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

File No.* SR - 2021 - * 018
Amendment No. (req. for Amendments *)

Filing by Cboe 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 amend Rule 5.34 in connection with its fat finger check for Multi-Class Spread Orders and SPXSPXW complex orders.

Contact Information

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

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

Signature

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

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

Date 03/17/2021
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. Text of the Proposed Rule Change

(a) Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend Rule 5.34 in connection with its fat finger check in connection with Multi-Class Spread Orders. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

* * * * *

Cboe Exchange, Inc. Rules

* * * * *

Rule 5.34. Order and Quote Price Protection Mechanisms and Risk Controls

(a)-(b) No change.

(c) *All Orders*.

(1) Limit Order Fat Finger Check. If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders, the System cancels or rejects the order. 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 for a class.

(A)-(D) No change.

(E) This check does not apply to Multi-Class Spread Orders.

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on November 20, 2020.

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

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

(a) Purpose

The Exchange proposes to amend Rule 5.34(c)(1), which governs its fat finger check, to provide that the check will not apply to Multi-Class Spread Orders.[1]

Currently, Rule 5.34 provides for a fat finger check applicable to both simple and complex orders, including those that are routed to PAR. Specifically, Rule 5.34(c)(1) provides that, if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders,[2] the System cancels or rejects the order. 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 for a class. Pursuant to Rule 5.34(c)(1)(B) through (D), the check currently does not apply to complex orders prior to the conclusion of the Opening Process, when no NBBO or SNBBO, as applicable, is available, or to bulk messages or Stop-Limit orders. The Exchange proposes to adopt subparagraph (c)(1)(E) which adds Multi-Class Spread Orders as additional orders to which the fat finger check does not apply.

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1 See Rules 5.6(c) and 5.85(d).

2 The SNBBO is the national best bid and offer for a complex strategy calculated using the NBBO for each component of a complex strategy. See Rule 5.33(a).

Specifically, a Multi-Class Spread Order is an order or quote to buy a stated number of contracts of a Broad-Based Index Option[3] and to sell an equal number, or an equivalent number, of contracts of a related Broad-Based Index Option. For example, a Multi-Class Spread Order could be composed of a leg to buy 10 contracts in iShares Russell 2000 ETF ("IWM") options and a leg to sell one contract in Russell 2000 Index ("RUT") options, as IWM is an exchange-traded fund ("ETF") that tracks the performance of the RUT Index and is 1/10th the value of the RUT Index. Therefore, a spread order with a 10:1 ratio in IWM and RUT options creates an equivalent number of contracts of related Broad-Based Index Options and constitutes a Multi-Class Spread Order pursuant to the Exchange Rules. Multi-Class Spread Orders may only execute on the Exchange's trading floor and are therefore routed to PAR for manual handling (and open outcry trading).[4] Specifically, Rule 5.34 provides that the System's acceptance and execution of orders, quotes, and bulk messages, as applicable, pursuant to the Rules, including Rules 5.31 through 5.33, and orders routed to PAR pursuant to Rule 5.82 are subject to the price protection mechanisms and risk controls

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3 For the purposes of a Multi-Class Spread Order, a Broad-Based Index Option includes Broad-Based Indexes, ETF and ETNs. See Rule 5.6(c).

4 Like any other order submitted for open outcry execution, a Multi-Class Spread Order is systematized and submitted to PAR (and the applicable price protection mechanisms and risk controls are applied upon submission to PAR). Once on a PAR workstation, a Floor Broker or PAR Official, as applicable, may then represent the order to a trading crowd. The trading crowd provides a range of the prices at which they are willing to trade. Specifically, a Multi-Class Spread Order may be represented at a trading station at which one of the applicable classes trades (i.e., a primary trading station). Immediately after (or concurrent with) the announcement of the order at the primary trading station, the representing TPH must contact the Designated Primary Market-Maker (DPM), Lead Market-Maker (LMM) or appropriate Exchange staff at the trading station where the other applicable class trades to announce the order to the other trading crowd. See Rule 5.85(d). The Floor Broker may then execute the Multi-Class Spread Order against quotes provided from the crowd, in accordance with priority principles set forth in Rule 5.85(a).

(provided in Rule 5.34), as applicable. As such, the price protections and risk mechanisms under Rule 5.34, including the fat finger check, currently apply to Multi-Class Spread Orders upon routing to PAR.

Currently, separate servers (i.e., match engines) in the System have direct access to and are able to process market information for individual classes and orders in those classes. For example, one match engine has direct access to the Exchange's BBO[5] for RUT options and sends that BBO information to the Options Price Reporting Authority ("OPRA") for consolidation into and dissemination of the NBBO, and also processes incoming orders (including complex orders) in RUT options, while another match engine does the same for IWM options. Each single-class match engine also continuously intakes away market pricing information (i.e. the ABBO)[6] from OPRA applicable to the class that resides on it. As such, the pricing information regarding the NBBO (that is, the BBO and the ABBO) necessary to calculate the SNBBO applicable to a complex order in an individual class essentially "lives" on a particular match engine, thereby allowing that particular match engine to continuously calculate the SNBBO for complex orders in that individual class without delay.

There is also a separate match engine in the System that is specifically dedicated to cross-class orders. This match engine would process, for example, an incoming RUT/IWM Multi-Class Spread Order. Unlike the single-class match engines, the pricing information regarding the NBBOs that are necessary to calculate the SNBBOs applicable to Multi-Class

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5 The term "BBO" means the best bid or offer disseminated on the Exchange. See Rule 1.1.

6 The term "ABBO" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Rule 5.65) and calculated by the Exchange based on market information the Exchange receives from OPRA. See Rule 1.1.

Spread Orders do not "live" on the cross-class match engine. That is, the cross-class match engine does not have direct access to the BBOs that reside on the Exchange's single class match engines, nor does it continuously stream the necessary away market ABBO pricing information from OPRA, for each class that could possibly comprise the legs of a Multi-Class Spread Order.[7] The Exchange notes that technical limitations prevent the different, single-class match engines from directly sending the Exchange's BBO information to the cross-class match engine, or the cross-class match engine from continuously receiving ABBO pricing information from OPRA that may be applicable to the leg markets of a Multi-Class Spread Order given the significant amount of ABBO leg market information from OPRA that would be necessary to apply the fat finger check to all possible leg combinations for Multi-Class Spread Orders.[8] As a result, the cross-class match engine does not receive all of the necessary pricing information regarding the NBBOs from OPRA for each leg of an incoming Multi-Class Spread Order to generate an SNBBO for that order. Because the cross-class match engine has no NBBOs for the leg markets of an incoming

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7 The only NBBO information that the cross-class match engine streams directly from OPRA is for SPX/SPXW. The match engine dedicated to SPX/SPXW first sends to OPRA the SPX/SPXW BBOs from that match engine, and OPRA then disseminates to the wider market the NBBO pricing information for SPX/SPXW (which are also the BBOs for SPX/SPXW) at which point the cross-class match engine then receives the SPX/SPXW NBBO information from OPRA.

8 The Exchange notes that the substantial possible combinations of classes that may comprise Multi-Class Spread Orders results in a significant amount of market information that must be funneled into the one match engine dedicated to cross-class orders. The System does not have unlimited capacity and is unable to directly feed all leg market prices that could potentially comprise a Multi-Class Spread Order into the single cross-class match engine without potentially creating a delay in the cross-class match engine's processing capacity. The Exchange notes that there are currently 32 different classes eligible to comprise the legs of a Multi-Class Spread Order. The Exchange believes it would be an inefficient use of capacity to stream data for all classes into the cross-class match engine, as most of that information would not be used.

Multi-Class Spread Order at the time it receives the order, it assumes that the NBBOs applicable to the leg markets of an incoming Multi-Class Spread Order are zero. As such, when the cross-class match engine receives a Multi-Class Spread Order, it then attempts to calculate the SNBBO for the legs of a Multi-Class Spread Order pursuant to Rule 5.33(h)(3). Rule 5.33(h)(3) provides that, in relevant part, if there is a zero NBB and zero NBO, the System replaces the zero NBB with a price equal to one minimum increment and replaces the zero NBO with a price equal to two minimum increments. Such a resulting SNBBO is unlikely to represent the actual market for a Multi-Class Spread Order. Therefore, the cross-class match engine is currently unable to determine an SNBBO that accurately reflects leg market prices that comprise Multi-Class Spread Orders. As a result, this match engine regularly rejects Multi-Class Spread Orders that may otherwise be appropriately priced around the current leg market NBBOs.

The Exchange has received feedback from Users that the current application of the fat finger check to Multi-Class Spread Orders (which are floor-only) is too limited.[9] Indeed, the primary purpose of the fat finger check is to prevent limit orders from executing at potentially erroneous prices upon entry if the limit prices are too far away from the then-current SNBBO. As stated, the System is unable to calculate the SNBBO for the fat finger check in a manner that accurately reflects current leg market prices for Multi-Class Spread Orders due to the technical limitations that prevent the cross-class match engine from receiving all possible NBBOs necessary to calculate the SNBBOs applicable to Multi-Class Spread Orders. As a result, the cross-class match engine calculates SNBBOs for the fat

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[9] The Exchange notes that such instances and, consequently, User feedback given to the Exchange regarding the fat finger limitations in connection with their Multi-Class Spread Orders, have occurred as a result of the Exchange's technology migration completed in October 2019.

finger check applicable an incoming Multi-Class Spread Order under the assumption that the NBBO values for the orders' leg markets are zero. That is, it attempts to substitute the minimum increment spread for each leg market of the Multi-Class Spread Order to calculate an SNBBO for the fat finger check and, therefore, the fat finger check applied may not provide the most accurate reflection of the best prices currently available in those leg markets. As a result, the System may reject Multi-Class Spread Orders for being too far away from the substitute SNBBO, even though such orders may otherwise be legitimately priced around the leg markets at the time those orders were entered.

The Exchange notes that a User's Multi-Class Spread Orders would still be subject to other price protections already in place on the Exchange. Particularly, all Multi-Class Spread Orders are always subject to manual handling, which permits opportunities for brokers to evaluate the prices of orders based on then-existing market conditions and, thus, creates minimal risk of executions at erroneous prices. Additionally, the System applies various price checks for complex orders, such as: a debit/credit reasonability check (which rejects a complex order that is a limit order for a debit (credit) strategy with a net credit (debit) price that exceeds a pre-set buffer or a market order for a credit strategy that would execute at a net debit price that exceeds a pre-set buffer)[10]; and a maximum value acceptable price range check (which rejects an order that is a vertical, true butterfly, or box spread and is a limit order with, or a market order that would execute at, a price that is outside of an acceptable price range, set by the minimum and maximum possible value of the spread, subject to an additional buffer amount).[11] Overall, the Exchange believes the proposed rule

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[10] See Rule 5.34(b)(3).

[11] See Rule 5.34(b)(5).

change will provide additional execution opportunities for Multi-Class Spread Orders while continuing to provide protection against executions at prices that may be erroneous.

(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.[12] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[13] 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)[14] 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 rule change to exclude Multi-Class Spread Orders from the fat finger check 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 by providing additional execution opportunities for cross-class orders that may be appropriately priced in connection with current leg market prices.

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12 15 U.S.C. 78f(b).

13 15 U.S.C. 78f(b)(5).

14 Id.

The proposed change is intended to benefit investors, from which the Exchange has received feedback regarding the current limitations of the fat finger check for Multi-Class Spread Orders. The Exchange believes the proposed rule change will permit the System to accept these investors' orders that may be submitted with prices that accurately reflect current leg markets instead of rejecting them because of the fat finger check's substitution of NBBO information to calculate an applicable SNBBO due to technical limitations that prevent the cross-class match engine from receiving the pricing information regarding the NBBOs for the applicable leg markets of an incoming Multi-Class Spread Order, as it cannot directly access and continuously intake the same information through the System. As a result, the Exchange believes the proposed rule change may increase execution opportunities for investors by allowing their floor-based orders an opportunity to be manually represented in open outcry instead of being rejected by the System before even arriving at PAR for manual handling.[15]

Moreover, the Exchange believes that the proposed rule change is consistent with the general protection of investors because, pursuant to Rule 5.34(c)(1)(C), the System currently does not apply the fat finger check in instances in which the SNBBO is not available and the System therefore cannot apply an appropriate buffer. Similarly, due to technical limitations, the SNBBO is not available for Multi-Class Spread Orders and while the System uses an available substitute, this may not accurately reflect current leg market prices. Therefore, the proposed rule change excludes such orders from the fat finger for essentially the same reasons as Rule 5.34(c)(1)(C) — that the SNBBO may not be available in order to provide the System with an accurate measure to which it may apply an

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[15] See supra note 4.

appropriate fat finger buffer. Additionally, other price protections and safeguards, such as real-time broker evaluation of floor-based pricing and other System-applied price checks, will continue to apply to Multi-Class Spread Orders, and thereby will continue to provide protection against executions at prices that may be erroneous.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because all Users' Multi-Class Spread Orders will be excluded from the fat finger check in the same manner. The Exchange notes that the Rules currently exclude other types of orders from the fat finger check. Also, as described above, all Users' Multi-Class Spread Orders will continue to be subject to other specific price controls or safeguards, such as real-time broker evaluation of floor-based pricing and other System-applied price checks, which provide protection against executions at prices that may be erroneous.

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 whether the System will accept certain orders for execution on the Exchange The Exchange believes the proposed rule change would provide all market participants with additional execution opportunities in connection with their Multi-Class Spread Orders while still providing protection from anomalous or erroneous executions. To the extent that market participants find the proposed exclusion of the fat finger check to their complex strategies more favorable for

execution of such orders, other exchanges may adopt functionality to similarly handle such complex strategies.

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

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

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of 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.

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

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

The Exchange does not believe that the proposed rule change would significantly affect the protection of investors or the public interest, but rather is designed to benefit investors and the public interest by providing additional execution opportunities for cross-class orders that may be appropriately priced in connection with current leg market prices by permitting the System to accept these investors' orders rather than rejecting such orders as a result of the fat finger check using substitute NBBO information to calculate an applicable SNBBO for the fat finger check that may not accurately reflect the current leg market prices. As explained above, the fat finger check's NBBO substitution is due to the technical limitations the cross-class match engine experiences in receiving current market pricing information regarding the NBBOs for the applicable leg markets of an incoming Multi-Class Spread Order from OPRA and the single class match engines to accurately calculate an SNBBO applicable to the Multi-Class Spread Order at hand. The proposal is intended to benefit investors overall by allowing their floor-based orders an opportunity to be manually represented in open outcry instead of being rejected by the System before even arriving at PAR for manual handling.[18] Further, the Exchange does not believe that the proposed rule change would significantly affect the protection of investors or the public interest because the System already does not apply the fat finger check in instances when the SNBBO is not available and the System cannot therefore apply an appropriate buffer. The proposed rule change is designed to similarly address reoccurring instances in which the SNBBO is not available to the cross-class match engine so that it may accurately reflect the current leg market prices in the fat finger check for Multi-Class Spread Orders. Additionally, other price protections and safeguards (e.g., real-time broker evaluation of floor-based pricing and

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[18] See supra note 4.

other System-applied price checks) will continue to apply to Multi-Class Orders, thereby continuing to provide protection against executions at prices that may be erroneous.

The Exchange does not believe that the proposed rule change will impose any significant burden on competition because all Users' Multi-Class Spread Orders will be excluded from the fat finger check in the same manner and will continue to be subject to other specific price controls and safeguards. The System already excludes other types of orders from the fat finger check, which the Exchange notes is a price protection mechanism applied only to complex orders submitted to the Exchange to determine whether they should be accepted for potential execution on the Exchange. The proposed rule change relates solely to whether the System will accept certain orders for execution on the Exchange, and to the extent that market participants find the proposed exclusion of the fat finger check to their complex strategies more favorable for execution of such orders, other exchanges may adopt functionality to similarly handle such complex strategies.

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. The proposed rule change does not introduce any new or novel System functionality but merely seeks to exclude certain orders from the existing fat finger check, which already does not apply to certain orders or in certain instances. Waiver of the operative delay will allow the Exchange to implement this exclusion as soon as practicable, which, in turn, will allow for additional execution opportunities as soon as practicable for market participants' Multi-Class Spread Orders that may be legitimately priced around current leg market prices but are being inappropriately rejected based on an SNBBO calculated with substitute NBBO information.[19] As noted above, the Exchange also understands that market participants have given feedback regarding the fat finger limitations in connection with their Multi-Class Spread Orders. The Exchange believes waiver of the operative delay will protect investors by permitting the Exchange to mitigate these limitations, allowing for the System to accept such legitimately priced complex strategies for execution on the Exchange, while continuing to provide various other price protections and safeguards that serve to protect against executions at prices that may be erroneous. For these reasons, the Exchange respectfully requests that the Commission waive the 30-day operative delay.

(c) Not applicable.

(d) Not applicable.

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[19] The Exchange will announce the implementation of the exclusion of Multi-Class Spread Orders from the fat finger check to Trading Permit Holders in advance via Trade Desk Notice.

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

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

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2021-018

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 5.34 in Connection with its Fat Finger Check in Connection with Multi-Class Spread Orders

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 Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The 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 Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend Rule 5.34 in connection with its fat finger check in connection with Multi-Class Spread Orders. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

* * * * *

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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).

Rules of Cboe Exchange, Inc.

* * * * *

Rule 5.34. Order and Quote Price Protection Mechanisms and Risk Controls

(a)-(b) No change.

(c) *All Orders*.

(1) Limit Order Fat Finger Check. If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders, the System cancels or rejects the order. 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 for a class.

(A)-(D) No change.

<u>(E) This check does not apply to Multi-Class Spread Orders.</u>

* * * * *

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

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

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

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

1. Purpose

The Exchange proposes to amend Rule 5.34(c)(1), which governs its fat finger check, to provide that the check will not apply to Multi-Class Spread Orders.[5]

Currently, Rule 5.34 provides for a fat finger check applicable to both simple and complex orders, including those that are routed to PAR. Specifically, Rule 5.34(c)(1) provides that, if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders,[6] the System cancels or rejects the order. 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 for a class. Pursuant to Rule 5.34(c)(1)(B) through (D), the check currently does not apply to complex orders prior to the conclusion of the Opening Process, when no NBBO or SNBBO, as applicable, is available, or to bulk messages or Stop-Limit orders. The Exchange proposes to adopt subparagraph (c)(1)(E) which adds Multi-Class Spread Orders as additional orders to which the fat finger check does not apply.

Specifically, a Multi-Class Spread Order is an order or quote to buy a stated number of contracts of a Broad-Based Index Option[7] and to sell an equal number, or an equivalent number, of contracts of a related Broad-Based Index Option. For example, a Multi-Class

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5 See Rules 5.6(c) and 5.85(d).

6 The SNBBO is the national best bid and offer for a complex strategy calculated using the NBBO for each component of a complex strategy. See Rule 5.33(a).

7 For the purposes of a Multi-Class Spread Order, a Broad-Based Index Option includes Broad-Based Indexes, ETF and ETNs. See Rule 5.6(c).

Spread Order could be composed of a leg to buy 10 contracts in iShares Russell 2000 ETF ("IWM") options and a leg to sell one contract in Russell 2000 Index ("RUT") options, as IWM is an exchange-traded fund ("ETF") that tracks the performance of the RUT Index and is 1/10th the value of the RUT Index. Therefore, a spread order with a 10:1 ratio in IWM and RUT options creates an equivalent number of contracts of related Broad-Based Index Options and constitutes a Multi-Class Spread Order pursuant to the Exchange Rules. Multi-Class Spread Orders may only execute on the Exchange's trading floor and are therefore routed to PAR for manual handling (and open outcry trading).[8] Specifically, Rule 5.34 provides that the System's acceptance and execution of orders, quotes, and bulk messages, as applicable, pursuant to the Rules, including Rules 5.31 through 5.33, and orders routed to PAR pursuant to Rule 5.82 are subject to the price protection mechanisms and risk controls (provided in Rule 5.34), as applicable. As such, the price protections and risk mechanisms under Rule 5.34, including the fat finger check, currently apply to Multi-Class Spread Orders upon routing to PAR.

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[8] Like any other order submitted for open outcry execution, a Multi-Class Spread Order is systematized and submitted to PAR (and the applicable price protection mechanisms and risk controls are applied upon submission to PAR). Once on a PAR workstation, a Floor Broker or PAR Official, as applicable, may then represent the order to a trading crowd. The trading crowd provides a range of the prices at which they are willing to trade. Specifically, a Multi-Class Spread Order may be represented at a trading station at which one of the applicable classes trades (i.e., a primary trading station). Immediately after (or concurrent with) the announcement of the order at the primary trading station, the representing TPH must contact the Designated Primary Market-Maker (DPM), Lead Market-Maker (LMM) or appropriate Exchange staff at the trading station where the other applicable class trades to announce the order to the other trading crowd. See Rule 5.85(d). The Floor Broker may then execute the Multi-Class Spread Order against quotes provided from the crowd, in accordance with priority principles set forth in Rule 5.85(a).

Currently, separate servers (i.e., match engines) in the System have direct access to and are able to process market information for individual classes and orders in those classes. For example, one match engine has direct access to the Exchange's BBO[9] for RUT options and sends that BBO information to the Options Price Reporting Authority ("OPRA") for consolidation into and dissemination of the NBBO, and also processes incoming orders (including complex orders) in RUT options, while another match engine does the same for IWM options. Each single-class match engine also continuously intakes away market pricing information (i.e. the ABBO)[10] from OPRA applicable to the class that resides on it. As such, the pricing information regarding the NBBO (that is, the BBO and the ABBO) necessary to calculate the SNBBO applicable to a complex order in an individual class essentially "lives" on a particular match engine, thereby allowing that particular match engine to continuously calculate the SNBBO for complex orders in that individual class without delay.

There is also a separate match engine in the System that is specifically dedicated to cross-class orders. This match engine would process, for example, an incoming RUT/IWM Multi-Class Spread Order. Unlike the single-class match engines, the pricing information regarding the NBBOs that are necessary to calculate the SNBBOs applicable to Multi-Class Spread Orders do not "live" on the cross-class match engine. That is, the cross-class match engine does not have direct access to the BBOs that reside on the Exchange's single class match engines, nor does it continuously stream the necessary away market ABBO pricing

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9 The term "BBO" means the best bid or offer disseminated on the Exchange. See Rule 1.1.

10 The term "ABBO" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Rule 5.65) and calculated by the Exchange based on market information the Exchange receives from OPRA. See Rule 1.1.

information from OPRA, for each class that could possibly comprise the legs of a Multi-Class Spread Order.[11] The Exchange notes that technical limitations prevent the different, single-class match engines from directly sending the Exchange's BBO information to the cross-class match engine, or the cross-class match engine from continuously receiving ABBO pricing information from OPRA that may be applicable to the leg markets of a Multi-Class Spread Order given the significant amount of ABBO leg market information from OPRA that would be necessary to apply the fat finger check to all possible leg combinations for Multi-Class Spread Orders.[12] As a result, the cross-class match engine does not receive all of the necessary pricing information regarding the NBBOs from OPRA for each leg of an incoming Multi-Class Spread Order to generate an SNBBO for that order. Because the cross-class match engine has no NBBOs for the leg markets of an incoming Multi-Class Spread Order at the time it receives the order, it assumes that the NBBOs applicable to the leg markets of an incoming Multi-Class Spread Order are zero. As such, when the cross-class match engine receives a Multi-Class Spread Order, it then attempts to

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[11] The only NBBO information that the cross-class match engine streams directly from OPRA is for SPX/SPXW. The match engine dedicated to SPX/SPXW first sends to OPRA the SPX/SPXW BBOs from that match engine, and OPRA then disseminates to the wider market the NBBO pricing information for SPX/SPXW (which are also the BBOs for SPX/SPXW) at which point the cross-class match engine then receives the SPX/SPXW NBBO information from OPRA.

[12] The Exchange notes that the substantial possible combinations of classes that may comprise Multi-Class Spread Orders results in a significant amount of market information that must be funneled into the one match engine dedicated to cross-class orders. The System does not have unlimited capacity and is unable to directly feed all leg market prices that could potentially comprise a Multi-Class Spread Order into the single cross-class match engine without potentially creating a delay in the cross-class match engine's processing capacity. The Exchange notes that there are currently 32 different classes eligible to comprise the legs of a Multi-Class Spread Order. The Exchange believes it would be an inefficient use of capacity to stream data for all classes into the cross-class match engine, as most of that information would not be used.

calculate the SNBBO for the legs of a Multi-Class Spread Order pursuant to Rule 5.33(h)(3). Rule 5.33(h)(3) provides that, in relevant part, if there is a zero NBB and zero NBO, the System replaces the zero NBB with a price equal to one minimum increment and replaces the zero NBO with a price equal to two minimum increments. Such a resulting SNBBO is unlikely to represent the actual market for a Multi-Class Spread Order. Therefore, the cross-class match engine is currently unable to determine an SNBBO that accurately reflects leg market prices that comprise Multi-Class Spread Orders. As a result, this match engine regularly rejects Multi-Class Spread Orders that may otherwise be appropriately priced around the current leg market NBBOs.

The Exchange has received feedback from Users that the current application of the fat finger check to Multi-Class Spread Orders (which are floor-only) is too limited.[13] Indeed, the primary purpose of the fat finger check is to prevent limit orders from executing at potentially erroneous prices upon entry if the limit prices are too far away from the then-current SNBBO. As stated, the System is unable to calculate the SNBBO for the fat finger check in a manner that accurately reflects current leg market prices for Multi-Class Spread Orders due to the technical limitations that prevent the cross-class match engine from receiving all possible NBBOs necessary to calculate the SNBBOs applicable to Multi-Class Spread Orders. As a result, the cross-class match engine calculates SNBBOs for the fat finger check applicable an incoming Multi-Class Spread Order under the assumption that the NBBO values for the orders' leg markets are zero. That is, it attempts to substitute the minimum increment spread for each leg market of the Multi-Class Spread Order to calculate

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[13] The Exchange notes that such instances and, consequently, User feedback given to the Exchange regarding the fat finger limitations in connection with their Multi-Class Spread Orders, have occurred as a result of the Exchange's technology migration completed in October 2019.

an SNBBO for the fat finger check and, therefore, the fat finger check applied may not provide the most accurate reflection of the best prices currently available in those leg markets. As a result, the System may reject Multi-Class Spread Orders for being too far away from the substitute SNBBO, even though such orders may otherwise be legitimately priced around the leg markets at the time those orders were entered.

The Exchange notes that a User's Multi-Class Spread Orders would still be subject to other price protections already in place on the Exchange. Particularly, all Multi-Class Spread Orders are always subject to manual handling, which permits opportunities for brokers to evaluate the prices of orders based on then-existing market conditions and, thus, creates minimal risk of executions at erroneous prices. Additionally, the System applies various price checks for complex orders, such as: a debit/credit reasonability check (which rejects a complex order that is a limit order for a debit (credit) strategy with a net credit (debit) price that exceeds a pre-set buffer or a market order for a credit strategy that would execute at a net debit price that exceeds a pre-set buffer)[14]; and a maximum value acceptable price range check (which rejects an order that is a vertical, true butterfly, or box spread and is a limit order with, or a market order that would execute at, a price that is outside of an acceptable price range, set by the minimum and maximum possible value of the spread, subject to an additional buffer amount).[15] Overall, the Exchange believes the proposed rule change will provide additional execution opportunities for Multi-Class Spread Orders while continuing to provide protection against executions at prices that may be erroneous.

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[14] See Rule 5.34(b)(3).

[15] See Rule 5.34(b)(5).

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.[16] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[17] 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)[18] 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 rule change to exclude Multi-Class Spread Orders from the fat finger check 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 by providing additional execution opportunities for cross-class orders that may be appropriately priced in connection with current leg market prices. The proposed change is intended to benefit investors, from which the Exchange has received feedback regarding the current limitations of the fat finger check for Multi-Class Spread

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

17 15 U.S.C. 78f(b)(5).

18 Id.

Orders. The Exchange believes the proposed rule change will permit the System to accept these investors' orders that may be submitted with prices that accurately reflect current leg markets instead of rejecting them because of the fat finger check's substitution of NBBO information to calculate an applicable SNBBO due to technical limitations that prevent the cross-class match engine from receiving the pricing information regarding the NBBOs for the applicable leg markets of an incoming Multi-Class Spread Order, as it cannot directly access and continuously intake the same information through the System. As a result, the Exchange believes the proposed rule change may increase execution opportunities for investors by allowing their floor-based orders an opportunity to be manually represented in open outcry instead of being rejected by the System before even arriving at PAR for manual handling.[19]

Moreover, the Exchange believes that the proposed rule change is consistent with the general protection of investors because, pursuant to Rule 5.34(c)(1)(C), the System currently does not apply the fat finger check in instances in which the SNBBO is not available and the System therefore cannot apply an appropriate buffer. Similarly, due to technical limitations, the SNBBO is not available for Multi-Class Spread Orders and while the System uses an available substitute, this may not accurately reflect current leg market prices. Therefore, the proposed rule change excludes such orders from the fat finger for essentially the same reasons as Rule 5.34(c)(1)(C) — that the SNBBO may not be available in order to provide the System with an accurate measure to which it may apply an appropriate fat finger buffer. Additionally, other price protections and safeguards, such as real-time broker evaluation of floor-based pricing and

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[19] See supra note 8.

other System-applied price checks, will continue to apply to Multi-Class Spread Orders, and thereby will continue to provide protection against executions at prices that may be erroneous.

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 all Users' Multi-Class Spread Orders will be excluded from the fat finger check in the same manner. The Exchange notes that the Rules currently exclude other types of orders from the fat finger check. Also, as described above, all Users' Multi-Class Spread Orders will continue to be subject to other specific price controls or safeguards, such as real-time broker evaluation of floor-based pricing and other System-applied price checks, which provide protection against executions at prices that may be erroneous.

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 whether the System will accept certain orders for execution on the Exchange The Exchange believes the proposed rule change would provide all market participants with additional execution opportunities in connection with their Multi-Class Spread Orders while still providing protection from anomalous or erroneous executions. To the extent that market participants find the proposed exclusion of the fat finger check to their complex strategies more favorable for

execution of such orders, other exchanges may adopt functionality to similarly handle such complex strategies.

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

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

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

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-CBOE-2021-018 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2021-018. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You

should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2021-018 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

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