility to allow such orders to remove liquidity. MDOs entered with both a QDP instruction and an instruction to allow the order to remove

---

[8]   See EDGX Rule 11.8(g).

[9]   The Exchange's Super Aggressive and NDS instructions allow orders entered with those instructions to trade as the remover of liquidity with orders that are designated to act solely as the liquidity provider. See EDGX Rules 11.6(n)(2),(7).

[10]   See EDGA Rule 11.8(e).

liquidity would be handled in the same manner as MDOs entered with a QDP instruction on

EDGA today, thereby providing a consistent and familiar experience for market participants.

In addition, since the Exchange believes that Users utilizing the MDO order type with a

QDP instruction are more concerned with potential adverse selection risks, and would generally

prefer to be able to secure an execution when possible at times that the QDP indicator does not

predict a potential adverse price change, *i.e.*, regardless of whether adding or removing liquidity,

the Exchange proposes to make the ability to remove liquidity the default instruction for such

orders. However, the Exchange would also retain the current functionality that allows MDOs to

be entered that will only act as the provider of liquidity. This functionality would continue to

apply to all MDOs entered without a QDP instruction, as well as to MDOs entered with a QDP

instruction if the User affirmatively instructs the Exchange limit the order to providing

liquidity.[11] Thus, Users that prefer to only have their MDOs execute exclusively as the provider

of liquidity would be able to continue to do so in the same manner that they do today.

Introducing the ability for MDOs entered with a QDP instruction to remove liquidity, while

retaining current functionality, would therefore provide additional flexibility to market

participants without impacting order handling for Users that prefer the current functionality.

The Exchange also proposes also make certain conforming and non-substantive changes

to EDGX Rule 11.8(g). Specifically, to increase the readability of the MDO rule, the Exchange

proposes to move all rule language associated with posting instructions to EDGX Rule

11.8(g)(5), labelled "routing/posting." Currently, this subparagraph only references the fact that

MDOs are not eligible for routing to other national securities exchanges, and does not reference

---

[11]   A User would be able to instruct the Exchange to limit the order to providing liquidity
either on an order-by-order basis, or through the use of a port setting.

order handling related to posting instructions – *i.e.*, whether and when an MDO is allowed to remove or add liquidity. As proposed, EDGX Rule 11.8(g)(5) would incorporate language currently included in the main section of the MDO rule that describes how such orders are handled consistent with an instruction to only act as the liquidity provider.

First, the current rule provides that upon entry, an MDO will only execute against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range. The Exchange proposes to move this discussion to EDGX Rule 11.8(g)(5) along with other language that addresses order handling related to routing and posting. Given the proposed ability for such orders to remove liquidity in certain circumstances, the Exchange has proposed to preface this language in the rule with language that explains that it only applies to MDOs that do not include instructions that permit the removal of liquidity. Thus, as proposed, EDGX Rule 11.8(g)(5) would provide that if the instructions included on an MDO do not permit the order to remove liquidity, the MDO will only execute on entry against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction, and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range. As discussed, this functionality is the same as currently applied to MDOs entered on the Exchange.

Second, the current rule provides that should a resting contra-side order within the MDO's discretionary range not include an NDS instruction, the incoming MDO will be placed on the EDGX Book and its discretionary range shortened to equal the limit price of the contra-side resting order. Similar to the above, the Exchange proposes to move this discussion to EDGX Rule 11.8(g)(5), and would make minor non-substantive changes to the language to account for

the ability of certain MDOs to remove liquidity under the proposal. Thus, as proposed, EDGX Rule 11.8(g)(5) would provide that if a resting contra-side order that does not include an NDS instruction is priced within the discretionary range of an incoming MDO that *is not permitted to remove liquidity*, the incoming MDO will be placed on the EDGX Book and its discretionary range will be shortened to equal the limit price of the resting contra-side order. This language relates specifically to incoming MDOs that do not remove liquidity and are therefore not able to trade on entry with certain orders that are unwilling to perform a liquidity swap. The proposed edits to the language would therefore make clear that this handling does not apply in circumstances where an MDO is entered with instructions that permit liquidity removal.

Third, the current rule provides that where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting MDO, the discretionary range of the resting MDO will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. The Exchange also proposes to move this language to Rule 11.8(g)(5) as it relates to relates generally to posting instructions. However, since this handling does not depend on whether the MDO is only allowed to add liquidity, or can both add or remove liquidity, the Exchange is not proposing to edit this language when moving it to this subsection of the MDO rule.

Finally, in addition to the proposed changes described above, the Exchange also proposes to amend EDGX Rule 11.8(g)(2) to allow MDOs to be entered for an odd lot size. Currently, EDGX Rule 11.8(g)(2) specifies that MDOs may be entered as a round lot or mixed lot only, and the Exchange does not permit Users odd lots to be entered using the MDO order type. By contrast, the Exchange's affiliate, EDGA, does not have a similar restriction, and MDOs entered

on that exchange may therefore be entered for an odd lot size.[12] The Exchange is proposing to

similarly permit odd lot MDOs to be entered on the EDGX Book, which would allow market

participants trading on the Exchange to similarly utilize MDOs for smaller order sizes.

(b)   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[13] in

general, and furthers the objectives of Section 6(b)(5) of the Act,[14] in particular, in that it is

designed to promote just and equitable principles of trade, 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. Specifically, the Exchange believes that the proposed rule

change is consistent with the protection of investors and the public interest as it would enable

Users that enter MDOs with a QDP instruction to optionally remove liquidity, similar to the

current handling on its affiliate, EDGA, which allows such orders to remove liquidity today. In

addition, the proposed rule change would allow Users to enter MDOs for an odd lot quantity,

which is similarly consistent with the operation of MDOs entered on EDGA.

Although MDOs are currently designed to only act as the provider of liquidity, the

Exchange believes that Users that enter MDOs with a QDP instruction may benefit from the

ability to trade more aggressively as the remover of liquidity. The Exchange is therefore

proposing to allow MDOs entered with a QDP instruction to remove liquidity, by default, while

allowing Users to alternatively select to have such orders limited to providing liquidity. MDOs

that are not entered with a QDP instruction, and MDOs entered with a QDP instruction where the

---

[12]   See EDGA Rule 11.8(e)(2).

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

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

User chooses to opt out of the ability to remove liquidity, would be handled in the same manner as they are today, thereby allowing Users to properly reflect their trading intent with their choice of instruction. As discussed, MDOs entered on the Exchange currently only act as the provider of liquidity, both on entry and upon posting to the EDGX Book. By contrast, the Exchange's affiliate, EDGA, allows such orders to both provide and remove liquidity. The Exchange believes that allowing MDOs entered with a QDP instruction to optionally act as liquidity remover, similar to the current handling on its affiliate, EDGA, would remove impediments to and perfect the mechanism of a free and open market and a national market system.

With the recent introduction of the QDP instruction, the Exchange has decided to revisit whether these orders should be allowed to remove liquidity, and has determined that such handling would be generally beneficial to market participants trading on the Exchange as it would increase the probability of such orders obtaining an execution. This change is consistent with customer feedback as some Users have indicated that they would prefer the ability to remove liquidity in order to boost fill rates for MDOs entered with a QDP instruction. At the same time, the Exchange understands that certain market participants may wish to continue to have these orders act solely as a liquidity provider. The proposed rule change would therefore give Users the flexibility to determine whether an MDO entered with a QDP instruction should act solely as a liquidity provider, *i.e.*, the current functionality, or whether such orders should instead be allowed to also remove liquidity. The Exchange believes that this change will benefit market participants by offering functionality similar to that currently offered by its affiliate, while providing additional flexibility with respect to how MDOs are handled by the Exchange.

In addition, the Exchange believes that the proposed non-substantive changes to its MDO rule are consistent with just and equitable principles of trade as these changes are designed to

increase transparency around the operation of the Exchange. As proposed, the Exchange would move certain language included in the MDO rule to the subsection of the rule that addressees routing and posting. The proposed language to be included in that subsection is substantively the same as the language currently included in the main text of the MDO rule, with a handful of minor changes to reflect the fact that certain MDOs may be permitted to remove liquidity based on User instructions. The Exchange believes that consolidating all of this language in the subsection on routing and posting would increase the readability of the rule, and the proposed edits to the language included in that subsection are merely designed to highlight where the language is applicable specifically to MDOs entered with instructions that require that the order act as the provider of liquidity. These changes are being proposed to ensure that the language remains accurate in light of the changes to allow certain MDOs to remove liquidity. As such, the Exchange believes that those edits would increase transparency around the operation of the MDO order type in light of the other proposed changes addressed in this filing.

Finally, the Exchange believes that allowing MDOs to be entered for an odd lot quantity would promote just and equitable principles of trade. As discussed, the Exchange's affiliate, EDGA, similarly allows such orders to be entered for an odd lot size, and the Exchange believes that market participants that trade on the EDGX Book should similarly be able to enter odd lot MDOs. While the Exchange initially restricted MDOs to either round lots or mixed lots, the Exchange now believes that this limitation unnecessarily limits the availability of the MDO order type for market participants that are interested in trading smaller sized orders. Expanding MDOs to odd lot orders would therefore increase the ability for market participants to trade using this order type, including potentially benefiting Users of the recently introduced QDP instruction.

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 not necessary or appropriate in furtherance of the purposes of the Act. The proposed changes would allow MDOs entered with a QDP instruction on EDGX to remove liquidity, which would increase flexibility offered by such orders. Although these orders do not remove liquidity today, the Exchange's affiliate, EDGA, already permits such orders to do so. Thus, the proposed rule change would allow market participants that trade on EDGX to utilize similar functionality to those that trade on its affiliated exchange today. Further, the Exchange has proposed to introduce the ability to remove liquidity as the default instruction for such orders, while allowing Users that prefer the current functionality to continue to have their orders handled in the same manner as they are today – *i.e.*, Users could chose to have these orders only add liquidity, as is the case with the current functionality. As a result, the Exchange does not believe that the proposed ability for these orders to remove liquidity would impose any significant burden on competition. Similarly, the Exchange notes that MDOs entered on the EDGA Book are permitted to be entered for an odd lot quantity. The Exchange believes that permitting odd lot MDOs on the EDGX Book would provide similar benefits to its Users by expanding the potential use of this order type, without imposing any significant burden on competition.

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

No written comments were either solicited or received on the proposed rule change.

6.   <u>Extension of Time Period for Commission Action</u>

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)[15] of

the Act and Rule 19b-4(f)(6) thereunder[16] in that it 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.

The proposed rule change would not significantly affect the protection of investors or the

public interest, or impose any significant burden on competition. First, the proposed rule change

would simply allow MDOs entered with a QDP instruction to remove liquidity. As discussed, the

Exchange's affiliate, EDGA, currently allows such orders entered on its market to remove

liquidity, while retaining the ability for Users to specify when orders should instead be

designated to only add liquidity, in which case such orders would be handled in the same manner

as they are today. As such, since the Exchange's affiliate already offers such functionality to

market participants trading on that market, the Exchange does not believe that this proposed

change raises any unique or novel issues that have not already been considered by the

Commission.[17] In addition, the proposed non-substantive changes proposed to be made to the

rule are simply designed to increase the readability of the rule, while ensuring that the MDO rule

---

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

[16]   17 CFR 240.19b-4(f)(6).

[17]   See Securities Exchange Act Release No. 67226 (June 20, 2012), 77 FR 38113 (June 26,
          20120 (SR-EDGA-2012-22) (MDO order type); see also Securities Exchange Act
          Release No. 89016 (June 4, 2020), 85 FR 35488 (June 10, 2020) (SR-CboeEDGA-2020-
          005) (QDP instruction). As discussed, MDOs entered on EDGA, including those entered
          with the recently-introduced QDP instruction, are permitted to remove liquidity.

reflects, where appropriate, that certain MDOs would be able to remove liquidity. None of those changes would substantively modify the operation of the MDO order type, but would rather ensure that the Exchange's handling of MDOs remains transparent to market participants in light of the other changes discussed in this filing. Finally, with respect to the proposed change to allow MDOs to be entered for an odd lot quantity, instead of restricting such orders to round lots and mixed lots, the Exchange notes that such functionality is also available to market participants trading on EDGA. The Exchange believes that its members would similarly benefit from the ability to utilize MDOs for their odd lot trading activity, and in addition notes that broadening the use of this order type to allow trading in odd lot quantities may attract additional liquidity to the Exchange to the benefit of members and other market participants. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[18] and paragraph (f)(6) of Rule 19b-4 thereunder.[19]

In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission.[20] The Exchange has provided such notice.

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.

---

[18]   15 U.S.C. 78s(b)(3)(A).

[19]   17 CFR 240.19b-4.

[20]   17 CFR 240.19b-4(f)(6)(iii).

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

The proposed rule change is based, in part, on the rules of EDGA.

9. <u>Security Based-Swap Submissions Filed Pursuant to Section 3C of the Act</u>

Not applicable.

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

Not applicable.

11. <u>Exhibits</u>

Exhibit 1 – Form of Notice of Proposed Rule Change for <u>Federal</u> <u>Register</u>.

Exhibit 5 – Text of the Proposed Rule Chang

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-   ; File No. SR-CboeEDGX-2020-063]

[Insert date]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and
Immediate Effectiveness of a Proposed Rule Change Relating to Amend EDGX Rule
11.8(g), which Describes the Handling of MidPoint Discretionary Orders Entered on the
Exchange

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. ("EDGX" or the "Exchange") is filing with the

Securities and Exchange Commission (the "Commission") a proposed rule change to

amend EDGX Rule 11.8(g), which describes the handling of MidPoint Discretionary

---

[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).

Orders entered on the Exchange.[5] The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (http://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 purpose of the proposed rule change is to amend EDGX Rule 11.8(g) to allow Users that enter MidPoint Discretionary Orders ("MDOs") with a Quote Depletion Protection ("QDP") instruction[6] to also include an optional instruction to allow the MDO to remove liquidity. An MDO is a Limit Order that when resting on the EDGX Book is pegged to the NBB for an order to buy or the NBO for an order to sell, with or without an offset, with discretion to execute at prices to and including the midpoint of the NBBO.[7]

---

5   17 CFR 240.19b-4(f)(6)(iii).

6   QDP is an optional instruction that a User may include on an MDO to limit the order's ability to exercise discretion in certain circumstances. See EDGX Rule 11.9(g)(10).

7   See EDGX Rule 11.8(g).

MDOs entered on the Exchange today are designed to only act as the provider of liquidity, including when resting on the EDGX Book and on entry.[8] On June 4, 2020, the Exchange received approval to introduce a new QDP instruction that Users can include on their MDOs to limit the order's ability to exercise discretion in certain circumstances where applicable market conditions indicate that it may be less desirable to execute within the order's discretionary range.[9] QDP is designed to enable market participants to enter orders that may exercise discretion to trade at more aggressive prices up to the midpoint of the NBBO, while providing additional protection to those orders at times where the market for the security may be about to transition to a worse price from the perspective of the MDO. As proposed, Users that enter an MDO with a QDP instruction would be permitted to include an optional instruction to allow the MDO to remove liquidity, thereby facilitating the ability of such orders to aggressively seek an execution on entry and when posted to the EDGX Book.

Currently, an MDO entered on the Exchange will only act as a liquidity provider once resting on the EDGX Book, and will only execute on entry in limited circumstances where the resting order includes a Super Aggressive or Non-Displayed Swap ("NDS") instruction that allows for a liquidity swap with the incoming MDO.[10] As a result, MDOs entered on the Exchange will only act as liquidity provider – *i.e.*, either as the resting order, or by liquidity swapping with a resting order that is willing to assume the role of

---

8   Id.

9   See Securities Exchange Act Release No. 89007 (June 4, 2020), 85 FR 35454 (June 10, 2020) (SR-CboeEDGX-2020-010).

10   See EDGX Rule 11.8(g).

the liquidity remover in exchange for obtaining an execution.[11] By contrast, MDOs

entered on the Exchange's affiliate, Cboe EDGA Exchange, Inc. ("EDGA"), are allowed

to remove liquidity.[12] Although the Exchange believes that certain Users will continue to

prefer to act solely as a liquidity provider, additional flexibility may be beneficial to

market participants, particularly those that have begun entering MDOs with the recently-

introduced QDP instruction. Indeed, the Exchange has received feedback from Users that

utilize the QDP instruction on their MDOs indicating that they appreciate the protective

features provided by QDP, but that it would also be valuable to improve fill rates by

permitting such orders to remove liquidity. The Exchange is thus proposing to amend its

rules such that Users would have the flexibility to allow such orders to remove liquidity.

MDOs entered with both a QDP instruction and an instruction to allow the order to

remove liquidity would be handled in the same manner as MDOs entered with a QDP

instruction on EDGA today, thereby providing a consistent and familiar experience for

market participants.

In addition, since the Exchange believes that Users utilizing the MDO order type

with a QDP instruction are more concerned with potential adverse selection risks, and

would generally prefer to be able to secure an execution when possible at times that the

QDP indicator does not predict a potential adverse price change, *i.e.*, regardless of

whether adding or removing liquidity, the Exchange proposes to make the ability to

remove liquidity the default instruction for such orders. However, the Exchange would

also retain the current functionality that allows MDOs to be entered that will only act as

---

[11] The Exchange's Super Aggressive and NDS instructions allow orders entered with those instructions to trade as the remover of liquidity with orders that are designated to act solely as the liquidity provider. See EDGX Rules 11.6(n)(2),(7).

[12] See EDGA Rule 11.8(e).

the provider of liquidity. This functionality would continue to apply to all MDOs entered

without a QDP instruction, as well as to MDOs entered with a QDP instruction if the

User affirmatively instructs the Exchange limit the order to providing liquidity.[13] Thus,

Users that prefer to only have their MDOs execute exclusively as the provider of liquidity

would be able to continue to do so in the same manner that they do today. Introducing the

ability for MDOs entered with a QDP instruction to remove liquidity, while retaining

current functionality, would therefore provide additional flexibility to market participants

without impacting order handling for Users that prefer the current functionality.

      The Exchange also proposes also make certain conforming and non-substantive

changes to EDGX Rule 11.8(g). Specifically, to increase the readability of the MDO rule,

the Exchange proposes to move all rule language associated with posting instructions to

EDGX Rule 11.8(g)(5), labelled "routing/posting." Currently, this subparagraph only

references the fact that MDOs are not eligible for routing to other national securities

exchanges, and does not reference order handling related to posting instructions – *i.e.*,

whether and when an MDO is allowed to remove or add liquidity. As proposed, EDGX

Rule 11.8(g)(5) would incorporate language currently included in the main section of the

MDO rule that describes how such orders are handled consistent with an instruction to

only act as the liquidity provider.

      First, the current rule provides that upon entry, an MDO will only execute against

resting orders that include a Super Aggressive instruction priced at the MDO's pegged

price if the MDO also contains a Displayed instruction and against orders with an NDS

instruction priced at the MDO's pegged price or within its discretionary range. The

---

[13]   A User would be able to instruct the Exchange to limit the order to providing
        liquidity either on an order-by-order basis, or through the use of a port setting.

Exchange proposes to move this discussion to EDGX Rule 11.8(g)(5) along with other language that addresses order handling related to routing and posting. Given the proposed ability for such orders to remove liquidity in certain circumstances, the Exchange has proposed to preface this language in the rule with language that explains that it only applies to MDOs that do not include instructions that permit the removal of liquidity. Thus, as proposed, EDGX Rule 11.8(g)(5) would provide that if the instructions included on an MDO do not permit the order to remove liquidity, the MDO will only execute on entry against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction, and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range. As discussed, this functionality is the same as currently applied to MDOs entered on the Exchange.

Second, the current rule provides that should a resting contra-side order within the MDO's discretionary range not include an NDS instruction, the incoming MDO will be placed on the EDGX Book and its discretionary range shortened to equal the limit price of the contra-side resting order. Similar to the above, the Exchange proposes to move this discussion to EDGX Rule 11.8(g)(5), and would make minor non-substantive changes to the language to account for the ability of certain MDOs to remove liquidity under the proposal. Thus, as proposed, EDGX Rule 11.8(g)(5) would provide that if a resting contra-side order that does not include an NDS instruction is priced within the discretionary range of an incoming MDO that *is not permitted to remove liquidity*, the incoming MDO will be placed on the EDGX Book and its discretionary range will be shortened to equal the limit price of the resting contra-side order. This language relates

specifically to incoming MDOs that do not remove liquidity and are therefore not able to trade on entry with certain orders that are unwilling to perform a liquidity swap. The proposed edits to the language would therefore make clear that this handling does not apply in circumstances where an MDO is entered with instructions that permit liquidity removal.

Third, the current rule provides that where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting MDO, the discretionary range of the resting MDO will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. The Exchange also proposes to move this language to Rule 11.8(g)(5) as it relates to relates generally to posting instructions. However, since this handling does not depend on whether the MDO is only allowed to add liquidity, or can both add or remove liquidity, the Exchange is not proposing to edit this language when moving it to this subsection of the MDO rule.

Finally, in addition to the proposed changes described above, the Exchange also proposes to amend EDGX Rule 11.8(g)(2) to allow MDOs to be entered for an odd lot size. Currently, EDGX Rule 11.8(g)(2) specifies that MDOs may be entered as a round lot or mixed lot only, and the Exchange does not permit Users odd lots to be entered using the MDO order type. By contrast, the Exchange's affiliate, EDGA, does not have a similar restriction, and MDOs entered on that exchange may therefore be entered for an odd lot size.[14] The Exchange is proposing to similarly permit odd lot MDOs to be entered on the EDGX Book, which would allow market participants trading on the Exchange to similarly utilize MDOs for smaller order sizes.

---

[14]   See EDGA Rule 11.8(e)(2).

2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,[15] in general, and furthers the objectives of Section 6(b)(5) of the Act,[16] in particular, in that it is designed to promote just and equitable principles of trade, 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. Specifically, the Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it would enable Users that enter MDOs with a QDP instruction to optionally remove liquidity, similar to the current handling on its affiliate, EDGA, which allows such orders to remove liquidity today. In addition, the proposed rule change would allow Users to enter MDOs for an odd lot quantity, which is similarly consistent with the operation of MDOs entered on EDGA.

Although MDOs are currently designed to only act as the provider of liquidity, the Exchange believes that Users that enter MDOs with a QDP instruction may benefit from the ability to trade more aggressively as the remover of liquidity. The Exchange is therefore proposing to allow MDOs entered with a QDP instruction to remove liquidity, by default, while allowing Users to alternatively select to have such orders limited to providing liquidity. MDOs that are not entered with a QDP instruction, and MDOs entered with a QDP instruction where the User chooses to opt out of the ability to remove liquidity, would be handled in the same manner as they are today, thereby allowing Users to properly reflect their trading intent with their choice of instruction. As discussed, MDOs entered on the Exchange currently only act as the provider of liquidity, both on

---

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

16   15 U.S.C. 78f(b)(5).

entry and upon posting to the EDGX Book. By contrast, the Exchange's affiliate, EDGA, allows such orders to both provide and remove liquidity. The Exchange believes that allowing MDOs entered with a QDP instruction to optionally act as liquidity remover, similar to the current handling on its affiliate, EDGA, would remove impediments to and perfect the mechanism of a free and open market and a national market system.

With the recent introduction of the QDP instruction, the Exchange has decided to revisit whether these orders should be allowed to remove liquidity, and has determined that such handling would be generally beneficial to market participants trading on the Exchange as it would increase the probability of such orders obtaining an execution. This change is consistent with customer feedback as some Users have indicated that they would prefer the ability to remove liquidity in order to boost fill rates for MDOs entered with a QDP instruction. At the same time, the Exchange understands that certain market participants may wish to continue to have these orders act solely as a liquidity provider. The proposed rule change would therefore give Users the flexibility to determine whether an MDO entered with a QDP instruction should act solely as a liquidity provider, *i.e.*, the current functionality, or whether such orders should instead be allowed to also remove liquidity. The Exchange believes that this change will benefit market participants by offering functionality similar to that currently offered by its affiliate, while providing additional flexibility with respect to how MDOs are handled by the Exchange.

In addition, the Exchange believes that the proposed non-substantive changes to its MDO rule are consistent with just and equitable principles of trade as these changes are designed to increase transparency around the operation of the Exchange. As proposed, the Exchange would move certain language included in the MDO rule to the subsection

of the rule that addressees routing and posting. The proposed language to be included in that subsection is substantively the same as the language currently included in the main text of the MDO rule, with a handful of minor changes to reflect the fact that certain MDOs may be permitted to remove liquidity based on User instructions. The Exchange believes that consolidating all of this language in the subsection on routing and posting would increase the readability of the rule, and the proposed edits to the language included in that subsection are merely designed to highlight where the language is applicable specifically to MDOs entered with instructions that require that the order act as the provider of liquidity. These changes are being proposed to ensure that the language remains accurate in light of the changes to allow certain MDOs to remove liquidity. As such, the Exchange believes that those edits would increase transparency around the operation of the MDO order type in light of the other proposed changes addressed in this filing.

Finally, the Exchange believes that allowing MDOs to be entered for an odd lot quantity would promote just and equitable principles of trade. As discussed, the Exchange's affiliate, EDGA, similarly allows such orders to be entered for an odd lot size, and the Exchange believes that market participants that trade on the EDGX Book should similarly be able to enter odd lot MDOs. While the Exchange initially restricted MDOs to either round lots or mixed lots, the Exchange now believes that this limitation unnecessarily limits the availability of the MDO order type for market participants that are interested in trading smaller sized orders. Expanding MDOs to odd lot orders would therefore increase the ability for market participants to trade using this order type, including potentially benefiting Users of the recently introduced QDP instruction.

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 proposed changes would allow MDOs entered with a QDP instruction on EDGX to remove liquidity, which would increase flexibility offered by such orders. Although these orders do not remove liquidity today, the Exchange's affiliate, EDGA, already permits such orders to do so. Thus, the proposed rule change would allow market participants that trade on EDGX to utilize similar functionality to those that trade on its affiliated exchange today. Further, the Exchange has proposed to introduce the ability to remove liquidity as the default instruction for such orders, while allowing Users that prefer the current functionality to continue to have their orders handled in the same manner as they are today – *i.e.*, Users could chose to have these orders only add liquidity, as is the case with the current functionality. As a result, the Exchange does not believe that the proposed ability for these orders to remove liquidity would impose any significant burden on competition. Similarly, the Exchange notes that MDOs entered on the EDGA Book are permitted to be entered for an odd lot quantity. The Exchange believes that permitting odd lot MDOs on the EDGX Book would provide similar benefits to its Users by expanding the potential use of this order type, without imposing any significant burden on competition.

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

No written comments were either solicited or received 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[17] and Rule 19b-4(f)(6)[18] 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

---

[17]   15 U.S.C. 78s(b)(3)(A).

[18]   17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number
SR-CboeEDGX-2020-063 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-2020-063. 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-2020-063 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.[19]

Secretary

---

[19]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is <u>underlined</u>; proposed deletions are in [brackets].

Rules of Cboe EDGX Exchange, Inc.

*   *   *

Rule 11.8.   Order Types

*   *   *

(g)   MidPoint Discretionary Order ("MDO"). An MDO is a Limit Order that when resting on the EDGX Book is pegged to the NBB for an order to buy or the NBO for an order to sell, with or without an offset, with discretion to execute at prices to and including the midpoint of the NBBO. [Upon entry, an MDO will only execute against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction and against orders with an NDS instruction priced at the MDO's pegged price or within its discretionary range. Should a resting contra-side order within the MDO's discretionary range not include an NDS instruction, the incoming MDO will be placed on the EDGX Book and its discretionary range shortened to equal the limit price of the contra-side resting order. Likewise, where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting MDO, the discretionary range of the resting MDO will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. Once resting on the EDGX Book, an MDO will only act as a liquidity provider against all incoming orders that are executable at the resting MDO's pegged price or at any price within the resting MDO's discretionary range.] An MDO's pegged price and discretionary range are bound by its limit price. An MDO to buy (sell) with a limit price that is less (higher) than its pegged price, including any offset, is posted to the EDGX Book at its limit price. The pegged prices of an MDO are derived from the NBB or NBO, and cannot independently establish or maintain the NBB or NBO. An MDO will exercise the least amount of price discretion necessary from its pegged price to its discretionary price. An MDO in a stock priced at $1.00 or more can only be executed in sub-penny increments when it executes at the midpoint of the NBBO. Notwithstanding that an MDO may be a Limit Order and include a discretionary range, its operation and available modifiers are limited to this Rule 11.8(g).

(1)   No change.

(2)   Size. MDOs may be entered as a<u>n Odd Lot,</u> Round Lot or Mixed Lot only. A User may include a Minimum Execution Quantity instruction on a<u>n</u> MDO with a Non-Displayed instruction.

(3) – (4)   No change.

(5)   Routing/Posting. MDOs are not eligible for routing pursuant to Rule 11.11. MDOs that are not entered with a QDP instruction, as defined in Rule 11.8(g)(10), will only act as the liquidity provider. MDOs entered with a QDP instruction will instead be allowed to remove liquidity, by default, unless the User chooses to require that the MDO only act as a liquidity provider. If the instructions included on an MDO do not permit the MDO to remove liquidity, it will only execute on entry against resting orders that include a Super Aggressive instruction priced at the MDO's pegged price if the MDO also contains a Displayed instruction, and against resting orders that include an NDS instruction priced either at the MDO's pegged price or within its discretionary range. If a resting contra-side order that does not include an NDS instruction is priced within the discretionary range of an incoming MDO that is not permitted to remove liquidity, the incoming MDO will be placed on the EDGX Book and its discretionary range will be shortened to equal the limit price of the resting contra-side order. Likewise, where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting MDO, the discretionary range of the resting MDO will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction.

(6) – (10)   No change.

*   *   *