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

File No. * SR 2022 - * 024

Amendment No. (req. for Amendments *)

Filing by Cboe Exchange, Inc.

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

Initial *

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Amendment *

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Withdrawal

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Section 19(b)(2) *

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Section 19(b)(3)(A) *

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Section 19(b)(3)(B) *

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Pilot

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Extension of Time Period for
Commission Action *

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Date Expires *

Rule

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19b-4(f)(1)

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19b-4(f)(4)

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19b-4(f)(2)

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19b-4(f)(5)

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19b-4(f)(3)

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19b-4(f)(6)

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

Section 806(e)(1) *

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Section 806(e)(2) *

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

Section 3C(b)(2) *

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Exhibit 2 Sent As Paper Document

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Exhibit 3 Sent As Paper Document

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Description

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

The Exchange proposes to amend its Rules regarding complex orders.

Contact Information

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

First Name *

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

Date

05/23/2022

(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: 2022.05.23
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Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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Cboe-2022-024 19b-4 (Complex Order)

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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Cboe 2022-024 Exhibit 1 (Complex Order)

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.

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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.

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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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Cboe-2022-024 Exhibit 5 (Complex Order)

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 its Rules regarding complex orders. 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 April 26, 2022.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Laura G. Dickman, (312) 786-7572, Cboe Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

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 Rules regarding complex orders. Specifically, the Exchange proposes to clarify certain provisions, codify certain functionality, and correct certain language, as well as to retain class-by-class flexibility to keep complex order electronic eligibility for complex orders with ratios less than one-to-three and greater than three-to-one in classes determined by the Exchange (i.e., the same as it currently is with respect to those classes).

In February of 2022, the Commission approved the Exchange’s proposal to permit complex orders with ratios less than one-to-three and greater than three-to-one to trade in

penny increments and be eligible for electronic processing.¹ Prior to that, complex orders with these ratios were only able to trade on the Exchange's trading floor in open outcry (and in the standard increments for the applicable class).

The proposed rule change makes three changes to the definition of complex order in Rule 1.1: (1) it deletes the sentence that narrows the definition of complex orders for purposes of electronic processing to those with ratios greater than or equal to one-to-three and less than or equal to three-to-one; (2) it clarifies that the term complex order includes Index Combo orders unless the context otherwise requires; and (3) it provides the Exchange with flexibility to determine on a class basis whether to permit complex orders with ratios less than one-to-three and greater than three-to-one to be eligible for electronic processing. First, currently, the definition of complex order indicates that for purposes of Rules 5.33 (which relates to electronic trading of complex orders) and 5.85(b)(1) (which relates to open outcry trading of complex orders), the term "complex order" means a complex order with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), an Index Combo order, a stock-option order, or a security future-option order. Pursuant to this provision, only complex orders with a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (in addition to Index Combo Orders, stock-option orders, and security future-option orders) may trade electronically.² The Exchange proposes to delete this

¹ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046). The Exchange has not yet implemented this change and intends to after this proposed rule change becomes operative.

² For the purpose of applying these ratios to complex orders comprised of legs for both mini-options and standard options, ten mini-option contracts represent one standard option contract. For the purpose of applying these ratios to complex orders

sentence because, in accordance with a rule filing previously approved by the Commission,³ the Exchange intends to modify its System to permit complex orders of any ratio to trade electronically (except in classes determined by the Exchange, as further discussed below), so the term complex order generally will have the same meaning with respect to both open outcry and electronic trading, which eliminates the need to have a separate definition for electronic trading.⁴ Therefore, the Exchange proposes to delete the provision that indicates complex order means complex orders with that ratio restriction for purposes of Rule 5.33.⁵

Second, the complex order definition currently states that unless the context otherwise requires, the term complex order includes stock-option orders and security future-option orders. Specifically, the proposed rule change provides that “[u]nless the context otherwise requires, the term complex order includes Index Combo orders,⁶ stock-option orders and security future-option orders.” The proposed rule change adds “Index Combo orders” to that

comprised of legs for both micro-options and standard options, 100 micro-option contracts represent one standard option contract.

³ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046).

⁴ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046).

⁵ Similarly, the Exchange proposes to delete the reference to Rule 5.85(b)(1), as the ratios relevant for purposes of open outcry priority as described in Rule 5.85(b)(1) are already set forth in that provision, making this reference redundant and thus unnecessary.

⁶ An “Index Combination” is a purchase (sale) of an index option call and sale (purchase) of an index option put with the same underlying index, expiration date, and strike price, and a “delta” is the positive (negative) number of Index Combinations that must be sold (purchased) to establish a market neutral hedge with one or more series of the same index option. An Index Combo order may not have a ratio greater than eight options to one Index Combination (8.00) and will be subject to all provisions applicable to complex orders (excluding the one-to-three/three-to-one ratio) in the Rules. Rule 5.33(b)(3).

sentence, because as discussed above the proposed rule change is deleting the immediately following sentence. That sentence includes the term “Index Combo” as a type of complex order for purposes of electronic and open outcry processing. Despite deletion of that sentence, an Index Combo is still a type of complex order (as set forth in Rule 5.33) and thus this proposed change retains that concept in the complex order definition. This change merely clarifies in the definition of complex order that an Index Combo order will generally be considered a “complex order” for purposes of the Rules.

Third, as noted above, the Commission previously approved a proposed rule change that would permit complex orders with all ratios to be eligible for electronic processing, as opposed to just complex orders with ratios greater than or equal to one-to-three (.333) or less than or equal to three-to-one (3.00).⁷ Prior to implementing that change, the Exchange believes it is appropriate to retain flexibility to determine on a class-by-class basis whether to maintain the status quo – specifically whether to permit complex orders with ratios less than one-to-three (.333) or greater than three-to-one (3.00) to be eligible for electronic processing. Certain classes have significant volume executed in open outcry trading on the Exchange’s trading floor. The Exchange and its customers continue to believe the trading floor is an important source of liquidity, which is provided efficiently by a large pool of accessible Market-Makers and floor brokers. However, Market-Makers and floor brokers expend resources to have a presence on the trading floor, which they do because a certain level of order flow routes to the floor. The Exchange believes it is beneficial to provide investors with flexibility to have their complex order interest execute either electronically or in open outcry.

⁷ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046). The Exchange has yet to implement this change and plans to do so after this proposed rule change is operative.

However, the Exchange also believes it is important to balance that flexibility with the need to ensure significant order flow continues to route to the trading floor, providing an ongoing incentive for liquidity providers to populate the floor. This is particularly important in classes with high open outcry volume. Therefore, the proposed rule change adds to the definition of complex order in Rule 1.1 that the Exchange determines on a class-by-class basis whether complex orders with ratios less than one-to-three (.333) or greater than three-to-one (3.00) are eligible for electronic processing.⁸

The proposed rule change next corrects an error in the definition of COA-eligible and Do-Not-COA orders in rule 5.33(c)(5). The Exchange's System currently determines whether an order is "COA-eligible" by comparing the price of an order to resting interest on the same side as the order in the Simple Book and in the Complex Order Book ("COB"). However, the current definition inadvertently inversed the relevant terms and compares the price of a buy complex order to the synthetic best offer ("SBO") and sell complex orders and compares the price of a sell complex order to the synthetic best bid ("SBB") and buy complex orders, which would be opposite-side interest. The proposed rule change corrects this error and revises the definition to provide that whether a complex order is COA-eligible will be determined by comparing the order's price to same-side interest, which is consistent with current System functionality. Specifically, a "COA-eligible" complex order is a buy (sell) complex order with User instructions to (or which default to) initiate a COA that is priced (i) equal to or higher (lower) than the SBB (SBO) (provided that if any of the bids or offers on the Simple Book that comprise the SBB (SBO) is represented by a Priority Customer order,

⁸ The proposed rule change also makes conforming changes to Rules 5.6 (definition of complex order), 5.30(a) – (c), 5.33, and 5.83(b).

the complex order must be priced at least one minimum increment higher (lower) than the SBB (SBO) and (ii) higher (lower) than the price of buy (sell) complex orders resting at the top of the COB. This is consistent with the provisions that will cause a COA to terminate early, pursuant to which a COA will end early because of incoming same-side interest.⁹ Additionally, the proposed rule change is consistent with another exchange's definition of "COA-eligible" order.¹⁰

The proposed rule change also makes non-substantive changes to Rule 5.33(f)(2)(A). Specifically, the proposed rule change combines subparagraph (ii) with (v) (and renumbers the subparagraphs), as the provisions ultimately mean the same thing. Specifically, Rule 5.33(f)(2)(A)(i) provides that the System does not execute a complex order pursuant to Rule 5.33 at a net price worse than the SBBO or equal to the SBBO when there is a Priority Customer order at the SBBO, except all-or-none ("AON") complex orders may only execute at prices better than the SBBO. Therefore, if there is a Priority Customer Order comprising part of the SBBO, a complex order could only execute by improving the SBBO, which would

⁹ Specifically, Rule 5.33(d)(3) provides that the COA response time interval terminates early (a) when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5) and enters the new order in the COB; (b) when the System receives a non-Priority Customer Order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO; or (c) if the System receives a Priority Customer Order in a leg of the complex order that would join or improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO.

¹⁰ See Cboe C2 Exchange, Inc. Rule 5.33(b)(2).

require improvement of component prices. This is what current Rule 5.33(f)(2)(A)(v) requires. Specifically, that provision states that the System does not execute a complex order pursuant to Rule 5.33 at a net price that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of (a) at least one component of the complex strategy, if the complex order has a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), or is an Index Combo order; or (b) each component of the complex strategy with a Priority Customer Order at the BBO, if the complex order has a ratio less than one-to-three (.333) or greater than three-to-one (3.00). Because these two provisions are interrelated, the Exchange believes it is appropriate to combine them into proposed Rule 5.33(f)(2)(A)(iv).¹¹ The proposed rule change has no impact on complex order priority.

The proposed rule change also clarifies that for complex order priority for complex orders with ratios equal to or greater than one-to-three and less than or equal to three-to-one, complex order priority in open outcry is slightly different than complex order priority for these complex orders in electronic trading. Specifically, in electronic trading, these complex orders may not execute when there is a Priority Customer order on any leg on the SBBO while in open outcry trading, these orders can trade at the SBBO unless there is a Priority Customer order on every leg comprising the SBBO. Current Rule 5.85(b)(1) states that a complex order with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) or that is an Index Combo order may be executed at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are

¹¹ The proposed rule change makes other nonsubstantive changes to the sentence structure as a result of the combination of provisions.

represented in the trading crowd or in the Book if the price of at least one leg of the order improves the corresponding bid (offer) of a Priority Customer order(s) in the Book by at least one minimum trading increment as set forth in Rule 5.4(b). The proposed rule change clarifies that this provision means that one component of the complex order must improve the price of one component leg in the Book if there is a Priority Customer order at the top of the Book for each leg of the Priority Customer order (rather than just at least one leg, which is the case for electronic trading complex order priority, as discussed above). Because open outcry and electronic complex order priority differ with respect to complex orders with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and Index Combo orders, the Exchange believes it is appropriate to clarify that in the Rules. Therefore, the proposed rule change adds to Rule 5.85(b)(1) a sentence stating that, in other words, if there is a Priority Customer order at the top of the Simple Book on each leg comprising the SBBO for the complex strategy, at least one component of the complex order must execute at a price that improves the price of the Priority Customer order on the Simple Book for that component.¹² The proposed rule change has no impact on open outcry complex order priority.

Finally, the proposed rule change updates Rule 5.33(g) to reflect that the System accepts for electronic processing complex orders with more than four legs. Current Rule 5.33(g) states that a complex order may execute against orders and quotes resting in the

¹² Complex order priority with respect to complex orders with ratios less than one-to-three (.333) and greater than three-to-one (3.00) (except for Index Combo orders) is the same in both electronic and open outcry trading. Therefore, the proposed rule change adds to Rule 5.85(b)(2) the same language from proposed Rule 5.33(f)(2)(iv)(b), which states that for complex order with those ratios, if there is a Priority Customer order on any leg(s) comprising the SBBO, the component(s) of the complex order for the leg(s) with a Priority Customer order at the BBO must execute at a price that improves the price of that Priority Customer order(s) on the Simple Book by at least one minimum increment.

Simple Book pursuant to Rule 5.33(d)(5)(A) and (e) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs, which the Exchange determines on a class-by-class basis and may be two, three or four, subject to certain restrictions, including that non-Customer complex orders with two option legs that are both buy or both sell and that are both calls or both puts may not leg into the Simple Book and all complex orders with three or four option legs that are all buy or all sell may not leg into the Simple Book. The proposed rule change modifies the parenthetical regarding legging restrictions to indicate that the maximum number the Exchange may determine on a class-by-class basis may be up to 16, as the Exchange's System currently accepts complex orders with up to that many legs for electronic processing.¹³ The proposed rule change makes no changes to which or how complex orders may leg into the Simple Book but rather updates this provision to reflect current functionality.

(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.¹⁴ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁵ requirements that the rules of an exchange be designed to prevent fraudulent and

¹³ See Cboe Notice C2021060800, *Cboe Options Introduces 16-Leg Maximum for Non-FLEX Complex Orders* (June 8, 2021), available at [Cboe Options Introduces 16-Leg Maximum for Non-FLEX Complex Orders](#); see also *Cboe US Options Complex Book Process* (technical specifications last updated April 20, 2022), Section 2.3.2, available at [US Options Complex Book Process](#).

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change makes no changes to how complex orders are processed or executed, but rather updates the Rules to reflect more accurately current System functionality and to make clarifying and simplifying changes, which the Exchange believes will 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. As noted above, the Commission previously approved a proposed rule change that would permit complex orders with all ratios to be eligible for electronic processing, as opposed to just complex orders with ratios greater than or equal to one-to-three (.333) or less than or equal to three-to-one (3.00).¹⁷ The proposed rule change to delete the part of the complex order definition in Rule 1.1 that restricts electronic processing to complex orders with ratios greater than or equal to one-to-three and less than or equal to three-to-one is consistent with the Exchange's prior proposed rule change to permit complex orders of all ratios to be

¹⁶ Id.

¹⁷ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046). The Exchange has yet to implement this change and plans to do so after this proposed rule change is operative.

eligible for electronic processing – this language was previously inadvertently not deleted.¹⁸

Additionally, the proposed rule change to permit the Exchange to determine on a class basis whether to permit these larger/smaller ratio complex orders to be eligible for electronic processing¹⁹ will further remove impediments to and perfect the mechanism of a free and open market and a national market system by permitting the Exchange to balance the flexibility of permitting complex orders to trade in open outcry or electronically with the need to ensure that significant order flow continues to route to the trading floor, providing an ongoing incentive for liquidity providers to populate the floor. The Exchange believes this will further protect investors who rely on liquidity on the trading floor, particularly for complex orders. While the Exchange generally believes any increase in electronic order flow will not be significant enough to impact liquidity available on the trading floor, the Exchange believes it is still appropriate to retain this flexibility in the Rules to provide it with authority to act swiftly if it appears floor liquidity has been or may be impacted.²⁰ With respect to any class for which the Exchange does not permit larger/smaller ratio complex orders to be eligible for electronic processing, that results in no change for these orders, as these orders currently can only trade in open outcry.

¹⁸ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046).

¹⁹ See proposed Rule 1.1 (definition of complex order) and corresponding changes in Rules 5.6(c) (definition of complex order), 5.30(a)(4), (b)(4), and (c)(4), 5.33(a) (definition of complex order), and 5.83(b).

²⁰ The Exchange would announce any changes to classes in which complex orders with ratios less than one-to-three or greater than three-to-one were eligible or no longer eligible for electronic processing in accordance with Rule 1.5, providing Trading Permit Holders with sufficient advanced notice of any such change.

The proposed change to the definition of COA-eligible order in Rule 5.33(b)(5)(A) merely conforms the provision to the System, which compares the price of the order to same-side interest rather than opposite-side interest. The current language inadvertently inverted the terms; the proposed rule change corrects this, which makes the rule text consistent with the System and thus provides additional transparency, ultimately benefiting investors. This is consistent with the provisions that will cause a COA to terminate early, pursuant to which a COA will end early because of incoming same-side interest.²¹ Additionally, the proposed rule change is consistent with another exchange's definition of "COA-eligible" order.²²

The proposed rule change to update the provisions regarding complex order priority in Rules 5.33(f)(2) and 5.85(b)(1) is a nonsubstantive change intended to simplify the rule text regarding when legs of complex orders must improve prices of orders on the Simple Book. Similarly, the proposed rule change to clarify complex order priority in open outcry is merely a clarification of the current priority. The Exchange believes this will benefit investors, particularly since it is different than electronic complex order priority with

²¹ Specifically, Rule 5.33(d)(3) provides that the COA response time interval terminates early (a) when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5) and enters the new order in the COB; (b) when the System receives a non-Priority Customer Order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO; or (c) if the System receives a Priority Customer Order in a leg of the complex order that would join or improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO.

²² See Cboe C2 Exchange, Inc. Rule 5.33(b)(2).

respect to complex orders with ratios greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00). These proposed rule changes have no impact on electronic or open outcry complex order priority.

Finally, the proposed rule change to the provision regarding complex order legging in Rule 5.33(g) will protect investors, as it merely updates the provision to reflect that the System accepts for electronic processing complex orders with more than four legs. The proposed rule change makes no changes to which or how complex orders may leg into the Simple Book but rather updates this provision to reflect current functionality.

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 for competitive purposes, but rather to clarify certain provisions, codify certain functionality, and correct certain language, as well as to retain class-by-class flexibility to keep complex order electronic eligibility the same as it currently.

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because all changes will apply in the same manner to all investors. To the extent the Exchange determines to not permit higher/lower ratio complex orders to be eligible for electronic processing in any class, that will result in maintaining the status quo for complex orders in that class, as the Exchange currently does not permit complex orders with those ratios to be processed electronically. Additionally, manual handling and open outcry processing will be available for all complex orders with such ratios from all

investors. The other proposed rule changes have no impact on trading and thus will not change how any investors' complex orders are processed or executed on the Exchange. As noted above, the proposed rule change makes no changes to electronic or open outcry complex order priority, which orders can initiate a COA, or how complex orders may leg into the Simple Book.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change has no impact on how complex orders trade, as it makes primarily clarifying updates, corrections, and other nonsubstantive changes. The Exchange is unaware of any other options exchanges that permit complex orders with ratios less than .333 or greater than 3.00 to trade electronically. Therefore, to the extent the Exchange does not make complex orders with those ratios in a class eligible for electronic processing, the Exchange would be permitting complex orders to trade in the same manner as other options exchanges. Other options exchanges are welcome to modify their systems to permit higher/lower ratio orders to execute electronically or on their trading floors.

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

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

Item 6. Extension of Time Period for Commission Action

Not applicable.

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

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act²³ and Rule 19b-4(f)(6)²⁴ thereunder.

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

The Exchange believes the proposed rule change does not significantly affect the protection of investors the public interest. The proposed rule change to permit the Exchange to determine on a class basis whether to permit these larger/smaller ratio complex orders to be eligible for electronic processing will protect investors by permitting the Exchange to balance the flexibility of permitting complex orders to trade in open outcry or electronically with the need to ensure that significant order flow continues to route to the trading floor, providing an ongoing incentive for liquidity providers to populate the floor. The Exchange believes this will further protect investors who rely on liquidity on

²³ 15 U.S.C. 78s(b)(3)(A).

²⁴ 17 CFR 240.19b-4(f)(6).

the trading floor, particularly for complex orders. While the Exchange generally believes any increase in electronic order flow will not be significant enough to impact liquidity available on the trading floor, the Exchange believes it is still appropriate to retain this flexibility in the Rules to provide it with authority to act swiftly if it appears floor liquidity has been or may be impacted. With respect to any class for which the Exchange does not permit larger/smaller ratio complex orders to be eligible for complex order processing, that results in no change for these orders, as these orders currently can only trade in open outcry. The Exchange believes the other proposed rule changes will further protect investors by clarifying, simplifying, and correcting rule text, which ultimately adds transparency to the Rules and benefits investors.

Additionally, the Exchange believes the proposed rule change does not impose any significant burden on competition, because the proposed rule change is not intended for competitive purposes, but rather to clarify certain provisions, codify certain functionality, and correct certain language, as well as to retain class-by-class flexibility to keep complex order electronic eligibility the same as it currently. The Exchange does not believe that the proposed rule change will impose any significant burden on intramarket competition, because all changes will apply in the same manner to all investors. To the extent the Exchange determines to not permit higher/lower ratio complex orders to be eligible for electronic processing in any class, that will result in maintaining the status quo for complex orders in that class, as the Exchange currently does not permit complex orders with those ratios to be processed electronically. Additionally, manual handling and open outcry processing will be available for all complex orders with such ratios from all investors. The other proposed rule changes have no impact on trading and thus will not change how any

investors' complex orders are processed or executed on the Exchange. As noted above, the proposed rule change makes no changes to electronic or open outcry complex order priority, which orders can initiate a COA, or how complex orders may leg into the Simple Book. The Exchange is unaware of any other options exchanges that permit complex orders with ratios less than .333 or greater than 3.00 to trade electronically. Therefore, to the extent the Exchange does not make complex orders with those ratios in a class eligible for electronic processing, the Exchange would be permitting complex orders to trade in the same manner as other options exchanges. Other options exchanges are welcome to modify their systems to permit higher/lower ratio orders to execute electronically or on their trading floors.

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

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The proposed rule change raises no novel issues, as it merely clarifies certain provisions, codifies certain functionality, and corrects certain language, as well as retains class-by-class flexibility to keep complex order electronic eligibility the same as it

currently; therefore, there is no need for a public comment period, as the Commission has previously considered the concepts covered in this proposed rule change. The Exchange believes waiver of the operative delay will protect investors, because as noted above, the proposed rule change will ultimately have no impact on how complex orders trade or are prioritized. Waiver of the operative delay will permit these clarifying, simplifying, and correcting changes to become operative as soon as possible, thus providing investors with this additional transparency in the Rules as soon as possible. As noted above, the Commission previously approved a proposed rule change to permit complex orders with ratios less than one-to-three and greater than three-to-one to be eligible for electronic trading. The Exchange intends to implement that change after this proposed rule change becomes operative. Therefore, waiver of the operative delay will benefit investors, as it will permit the Exchange to implement that change and broaden availability of electronic complex order processing in many option classes for investors as soon as possible, which functionality is not currently available on options exchanges. With respect to the proposed rule change to permit the Exchange to determine classes in which higher/lower ratio complex orders may be electronically processed, this would result in maintaining the status quo for any such classes. This authority is consistent with the Exchange's authority to make other determinations regarding what complex orders are eligible for electronic processing, as well as make other determinations to reflect different market models and characteristics of different classes, so is additionally not novel.²⁵ Waiver of the operative delay will protect investors by permitting the Exchange to balance the flexibility of

²⁵ See Rule 5.33(b) (which permits the Exchange to, among other things, determine times-in-force, capacities, and complex order instructions that are eligible for electronic processing).

permitting complex orders to trade in open outcry or electronically with the need to ensure that significant order flow continues to route to the trading floor, providing an ongoing incentive for liquidity providers to populate the floor. The Exchange believes this will protect investors who rely on liquidity on the trading floor, particularly for complex orders.

(c) Not applicable.

(d) Not applicable.

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-2022-024]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Rules Regarding Complex Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend its Rules regarding complex orders. The text of the proposed rule change is provided in Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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

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

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

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

1. Purpose

The Exchange proposes to amend its Rules regarding complex orders. Specifically, the Exchange proposes to clarify certain provisions, codify certain functionality, and correct certain language, as well as to retain class-by-class flexibility to keep complex order electronic eligibility for complex orders with ratios less than one-to-three and greater than three-to-one in classes determined by the Exchange (i.e., the same as it currently is with respect to those classes).

In February of 2022, the Commission approved the Exchange's proposal to permit complex orders with ratios less than one-to-three and greater than three-to-one to trade in penny increments and be eligible for electronic processing.⁵ Prior to that, complex orders

⁵ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046). The Exchange has not yet implemented this change and intends to after this proposed rule change becomes

with these ratios were only able to trade on the Exchange's trading floor in open outcry (and in the standard increments for the applicable class).

The proposed rule change makes three changes to the definition of complex order in Rule 1.1: (1) it deletes the sentence that narrows the definition of complex orders for purposes of electronic processing to those with ratios greater than or equal to one-to-three and less than or equal to three-to-one; (2) it clarifies that the term complex order includes Index Combo orders unless the context otherwise requires; and (3) it provides the Exchange with flexibility to determine on a class basis whether to permit complex orders with ratios less than one-to-three and greater than three-to-one to be eligible for electronic processing. First, currently, the definition of complex order indicates that for purposes of Rules 5.33 (which relates to electronic trading of complex orders) and 5.85(b)(1) (which relates to open outcry trading of complex orders), the term "complex order" means a complex order with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), an Index Combo order, a stock-option order, or a security future-option order. Pursuant to this provision, only complex orders with a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (in addition to Index Combo Orders, stock-option orders, and security future-option orders) may trade electronically.⁶ The Exchange proposes to delete this sentence because, in accordance with a rule filing previously approved by the Commission,⁷

operative.

⁶ For the purpose of applying these ratios to complex orders comprised of legs for both mini-options and standard options, ten mini-option contracts represent one standard option contract. For the purpose of applying these ratios to complex orders comprised of legs for both micro-options and standard options, 100 micro-option contracts represent one standard option contract.

⁷ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046).

the Exchange intends to modify its System to permit complex orders of any ratio to trade electronically (except in classes determined by the Exchange, as further discussed below), so the term complex order generally will have the same meaning with respect to both open outcry and electronic trading, which eliminates the need to have a separate definition for electronic trading.⁸ Therefore, the Exchange proposes to delete the provision that indicates complex order means complex orders with that ratio restriction for purposes of Rule 5.33.⁹

Second, the complex order definition currently states that unless the context otherwise requires, the term complex order includes stock-option orders and security future-option orders. Specifically, the proposed rule change provides that “[u]nless the context otherwise requires, the term complex order includes Index Combo orders,¹⁰ stock-option orders and security future-option orders.” The proposed rule change adds “Index Combo orders” to that sentence, because as discussed above the proposed rule change is deleting the immediately following sentence. That sentence includes the term “Index Combo” as a type of complex order for purposes of electronic and open outcry processing. Despite deletion of that sentence, an Index Combo is still a type of complex order (as set forth in Rule 5.33) and thus this

⁸ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046).

⁹ Similarly, the Exchange proposes to delete the reference to Rule 5.85(b)(1), as the ratios relevant for purposes of open outcry priority as described in Rule 5.85(b)(1) are already set forth in that provision, making this reference redundant and thus unnecessary.

¹⁰ An “Index Combination” is a purchase (sale) of an index option call and sale (purchase) of an index option put with the same underlying index, expiration date, and strike price, and a “delta” is the positive (negative) number of Index Combinations that must be sold (purchased) to establish a market neutral hedge with one or more series of the same index option. An Index Combo order may not have a ratio greater than eight options to one Index Combination (8.00) and will be subject to all provisions applicable to complex orders (excluding the one-to-three/three-to-one ratio) in the Rules. Rule 5.33(b)(3).

proposed change retains that concept in the complex order definition. This change merely clarifies in the definition of complex order that an Index Combo order will generally be considered a “complex order” for purposes of the Rules.

Third, as noted above, the Commission previously approved a proposed rule change that would permit complex orders with all ratios to be eligible for electronic processing, as opposed to just complex orders with ratios greater than or equal to one-to-three (.333) or less than or equal to three-to-one (3.00).¹¹ Prior to implementing that change, the Exchange believes it is appropriate to retain flexibility to determine on a class-by-class basis whether to maintain the status quo – specifically whether to permit complex orders with ratios less than one-to-three (.333) or greater than three-to-one (3.00) to be eligible for electronic processing. Certain classes have significant volume executed in open outcry trading on the Exchange’s trading floor. The Exchange and its customers continue to believe the trading floor is an important source of liquidity, which is provided efficiently by a large pool of accessible Market-Makers and floor brokers. However, Market-Makers and floor brokers expend resources to have a presence on the trading floor, which they do because a certain level of order flow routes to the floor. The Exchange believes it is beneficial to provide investors with flexibility to have their complex order interest execute either electronically or in open outcry. However, the Exchange also believes it is important to balance that flexibility with the need to ensure significant order flow continues to route to the trading floor, providing an ongoing incentive for liquidity providers to populate the floor. This is particularly important in classes with high open outcry volume. Therefore, the proposed rule change adds to the definition of

¹¹ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046). The Exchange has yet to implement this change and plans to do so after this proposed rule change is operative.

complex order in Rule 1.1 that the Exchange determines on a class-by-class basis whether complex orders with ratios less than one-to-three (.333) or greater than three-to-one (3.00) are eligible for electronic processing.¹²

The proposed rule change next corrects an error in the definition of COA-eligible and Do-Not-COA orders in rule 5.33(c)(5). The Exchange's System currently determines whether an order is "COA-eligible" by comparing the price of an order to resting interest on the same side as the order in the Simple Book and in the Complex Order Book ("COB"). However, the current definition inadvertently inversed the relevant terms and compares the price of a buy complex order to the synthetic best offer ("SBO") and sell complex orders and compares the price of a sell complex order to the synthetic best bid ("SBB") and buy complex orders, which would be opposite-side interest. The proposed rule change corrects this error and revises the definition to provide that whether a complex order is COA-eligible will be determined by comparing the order's price to same-side interest, which is consistent with current System functionality. Specifically, a "COA-eligible" complex order is a buy (sell) complex order with User instructions to (or which default to) initiate a COA that is priced (i) equal to or higher (lower) than the SBB (SBO) (provided that if any of the bids or offers on the Simple Book that comprise the SBB (SBO) is represented by a Priority Customer order, the complex order must be priced at least one minimum increment higher (lower) than the SBB (SBO) and (ii) higher (lower) than the price of buy (sell) complex orders resting at the top of the COB. This is consistent with the provisions that will cause a COA to terminate early, pursuant to which a COA will end early because of incoming same-side interest.¹³

¹² The proposed rule change also makes conforming changes to Rules 5.6 (definition of complex order), 5.30(a) – (c), 5.33, and 5.83(b).

¹³ Specifically, Rule 5.33(d)(3) provides that the COA response time interval

Additionally, the proposed rule change is consistent with another exchange's definition of "COA-eligible" order.¹⁴

The proposed rule change also makes non-substantive changes to Rule 5.33(f)(2)(A). Specifically, the proposed rule change combines subparagraph (ii) with (v) (and renumbers the subparagraphs), as the provisions ultimately mean the same thing. Specifically, Rule 5.33(f)(2)(A)(i) provides that the System does not execute a complex order pursuant to Rule 5.33 at a net price worse than the SBBO or equal to the SBBO when there is a Priority Customer order at the SBBO, except all-or-none ("AON") complex orders may only execute at prices better than the SBBO. Therefore, if there is a Priority Customer Order comprising part of the SBBO, a complex order could only execute by improving the SBBO, which would require improvement of component prices. This is what current Rule 5.33(f)(2)(A)(v) requires. Specifically, that provision states that the System does not execute a complex order pursuant to Rule 5.33 at a net price that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of (a) at least one component of the complex strategy, if the complex

terminates early (a) when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5) and enters the new order in the COB; (b) when the System receives a non-Priority Customer Order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO; or (c) if the System receives a Priority Customer Order in a leg of the complex order that would join or improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO.

¹⁴ See Cboe C2 Exchange, Inc. Rule 5.33(b)(2).

order has a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), or is an Index Combo order; or (b) each component of the complex strategy with a Priority Customer Order at the BBO, if the complex order has a ratio less than one-to-three (.333) or greater than three-to-one (3.00). Because these two provisions are interrelated, the Exchange believes it is appropriate to combine them into proposed Rule 5.33(f)(2)(A)(iv).¹⁵ The proposed rule change has no impact on complex order priority.

The proposed rule change also clarifies that for complex order priority for complex orders with ratios equal to or greater than one-to-three and less than or equal to three-to-one, complex order priority in open outcry is slightly different than complex order priority for these complex orders in electronic trading. Specifically, in electronic trading, these complex orders may not execute when there is a Priority Customer order on any leg on the SBBO while in open outcry trading, these orders can trade at the SBBO unless there is a Priority Customer order on every leg comprising the SBBO. Current Rule 5.85(b)(1) states that a complex order with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) or that is an Index Combo order may be executed at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the Book if the price of at least one leg of the order improves the corresponding bid (offer) of a Priority Customer order(s) in the Book by at least one minimum trading increment as set forth in Rule 5.4(b). The proposed rule change clarifies that this provision means that one component of the complex order must improve the price of one component leg in the Book if there is a Priority Customer order at the top of the Book for

¹⁵ The proposed rule change makes other nonsubstantive changes to the sentence structure as a result of the combination of provisions.

each leg of the Priority Customer order (rather than just at least one leg, which is the case for electronic trading complex order priority, as discussed above). Because open outcry and electronic complex order priority differ with respect to complex orders with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and Index Combo orders, the Exchange believes it is appropriate to clarify that in the Rules. Therefore, the proposed rule change adds to Rule 5.85(b)(1) a sentence stating that, in other words, if there is a Priority Customer order at the top of the Simple Book on each leg comprising the SBBO for the complex strategy, at least one component of the complex order must execute at a price that improves the price of the Priority Customer order on the Simple Book for that component.¹⁶ The proposed rule change has no impact on open outcry complex order priority.

Finally, the proposed rule change updates Rule 5.33(g) to reflect that the System accepts for electronic processing complex orders with more than four legs. Current Rule 5.33(g) states that a complex order may execute against orders and quotes resting in the Simple Book pursuant to Rule 5.33(d)(5)(A) and (e) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs, which the Exchange determines on a class-by-class basis and may be two, three or four, subject to certain restrictions, including that non-Customer complex orders with two option legs that are both buy or both sell and that are both calls or both puts may not leg into the Simple

¹⁶ Complex order priority with respect to complex orders with ratios less than one-to-three (.333) and greater than three-to-one (3.00) (except for Index Combo orders) is the same in both electronic and open outcry trading. Therefore, the proposed rule change adds to Rule 5.85(b)(2) the same language from proposed Rule 5.33(f)(2)(iv)(b), which states that for complex order with those ratios, if there is a Priority Customer order on any leg(s) comprising the SBBO, the component(s) of the complex order for the leg(s) with a Priority Customer order at the BBO must execute at a price that improves the price of that Priority Customer order(s) on the Simple Book by at least one minimum increment.

Book and all complex orders with three or four option legs that are all buy or all sell may not leg into the Simple Book. The proposed rule change modifies the parenthetical regarding legging restrictions to indicate that the maximum number the Exchange may determine on a class-by-class basis may be up to 16, as the Exchange's System currently accepts complex orders with up to that many legs for electronic processing.¹⁷ The proposed rule change makes no changes to which or how complex orders may leg into the Simple Book but rather updates this provision to reflect current functionality.

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.¹⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the

¹⁷ See Cboe Notice C2021060800, *Cboe Options Introduces 16-Leg Maximum for Non-FLEX Complex Orders* (June 8, 2021), available at [Cboe Options Introduces 16-Leg Maximum for Non-FLEX Complex Orders](#); see also *Cboe US Options Complex Book Process* (technical specifications last updated April 20, 2022), Section 2.3.2, available at [US Options Complex Book Process](#).

¹⁸ 15 U.S.C. 78f(b).

¹⁹ 15 U.S.C. 78f(b)(5).

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

In particular, the proposed rule change makes no changes to how complex orders are processed or executed, but rather updates the Rules to reflect more accurately current System functionality and to make clarifying and simplifying changes, which the Exchange believes will 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. As noted above, the Commission previously approved a proposed rule change that would permit complex orders with all ratios to be eligible for electronic processing, as opposed to just complex orders with ratios greater than or equal to one-to-three (.333) or less than or equal to three-to-one (3.00).²¹ The proposed rule change to delete the part of the complex order definition in Rule 1.1 that restricts electronic processing to complex orders with ratios greater than or equal to one-to-three and less than or equal to three-to-one is consistent with the Exchange's prior proposed rule change to permit complex orders of all ratios to be eligible for electronic processing – this language was previously inadvertently not deleted.²²

Additionally, the proposed rule change to permit the Exchange to determine on a class basis whether to permit these larger/smaller ratio complex orders to be eligible for

²⁰ Id.

²¹ See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046). The Exchange has yet to implement this change and plans to do so after this proposed rule change is operative.

²² See Securities Exchange Act Release No. 94204 (February 9, 2022), 87 FR 8625 (February 15, 2022) (SR-CBOE-2021-046).

electronic processing²³ will further remove impediments to and perfect the mechanism of a free and open market and a national market system by permitting the Exchange to balance the flexibility of permitting complex orders to trade in open outcry or electronically with the need to ensure that significant order flow continues to route to the trading floor, providing an ongoing incentive for liquidity providers to populate the floor. The Exchange believes this will further protect investors who rely on liquidity on the trading floor, particularly for complex orders. While the Exchange generally believes any increase in electronic order flow will not be significant enough to impact liquidity available on the trading floor, the Exchange believes it is still appropriate to retain this flexibility in the Rules to provide it with authority to act swiftly if it appears floor liquidity has been or may be impacted.²⁴ With respect to any class for which the Exchange does not permit larger/smaller ratio complex orders to be eligible for electronic processing, that results in no change for these orders, as these orders currently can only trade in open outcry.

The proposed change to the definition of COA-eligible order in Rule 5.33(b)(5)(A) merely conforms the provision to the System, which compares the price of the order to same-side interest rather than opposite-side interest. The current language inadvertently inverted the terms; the proposed rule change corrects this, which makes the rule text consistent with the System and thus provides additional transparency, ultimately benefiting investors. This is consistent with the provisions that will cause a COA to terminate early, pursuant to which a

²³ See proposed Rule 1.1 (definition of complex order) and corresponding changes in Rules 5.6(c) (definition of complex order), 5.30(a)(4), (b)(4), and (c)(4), 5.33(a) (definition of complex order), and 5.83(b).

²⁴ The Exchange would announce any changes to classes in which complex orders with ratios less than one-to-three or greater than three-to-one were eligible or no longer eligible for electronic processing in accordance with Rule 1.5, providing Trading Permit Holders with sufficient advanced notice of any such change.

COA will end early because of incoming same-side interest.²⁵ Additionally, the proposed rule change is consistent with another exchange's definition of "COA-eligible" order.²⁶

The proposed rule change to update the provisions regarding complex order priority in Rules 5.33(f)(2) and 5.85(b)(1) is a nonsubstantive change intended to simplify the rule text regarding when legs of complex orders must improve prices of orders on the Simple Book. Similarly, the proposed rule change to clarify complex order priority in open outcry is merely a clarification of the current priority. The Exchange believes this will benefit investors, particularly since it is different than electronic complex order priority with respect to complex orders with ratios greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00). These proposed rule changes have no impact on electronic or open outcry complex order priority.

Finally, the proposed rule change to the provision regarding complex order legging in Rule 5.33(g) will protect investors, as it merely updates the provision to reflect that the System accepts for electronic processing complex orders with more than four legs. The

²⁵ Specifically, Rule 5.33(d)(3) provides that the COA response time interval terminates early (a) when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5) and enters the new order in the COB; (b) when the System receives a non-Priority Customer Order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO; or (c) if the System receives a Priority Customer Order in a leg of the complex order that would join or improve the SBBO on the same side as the COA-eligible order that initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to Rule 5.33(d)(5), enters the new order in the Simple Book, and updates the SBBO.

²⁶ See Cboe C2 Exchange, Inc. Rule 5.33(b)(2).

proposed rule change makes no changes to which or how complex orders may leg into the Simple Book but rather updates this provision to reflect current functionality.

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 for competitive purposes, but rather to clarify certain provisions, codify certain functionality, and correct certain language, as well as to retain class-by-class flexibility to keep complex order electronic eligibility the same as it currently.

The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because all changes will apply in the same manner to all investors. To the extent the Exchange determines to not permit higher/lower ratio complex orders to be eligible for electronic processing in any class, that will result in maintaining the status quo for complex orders in that class, as the Exchange currently does not permit complex orders with those ratios to be processed electronically. Additionally, manual handling and open outcry processing will be available for all complex orders with such ratios from all investors. The other proposed rule changes have no impact on trading and thus will not change how any investors' complex orders are processed or executed on the Exchange. As noted above, the proposed rule change makes no changes to electronic or open outcry complex order priority, which orders can initiate a COA, or how complex orders may leg into the Simple Book.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the

purposes of the Act, because the proposed rule change has no impact on how complex orders trade, as it makes primarily clarifying updates, corrections, and other nonsubstantive changes. The Exchange is unaware of any other options exchanges that permit complex orders with ratios less than .333 or greater than 3.00 to trade electronically. Therefore, to the extent the Exchange does not make complex orders with those ratios in a class eligible for electronic processing, the Exchange would be permitting complex orders to trade in the same manner as other options exchanges. Other options exchanges are welcome to modify their systems to permit higher/lower ratio orders to execute electronically or on their trading floors.

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

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

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁷ and Rule 19b-4(f)(6)²⁸ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or

²⁷ 15 U.S.C. 78s(b)(3)(A).

²⁸ 17 CFR 240.19b-4(f)(6).

appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2022-024 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-2022-024. 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-2022-024 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 1.1. Definitions

When used in the Rules, unless the context otherwise requires:

* * * * *

Complex Order

The term “complex order” means an order involving the concurrent execution of two or more different series in the same underlying security or index (the “legs” or “components” of the complex order), for the same account, occurring at or near the same time and for the purpose of executing a particular investment strategy with no more than the applicable number of legs (which number the Exchange determines on a class-by-class basis). The Exchange determines in which classes complex orders are eligible for processing. The Exchange determines on a class-by-class basis whether complex orders with ratios less than one-to-three (.333) or greater than three-to-one (3.00) (except for Index Combo orders) are eligible for electronic processing. Unless the context otherwise requires, the term complex order includes Index Combo orders, stock-option orders and security future-option orders. [For purposes of Rules 5.33 and 5.85(b)(1), the term “complex order” means a complex order with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), an Index Combo order, a stock-option order, or a security future-option order.] For the purpose of applying these ratios to complex orders comprised of legs for both mini-options and standard options, ten mini-option contracts represent one standard option contract. For the purpose of applying these ratios to complex orders comprised of legs for both micro-options and standard options, 100 micro-option contracts represent one standard option contract.

* * * * *

Rule 5.6. Order Types, Order Instructions, and Times-in-Force

(a) – (b) No change.

(c) *Order Instructions*. An “Order Instruction” is a processing instruction a User may apply to an order (multiple instructions may apply to a single order), subject to the restrictions set forth in Rule 6.8(c) with respect to orders and bulk messages submitted through bulk ports and any other restrictions set forth in the Rules, when entering it into the System for electronic or open outcry processing and includes:

* * * * *

Complex Order

A “complex order” is defined in Rule 1.1. [A] In classes determined by the Exchange, a User may not designate a complex order with a ratio less than one-to-three (.333) or greater than three-to-one (3.00) (except for an Index Combo order) as Electronic Only. See Rule 5.33 for types of complex orders.

* * * * *

Rule 5.30. Availability of Orders and Quotes for Electronic Processing

Pursuant to Rule 5.6(a), the Exchange may make order types, Order Instructions, and Times-in-Force available on a system, class, and trading session basis for electronic processing, subject to the restrictions set forth in Rule 5.5 with respect to orders and bulk messages submitted through bulk ports.

(a) *RTH Trading Session.* The Exchange may make the following order types, Order Instructions, and Times-in-Force available for electronic processing during RTH:

(1) – (3) No change.

(4) *Complex Orders:* [complex orders (]see Rule 5.33 for types of complex orders[)] (in classes determined by the Exchange, complex orders must have [with] a ratio greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00) (except for Index Combo orders).).

(b) *GTH Trading Session.* The Exchange may make the following order types, Order Instructions, and Times-in-Force available for electronic processing during GTH:

(1) – (3) No change.

(4) *Complex Orders:* [complex orders (]see Rule 5.33 for types of complex orders[)] (in classes determined by the Exchange, complex orders must have [with] a ratio greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00) (except for Index Combo orders).).

(c) *Curb Trading Session.* The Exchange may make the following order types, Order Instructions, and Times-in-Force available for electronic processing during Curb:

(1) – (3) No change.

(4) *Complex Orders:* [complex orders (]see Rule 5.33 for types of complex orders[)] (in classes determined by the Exchange, complex orders must have [with] a ratio greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00) (except for Index Combo orders).).

* * * * *

Rule 5.33. Complex Orders

Trading of complex orders (as defined in Rule 1.1) is subject to all other Rules applicable to the trading of orders, unless otherwise provided in this Rule 5.33.

(a) *Definitions.* For purposes of this Rule 5.33, the following terms have the meanings below. A term defined elsewhere in the Rules has the same meaning with respect to this Rule 5.33, unless otherwise defined below.

Complex Order

The term “complex order” is defined in Rule 1.1. In classes determined by the Exchange, a complex order with a ratio less than one-to-three (.333) or greater than three-to-one (3.00) (except for an Index Combo order) is not eligible for electronic processing, including COA, COB, C-AIM, and C-SAM.

* * * * *

(b) *Types of Complex Orders.* Complex orders are available in all classes listed for trading on the Exchange. Complex orders may be market or limit orders.

(1) – (4) No change.

(5) The System also accepts the following instructions for complex orders:

* * * * *

COA-Eligible and Do-Not-COA

(A) A “COA-eligible” complex order is a buy (sell) complex order with User instructions to (or which default to) initiate a COA that is priced (i) equal to or [lower ([higher])] (lower) than the [SBO ([SBB])] (SBO) (provided that if any of the bids or offers on the Simple Book that comprise the [SBO ([SBB])] (SBO) is represented by a Priority Customer order, the complex order must be priced at least one minimum increment [lower ([higher])] (lower) than the [SBO ([SBB])] (SBO) and (ii) [lower ([higher])] (lower) than the price of [sell ([buy])] (sell) complex orders resting at the top of the COB.

* * * * *

(d) – (e) No change.

(f) *Minimum Increments, Execution Prices, and Priority*

(1) No change.

(2) *Execution Prices and Complex Order Priority.*(A) *Complex Orders.* The System does not execute a complex order pursuant to this Rule 5.33 at a net price:

(i) that would cause any component of the complex strategy to be executed at a price of zero;

[(ii) worse than the SBBO or equal to the SBBO when there is a Priority Customer Order at the SBBO, except AON complex orders may only execute at prices better than the SBBO;]

(ii[i]) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the Simple Book;

(iii[v]) worse than the price that would be available if the complex order Legged into the Simple Book; or

(iv) worse than the SBBO or equal to the SBBO when there is a Priority Customer order on any leg comprising the SBBO and:

(a) if a complex order has a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), or is an Index Combo order, [that would cause any component of the complex strategy to be executed at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of (a)] at least one component of the complex [strategy] order must execute at a price that improves the BBO for that component by at least one minimum increment[, if the complex order has a ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00), or is an Index Combo order,]; or

(b) [each component of the complex strategy with a Priority Customer Order at the BBO,] if the complex order has a ratio less than one-to-three (.333) or greater than three-to-one (3.00), the component(s) of the complex order for the leg(s) with a Priority Customer order at the BBO must execute at a price that improves the price of that Priority Customer order(s) on the Simple Book by at least one minimum increment,

except AON complex orders may only execute at prices better than the SBBO.

(B) No change.

(g) *Legging*. A complex order may execute against orders and quotes resting in the Simple Book pursuant to subparagraphs (d)(5)(A) and (e) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be [two, three, or four]up to 16) (“Legging”), subject to the following restrictions:

* * * * *

Rule 5.83. Availability of Orders

(a) No change.

(b) *Complex Orders*. The Exchange may make complex orders, including security future-option orders, and stock-option orders available for PAR routing for manual handling. If the Exchange determines complex orders with ratios less than one-to-three (.333) or greater than three-to-one (3.00) are not eligible for electronic processing, then [other than Index Combo orders, which may be submitted for electronic and open outcry handling,] a complex order with a ratio less than one-to-three (.333) or greater than three-to-one (3.00) (except Index Combo orders) may only be submitted for manual handling and open outcry trading. The Exchange may make the follow complex order types available for PAR routing for manual handling (and open outcry trading):

* * * * *

Rule 5.85. Order and Quote Allocation, Priority, and Execution

(a) No change.

(b) *Complex Order Priority*.

(1) A complex order (A) with any ratio equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) or (B) that is an Index Combo order may be executed at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the Book if the price of at least one leg of the order improves the corresponding bid (offer) of a Priority Customer order(s) in the Book by at least one minimum trading increment as set forth in Rule 5.4(b). In other words, if there is a Priority Customer order on every leg comprising the SBBO, at least one component of the complex order must execute at a price that improves the price of the Priority Customer order on the Simple Book for that component by at least one minimum increment.

(2) A complex order with any ratio less than one-to-three (.333) and greater than three-to-one (3.00) (except for an Index Combo order) may be executed in open outcry on the trading floor at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the Book if each leg of the order betters the corresponding bid (offer) of a Priority Customer order(s) in the Book on each leg by at least one minimum trading increment as set forth in Rule 5.4(b). In other words, if there is a Priority Customer order on any leg(s) comprising the SBBO, the

component(s) of the complex order for the leg(s) with a Priority Customer order at the BBO must execute at a price that improves the price of that Priority Customer order(s) on the Simple Book by at least one minimum increment.

* * * * *