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

File No.* SR - 2021 - * 045

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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pilot	Extension of Time Period for Commission Action *	Date Expires *	Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934		
Section 806(e)(1) *		Section 806(e)(2) *	Section 3C(b)(2) *		
<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>		

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 13.15, which governs the Exchange's Minor Rule Violation Plan ("MRVP"), in connection with certain minor rule violations, applicable fines, as well as other clarifying, nonsubstantive changes.

Contact Information

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

First Name *	Rebecca	Last Name *	Tenuta
Title *	Senior Counsel		
E-mail *	rtenuta@cboe.com		
Telephone *	(312) 786-7068	Fax	<input type="text"/>

Signature

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

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

(Title *)

Date 08/03/2021

VP, Associate General Counsel

By Laura G. Dickman

(Name *)

ldickman@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 EDDS website.

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document



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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document



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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

Item 1. Text of the Proposed Rule Change

(a) Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend Rule 13.15, which governs the Exchange’s Minor Rule Violation Plan (“MRVP”), in connection with certain minor rule violations, applicable fines, as well as other clarifying, nonsubstantive changes. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on July 14, 2021.

(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 its MRVP in Rule 13.15 in connection with certain minor rule violations, applicable fines, as well as other clarifying, nonsubstantive changes. Rule 13.15 provides for disposition of specific violations through assessment of fines in lieu of conducting a formal disciplinary proceeding. Rule 13.15(g) sets forth the list of specific Exchange Rules under which a Trading Permit Holder (“TPH”) or person associated with or employed by a TPH may be subject to a fine for violations of such Rules

and the applicable fines that may be imposed by the Exchange. Specifically, the proposed rule change amends Rule 13.15(g) by: (1) eliminating certain rule violations that the Exchange no longer believes to be minor in nature; (2) updating the fine schedule applicable to minor rule violations related to a Market-Maker's failure to meet Exchange quoting obligations; and (3) making other nonsubstantive changes.

First, the proposed rule change removes the following rule violations and applicable fines from Rule 13.15(g):¹

- Rule 13.15(g)(4), which currently imposes certain fines for failure to submit trade information on time and failure to submit trade information to the Price Reporter pursuant to Rule 6.1(Report Transactions to the Exchange)²;
- Rule 13.15(g)(5), which currently imposes certain fines for failure to honor the firm quote requirements of Rules 5.52 (Market-Maker Quotes)³ and 5.59 (Firm

¹ As a result of the proposed elimination of certain rule violations listed under Rule 13.15(g), the proposed rule change subsequently renames current Rules 13.15(g)(6), (8), (9), (11), (13), (14), (15), (16), (17), (18), (19) and (20), to Rules 13.15(g)(4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14) and (15), respectively.

² See Rule 6.1(a), which provides that a participant in each transaction to be designated by the Exchange must report or ensure the transaction is reported to the Exchange within 90 seconds of the execution in a form and manner prescribed by the Exchange so that the trade information may be reported to time and sales reports; and Rule 6.1(c), which provides the Exchange-established procedure for reporting transactions pursuant to Rule 6.1(a).

³ See Rule 5.52(a), which provides, in relevant part, that Market-Maker bids and offers are firm for all orders under this Rule and Rule 602 of Regulation NMS under the Exchange Act ("Rule 602") for the number of contracts specified in the bid or offer, except if: (1) a system malfunction or other circumstance impairs the Exchange's ability to disseminate or update market bids and offers in a timely and accurate manner; (2) the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange; (3) prior to the

Disseminated Market Quotes), to honor the priority of marketable priority customer orders pursuant to Rules 5.32 and 5.85 (which among other things, govern customer priority on the Exchange's trading floor)⁴, and to use due diligence in the execution of orders for which the floor Trading Permit Holder maintains an agency obligation pursuant to Rule 5.91 (Floor Broker Responsibilities);

- Rule 13.15(g)(7), which currently imposes certain fines for any individual Trading Permit Holder who fails for more than 5% of the Trading Permit Holder's

conclusion of the Opening Auction Process; or (4) any of the circumstances provided in Rule 602(c)(4) exist.

⁴ Rule 5.85(a)(2)(A), which provides that Priority Customer orders in the Book have first priority. If there are two or more Priority Customer orders in the Book at the same price, the System prioritizes them in the order in which the System received them (i.e., in time priority). The Exchange notes that customer priority for electronic executions is systematically enforced. See Rule 5.32(a)(2)(A).

⁵ See Rule 5.91(a), which provides that a Floor Broker handling an order must use due diligence to execute the order at the best price or prices available to him or, in accordance with the Rules. Use of due diligence in handling and executing an order includes: (1) announcing to the trading crowd a request for quotes; (2) taking the necessary measures to ensure the proper execution of an order in accordance with firm quote obligations in Rule 5.52, including the executable quantity of a quote from the trading crowd; (3) the immediate and continuous representation at the trading station where the applicable class trades of the following types of orders: (A) market orders; (B) limit orders to sell where the specified price is at or below the current offer or; and (C) limit orders to buy where the specified price is at or above the current bid; (4) subject to the requirement to systematize orders prior to representation pursuant to Rule 5.7(f), electronically recording the time via a PAR workstation at which the Floor Broker initially represents the order to the trading crowd; and (5) prioritizing the Floor Broker's agency business over the Floor Broker's liquidation orders (which liquidation orders are described in Rule 5.91(d)).

transactions in any month to submit on the date that a transaction is executed the trade information required by Rule 6.1;⁶

- Rule 13.15(g)(10), which currently imposes certain fines for violations of Rule 8.14 (Communications to the Exchange or the Clearing Corporation);⁷ and
- Rule 13.15(g)(12), which currently imposes certain fines for trade-through violations pursuant to Rule 5.66 (Order Protection).⁸

Additionally, as a result of the proposed deletion of Rule 13.15(g)(4) and (g)(5), the proposed rule change also deletes Interpretations and Policies .01 and .02 to Rule 13.15, as Interpretation and Policy .01 exclusively relates to Rule 13.15(g)(5), and Interpretation and Policy .02 exclusively relates to Rule 13.15(g)(4). The proposed rule change also moves the entirety of the rule text in Interpretation and Policy .03, which exclusively corresponds to current Rule 13.15(g)(6), into Rule 13.15(g)(6) itself. Additionally, the proposed rule change

⁶ See Rule 6.1(b), which requires parties to a trade to immediately record on a card or ticket, or enter in an electronic data storage medium acceptable to the Exchange, (1) the assigned broker initial code and clearing firm (if a Market-Maker); (2) the symbol of the underlying security or index; (3) the type, expiration month, and exercise price of the option contract; (4) the transaction price; (5) the number of contract units comprising the transaction; (6) the time of the transaction obtained from a source designated by the Exchange; (7) the name of the contra Clearing Trading Permit Holder; and (8) the assigned broker initial code of the contra Trading Permit Holder.

⁷ See Rule 8.14, which provides that no Trading Permit Holder, person associated with a Trading Permit Holder or applicant to be a Trading Permit Holder shall make any misrepresentation or omission in any application, report or other communication to the Exchange, or to the Clearing Corporation with respect to the reporting or clearance of any Exchange transaction, or adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or of transferring the position to another account.

⁸ See Rule 5.66(a), which provides that, except as provided in paragraph (b), Trading Permit Holders shall not effect Trade-Throughs. The Exchange notes that trade-through compliance for electronic executions are systematically enforced.

moves the language currently in footnote 1 into current Rule 13.15(g)(6). Footnote 1 provides that Minor Rule Violation Fines imposed under this provision may be issued by Exchange Floor Officials. The Exchange notes that, while footnote 1 is currently appended to Rule 13.15(g)(5), which is being deleted as proposed herein, it more appropriately applies to current Rule 13.15(g)(6) (Violations of Trading Conduct and Decorum Policies), as fines for violations of which are currently issued by Exchange Floor Officials pursuant to Rule 5.80(c). Rule 5.80(c)(1)(A) specifically provides that Exchange Floor Officials may fine TPHs and persons employed by or associated with TPHs pursuant to Rule 13.15 for trading conduct and decorum violations which are subject to fine under such fine schedules. As such, the proposed relocation of the language in footnote 1 merely provides additional clarity in the MRVP fine schedule regarding the issuance of Minor Rule Violation fines for trading conduct and decorum violations.

The Exchange no longer believes violations of the above-listed rules to be minor in nature and therefore proposes to remove them from the list of rules in Rule 13.15(g) eligible for a minor rule fine disposition. Particularly, the Exchange believes that violations of each of the rules listed above may directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protections. For example, the Exchange believes that the requirement to submit trade information on time, to the Price Reporter and consistently on an order's transaction date, as well as the requirement to truthfully and accurately represent information in communications to the Exchange and the Clearing Corporation allows the Exchange (and the Clearing Corporation) to maintain an accurate audit trail and trade information. Likewise, honoring firm quotations is vital in promoting efficient functioning of intermarket price priority and trading in general. Timely and

accurate representation of both trade information and quotations protects investors by providing them with accurate information essential to their trading activities and participation in the markets. Upholding due diligence to honor the priority of customer orders and obligations as a principal, as well as the prohibition against the execution of trades at prices inferior to protected quotations (trade-throughs), all provide important customer protections. Pursuant to Rule 13.15(f), the Exchange is not required to impose a fine pursuant to its MRVP with respect to the violation of any rule listed under Rule 13.15. If the Exchange determines that any violation is intentional, egregious, or otherwise not minor in nature, it may proceed under its formal disciplinary rules. As such, the Exchange has increasingly chosen to handle such violations in recent years under the Exchange's formal disciplinary rules, rather than imposing a fine pursuant to its MRVP.

The proposed rule change next amends the fine schedule applicable to Market-Makers for failure to meet Exchange quoting obligations. Specifically, Rule 13.15(g)(14) ((g)(9), as amended)⁹ provides that a fine shall be imposed upon a Market-Maker, Designated Primary Market-Maker or Lead Market Maker (as applicable) in accordance with the fine schedule set forth below for the following conduct:¹⁰

- Failure to meet the continuous quoting obligation (Rule 5.52, 5.55, and 5.54);
- Failure to meet the initial quote volume requirements (Rule 5.52); and
- Failure of a Lead Market-Maker or Designated Primary Market-Maker to enter opening quotes within one minute following the initiation of an opening rotation

⁹ See supra note 1.

¹⁰ The proposed rule change also makes nonsubstantive clarifying updates to Rule 13.15(g)(14), by removing the conduct listed in subparagraph (g)(14)(B) and updating the format in which time is reflected. These nonsubstantive amendments are described in further detail herein this proposal below.

(e.g., 9:31 a.m.) in a series in its appointed or allocated class, respectively, that is not open due to the lack of a quote (see Rule 5.31(e)(2) or (j)(5)(B), as applicable) (Rules 5.55 and 5.54), respectively.

For the first offense during any rolling 24-month period, the fine schedule imposed by Rule 13.15(g)(14) currently permits the Exchange to apply a fine ranging between \$2,000 and \$4,000. For subsequent offenses during the same period, the fine schedule currently permits the Exchange to apply a fine ranging between \$4,000 and \$5,000. The proposed rule change updates the fine schedule to provide that, during any rolling 24-month period, the Exchange may give a Letter of Caution for a first offense, may apply a fine of \$1,500 for a second offense, may apply a fine of \$3,000 for a third offense,¹¹ and may proceed with formal disciplinary action for subsequent offenses. As described above, and as is the case for all rule violations covered under Rule 13.15(g), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP.¹² The Exchange may continue to aggregate individual violations of particular rules and treat such violations as a single offense.¹³

The Exchange believes it is appropriate to remove the range of fines imposed for first and subsequent offenses and, instead, apply a letter of caution for a first offense, a

¹¹ The Exchange notes that Rule 13.15(a) authorizes the Exchange to impose a fine, not to exceed \$5,000, for minor rule violations in lieu of commencing a disciplinary proceeding. Additionally, any fine imposed pursuant to Rule 13.15 that (1) does not exceed \$2,500 and (2) is not contested, shall be reported by the Exchange to the Commission on a periodic, rather than a current, basis, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority.

¹² See Rule 13.15(f).

¹³ See Rule 13.15(a).

specified fine amount for a second and a third offense, and formal disciplinary proceedings for subsequent offenses. Particularly, the Exchange believes that applying a lesser penalty (Letter of Caution) for a first offense and then providing a higher, itemized fine per second and third offenses and, ultimately, formal disciplinary proceedings for any subsequent offenses during a rolling 24-month period, will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a fine range for any offenses that may come after a first offense). The Exchange believes this fine structure may serve to more effectively deter repeat-offenders while providing reasonable warning for a first offense during a rolling 24-month period. The Exchange notes that a lesser penalty in the form of a warning letter for a first offense paired with a greater penalty in the form of formal disciplinary proceedings after a finite number of following offenses is consistent with the minor rule violation fine schedules applicable to minor rule violations of substantially the same market maker quoting obligations on the Exchange's affiliated options exchanges, EDGX and BZX,¹⁴ as well as substantially similar market maker quoting obligations on another options exchange.¹⁵ The Exchange notes that the proposed change is intended to provide for consistency across the Exchange's MRVP and the MRVPs of its affiliated options exchanges. Additionally, EDGX and BZX also intend to file proposals to update their minor rule violation fines so that second, third, and subsequent offenses for violating market maker quoting obligations will receive the same sanctions,¹⁶ as proposed herein.

¹⁴ See BZX Rule 25.3(d); and EDGX Rule 25.3(d).

¹⁵ See e.g., MIAX Options Rule 1014(d)(7).

¹⁶ The Exchange again notes that pursuant to the BZX and EDGX MRVPs, first offenses regarding market maker quoting obligations already receive a Letter of Caution and the highest/last range of offenses (currently 5 or more) are already subject to formal disciplinary action. See supra note 14.

The proposed rule change also makes nonsubstantive clarifying changes to certain provisions in Rule 13.15(g). The proposed rule change makes a clean-up revision by removing the conduct listed in subparagraph (g)(14)(B), “failure to meet the applicable quote width requirements (Rule 5.52),” because, as of 2019, Market-Makers are no longer subject to a quote width requirement.¹⁷ The proposed rule change amends the subsequent lettering in subparagraph (g)(14) as a result of this revision. The proposed rule change corrects a typo in the fine amounts that inadvertently contain an additional digit in subparagraph (g)(8). The proposed rule change also updates the time format in the example provided in subparagraph (g)(14)(D), which is currently reflected in Central Time, to instead reflect Eastern Time without time zone indication. This proposed change is consistent with Rule 1.6, which states that unless otherwise specified, all times in the Rules are Eastern Time, and conforms the time reflected in (g)(14)(D) to the time format reflected throughout the Rules. The proposed rule change corrects the cross-reference to Rule 5.24(e) in Rule 13.15(g)(19) to, instead, correctly reflect Rule 5.5(d). The Exchange previously restructured its Rulebook in connection with a 2019 technology migration and, prior to this restructuring, the provision in current Rule 13.15(g)(19) referred to what is now Rule 5.5(d) (former Rule 6.23A(f))¹⁸, instead of what is now Rule 5.24(e) (former Rule 6.18). Upon restructuring Chapter 13,¹⁹ the Exchange inadvertently changed the cross-reference in Rule 13.15(g)(19) to reflect the incorrect rule and now proposes to update this cross-reference to reflect the

¹⁷ See Securities Exchange Act Release No. 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (SR-CBOE-2019-059).

¹⁸ See Securities Exchange Act Release No. 87320 (October 16, 2019), 84 FR 56501 (October 22, 2019) (SR-CBOE-2019-095).

¹⁹ See Securities Exchange Act Release No. 87210 (October 3, 2019), 84 FR 54190 (October 9, 2019) (SR-CBOE-2019-068).

correct and originally intended cross-reference to Rule 5.5(d). Likewise, the Exchange updates a cross-reference to prior Rule 5.25 to current Rule 5.5 in subparagraph (g)(19).

(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.²⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²¹ 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. The Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule change to remove certain rules listed as eligible for a minor rule fine disposition under its MRVP, which it no longer considers violations of which to be minor in nature, will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market

²⁰ 15 U.S.C. 78f(b).

²¹ 15 U.S.C. 78f(b)(5).

²² Id.

and a national market system, and, in general, protect investors and the public interest. Particularly, the Exchange believes that violations of each of the rules proposed to be removed from its MRVP may directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protection. As such, the Exchange does not believe violations of these rules to be minor in nature and, instead, should continue to be handled under its formal disciplinary rules, as the Exchange has chosen to handle the majority of all such violations in recent years, rather than imposing fines pursuant to its MRVP.

The Exchange also believes that the proposed rule change to remove the range of fines imposed for first and subsequent Market-Maker quoting offenses and, instead, apply a letter of caution for a first offense, a specified fine amount for a second and a third offense, and formal disciplinary proceedings for subsequent offenses will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. Particularly, the Exchange believes that applying a lesser penalty (Letter of Caution) for a first offense and then providing an itemized fine per second and third offenses and, ultimately, formal disciplinary proceedings for any subsequent offenses during a rolling 24-month period, will allow the Exchange to levy greater penalties (i.e., formal disciplinary proceedings) against repeat-offenders (as opposed to a fine range for any offenses that may come after a first offense) which may serve to more effectively deter repeat-offenders while providing reasonable warning for a first offense during a rolling 24-month period. The Exchange believes that more effectively deterring repeat-offenders and making first instance offenders aware of their quoting obligation violations and the subsequent consequences for

continued failure, will, in turn, further motivate Market-Makers to continue to uphold their quoting obligations, providing liquid markets to the benefit of all investors. The Exchange again notes that a lesser penalty in the form of a warning letter for a first offense paired with greater penalties in the form of eventual formal disciplinary proceedings following a finite number of offenses is consistent with the minor rule violation fine schedules applicable to minor rule violations of substantially the same market maker quoting obligations on the Exchange's affiliated options exchanges, EDGX and BZX.²³ As such, the proposed rule change is also designed to benefit investors by providing from consistent penalties across the MRVPs of the Exchange and its affiliated options exchanges. As described above, EDGX and BZX intend to file proposals to update their minor rule violation fines so that second, third, and subsequent offenses for violating market maker quoting obligations will receive the same sanctions,²⁴ as proposed herein.

Additionally, the proposed clarifications and corrections, as applicable, in connection with footnote 1 of Rule 13.15, Interpretation and Policy .03 to Rule 13.15, and Rules 13.15(g)(8), (14) and (19) will benefit investors by adding clarity to the Rules.

The Exchange further believes that the proposed rule changes to Rule 13.15(g) are consistent with Section 6(b)(6) of the Act,²⁵ which provides that members and persons associated with members shall be appropriately disciplined for violation of the provisions of the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. As noted, the proposed rule change removes certain Rules

²³ See supra note 14.

²⁴ See supra note 16.

²⁵ 15 U.S.C. 78f(b)(6).

listed as eligible for a minor rule fine disposition under the Exchange's MRVP that the Exchange no longer believes violations of which are minor in nature and are more appropriately disciplined through the Exchange's formal disciplinary procedures, and amends the fine schedule applicable to Market-Maker failures to meet their quoting obligations in a manner that appropriately sanctions such failures.

The Exchange also believes that the proposed change is designed to provide a fair procedure for the disciplining of members and persons associated with members, consistent with Sections 6(b)(7) and 6(d) of the Act.²⁶ Rule 13.15, currently and as amended, does not preclude a TPH or person associated with or employed by a TPH from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding.

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 proposed rule change is not intended to address competitive issues but rather is concerned solely with amending its MRVP in connection with rules eligible for a minor rule fine disposition and with the fine schedule for Market-Maker failures to meet quoting obligations. The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct.

²⁶ 15 U.S.C. 78f(b)(7) and 78f(d).

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) Not applicable

(b) Not applicable.

(c) Not applicable.

(d) The proposed rule change is filed for accelerated effectiveness pursuant to Section 19(b)(2) of the Act. The Exchange requests that the Commission approve the proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act so that it may be operative as soon as practicable. The Exchange believes that approval of the proposed rule change on an accelerated basis will serve to protect the interests of investors and the public interest by removing certain rules as eligible for a minor rule disposition under its MRVP that the Exchange does not believe are minor in nature because violations of such directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protection, as soon as feasible. The Exchange does not believe that the proposed rule change, nor accelerated approval of the proposed rule change, will significantly affect the protection of investors because it will permit the Exchange to continue to be able to proceed with its formal disciplinary process for violations of these rules, as it has done for a majority of such violations in recent years, in

order to administer more appropriate discipline and sanctions for such violations. Also, accelerated approval of the proposed rule change to remove the range of fines imposed for first and subsequent Market-Maker quoting offenses and, instead, apply a letter of caution for a first offense, a specified fine amount for a second and a third offense, and formal disciplinary proceedings for subsequent offenses will directly serve to protect investors by allowing the Exchange to appropriately sanction failures to uphold Market-Maker quoting obligations by levying progressively greater penalties (i.e., formal disciplinary proceedings) against repeat-offenders (as opposed to a fine range for any offenses that may come after a first offense), which may serve to more effectively deter repeat-offenders as soon as feasible while providing reasonable warning for a first offense during a rolling 24-month period. This, in turn, will assist in ensuring that Market-Makers continue to uphold their quoting obligations, providing liquid markets to the benefit of all investors. The proposed change to the MRVP sanctions imposed for failures to uphold Market-Maker quoting obligations are also designed to benefit investors by providing consistency, in connection with such violations, across the MRVPs of the Exchange and its affiliated options exchanges which have similar sanctions already in place for such violations and plan to file proposals to compete the harmonization of their sanctions with those proposed herein. In addition to this, and as stated above, Rule 13.15, currently and as amended, does not preclude a TPH or person associated with or employed by a TPH from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding. Finally, the Exchange notes that the proposed clarifying changes in connection with footnote 1 of Rule 13.15, Interpretation and Policy .03 to Rule 13.15(g),

and Rules 13.15(g)(8), (14) and (19) will protect investors and the public interest by providing them with clear and accurate Rules. The Exchange believes that approval of the proposed rule change on an accelerated basis will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct as soon as feasible. For the foregoing reasons, and as describe in the proposal above, the Exchange believes it is appropriate for the Commission to approve the proposed rule change on an accelerated basis.

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

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

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CBOE-2021-045]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend Rule 13.15, which Governs the Exchange’s Minor Rule Violation Plan (“MRVP”), in Connection with Certain Minor Rule Violations, Applicable Fines, as well as other Clarifying, Nonsubstantive Changes

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Cboe 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 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 13.15, which governs the Exchange’s Minor Rule Violation Plan (“MRVP”), in connection with certain minor rule violations, applicable fines, as well as other clarifying, nonsubstantive changes. 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://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend its MRVP in Rule 13.15 in connection with certain minor rule violations, applicable fines, as well as other clarifying, nonsubstantive changes. Rule 13.15 provides for disposition of specific violations through assessment of fines in lieu of conducting a formal disciplinary proceeding. Rule 13.15(g) sets forth the list of specific Exchange Rules under which a Trading Permit Holder (“TPH”) or person associated with or employed by a TPH may be subject to a fine for violations of such Rules and the applicable fines that may be imposed by the Exchange. Specifically, the proposed rule change amends Rule 13.15(g) by: (1) eliminating certain rule violations that the Exchange no longer believes to be minor in nature; (2) updating the fine schedule applicable to minor rule violations related to a Market-Maker’s failure to meet Exchange quoting obligations; and (3) making other nonsubstantive changes.

First, the proposed rule change removes the following rule violations and applicable fines from Rule 13.15(g):³

³ As a result of the proposed elimination of certain rule violations listed under Rule 13.15(g), the proposed rule change subsequently renames current Rules

- Rule 13.15(g)(4), which currently imposes certain fines for failure to submit trade information on time and failure to submit trade information to the Price Reporter pursuant to Rule 6.1(Report Transactions to the Exchange)⁴;
- Rule 13.15(g)(5), which currently imposes certain fines for failure to honor the firm quote requirements of Rules 5.52 (Market-Maker Quotes)⁵ and 5.59 (Firm Disseminated Market Quotes), to honor the priority of marketable priority customer orders pursuant to Rules 5.32 and 5.85 (which among other things, govern customer priority on the Exchange's trading floor)⁶, and to use due diligence in the execution of orders for which the floor Trading Permit Holder

13.15(g)(6), (8), (9), (11), (13), (14), (15), (16), (17), (18), (19) and (20), to Rules 13.15(g)(4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14) and (15), respectively.

⁴ See Rule 6.1(a), which provides that a participant in each transaction to be designated by the Exchange must report or ensure the transaction is reported to the Exchange within 90 seconds of the execution in a form and manner prescribed by the Exchange so that the trade information may be reported to time and sales reports; and Rule 6.1(c), which provides the Exchange-established procedure for reporting transactions pursuant to Rule 6.1(a).

⁵ See Rule 5.52(a), which provides, in relevant part, that Market-Maker bids and offers are firm for all orders under this Rule and Rule 602 of Regulation NMS under the Exchange Act (“Rule 602”) for the number of contracts specified in the bid or offer, except if: (1) a system malfunction or other circumstance impairs the Exchange’s ability to disseminate or update market bids and offers in a timely and accurate manner; (2) the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange; (3) prior to the conclusion of the Opening Auction Process; or (4) any of the circumstances provided in Rule 602(c)(4) exist.

⁶ Rule 5.85(a)(2)(A), which provides that Priority Customer orders in the Book have first priority. If there are two or more Priority Customer orders in the Book at the same price, the System prioritizes them in the order in which the System received them (i.e., in time priority). The Exchange notes that customer priority for electronic executions is systematically enforced. See Rule 5.32(a)(2)(A).

maintains an agency obligation pursuant to Rule 5.91 (Floor Broker Responsibilities)⁷;

- Rule 13.15(g)(7), which currently imposes certain fines for any individual Trading Permit Holder who fails for more than 5% of the Trading Permit Holder's transactions in any month to submit on the date that a transaction is executed the trade information required by Rule 6.1;⁸
- Rule 13.15(g)(10), which currently imposes certain fines for violations of Rule 8.14 (Communications to the Exchange or the Clearing Corporation);⁹ and

⁷ See Rule 5.91(a), which provides that a Floor Broker handling an order must use due diligence to execute the order at the best price or prices available to him or, in accordance with the Rules. Use of due diligence in handling and executing an order includes: (1) announcing to the trading crowd a request for quotes; (2) taking the necessary measures to ensure the proper execution of an order in accordance with firm quote obligations in Rule 5.52, including the executable quantity of a quote from the trading crowd; (3) the immediate and continuous representation at the trading station where the applicable class trades of the following types of orders: (A) market orders; (B) limit orders to sell where the specified price is at or below the current offer or; and (C) limit orders to buy where the specified price is at or above the current bid; (4) subject to the requirement to systematize orders prior to representation pursuant to Rule 5.7(f), electronically recording the time via a PAR workstation at which the Floor Broker initially represents the order to the trading crowd; and (5) prioritizing the Floor Broker's agency business over the Floor Broker's liquidation orders (which liquidation orders are described in Rule 5.91(d)).

⁸ See Rule 6.1(b), which requires parties to a trade to immediately record on a card or ticket, or enter in an electronic data storage medium acceptable to the Exchange, (1) the assigned broker initial code and clearing firm (if a Market-Maker); (2) the symbol of the underlying security or index; (3) the type, expiration month, and exercise price of the option contract; (4) the transaction price; (5) the number of contract units comprising the transaction; (6) the time of the transaction obtained from a source designated by the Exchange; (7) the name of the contra Clearing Trading Permit Holder; and (8) the assigned broker initial code of the contra Trading Permit Holder.

⁹ See Rule 8.14, which provides that no Trading Permit Holder, person associated with a Trading Permit Holder or applicant to be a Trading Permit Holder shall make any misrepresentation or omission in any application, report or other

- Rule 13.15(g)(12), which currently imposes certain fines for trade-through violations pursuant to Rule 5.66 (Order Protection).¹⁰

Additionally, as a result of the proposed deletion of Rule 13.15(g)(4) and (g)(5), the proposed rule change also deletes Interpretations and Policies .01 and .02 to Rule 13.15, as Interpretation and Policy .01 exclusively relates to Rule 13.15(g)(5), and Interpretation and Policy .02 exclusively relates to Rule 13.15(g)(4). The proposed rule change also moves the entirety of the rule text in Interpretation and Policy .03, which exclusively corresponds to current Rule 13.15(g)(6), into Rule 13.15(g)(6) itself. Additionally, the proposed rule change moves the language currently in footnote 1 into current Rule 13.15(g)(6). Footnote 1 provides that Minor Rule Violation Fines imposed under this provision may be issued by Exchange Floor Officials. The Exchange notes that, while footnote 1 is currently appended to Rule 13.15(g)(5), which is being deleted as proposed herein, it more appropriately applies to current Rule 13.15(g)(6) (Violations of Trading Conduct and Decorum Policies), as fines for violations of which are currently issued by Exchange Floor Officials pursuant to Rule 5.80(c). Rule 5.80(c)(1)(A) specifically provides that Exchange Floor Officials may fine TPHs and persons employed by or associated with TPHs pursuant to Rule 13.15 for trading conduct and decorum violations which are subject to fine under such fine schedules. As such, the proposed relocation of the language in footnote 1 merely provides additional

communication to the Exchange, or to the Clearing Corporation with respect to the reporting or clearance of any Exchange transaction, or adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or of transferring the position to another account.

¹⁰ See Rule 5.66(a), which provides that, except as provided in paragraph (b), Trading Permit Holders shall not effect Trade-Throughs. The Exchange notes that trade-through compliance for electronic executions are systematically enforced.

clarity in the MRVP fine schedule regarding the issuance of Minor Rule Violation fines for trading conduct and decorum violations.

The Exchange no longer believes violations of the above-listed rules to be minor in nature and therefore proposes to remove them from the list of rules in Rule 13.15(g) eligible for a minor rule fine disposition. Particularly, the Exchange believes that violations of each of the rules listed above may directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protections. For example, the Exchange believes that the requirement to submit trade information on time, to the Price Reporter and consistently on an order's transaction date, as well as the requirement to truthfully and accurately represent information in communications to the Exchange and the Clearing Corporation allows the Exchange (and the Clearing Corporation) to maintain an accurate audit trail and trade information. Likewise, honoring firm quotations is vital in promoting efficient functioning of intermarket price priority and trading in general. Timely and accurate representation of both trade information and quotations protects investors by providing them with accurate information essential to their trading activities and participation in the markets. Upholding due diligence to honor the priority of customer orders and obligations as a principal, as well as the prohibition against the execution of trades at prices inferior to protected quotations (trade-throughs), all provide important customer protections. Pursuant to Rule 13.15(f), the Exchange is not required to impose a fine pursuant to its MRVP with respect to the violation of any rule listed under Rule 13.15. If the Exchange determines that any violation is intentional, egregious, or otherwise not minor in nature, it may proceed under its formal disciplinary rules. As such, the Exchange

has increasingly chosen to handle such violations in recent years under the Exchange's formal disciplinary rules, rather than imposing a fine pursuant to its MRVP.

The proposed rule change next amends the fine schedule applicable to Market-Makers for failure to meet Exchange quoting obligations. Specifically, Rule 13.15(g)(14) ((g)(9), as amended)¹¹ provides that a fine shall be imposed upon a Market-Maker, Designated Primary Market-Maker or Lead Market Maker (as applicable) in accordance with the fine schedule set forth below for the following conduct:¹²

- Failure to meet the continuous quoting obligation (Rule 5.52, 5.55, and 5.54);
- Failure to meet the initial quote volume requirements (Rule 5.52); and
- Failure of a Lead Market-Maker or Designated Primary Market-Maker to enter opening quotes within one minute following the initiation of an opening rotation (e.g., 9:31 a.m.) in a series in its appointed or allocated class, respectively, that is not open due to the lack of a quote (see Rule 5.31(e)(2) or (j)(5)(B), as applicable) (Rules 5.55 and 5.54), respectively.

For the first offense during any rolling 24-month period, the fine schedule imposed by Rule 13.15(g)(14) currently permits the Exchange to apply a fine ranging between \$2,000 and \$4,000. For subsequent offenses during the same period, the fine schedule currently permits the Exchange to apply a fine ranging between \$4,000 and \$5,000. The proposed rule change updates the fine schedule to provide that, during any rolling 24-month period, the Exchange may give a Letter of Caution for a first offense, may apply a fine of

¹¹ See supra note 3.

¹² The proposed rule change also makes nonsubstantive clarifying updates to Rule 13.15(g)(14), by removing the conduct listed in subparagraph (g)(14)(B) and updating the format in which time is reflected. These nonsubstantive amendments are described in further detail herein this proposal below.

\$1,500 for a second offense, may apply a fine of \$3,000 for a third offense,¹³ and may proceed with formal disciplinary action for subsequent offenses. As described above, and as is the case for all rule violations covered under Rule 13.15(g), the Exchange may determine that a violation of Market-Maker quoting obligations is intentional, egregious, or otherwise not minor in nature and choose to proceed under the Exchange's formal disciplinary rules rather than its MRVP.¹⁴ The Exchange may continue to aggregate individual violations of particular rules and treat such violations as a single offense.¹⁵

The Exchange believes it is appropriate to remove the range of fines imposed for first and subsequent offenses and, instead, apply a letter of caution for a first offense, a specified fine amount for a second and a third offense, and formal disciplinary proceedings for subsequent offenses. Particularly, the Exchange believes that applying a lesser penalty (Letter of Caution) for a first offense and then providing a higher, itemized fine per second and third offenses and, ultimately, formal disciplinary proceedings for any subsequent offenses during a rolling 24-month period, will allow the Exchange to levy progressively larger fines and greater penalties against repeat-offenders (as opposed to a fine range for any offenses that may come after a first offense). The Exchange believes this fine structure may serve to more effectively deter repeat-offenders while providing reasonable warning for a first offense during a rolling 24-month period. The Exchange notes that a lesser penalty in

¹³ The Exchange notes that Rule 13.15(a) authorizes the Exchange to impose a fine, not to exceed \$5,000, for minor rule violations in lieu of commencing a disciplinary proceeding. Additionally, any fine imposed pursuant to Rule 13.15 that (1) does not exceed \$2,500 and (2) is not contested, shall be reported by the Exchange to the Commission on a periodic, rather than a current, basis, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority.

¹⁴ See Rule 13.15(f).

¹⁵ See Rule 13.15(a).

the form of a warning letter for a first offense paired with a greater penalty in the form of formal disciplinary proceedings after a finite number of following offenses is consistent with the minor rule violation fine schedules applicable to minor rule violations of substantially the same market maker quoting obligations on the Exchange’s affiliated options exchanges, EDGX and BZX,¹⁶ as well as substantially similar market maker quoting obligations on another options exchange.¹⁷ The Exchange notes that the proposed change is intended to provide for consistency across the Exchange’s MRVP and the MRVPs of its affiliated options exchanges. Additionally, EDGX and BZX also intend to file proposals to update their minor rule violation fines so that second, third, and subsequent offenses for violating market maker quoting obligations will receive the same sanctions,¹⁸ as proposed herein.

The proposed rule change also makes nonsubstantive clarifying changes to certain provisions in Rule 13.15(g). The proposed rule change makes a clean-up revision by removing the conduct listed in subparagraph (g)(14)(B), “failure to meet the applicable quote width requirements (Rule 5.52),” because, as of 2019, Market-Makers are no longer subject to a quote width requirement.¹⁹ The proposed rule change amends the subsequent lettering in subparagraph (g)(14) as a result of this revision. The proposed rule change corrects a typo in the fine amounts that inadvertently contain an additional digit in subparagraph (g)(8). The proposed rule change also updates the time format in

¹⁶ See BZX Rule 25.3(d); and EDGX Rule 25.3(d).

¹⁷ See e.g., MIAX Options Rule 1014(d)(7).

¹⁸ The Exchange again notes that pursuant to the BZX and EDGX MRVPs, first offenses regarding market maker quoting obligations already receive a Letter of Caution and the highest/last range of offenses (currently 5 or more) are already subject to formal disciplinary action. See supra note 16.

¹⁹ See Securities Exchange Act Release No. 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (SR-CBOE-2019-059).

the example provided in subparagraph (g)(14)(D), which is currently reflected in Central Time, to instead reflect Eastern Time without time zone indication. This proposed change is consistent with Rule 1.6, which states that unless otherwise specified, all times in the Rules are Eastern Time, and conforms the time reflected in (g)(14)(D) to the time format reflected throughout the Rules. The proposed rule change corrects the cross-reference to Rule 5.24(e) in Rule 13.15(g)(19) to, instead, correctly reflect Rule 5.5(d). The Exchange previously restructured its Rulebook in connection with a 2019 technology migration and, prior to this restructuring, the provision in current Rule 13.15(g)(19) referred to what is now Rule 5.5(d) (former Rule 6.23A(f))²⁰, instead of what is now Rule 5.24(e) (former Rule 6.18). Upon restructuring Chapter 13,²¹ the Exchange inadvertently changed the cross-reference in Rule 13.15(g)(19) to reflect the incorrect rule and now proposes to update this cross-reference to reflect the correct and originally intended cross-reference to Rule 5.5(d). Likewise, the Exchange updates a cross-reference to prior Rule 5.25 to current Rule 5.5 in subparagraph (g)(19).

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.²² Specifically, the Exchange believes the proposed rule change is consistent with the

²⁰ See Securities Exchange Act Release No. 87320 (October 16, 2019), 84 FR 56501 (October 22, 2019) (SR-CBOE-2019-095).

²¹ See Securities Exchange Act Release No. 87210 (October 3, 2019), 84 FR 54190 (October 9, 2019) (SR-CBOE-2019-068).

²² 15 U.S.C. 78f(b).

Section 6(b)(5)²³ 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. The Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule change to remove certain rules listed as eligible for a minor rule fine disposition under its MRVP, which it no longer considers violations of which to be minor in nature, will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. Particularly, the Exchange believes that violations of each of the rules proposed to be removed from its MRVP may directly impact trading on the Exchange, maintenance of a fair and orderly market, and/or customer protection. As such, the Exchange does not believe violations of these rules to be minor in nature and, instead, should continue to be handled under its formal disciplinary rules, as the Exchange has chosen to handle the majority of all such violations in recent years, rather than imposing fines pursuant to its MRVP.

²³ 15 U.S.C. 78f(b)(5).

²⁴ Id.

The Exchange also believes that the proposed rule change to remove the range of fines imposed for first and subsequent Market-Maker quoting offenses and, instead, apply a letter of caution for a first offense, a specified fine amount for a second and a third offense, and formal disciplinary proceedings for subsequent offenses will assist the Exchange in preventing fraudulent and manipulative acts and practices and promoting just and equitable principles of trade, and will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest. Particularly, the Exchange believes that applying a lesser penalty (Letter of Caution) for a first offense and then providing an itemized fine per second and third offenses and, ultimately, formal disciplinary proceedings for any subsequent offenses during a rolling 24-month period, will allow the Exchange to levy greater penalties (i.e., formal disciplinary proceedings) against repeat-offenders (as opposed to a fine range for any offenses that may come after a first offense) which may serve to more effectively deter repeat-offenders while providing reasonable warning for a first offense during a rolling 24-month period. The Exchange believes that more effectively deterring repeat-offenders and making first instance offenders aware of their quoting obligation violations and the subsequent consequences for continued failure, will, in turn, further motivate Market-Makers to continue to uphold their quoting obligations, providing liquid markets to the benefit of all investors. The Exchange again notes that a lesser penalty in the form of a warning letter for a first offense paired with greater penalties in the form of eventual formal disciplinary proceedings following a finite number of offenses is consistent with the minor rule violation fine schedules applicable to minor rule violations of substantially the same market maker quoting obligations on the

Exchange's affiliated options exchanges, EDGX and BZX.²⁵ As such, the proposed rule change is also designed to benefit investors by providing from consistent penalties across the MRVPs of the Exchange and its affiliated options exchanges. As described above, EDGX and BZX intend to file proposals to update their minor rule violation fines so that second, third, and subsequent offenses for violating market maker quoting obligations will receive the same sanctions,²⁶ as proposed herein.

Additionally, the proposed clarifications and corrections, as applicable, in connection with footnote 1 of Rule 13.15, Interpretation and Policy .03 to Rule 13.15, and Rules 13.15(g)(8), (14) and (19) will benefit investors by adding clarity to the Rules.

The Exchange further believes that the proposed rule changes to Rule 13.15(g) are consistent with Section 6(b)(6) of the Act,²⁷ which provides that members and persons associated with members shall be appropriately disciplined for violation of the provisions of the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. As noted, the proposed rule change removes certain Rules listed as eligible for a minor rule fine disposition under the Exchange's MRVP that the Exchange no longer believes violations of which are minor in nature and are more appropriately disciplined through the Exchange's formal disciplinary procedures, and amends the fine schedule applicable to Market-Maker failures to meet their quoting obligations in a manner that appropriately sanctions such failures.

²⁵ See supra note 16.

²⁶ See supra note 18.

²⁷ 15 U.S.C. 78f(b)(6).

The Exchange also believes that the proposed change is designed to provide a fair procedure for the disciplining of members and persons associated with members, consistent with Sections 6(b)(7) and 6(d) of the Act.²⁸ Rule 13.15, currently and as amended, does not preclude a TPH or person associated with or employed by a TPH from contesting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding.

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 proposed rule change is not intended to address competitive issues but rather is concerned solely with amending its MRVP in connection with rules eligible for a minor rule fine disposition and with the fine schedule for Market-Maker failures to meet quoting obligations. The Exchange believes the proposed rule changes, overall, will strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds

²⁸ 15 U.S.C. 78f(b)(7) and 78f(d).

such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2021-045 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-2021-045. 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-2021-045 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.²⁹

Secretary

²⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Rules of Cboe Exchange, Inc.

* * * * *

Rule 13.15. Imposition of Fines for Minor Rule Violations

* * * * *

(g) The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant to, this Rule:

(1)-(3) No change.

(4) [Failure to Submit Trade Information on Time and Failure to Submit Trade Information to the Price Reporter. (Rule 6.1)]

A fine shall be imposed upon a Market-Maker or Floor Broker who fails to submit trade information in accordance with Rule 6.1. Such fines shall be imposed on the basis of the following schedule:

* For purposes of this Rule 13.15(g)(4), an “offense” is defined as an instance in which a pattern or practice of late reporting or failure to report without exceptional circumstances has been determined.

Number of Offenses * in Any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$1,000 - \$2,500
2 nd Offense	\$2,000 - \$5,000
Subsequent Offenses	\$5,000

*A violation that consists of (A) a 1 trade date overage, (B) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (C) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(5) A fine shall be imposed upon a Market-Maker or Floor Broker in accordance with the fine schedule set forth below for the following conduct **1**:

- (A) Failure to honor the firm quote requirements of Rules 5.52 and 5.59;
- (B) Failure to honor the priority of marketable priority customer orders pursuant to Rules 5.32 and 5.85; and
- (C) Failure to use due diligence in the execution of orders for which the floor Trading Permit Holder maintains an agency obligation pursuant to Rule 5.91.

Number of Offenses In Any Rolling Twenty-Four Month “Look-Back” Period	Fine Amount
1 st Offense	\$500 - \$1,500
2 nd Offense	\$1,000 - \$3,000
3 rd Offense	\$2,000 - \$5,000
Subsequent Offenses	\$3,500 - \$5,000

(6)] Violations of Trading Conduct and Decorum Policies. (Rule 5.80)

The Exchange’s trading conduct and decorum policies shall be distributed to the Trading Permit Holders periodically and shall set forth the specific dollar amounts that may be imposed as a fine hereunder with respect to any violations of those policies. If warranted under the circumstances in the view of two Floor Officials, the fine authorized under those policies for a second, third or subsequent offense may be imposed for a first offense and the fine authorized for a third or subsequent offense may be imposed for a second offense. Any fine imposed pursuant to subsection (g)(4) that (i) does not exceed \$1,000 and (ii) is not contested, shall not be reported by the Exchange to the SEC, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority. Fines imposed under this provision may be issued by Exchange Floor Officials.

[(7) Failure to Submit Trade Data on Trade Date (“As of Adds”). (Rule 6.1)

- (A) Any individual Trading Permit Holder who fails for more than 5% of the Trading Permit Holder’s transactions in any month to submit on the date that a transaction is executed the trade information required by Rule 6.1 shall be subject to the following fines:

Number of Violations In Any Twenty-Four Month Period	Fine Amount
1 st Offense	Letter of Information
2 nd Offense	Letter of Caution

3 rd Offense	\$500
Subsequent Offenses	\$1,000

(B) Under unusual circumstances affecting the ability of a significant number of Trading Permit Holders to submit trade information to the Exchange on a timely basis, the Exchange may suspend application of subsection (g)(7)(a) of this Rule for a period not to exceed seven (7) calendar days at any one time (which may be extended by subsequent suspensions implemented in each case in accordance with the procedures required by this subsection). Such a suspension order, which may be retroactive, shall be in writing and state the reasons therefor. It shall be communicated to the Trading Permit Holders by Exchange publication, which may be issued after the effective date and shall be kept on record by the Secretary of the Exchange.]

([8]5) Violations of Exercise and Exercise Advice Rules for Noncash-Settled Equity Options (Rule 6.20)

Any Trading Permit Holder who fails to submit to the Exchange in a timely manner pursuant to Rule 6.20 or a Regulatory Circular issued pursuant to Rule 6.20, “Advice Cancel”, or exercise instruction relating to the exercise or nonexercise of a noncash-settled equity option shall be subject to the following fines:

Number of Violations in Any Rolling Twenty- Four Month Period	Individual Fine Amount	Member Organization Fine Amount
1 st Offense	\$500	\$1,000
2 nd Offense	\$1,000	\$2,500[0]
Subsequent Offenses	\$2,500[0]	\$5,000

([9]6) Violations of Exercise and Exercise Advice Rules for American-Style, Cash-Settled Index Options (Rule 6.20, Interpretation and Policy .03)

A Trading Permit Holder shall be subject to the fines listed below if the Trading Permit Holder commits any of the following violations of Rule 6.20, Interpretation and Policy .03 with respect to an American-style, cash-settled index option: failure to submit an Exercise Advice; the submission of an advice and no subsequent exercise; the submission of an Exercise Advice after the designated cut-off time; the submission of an Exercise Advice for an amount different than the amount exercised; and the time-stamping of an advice or exercise instruction memorandum prior to purchasing contracts.

Number of Violations in Any Twenty-Four Month Period	Fine Amount
1 st Offense	\$500
2 nd Offense	\$1,000
3 rd Offense	\$2,500
Subsequent Offenses	\$5,000

[(10) Communications to the Exchange or the Clearing Corporation (Rule 8.14)]

A fine shall be imposed upon a Trading Permit Holder, person associated with a Trading Permit Holder or applicant for Trading Permit Holder, as applicable, who violates Rule 8.14. Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$500
2 nd Offense	\$1,000
Subsequent Offenses	\$2,500

(11)][(7) Trading in Restricted Classes (Rule 4.4)]

A fine shall be imposed upon a Trading Permit Holder and/or person associated with a Trading Permit Holder, as applicable, who enters into an opening transaction in a restricted class in violation of Exchange Rule 4.4: Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$500
2 nd Offense	\$2,500
Subsequent Offenses	\$5,000

[(12) Order Protection Violations (Rule 5.66)]

A fine shall be imposed upon a Trading Permit Holder and/or person associated with a Trading Permit Holder, as applicable, who engages in a pattern or practice of trading through better prices available on other exchanges, unless one or more of the exceptions set forth in Rule 5.66(b) apply. Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$500 to \$1,000
2 nd Offense	\$1,000 to \$2,000
Subsequent Offenses	\$2,500 to \$5,000 and a Staff Interview

(13)](8) Locked or Crossed Market Violations (Rule 5.67)

A fine shall be imposed upon a Trading Permit Holder and/or person associated with a Trading Permit Holder, as applicable, who engages in a pattern or practice of locking or crossing a market in violation of Rule 5.67. Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$500 to \$1,000
2 nd Offense	\$1,000 to \$2,000
Subsequent Offenses	\$2,500 to \$5,000 and a Staff Interview

([14]9) Failure to Meet Exchange Quoting Obligations

A fine shall be imposed upon a Market-Maker, Designated Primary Market-Maker or Lead Market Maker (as applicable) in accordance with the fine schedule set forth below for the following conduct:

- (A) Failure to meet the continuous quoting obligation (Rule 5.52, 5.55, and 5.54);
- (B) [Failure to meet the applicable quote width requirements (Rule 5.52);
- (C)] Failure to meet the initial quote volume requirements (Rule 5.52); and

([D]C) Failure of a Lead Market-Maker or Designated Primary Market-Maker to enter opening quotes within one minute following the initiation of an opening rotation (e.g., [8]9:31 a.m. [(CT)]) in a series in its appointed or allocated class, respectively, that is not open due to the lack of a quote (see Rule 5.31(e)(2) or (j)(5)(B), as applicable) (Rules 5.55 and 5.54), respectively.

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	[\$2,000 - \$4,000] <u>Letter of Caution</u>
2 nd Offense	\$1,500
3 rd Offense	\$3,000
Subsequent Offenses	[\$4,000 - \$5,000] <u>Formal Disciplinary Action</u>

(1[5]0) Failure to Accurately Report Position and Account Information (Rule 8.43)

A fine shall be imposed upon a Trading Permit Holder who violates Rule 8.43. Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$500
2nd Offense	\$1,000
3rd Offense	\$2,500
Subsequent Offenses	\$5,000

(1[6]1) Failure to Provide Prior Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934)

A fine shall be imposed upon a Trading Permit Holder who fails to provide prior notification of capital withdrawal in accordance with Rule 15c3-1(e) under the Securities Exchange Act of 1934. Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$2,500

Subsequent Offenses	\$5,000
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(1[7]2) Failure to Provide Post Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934)

A fine shall be imposed upon a Trading Permit Holder who fails to provide notification following a capital withdrawal in accordance with Rule 15c3-1(e) under the Securities Exchange Act of 1934. Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$1,000
Subsequent Offenses	\$2,500

(1[8]3) Failure to Designate a Person or Persons Responsible for Implementing and Monitoring a Trading Permit Holder's Anti-Money Laundering Compliance Program (Rule 8.12)

A fine shall be imposed upon a Trading Permit Holder who fails to designate and identify to the Exchange a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the Trading Permit Holder's Anti-Money Laundering Compliance Program and/or who fails to provide prompt notification to the Exchange regarding any change in such designation in violation of Rule 8.12:

Number of Offenses in any Rolling Twenty-Four Month Period	Fine Amount
1 st Offense	\$1,000
Subsequent Offenses	\$2,500

(1[9]4) Failure to Conduct or Participate in Mandatory Systems Testing (Rule 5.[24(e)]5(d)) A fine shall be imposed upon a Trading Permit Holder who fails to conduct or participate in the testing of computer systems or fails to provide required reports or maintain required documentation in violation of Rule 5.[24]5. Such fines shall be imposed on the basis of the following schedule:

Number of Offenses in One Calendar Year	Fine Amount
1 st Offense	\$250
2nd Offense	\$500

3 rd Offense	\$1,000
Subsequent Offenses	\$2,000

([20]15) Failure to comply with the Consolidated Audit Trail Compliance Rule requirements.

For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of Rules 7.20 through 7.31, the Exchange may impose a minor rule violation fine of up to \$2,500.

[*Interpretations and Policies:*]

.01 Any Trading Permit Holder who is issued a summary fine notice for the same conduct covered in sub-paragraph (g)(5) that meets one of the levels below shall have the opportunity to submit one written offer of settlement to the CRO in accordance with the provisions of Rule 13.8(a)—Submission of Offer, provided, however, that the Interpretation and Policies to Rule 13.8 shall not apply to an offer made hereunder and the Trading Permit Holder must submit the offer within 30 days of the date of service of the written notice informing the Trading Permit Holder of the fine(s) imposed. The Trading Permit Holder may also appear once before the CRO to make an oral statement in support of the offer. In considering an offer of settlement, the CRO shall consider the Principal Considerations in Determining Sanctions as set forth in Interpretation and Policy .01 of Rule 13.11. A Trading Permit Holder may make one offer:

- (a) When the summary fine amount would be greater than \$2,500 but not more than \$5,000 for a single offense, regardless of whether the single offense is the result of one violation or multiple violations aggregated; or
- (b) When the total fine for multiple offenses, would be greater than \$10,000 in the aggregate and not more than \$5,000 for any single offense, again regardless of whether any single offense is the result of one violation or multiple violations aggregated.

A decision of the CRO accepting an offer of settlement hereunder shall be reported on a current basis pursuant to Rule 19d-1 under the Securities Exchange Act of 1934. The Trading Permit Holder shall report a decision accepting an offer of settlement on the Trading Permit Holder's broker-dealer and Form U-4 (uniform application for securities industry registration or transfer) forms as a decision in a contested Exchange disciplinary proceeding.

.02

(a) The Exchange shall attempt to serve Trading Permit Holders fined pursuant to subsection (g)(4) of this Rule with a written statement in accordance with section (b) of this Rule within the month immediately following the month in which the violations were alleged to have occurred. Such Trading Permit Holders may, within fifteen (15) days after such service was effected, request verification of the fine by the Exchange.

(b) Notwithstanding the provisions of Interpretation and Policy .02 (a) above, there shall be a cap on the number of transactions during a particular month with respect to which a Trading Permit

Holder fined pursuant to subsection (g)(4) of this Rule may request verification. Such cap shall be imposed pursuant to the following schedule:

Number of Offenses Within a Rolling Twenty-Four Month Period	Maximum Number of Transactions During a Particular Month With Respect to Which Verification May Be Requested
1 – 2	No Limit
3+	The greater of (i) 50 transactions or (ii) 10% of the number of transactions deemed not to be in compliance with Rule 13.15(g)(4)

(c) The Exchange shall attempt to serve Trading Permit Holders fined pursuant to subsection (g)(7) of this Rule with a written statement in accordance with section (b) of this Rule on or before the tenth (10th) day of the month immediately following the month in which the violations were alleged to have occurred. Such Trading Permit Holders may, on or before the twenty-fifth (25th) day of the month in which such service was effected, request verification of the fine by the Exchange.

(d) Verification requests pursuant to sections (a) and (c) of this Interpretation and Policy .02 shall be made in the manner and form required by the Exchange, and shall deal solely with factual issues. Exchange employees shall verify the accuracy of the fine for which a request for verification has been made and determine whether the fine should remain as imposed or should be modified or eliminated. During the verification process, the Exchange may require or permit the Trading Permit Holder requesting verification to produce substantiating evidence or other information within ten (10) days after notice of that deadline is sent to such Trading Permit Holder. The Trading Permit Holder requesting verification shall have the burden of producing such evidence or information. Notice of the determination shall be given in writing to the Trading Permit Holder requesting verification. For purposes of sections (c) and (d) of this Rule, a Trading Permit Holder filing a request for verification may contest the fine subject to verification within thirty (30) days after the date the Exchange sent such Trading Permit Holder notice of the determination.

.03 Any fine imposed pursuant to subsection (g)(6) that (i) does not exceed \$1,000 and (ii) is not contested, shall not be reported by the Exchange to the SEC, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority.

1 Minor Rule Violation fines imposed under this provision may be issued by Exchange Floor Officials.]

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