

Required fields are shown with yellow backgrounds and asterisks.

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

File No. \* SR 2021 - \* 046

Amendment No. (req. for Amendments \*) 1

Filing by Cboe Exchange, Inc.

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

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	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  
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 \*).

### Contact Information

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

First Name \* Laura Last Name \* Dickman

Title \* VP, Associate General Counsel

E-mail \* ldickman@cboe.com

Telephone \* (312) 786-7572 Fax

### Signature

Pursuant to the requirements of the Securities Exchange of 1934, Cboe Exchange, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 11/01/2021

(Title \*)

By Laura G. Dickman

(Name \*)

VP, Associate General Counsel

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

*Laura Dickman* Date: 2021.11.01 17:06:13 -05'00'

Required fields are shown with yellow backgrounds and astericks.

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WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS 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 Advanced 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 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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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 Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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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 Sent As Paper Document

**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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SR-CBOE-2021-046 Amendment 1 (P)

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.

PARTIAL AMENDMENT

Cboe Exchange, Inc. (“Cboe Options” or the “Exchange”) submits this Amendment, constituting Amendment No. 1, to rule filing SR-CBOE-2021-046 (the “Rule Filing”), in which the Exchange proposes to amend Rule 5.4 and make corresponding changes to other Rules. This Amendment No. 1 adds support to the Rule Filing and makes a minor correction to one sentence but makes no material changes to the Rule Filing or substantive changes to the proposal.

The Exchange proposes to add the following paragraph after the carryover paragraph on pages 11 to 12 of the Form 19b-4 and pages 28 to 29 of Exhibit 1:

The Exchange also notes complex order flow represents a relatively small portion of overall order flow on the Exchange. For example, in August 2021, the Exchange received an average of 10,342,569 complex bids and offers each day compared to 11,020,503,676 simple bids and offers each day, or less than 0.1% of the total bids and offers the Exchange received daily.<sup>1</sup> During that same time period, approximately 25% of contracts (excluding SPX contracts) executed on the Exchange as part of complex orders, while the vast majority of contracts (excluding SPX contracts) were executed on the Exchange as part of simple orders.<sup>2</sup>

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<sup>1</sup> The Exchange notes this disparity results primarily from Market-Maker bulk message (*i.e.*, quoting) functionality is available in the simple market but not the complex market but is consistent with the data showing that the vast majority (nearly three-quarters) of contracts executed on the Exchange result from simple rather than complex order flow.

<sup>2</sup> If SPX contracts were counted (the Exchange plans to continue to require SPX complex orders to trade in \$0.05 increments if the proposed rule change is approved), just under 27% of contracts executed on the Exchange in August 2021 as part of complex orders.

Contracts executed as part of complex orders with ratios greater than three-to-one comprised only a small percentage of those contracts — as noted below, generally fewer than one third of complex orders executed on the Exchange’s trading floor have ratios of greater than three-to-one, so the significant majority of the approximately 25% of total executed non-SPX contracts (approximately 27% of total executed contracts) would have been eligible to execute in pennies. As a result, if the proposed rule change increases the number of complex orders submitted with ratios greater than three-to-one (and thus the number of orders that may trade in pennies), the Exchange believes that increase would be de minimis compared to total order flow and total number of contracts executed on the Exchange and thus would represent a nominal increase in the volume that would be eligible to execute in pennies.

The Exchange proposes to delete the last sentence of the carryover paragraph on pages 14 to 15 of the Form 19b-4 and pages 32 to 33 of Exhibit 1 and replace it with the following:

The proposed rule change will further remove impediments to and perfect the mechanism of a free and open market and a national market system, as the Exchange understands that another options exchange permits complex orders with any ratio and their legs to trade in pennies.<sup>3</sup>

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<sup>3</sup> See BOX Options LLC (“BOX”) Rule 7600(c) (which rule is silent on the minimum increment for orders submitted for execution on BOX’s trading floor, but the Exchange has been informed by multiple TPHs that are also members of BOX that they may execute multi-legged orders (with ratios greater than three-to-one or less than one-to-three) on BOX’s trading floor in penny increments).

Additionally, the Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system and protect investors, as it will provide investors with additional flexibility regarding the execution of their complex orders. The proposed rule change will permit investors to submit complex orders of all ratios for either electronic or open outcry execution. As noted above, currently, complex orders with ratios greater than three-to-one or less than one-to-three may only be submitted for open outcry trading. If the Commission approves the proposed rule change, market participants will be able to submit such orders to be submitted for electronic execution as well as open outcry execution.<sup>4</sup> Therefore, the proposed rule change will increase investment strategies available to investors who prefer to or solely trade electronically will be able to submit larger ratio orders to the Exchange for electronic execution.

The Exchange believes there will continue to be sufficient liquidity on the trading floor. While the Exchange believes the proposed rule change may increase electronic order flow, the Exchange does not believe any such increase will be significant enough to impact liquidity available on the trading floor. As previously noted, based on recent data, generally fewer

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<sup>4</sup> The Exchange notes the System currently accepts complex orders with up to 16 legs for electronic execution. See Section 2.3.2, Cboe US Options Complex Order Book Process (most recent version dated August 27, 2021), available at [US Options Complex Book Process \(cboe.com\)](https://www.cboe.com/US_Options/Complex_Book_Process). Complex orders with any number of legs may be submitted for open outcry execution, but complex orders with more than 16 legs must be split across multiple order tickets. See Cboe Options Rule 5.7(f)(4).

than a third of complex orders executed on the Exchange's trading floor had a greater than three-to-one ratio, which generally comprise only a portion of the approximately one-quarter of contracts that execute on the Exchange as part of complex orders. Therefore, even if the proposed rule change causes any order flow to shift from open outcry to electronic trading, the Exchange believes the impact would be de minimis. Additionally, because the proposed rule change is intended to increase the efficiency of execution of complex orders with larger ratios, the proposed rule change may also increase order flow on the trading floor, as the Exchange understands that investors who submit larger, more complicated strategies often prefer to have those orders handled by Floor Brokers.

This Amendment No. 1 makes no material changes to the Rule Filing. Amendment No. 1 describes why the Exchange believes allowing complex orders of all ratios to trade electronically as well as in open outcry is consistent with the Exchange Act and will not significantly impact liquidity on the Exchange's trading floor. Amendment No. 1 also provides additional support regarding why the Exchange believes the proposed rule change will not materially increase the number of complex orders that may trade in pennies.

Additionally, Amendment No. 1 updates current language in the Rule Filing to reflect that the Exchange's understanding of increments available for complex orders on another exchange's trading floor is based on information the Exchange has received from its TPHs that are also members of the other exchange, as stated in current footnote 17 of the Form 19b-4 and footnote 19 of Exhibit 1. As the Exchange noted in the Rule Filing and a comment letter responding to comments received on the Rule Filing, the Exchange

believes the rules of the other options exchange are not clear as to what minimum increment is available for complex orders on its trading floor.<sup>5</sup>

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<sup>5</sup> See Letter from Laura G. Dickman, Cboe, to Ms. Vanessa Countryman, Securities Exchange Act Release No. 92709 (August 9, 2021), 86 FR 47529 (August 25, 2021) (SR-CBOE-2021-046), dated September 23, 2021.