

October 16, 2017

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: File No. SR-BatsEDGX-2017-29, Amendment No. 1

Dear Mr. Fields:

On October 16, 2017, Bats EDGX Exchange, Inc. (the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) Amendment No. 1 to SR-BatsEDGX-2017-29, which was originally submitted on June 30, 2017 (the “Proposal”). Pursuant to the Proposal, the Exchange proposed to adopt rules for the Exchange’s equity options platform (“EDGX Options”) to describe the trading of complex orders on the Exchange. Amendment No. 1 was submitted in order to limit certain functionality consistent with the approved rules of other options exchanges, to provide additional certainty regarding the operation of the functionality as proposed (e.g., limiting a configuration to be set by the Exchange to 30 seconds rather than leaving the time open ended), to add additional justification for the Proposal, to clarify certain points of the Proposal and add additional rule text to clarify aspects of the Proposal. In order to provide notice for public review of this Amendment No. 1, in addition to posting on the Exchange’s public website, the Exchange is filing this comment letter with the Commission

Sincerely,



Anders Franzon  
SVP, Associate General Counsel

*Required fields are shown with yellow backgrounds and asterisks.*

Page 1 of \*       SECURITIES AND EXCHANGE COMMISSION      File No.\* SR -  - \*   
 WASHINGTON, D.C. 20549      Form 19b-4      Amendment No. (req. for Amendments \*)

Filing by Bats EDGX Exchange, Inc.  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>	<b>Section 19(b)(3)(B) *</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<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)	

<b>Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010</b>	<b>Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934</b>
<b>Section 806(e)(1) *</b>	<b>Section 806(e)(2) *</b>
<input type="checkbox"/>	<input type="checkbox"/>
	<b>Section 3C(b)(2) *</b>
	<input type="checkbox"/>

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<input type="checkbox"/>	<input type="checkbox"/>

**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 \*       Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*       Fax

**Signature**

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

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

(Title \*)

Date         
 By         
 (Name \*)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

Bats EDGX Exchange, Inc. (the “Exchange”) is filing this Partial Amendment No. 1 to SR-BatsEDGX-2017-29, which was originally submitted on June 30, 2017 (the “Filing” or the “Proposal”). Pursuant to the Proposal, the Exchange proposed to adopt rules for the Exchange’s equity options platform (“EDGX Options”) to describe the trading of complex orders on the Exchange.

The Exchange proposes to amend the Proposal as described in further detail below. In addition to these amendments, the Exchange requests that the Proposal, as amended, be approved on an accelerated basis, as described below. Unless otherwise defined below, defined terms in this Amendment No. 1 have the same meaning as in the Filing.

#### Description of Proposed Amendments

This Amendment No. 1 proposes to modify the Filing: (1) to limit the availability of the Complex Only Order instruction to Market Makers (as defined below) to make the functionality more directly analogous to approved MIAX functionality;<sup>1</sup> (2) to limit to thirty (30) seconds or less the configurable time the Exchange would wait in the event the System cannot determine an equilibrium price or a permissible equilibrium price prior to opening a strategy; (3) to provide additional justification regarding the proposed priority model, including first priority given to Priority Customer Orders on the Simple Book; (4) to expand the discussion and justification for the market data feeds proposed in connection with the Proposal; (5) to add additional detail regarding the operation of the proposed functionality, including an additional example, and to make other minor

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<sup>1</sup> See MIAX Rule 518(c)(2)(iii).

structural, technical and clarifying amendments to the Proposal and the proposed rule text to improve the understandability of the Proposal.

#### Proposed Amendments

In order to accomplish the changes described above, the Exchange is proposing to make the changes described below to the pending 19b-4 and Exhibit 1. Finally, this Amendment No. 1 includes an Exhibit 4 that highlights the proposed changes to the rule text as compared to the rule text included with the Filing and an Exhibit 5 that shows the proposed rule text, as amended.

**(1) *Limitation of Complex Only Functionality to Market Makers.***

The Exchange proposes to replace the last paragraph beginning on the bottom of page 9 of 162 and the last paragraph beginning on the bottom of page 79 of 162 of the Filing with the following:

The Exchange proposes to allow a Market Maker<sup>2</sup> to designate orders to only check against the COB (i.e., rather than the COB and the Simple Book) (such orders “Complex Only Orders”). Only a complex order with a Time in Force of Day or IOC may be designated as Complex Only. Unless designated as Complex Only, and for all other Times in Force and complex order origin codes, a complex order will check against both the COB and the Simple Book. The Exchange notes that the Complex Only Order option is analogous to functionality on the MIAX complex order book, which includes certain types of orders and quotes that do not leg into the simple marketplace but instead will only execute

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<sup>2</sup> The term “Market Maker” means an Options Member registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter XXII of the Exchange’s Rules. See Exchange Rule 16.1(a)(37).

against or post to the MIAX complex book. In particular, the functionality is similar to MIAX functionality that restricts market maker quotes on the MIAX complex order book from legging to the MIAX simple order book.<sup>3</sup> By limiting the Complex Only Order feature to Market Makers, the Exchange believes it is limiting the feature in a way that makes the proposal equivalent to the approved functionality on MIAX and encourages use by participants that are most likely to provide liquidity to the Exchange on the COB.

The Exchange also believes the proposed functionality is analogous to other types of functionality already offered by the Exchange that provides Members the ability to direct the Exchange not to route their orders away from the Exchange<sup>4</sup> or not to remove liquidity from the Exchange.<sup>5</sup> Similar to such analogous features, the Exchange believes that Market Makers may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions.

The Exchange proposes to replace the last paragraph beginning on the bottom of page 58 of 162 and the last paragraph beginning on the bottom of page 128 of 162 of the Filing with the following:

Despite the enhanced execution opportunities provided by legging, as described above, the Exchange believes it is reasonable and consistent with the

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<sup>3</sup> See MIAX Rule 518(c)(2)(iii).

<sup>4</sup> See EDGX Rule 21.1(d)(7), which describes “Book Only Orders” as orders that do not route to away options exchanges.

<sup>5</sup> See EDGX Rule 21.1(d)(8), which describes “Post Only Orders” as orders that do not route to away options exchanges or remove liquidity from the Exchange.

Act to permit Market Makers to submit orders designated as Complex Only Orders that will not leg into the Simple Book. As described above, the Exchange notes that the Complex Only Order option is analogous to functionality on the MIAX complex order book, which includes certain types of orders and quotes that do not leg into the simple marketplace but instead will only execute against or post to the MIAX complex book.<sup>6</sup> As noted above, by limiting the Complex Only Order feature to Market Makers, the Exchange believes it is limiting the feature in a way that makes the proposal equivalent to the approved functionality on MIAX and encourages use by participants that are most likely to provide liquidity to the Exchange on the COB.

The Exchange also believes the proposed functionality is analogous to other types of functionality already offered by the Exchange that provides Members the ability to direct the Exchange not to route their orders away from the Exchange<sup>7</sup> or not to remove liquidity from the Exchange.<sup>8</sup> Similar to such analogous features, the Exchange believes that Market Makers may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions. Based on the foregoing, the Exchange does not believe that Complex Only Order functionality raises any new or novel concepts under the Act, and instead is

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<sup>6</sup> See MIAX Rule 518(c)(2)(iii).

<sup>7</sup> See EDGX Rule 21.1(d)(7), which describes “Book Only Orders” as orders that do not route to away options exchanges.

<sup>8</sup> See EDGX Rule 21.1(d)(8), which describes “Post Only Orders” as orders that do not route to away options exchanges or remove liquidity from the Exchange.

consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

**(2) Limit Configurable Delay Prior to Opening Strategy to Thirty Seconds.**

The Exchange proposes to replace the paragraph that begins on the bottom of page 15 of 162 and on the top of page 86 of 162 of the Filing with the following:

Pursuant to proposed Rule 21.20(c)(2)(D), when an equilibrium price is established at or within the SNBBO, the Exchange will execute matching complex orders in price/time priority at the equilibrium price (i.e., orders better than the equilibrium price are executed first in price/time priority and thereafter orders at the equilibrium price are executed in time priority). Any remaining complex order or the remaining portion thereof will be entered into the COB, subject to the Member's instructions. If, after a configurable time period established by the Exchange that may not exceed thirty seconds, the System cannot match orders because it cannot determine an equilibrium price (i.e., all queued orders are Market Orders) or a permissible equilibrium price (i.e., within the SNBBO that also satisfies proposed Rule 21.20(c)(1)(C), as described above), the System will open the strategy without a trade and transition such orders to the COB. The Exchange also proposes to make clear in proposed paragraph (c)(2)(D) that all complex orders received by the Exchange prior to the Exchange opening the strategy in this fashion, including complex orders received during any delay applied by the Exchange pursuant to proposed paragraph (c)(2)(D), will be eligible to be matched in the Opening Process.



The Exchange believes that the proposed configurable time period is important because the opening price protections are relatively restrictive (i.e., based on the SNBBO) and the Exchange wants to have the ability to periodically adjust the process in order to improve its operation. In particular, as necessary, the Exchange will adjust the process to include the amount of delay that the Exchange believes will allow sufficient opportunity to have Opening Process executions while also transitioning to regular trading as quickly as possible. The Exchange believes that limiting this time period to thirty seconds or less will ensure that the COB opens promptly and efficiently but that the Exchange also allows enough time for the individual leg markets across all options exchanges, including the Exchange, to open and stabilize.<sup>9</sup>

**(3) Additional Justification Regarding the Proposed Priority Model.**

The Exchange proposes to insert new paragraphs following the second full paragraph on page 37 of 162 and on 107 of 162 as follows:

The Exchange believes the proposed priority model to provide Priority Customer Orders that are resting on the Simple Book highest priority is consistent with the long-standing policies of customer protection found throughout the Act and the rules of options exchanges and maintains the Exchange's current practice by affording such priority.<sup>10</sup> In particular, because all listed options are traded on

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<sup>9</sup> The Exchange notes that although not configurable, in an analogous opening process for its equities market, when a security cannot be opened through such process based on orders received and market conditions, the Exchange waits fifteen minutes before transitioning such orders to its order book. See EDGX Rule 11.7(d).

<sup>10</sup> See Exchange Rule 21.8.

options exchanges, there is significant retail customer participation directly on exchanges. In turn, because of such direct retail customer participation, the exchanges have taken steps to afford those retail customers - generally Priority Customers - more favorable treatment in some circumstances. The Exchange believes such treatment is appropriate in order to encourage retail participation in the market generally, and in light of the fact that Priority Customers are not necessarily immersed in the day-to-day trading of the markets and may have less understanding of how complex order books operate and interact with leg markets.

The Exchange also believes that this priority model is a natural extension of the design of the proposed functionality and that it is consistent with principles established in the complex order book rules of all options exchanges.

Specifically, as noted throughout the proposal, the Exchange will not execute a complex order at a price ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy.

Thus, the principle of recognizing Priority Customers' status on the Simple Book and protecting such status is well-established. The Exchange has proposed to extend this status such that, upon processing a complex order, the Exchange will first seek to execute against available Priority Customer Orders on the Simple Book before executing against liquidity on the COB.

The Exchange further believes that the proposed priority model is consistent with the current priority model for the Exchange, which provides first priority to Priority Customers prior to execution of any orders of other participants ("non-Customers") pursuant to the Customer Overlay set forth in

Rule 21.8(d)(1).<sup>11</sup> Thus, orders of non-Customers on the Simple Book are already afforded last priority as compared to Priority Customers.

**(4) *Additional Description and Justification of Market Data Feeds.***

The Exchange proposes to replace the second full paragraph on page 55 of 162 and on page 125 of 162 of the Filing with the following:

First, the Exchange currently offers a Multicast PITCH data feed, which is an uncompressed data feed that offers depth of book quotations and execution information based on options orders entered into the System. The Exchange proposes to adopt a nearly identical, but separate, Multicast PITCH data feed for the COB. The only proposed differences between Multicast PITCH for the Simple Book and Multicast PITCH for the COB are certain fields that are necessary for either the Simple Book or the COB but not both (e.g., fields necessary to identify a complex strategy that are not necessary to identify a single leg options series).

The Exchange proposes to replace the fourth full paragraph on page 55 of 162 and on page 125 of 162 of the Filing with the following:

Third, the Exchange currently offers an Auction Feed, which is an uncompressed data product that provides information regarding the current status of price and size information related to auctions conducted by the Exchange. The Exchange proposes to adopt a nearly identical, but separate, Auction data feed for the COB. The only proposed differences between the Auction data feed for the Simple Book and the Auction data feed for the COB are certain fields that are

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<sup>11</sup> The Exchange currently applies the Customer Overlay to all options traded on the Exchange.

necessary for either the Simple Book or the COB but not both (e.g., fields necessary to identify a complex strategy that are not necessary to identify a single leg options series).

The Exchange proposes to add additional language following the existing paragraph under the heading “Market Data Feeds” on page 69 of 162 and on page 139 of 162 of the Filing as follows:

The Exchange also believes this proposal is consistent with Section 6(b)(5) of the Act<sup>12</sup> because it protects investors and the public interest and promotes just and equitable principles of trade because it provides increased transparency through the dissemination of data regarding activity on the COB. The Exchange also believes that the proposed rule change is consistent with Section 11(A) of the Act<sup>13</sup> in that it supports (i) fair competition among brokers and dealers, among exchange markets, and between exchange markets and markets other than exchange markets and (ii) the availability of information with respect to quotations for and transactions in securities to brokers, dealers, and investors. Furthermore, the proposed rule change is consistent with Rule 603 of Regulation NMS,<sup>14</sup> which provides that any national securities exchange that distributes information with respect to quotations for or transactions in an NMS stock do so on terms that are not unreasonably discriminatory. The proposed data feeds would be accessed and subscribed to on a voluntary basis by those market participants interested in obtaining data regarding activity in the COB.

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<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> 15 U.S.C. 78k-1.

<sup>14</sup> See 17 CFR 242.603.

Accordingly, distributors and subscribers can discontinue their use at any time and for any reason.

In adopting Regulation NMS, the Commission granted self-regulatory organizations and broker-dealers increased authority and flexibility to offer new and unique market data to consumers of such data. It was believed that this authority would expand the amount of data available to users and consumers of such data and also spur innovation and competition for the provision of market data. The Exchange believes that the data products proposed herein are precisely the sort of market data products that the Commission envisioned when it adopted Regulation NMS. The Commission concluded that Regulation NMS – by lessening regulation of the market in proprietary data – would itself further the Act’s goals of facilitating efficiency and competition:

[E]fficiency is promoted when broker-dealers who do not need the data beyond the prices, sizes, market center identifications of the NBBO and consolidated last sale information are not required to receive (and pay for) such data. The Commission also believes that efficiency is promoted when broker-dealers may choose to receive (and pay for) additional market data based on their own internal analysis of the need for such data.<sup>15</sup>

By removing “unnecessary regulatory restrictions” on the ability of exchanges to sell their own data, Regulation NMS advanced the goals of the Act and the principles reflected in its legislative history.

**(5) *Additional Detail and Clarifying Changes.***

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<sup>15</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005) (File No. S7-10-04) (“Regulation NMS Adopting Release”).

The Exchange proposes a variety of changes intended to add additional detail regarding the operation of the proposed functionality, including an additional example, and to make other minor structural, technical and clarifying amendments to the Proposal and the proposed rule text to improve the understandability of the Proposal, as described below.

(a) *Definition of Complex Order.*

The Exchange proposes to replace the proposed definition of Complex Order Book at the bottom of page 6 of 162 and the top of page 77 of 162 of the Filing to read as follows:

The “Complex Order Book” or “COB” is the Exchange’s electronic book of complex orders.

(b) *Available Order Types.*

The Exchange proposes to replace the second and third paragraph under the heading “Types of Complex Orders” beginning on page 8 of 162 and on page 78 of 162 of the Filing to read as follows:

As an initial matter, proposed Rule 21.20(b) states that the Exchange will determine and communicate to Members via specifications and/or a Regulatory Circular listing when the complex order types, among the complex order types set forth in the proposed Rule, are available for use on the Exchange.<sup>16</sup> This is similar to, and based upon, the manner in which MIAX determines the available order types for its complex order book. The Exchange notes that it has omitted certain language from the comparable MIAX rule that it deemed unnecessary

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<sup>16</sup> The Exchange notes that it expects to launch the COB with all order types specified below with the exception of orders with a Time in Force of GTC.

regarding the addition and removal of order types because such changes would be made pursuant to a rule change filed by the Exchange.<sup>17</sup> The purpose of this provision is to enable the Exchange to modify the complex order types that are available on the Exchange as market conditions change. The Exchange believes that this enhances its ability to remain competitive as markets and market conditions evolve.

As proposed, the complex order types that may be submitted are limit orders and market orders, and orders with a Time in Force of Good Til Day (“GTD”), Immediate or Cancel (“IOC”), DAY, GTC, or OPG, as such terms are defined in Exchange Rule 21.1(f), as proposed to be amended.<sup>18</sup> In addition, the Exchange proposes to accept the following complex orders: Complex Only orders, COA-eligible orders, do-not-COA orders, and orders with Match Trade Prevention modifiers, as such terms are defined below.

(c) *Replacement of Phrase “All Other Interest” with “Unrelated Orders”.*

The Exchange proposes to replace the first sentence of the second paragraph under the heading “Trade Allocation Following the COA” on page 37 of 162 and on page 107 of 162 of the Filing to read as follows:

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<sup>17</sup> See MIAX Rule 518(b)(1).

<sup>18</sup> For a complete description of these order types and Times in Force, see Exchange Rule 21.1, as proposed to be amended. The Exchange is proposing to offer similar order types and modifiers to those offered by other options exchanges. See, e.g., CBOE Rule 6.53C(b); BOX Rule 7240(b)(4); MIAX Rule 518(b)(1). Although the Exchange proposes to add the Times in Force of GTC and OPG in conjunction with the handling of complex orders on the Exchange, these Times in Force would ultimately be available on both the Simple Book and the COB, as further described below.

Priority Customer Orders resting on the Simple Book have first priority.

COA Responses and unrelated orders on the COB will have second priority and will be allocated in time priority (i.e., Priority Customer complex orders do not receive a priority advantage over other orders).

(d) *Example of Concurrent COA Where One COA Terminates Early.*

The Exchange proposes to add a new example following the example that ends on page 41 of 162 and on page 111 of 162 of the Filing, which would read as follows:

Example - Arrival of unrelated marketable complex order on the same side; concurrent COAs where one COA terminates early

EDGX MM-A Mar 50 Call 6.00-6.50 (10x10)

EDGX MM-B Mar 55 Call 3.00-3.30 (10x10)

- The Exchange receives an initiating Priority Customer complex order to buy 1 Mar 50 call and Sell 1 Mar 55 call for a 3.20 debit, 1000 times.
- The COA-eligible order instruction is present on this order, so the order will initiate an auction upon arrival if it equals or improves the SBBO.
- The SBBO is 2.70 debit bid at 3.50 credit offer.
- Since the initiating Priority Customer Order price would improve the SBBO upon arrival, the COA meets the eligibility requirements and a COA auction message is broadcast showing the COA auction ID, instrument ID, origin code, quantity, side of the market, and price, and a 500 millisecond Response Time Interval is started.
- The System starts the auction (“COA #1”) at the initiating Priority Customer price bidding 3.20 to buy 1000 contracts. The following responses and orders are received:



- @ 50 milliseconds BD1 COA Response @ 3.10 credit sell of 250 arrives
- @ 100 milliseconds MM-A COA Response @ 3.00 credit sell of 500 arrives
- @ 120 milliseconds MM-B COA Response @ 3.20 credit sell of 500 arrives
- @ 150 milliseconds MM-C COA Response @ 3.10 credit sell of 250 arrives
- @ 200 milliseconds BD2 submits an unrelated complex order @ 3.10 debit buy of 200
- The System starts the auction (“COA #2”) at the initiating Broker-Dealer (BD2) price bidding 3.10 to buy 200 contracts. The following responses and orders are received:
  - @ 50 milliseconds BD1 COA Response @ 3.10 credit sell of 100 arrives
  - @ 100 milliseconds MM-A COA Response @ 3.00 credit sell of 100 arrives
  - @ 120 milliseconds MM-B COA Response @ 3.15 credit sell of 100 arrives
  - @ 150 milliseconds BD3 submits an unrelated complex order @ 3.15 debit buy of 200 with a do-not-COA instruction
- COA #2 is immediately terminated and processed as described below, as the unrelated order submitted by BD3 is not COA eligible, is on the same side as COA #2 and has a better price:

- Initiating Broker-Dealer buys 100 vs. MM-A @ 3.00 (MM-A achieved price priority over other responses by offering at 3.00)
  - Initiating Broker-Dealer buys 100 vs. BD1 @ 3.10 (BD1 achieved price priority over MM-B)
  - Initiating Broker-Dealer's order is fulfilled and all remaining COA Responses and portions thereof are cancelled.
  - The unrelated complex order is posted to the COB as a debit buy of 200 at 3.15
  - @ 500 milliseconds the Response Time Interval for COA #1 ends, COA #1 ends and the trade is allocated against the initiating Priority Customer in the following manner:
    - Initiating Priority Customer buys 500 vs. MM-A @ 3.00 (the Priority Customer initiating order has origin code priority over BD2. MM-A achieved price priority over other responses by offering at 3.00)
    - Initiating Priority Customer buys 250 vs. BD1 @ 3.10 (BD 1 achieved price priority over MM-B and BD2 and time priority over MM-C)
    - Initiating Priority Customer buys 250 vs. MM-C @ 3.10 (MM-C achieved price priority over MM-B and BD2 by offering at 3.10)
    - Initiating Priority Customer's order is fulfilled and all COA Responses and portions thereof are cancelled.
- (e) *Clarifying Changes to Opening Process and Legging.*

The Exchange proposes to replace the paragraph at the top of page 14 of 162 and page 84 of 162 of the Filing to read as follows:

Proposed Rule 21.20(c)(2)(A) states that the Opening Process for the COB will operate both at the beginning of each trading session and upon re-opening after a halt. The proposed Rule also states that Members may submit orders to the Exchange as set forth in Rule 21.6(c), which currently allows orders to be entered into the System beginning at 7:30 a.m. Eastern Time. The proposed Rule makes clear that complex orders will not participate in the Exchange's Opening Process pursuant to Rule 21.7 but will instead be subject to the Opening Process for the COB as set forth in proposed Rule 21.20. Any orders designated for the Opening Process will be queued until 9:30 a.m. at which time they will be eligible to be executed in the Opening Process. Any orders designated for a re-opening following a halt will be queued until the halt has ended, at which time they will be eligible to be executed in the Opening Process. Finally, proposed Rule 21.20(c)(2)(A) states that beginning at 7:30 a.m. and updated every five seconds thereafter, indicative prices and order imbalance information associated with the Opening Process will be disseminated by the Exchange through data feeds described in Rule 21.15 while orders are queued prior to 9:30 a.m. or, in the case of a halt, prior to re-opening.<sup>19</sup> The indicative price and imbalance information will be calculated as if the Opening Process were occurring at each calculation (i.e., at each five second interval, the Exchange calculates the price and size as if the Opening Process were occurring at that time).

The Exchange proposes to replace the paragraph beginning at the bottom of page 14 of 162 and page 84 of 162 of the Filing to read as follows:

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<sup>19</sup> See infra Market Data Feeds section.

Proposed Rule 21.20(c)(2)(B) states that complex orders do not participate in the Opening Process for the individual option series conducted pursuant to Rule 21.7.<sup>20</sup> The proposed rule also states that the Opening Process will commence when all legs of the complex strategy are open on the Simple Book. If there are complex orders in a strategy that have been queued but none that can match, the System will open that strategy without a trade and transition such orders to the COB, subject to Legging into the Simple Book (as described in proposed subparagraph (c)(2)(F), which is described below).

The Exchange proposes to replace: (i) the full paragraph on page 18 of 162 of the Filing and the paragraph that follows such paragraph beginning at the bottom of such page; and (ii) the second full paragraph on page 88 of 162 of the Filing and the paragraph that follows such paragraph beginning at the bottom of such page to read as follows:

The Exchange is proposing to establish, in proposed Rule 21.20(c)(2)(F), that complex orders that could otherwise be eligible for Legging will only be permitted to trade against other complex orders in the COB in certain situations. Specifically, proposed Rule 21.20(c)(2)(F) would provide that (other than two leg COA-eligible Customer complex orders as described below) complex orders (i.e., non-Customer orders or non-COA-eligible Customer orders) with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders on the COB and will not be permitted to leg into the Simple Book. Proposed Rule 21.20(c)(2)(F) would

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<sup>20</sup> This is similar to the opening of complex orders on other exchanges. For instance, complex orders on CBOE and NYSE MKT do not participate in the respective opening auction processes for individual component option series legs. See CBOE Rule 6.53C, Interpretation and Policy .11; NYSE MKT Rule 952NY.

impose a similar restriction by stating that complex orders with three or four option legs where all legs are buying or all legs are selling may only trade against other complex orders on the COB and will not leg into the Simple Book (regardless of whether the option leg is a call or a put).<sup>21</sup>

As proposed, notwithstanding the restrictions proposed above, all two leg COA-eligible Customer complex orders will be allowed to leg into the Simple Book without restriction. The benefit of Legging against the individual components of a complex order on the Simple Book is that complex orders can access the full liquidity of the Exchange's Simple Book, thus enhancing the possibility of executions at the best available prices on the Exchange. The Exchange believes this is particularly true for Customer complex orders and, thus, does not propose to limit the ability of such orders to leg into the Simple Book (when such orders are two leg orders).

(f) *Clarifying Changes to Trading Halts.*

The Exchange proposes to replace the second full paragraph on page 52 of 162 and the second full paragraph on page 122 of 162 of the Filing to read as follows:

Proposed Interpretation and Policy .05, paragraph (a) would govern halts during regular trading and would state that if a trading halt exists for the

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<sup>21</sup> This is substantially similar to ISE Rules 722(b)(3)(ii)(A) and (B), which state that complex orders with 2 option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders in the complex order book. The trading system will not generate legging orders for these complex orders, and complex orders with 3 or 4 option legs where all legs are buying or all legs are selling may only trade against other complex orders in the complex order book. See also Securities Exchange Act Release No. 73023 (September 9, 2014), 79 FR 55033 (September 15, 2014) (SR-ISE-2014-10).

underlying security or a component of a complex strategy, trading in the complex strategy will be suspended and a Member's complex orders will be cancelled unless a Member has instructed the Exchange not to cancel its orders.<sup>22</sup> The COB will remain available for Members to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. This is similar to functionality that is currently operative on other exchanges.<sup>23</sup> Incoming complex orders with a time in force of IOC will be cancelled.

#### Request for Accelerated Approval

The Exchange requests the Commission to find good cause to accelerate effectiveness of this proposed rule change pursuant to Section 19(b)(2) of the Act and to approve the proposed rule change prior to the 30th day after publication of the proposed rule change in the Federal Register. The Exchange believes there is good cause to grant expedited review and accelerated effectiveness of this amended proposal because the amendment is intended to align the proposal with functionality previously approved for other options exchanges and to provide additional detail and clarity regarding proposed complex order functionality. First, the proposal has been amended to limit the availability of the Complex Only Order instruction to Market Makers to make the

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<sup>22</sup> The Exchange notes that this provision is based on and similar to Exchange Rule 20.3(b), which states that orders are cancelled in the event of a trading halt in the underlying unless the Exchange has been instructed not to cancel such orders.

<sup>23</sup> The proposed rule is based on and similar to the MIAX process for trading halts, except that MIAX reopens through potential complex auctions whereas the Exchange has proposed reopening through its standard Opening Process. See MIAX Rule 518, Interpretation and Policy .05(e)(3); see also PHLX Rule 1098(c)(ii)(C), which states that complex orders will not trade on the PHLX system during a trading halt for any options component of the Complex Order.

functionality more directly analogous to approved MIAX functionality.<sup>24</sup> Second, the Exchange has also amended the proposal to limit to thirty seconds or less the configurable time the Exchange would wait in the event the System cannot determine an equilibrium price or a permissible equilibrium price prior to opening a strategy. Third, the Exchange has amended the proposal to provide additional justification regarding the proposed priority model, including first priority given to Priority Customer Orders on the Simple Book. Fourth, the Exchange has expanded the discussion and justification for the market data feeds proposed in connection with the Proposal. Last, the amended proposal is intended to add additional detail regarding the operation of the proposed functionality, including an additional example, and to make other minor structural, technical and clarifying amendments to the Proposal and the proposed rule text to improve the understandability of the Proposal.

Because each of these changes is proposed to align the proposed functionality with functionality previously approved for other options exchanges and to provide additional clarification and justification without actually modifying any aspect of the proposed functionality, the Exchange does not believe that the amendment raises any new or novel issues. The Exchange further notes that no comments have been received in connection with the Proposal. Finally, as set forth above, this proposal is a competitive proposal that will allow the Exchange to compete with other options exchanges that offer similar complex order functionality to their participants.

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<sup>24</sup> See MIAX Rule 518(c)(2)(iii).

EXHIBIT 4

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

## Rules of Bats EDGX Exchange, Inc.

\* \* \* \* \*

## CHAPTER XXI. TRADING SYSTEMS

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## Rule 21.1. Definitions

The following definitions apply to Chapter XXI for the trading of options listed on EDGX Options.

(a)-(e) (No changes.)

(f) The term “Time in Force” shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1)-(3) (No changes.)

(4) “Good Til Cancelled” or “GTC” shall mean, for an order so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first.

(5) (No changes.)

(6) “At the Open” or “OPG” shall mean, for an order so designated, an order that shall only participate in the opening process on the Exchange. An OPG order not executed in the opening process will be cancelled.

(g)-(i) (No changes.)

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## Rule 21.15. Data Dissemination

(a) (No change.)

(b) Exchange Data Products. The Exchange offers the following Exchange data products free of charge, except as otherwise noted in the Fee Schedule:



(1) **Multicast PITCH.** Multicast PITCH is an uncompressed data feed that offers depth of book quotations and execution information based on options orders entered into the System. The Exchange offers separate Multicast PITCH data feeds for the Exchange's Simple Book and the Exchange's Complex Order Book, as such terms are defined in Rule 21.20.

(2) **Multicast TOP.** Multicast TOP is an uncompressed data feed that offers top of book quotations and execution information based on options orders entered into the System. The Exchange offers separate Multicast TOP data feeds for the Exchange's Simple Book and the Exchange's Complex Order Book, as such terms are defined in Rule 21.20.

(3) **DROP.** DROP is an uncompressed data feed that offers information regarding the options trading activity of a specific Member. DROP is only available to the Member to whom the specific data relates and those recipients expressly authorized by the Member.

(4) **Historical Data.** Historical Data is a data product that offers historical options data.

(5) **Auction Feed.** The Auction Feed is an uncompressed data product that provides information regarding the current status of price and size information related to auctions conducted by the Exchange. The Exchange offers separate Auction data feeds for the Exchange's Simple Book and the Exchange's Complex Order Book, as such terms are defined in Rule 21.20.

(c) **Notification of Priority Customer Interest on the Book.**

(1) (No change.)

(2) The Exchange will identify Priority Customer Orders and trades as such on messages disseminated by the Exchange through its Multicast PITCH, Multicast TOP and Auction data feeds.

#### Rule 21.16. Risk Monitor Mechanism

(a) The System will maintain a counting program ("counting program") for each User. A single User may configure a single counting program or multiple counting programs to govern its trading activity (i.e., on a per port basis). The counting program will count executions of contracts traded by each User. The counting program counts executions, contract volume and notional value, within a specified time period established by each User (the "specified time period") and on an absolute basis for the trading day ("absolute limits"). The specified time period will commence for an option when a transaction occurs in any series in such option. The counting program will also count a User's executions, contract volume and notional value across all options which a User trades ("Firm Category").

(b)-(e) (No changes.)

*Interpretations and Policies*

.01 Complex orders, as defined in Rule 21.20(a), participate in the Risk Monitor Mechanism as set forth above in this Rule 21.16. For purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count individual trades executed as part of a complex order when determining whether a volume trigger, notional trigger or count trigger has been reached. For purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count the percentage executed of a complex order when determining whether the percentage trigger has been reached.

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Rule 21.20. Complex Orders

(a) Definitions. For purposes of Rule 21.20, the following terms will have the meanings specified in this paragraph (a). A term defined elsewhere in Exchange Rules will have the same meaning with respect to this Rule 21.20, unless otherwise defined below.

(1) ABBO. The term “ABBO” means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Rule 27.1(a)(7)) and calculated by the Exchange based on market information received by the Exchange from OPRA.

(2) BBO. The term “BBO” means the best bid or offer on the Simple Book (as defined below) on the Exchange.

(3) Complex Order Auction or COA. A “COA” is an auction of a complex order as set forth in subparagraph (d) below.

(4) COA-Eligible Order. A “COA-eligible order” is a complex order designated to be placed into a Complex Order Auction upon receipt that meets the requirements of subparagraph (d)(1) below.

(5) Complex Order. A “complex order” is any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the “legs” or “components” of the complex order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purposes of executing a particular investment strategy. Only those complex orders in the classes designated by the Exchange and communicated to Members with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis and communicated to Members, are eligible for processing. The Exchange will

communicate such information to Members by making publicly available specifications and/or publishing a Regulatory Circular.

(6) Complex Order Book or COB. The “COB” is the Exchange’s electronic book of complex orders. [All Members may submit orders to trade against interest or rest in the COB pursuant to this Rule.]

(7) Complex Strategy. The term “complex strategy” means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time and will communicate any such limitation to Members via specifications and/or Regulatory Circular.

(8) NBBO. The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA.

(9) Regular Trading. The term “regular trading” means trading of complex orders that occurs during a trading session other than: (i) at the opening or re-opening of the COB for trading following a halt; or (ii) during the COA process (as described in paragraph (d) of this Rule).

(10) Simple Book. The “Simple Book” is the Exchange’s regular electronic book of orders.

(11) Synthetic Best Bid or Offer or SBBO. The “SBBO” is calculated using the best displayed price for each component of a complex strategy from the Simple Book.

(12) Synthetic National Best Bid or Offer or SNBBO. The “SNBBO” is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy.

(b) Availability of Types of Complex Orders. The Exchange will determine and communicate to Members via specifications and/or a Regulatory Circular listing [which] when the complex order types, among the complex order types set forth in this Rule, are available for use on the Exchange. [Additional information will be issued to Members as additional complex order types, among those complex order types set forth herein, become available for use on the Exchange. Additional information will also be issued when a complex order type that had been in usage on the Exchange will no longer be available for use. Among the] The complex order types that may be submitted are limit orders and market orders, and orders with a Time in Force of GTD, IOC, DAY, GTC, or OPG as such terms are defined in Rule 21.1(f). The following complex orders will also be accepted by the Exchange:

(1) Complex Only Orders. A Market Maker[Member] may designate [DAY and IOC] orders to only check against the COB. Only a complex order with a Time in Force of DAY or IOC may be designated as Complex Only. Unless designated as Complex Only, and for all other Times in Force and complex order origin codes, a[n] complex order will check against both the COB and the Simple Book.

(2) COA-Eligible and Do Not COA Orders. Complex orders that are marked as IOC will, by default, not initiate a COA upon arrival, but a Member that submits an order marked IOC may elect to opt-in to initiating a COA and any quantity of the IOC order not executed will be cancelled at the end of the COA. All other Times in Force will by default initiate a COA, but a Member may elect to opt-out of initiating a COA. Orders with instructions to (or which default to) initiate a COA are referred to as COA-eligible orders, subject to the additional eligibility requirements set forth in this rule, while orders with instructions not to (or which default not to) initiate a COA are referred to as do-not-COA orders.

(3) Complex Orders with Match Trade Prevention Modifiers. The System will support, when trading against other complex orders on the COB, complex orders with the following MTP Modifiers defined in Rule 21.1(g): MTP Cancel Newest, MTP Cancel Oldest and MTP Cancel Both. When Legging into the Simple Book, a complex order with any MTP Modifier will be cancelled if it would execute against any leg on the Simple Book that includes an order with an MTP Modifier and the same Unique Identifier as the complex order.

(c) *Trading of Complex Orders.* The Exchange will determine and communicate to Members via specifications and/or Regulatory Circular which complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not Market Makers on an options exchange, and/or Market Makers on an options exchange) are eligible for entry onto the COB. Complex orders will be subject to all other Exchange Rules that pertain to orders submitted to the Exchange generally, unless otherwise provided in this Rule.

(1) Minimum Increments and Trade Prices.

(A) Bids and offers on complex orders may be expressed in \$0.01 increments, and the component(s) of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order.

(B) If any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Book, at least one other component of the complex strategy must trade at a price that is better than the corresponding BBO.

(C) A complex order will not be executed at a net price that would cause any component of the complex strategy to be executed:

(i) at a price of zero; or

(ii) ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy.

(2) Execution of Complex Orders.

(A) *Complex Order Entry and Cancellation Before COB Opening Process, Including After a Halt.* The Opening Process for the COB will operate at the beginning of each trading session and upon re-opening after a halt. Members may submit complex orders to the Exchange as set forth in Rule 21.6(c), provided that complex orders will not participate in the Exchange's Opening Process pursuant to Rule 21.7 but will instead be subject to the Opening Process for the COB as set forth in this Rule. Any complex orders designated for the Opening Process for the COB will be queued until 9:30 a.m. at which time they will be eligible to be executed in the Opening Process for the COB. Any complex orders designated for a re-opening following a halt will be queued until the halt has ended, at which time they will be eligible to be executed in the Opening Process for the COB. Beginning at 7:30 a.m. and updated every five seconds thereafter, indicative prices and order imbalance information associated with the Opening Process for the COB will be disseminated by the Exchange through data feeds described in Rule 21.15 while complex orders are queued prior to 9:30 a.m. or, in the case of a halt, prior to re-opening.

(B) *Opening and Re-opening of the COB for Trading.* Complex orders do not participate in the Opening Process for the individual option series conducted pursuant to Rule 21.7. [The Opening Process for the COB will operate at the beginning of each trading session and upon re-opening after a halt.]The Opening Process will commence when all legs of the complex strategy are open on the Simple Book. If there are complex orders in a strategy that have been queued but none that can match, the System will open that strategy without a trade and transition such orders to the COB, subject to Legging into the Simple Book (as described in subparagraph (c)(2)(F) below).

(C) *Determining the Equilibrium Price.* If there are complex orders that can match, the System will determine the equilibrium price where the most complex orders can trade. If there are multiple price levels that would result in the same number of strategies executed, the System will choose the price that would result in the smallest remaining imbalance. If there are multiple price levels that would result in the same

number of strategies executed and would leave the same “smallest” imbalance, the System will choose the price that is closest to the Volume Based Tie Breaker (“VBTB”) as the opening price. For purposes of this subparagraph (C), the VBTB is the midpoint of the SNBBO. If there is no valid VBTB available, the System will use the midpoint of the highest and lowest potential opening prices as the opening price. If the midpoint price would result in an invalid increment, the System will round up to the nearest permissible increment and use that as the opening price. If executing at the equilibrium price would require printing at the same price as a Priority Customer on any leg in the Simple Book, the System will adjust the equilibrium price to a price that is better than the corresponding bid or offer in the marketplace by at least a \$0.01 increment.

(D) *Execution and Transition to Regular Trading.* When an equilibrium price is established at or within the SNBBO, the Exchange will execute matching complex orders in price/time priority at the equilibrium price (i.e., orders better than the equilibrium price are executed first in price/time priority and thereafter orders at the equilibrium price are executed in time priority). Any remaining complex order or the remaining portion thereof will be entered into the COB, subject to the Member’s instructions. If, after a configurable time period established by the Exchange that may not exceed thirty (30) seconds, the System cannot match orders because it cannot determine an equilibrium price (i.e., all queued orders are Market Orders) or an acceptable equilibrium price (i.e., within the SNBBO that also satisfies paragraph (c)(1)(C) above), the System will open the strategy without a trade and transition such orders to the COB[ after a configurable time period established by the Exchange]. All complex orders received by the Exchange prior to the Exchange opening the strategy in this fashion, including complex orders received during any delay applied by the Exchange pursuant to this paragraph (c)(2)(D), will be eligible to be matched in the Opening Process.

(E) *Prices for Complex Strategy Executions.* Incoming complex orders will be executed by the System in accordance with the provisions set forth herein, and will not be executed at prices inferior to the SBBO or at a price that is equal to the SBBO when there is a Priority Customer Order at the best SBBO price. Complex orders will never be executed at a price that is outside of the individual component prices on the Simple Book, and the net price of a complex order executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. Incoming complex orders that could not be executed because the executions would be priced (i) outside of the SBBO, or (ii) equal to the SBBO when there is a Priority Customer Order at the best SBBO price, will be cancelled if such complex orders are not eligible to be placed on the COB. Complex orders will be executed without consideration of any

prices for the complex strategy that might be available on other exchanges trading the same complex strategy provided, however, that such complex order price may be subject to the Drill-Through Price Protection described in Interpretation and Policy .04(f) of this Rule.

(F) *Legging*. Complex orders up to a maximum number of legs (determined by the Exchange on a class-by-class basis as either two, three, or four legs and communicated to Members via specifications and/or Regulatory Circular) may be automatically executed against bids and offers on the Simple Book for the individual legs of the complex order (“Legging”), provided the complex order can be executed in full or in a permissible ratio by such bids and offers. [All two leg COA-eligible Customer complex orders will be allowed to leg into the Simple Book without restriction. Any other type of c]Complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders on the COB and will not be permitted to leg into the Simple Book. Notwithstanding the foregoing, all two leg COA-eligible Customer complex orders will be allowed to leg into the Simple Book without restriction. Complex orders with three or four option legs where all legs are buying or all legs are selling may only trade against other complex orders on the COB and will not leg into the Simple Book, regardless of whether the option leg is a call or a put.

(G) *Evaluation*. The System will evaluate complex orders initially once all components of the complex strategy are open as described in subparagraph (c)(2)(B)-(D) above, upon receipt as described in subparagraph (c)(5)(A) below, and continually as described in subparagraph (c)(5)(B) below. The evaluation process for complex orders is used to determine:

- (i) their eligibility to initiate, or to participate in, a COA as described in subparagraph (d)(1) below;
- (ii) their eligibility to participate in the managed interest process as described in subparagraph (c)(4) below;
- (iii) their eligibility for full or partial execution against a complex order resting on the COB or through Legging into the Simple Book (as described in subparagraph (c)(2)(F) above);
- (iv) whether the complex order should be cancelled; and
- (v) whether the complex order or any remaining portion thereof should be placed or remain on the COB.

(3) Complex Order Priority.

(A) Notwithstanding the provisions of Rule 21.8, a complex order may be executed at a net credit or debit price against another complex order without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such net credit or debit; provided, however, that if any of the bids or offers established in the marketplace consist of a Priority Customer Order, at least one component of the complex strategy must trade at a price that is better than the corresponding BBO by at least a \$0.01 increment.

(B) Complex orders will be automatically executed against bids and offers on the COB in price priority. Bids and offers at the same price on the COB will be executed in time priority. Complex orders that leg into the Simple Book (as described in subparagraph (c)(2)(F) above) will be executed in accordance with Rule 21.8.

(4) Managed Interest Process for Complex Orders. Complex orders will not be routed outside of the Exchange regardless of prices displayed by away markets. The managed interest process is used to manage the prices at which a complex order that is not immediately executed upon entry is handled by the System, including how such an order is priced and re-priced on the COB. The managed interest process for complex orders will be based upon the SBBO.

(A) A complex order that is resting on the COB and is either a complex market order (as described in subparagraph (c)(6) below), or has a limit price that locks or crosses the current opposite side SBBO when the SBBO is the best price, may be subject to the managed interest process for complex orders as discussed herein. If the order is not a COA-eligible order, the System will first determine if the inbound complex order can be matched against other complex orders resting on the COB at a price that is at or inside the SBBO (provided there are no Priority Customer Orders on the Simple Book at that price). Second, the System will determine if the inbound complex order can be executed by Legging against individual orders resting on the Simple Book at the SBBO. A complex order subject to the managed interest process will never be executed at a price that is through the individual component prices on the Simple Book. The net price of a complex order subject to the managed interest process that is executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. When the opposite side SBBO includes a Priority Customer Order, the System will book and display such booked complex order on the COB at a price (the “book and display price”) that is \$0.01 away from the current opposite side SBBO. When the opposite side SBBO does not include a Priority Customer Order and is not available for execution in the ratio of such complex order, or cannot be executed through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above), the System will place such complex order on the COB and display such



booked complex order at a book and display price that will lock the current opposite side SBBO.

(B) Should the SBBO change, the complex order's book and display price will continuously re-price to the new SBBO until: (i) the complex order has been executed in its entirety; (ii) if not executed, the complex order's book and display price has reached its limit price or, in the case of a complex market order, the new SBBO, subject to any applicable price protections; (iii) the complex order has been partially executed and the remainder of the order's book and display price has reached its limit price or, in the case of a complex market order, the new SBBO, subject to any applicable price protections; or (iv) the complex order or any remaining portion of the complex order is cancelled. If the Exchange receives a new complex order for the complex strategy on the opposite side of the market from the managed complex order that can be executed, the System will immediately execute the remaining contracts from the managed complex order to the extent possible at the complex order's current book and display price. If unexecuted contracts remain from the complex order on the COB, the complex order's size will be revised and disseminated to reflect the complex order's remaining contracts at its current managed book and display price.

(5) Evaluation Process. The COB is evaluated upon receipt of a new complex order, and is evaluated continually thereafter by the System.

(A) Evaluation Upon Receipt During Regular Trading. After a complex strategy is open for trading, all new complex orders that are received for the complex strategy are evaluated upon arrival. The System will determine if such complex orders are COA-eligible orders, using the process and criteria described in subparagraph (d) below. The System will also evaluate:

(i) whether such complex orders are eligible for full or partial execution against a complex order resting on the COB;

(ii) whether such complex orders are eligible for full or partial execution through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above);

(iii) whether all or any remaining portion of a complex order should be placed on the COB;

(iv) the eligibility of such complex orders (as applicable) to participate in the managed interest process as described in subparagraph (c)(4) above; and

(v) whether such complex orders should be cancelled.

(B) Continual Evaluation. The System will continue to evaluate complex orders on the COB. The System will also continue to evaluate:

(i) whether such complex orders are eligible for full or partial execution against a complex order resting on the COB;

(ii) whether such complex orders are eligible for full or partial execution through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above);

(iii) whether all or any remaining portion of a complex order should be placed on the COB;

(iv) the eligibility of such complex orders (as applicable) to participate in the managed interest process as described in subparagraph (c)(4) above; and

(v) whether such complex orders should be cancelled.

The System will also continue to evaluate whether there is a trading halt affecting any component of a complex strategy, and, if so, the System will handle complex orders in the manner set forth in Interpretation and Policy .05 of this Rule.

(C) Complex Orders That Are COA-eligible. If the System determines that a complex order is a COA-eligible order, such complex order will be submitted into the COA process as described in subparagraph (d) below.

(D) Complex Orders That Are Not COA-eligible. If the System determines that a complex order is not a COA-eligible order, such complex order may be, as applicable:

(i) immediately matched and executed against a complex order resting on the COB;

(ii) executed against the individual components of the complex order on the Simple Book through Legging (as described in subparagraph (c)(2)(F) above);

(iii) placed on the COB and managed pursuant to the managed interest process as described in subparagraph (c)(4) above; or

(iv) cancelled by the System if the time-in-force of the complex order does not allow it to rest on the COB.

(6) Complex Market Orders. Complex orders may be submitted as market orders and may be designated as COA-eligible.

(A) Complex market orders designated as COA-eligible may initiate a COA upon arrival.

(B) Complex market orders not designated as COA-eligible will trade immediately with any contra-side complex orders, or against the individual legs, up to and including the SBBO, and if not fully executed due to applicable price protections, may be posted to the COB subject to the managed interest process described in subparagraph (c)(4) above, and the Evaluation Process described in subparagraph (c)(5) above.

(d) COA Process. All option classes will be eligible to participate in a COA. Upon evaluation as set forth in subparagraph (c)(5) above, the Exchange may determine to automatically submit a COA-eligible order into a COA.

(1) COA-eligible order. A “COA-eligible order” means a complex order that, as determined by the Exchange, is eligible to initiate a COA based upon the Member’s instructions, the order’s marketability (i.e., if the price of such order is equal to or better than the current SBBO, subject to applicable restrictions when a Priority Customer Order comprises a portion of the SBBO) as determined by the Exchange, number of components, and complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not market makers on an options exchange, and/or market makers on an options exchange as determined by the Exchange). Determinations by the Exchange with respect to COA eligibility will be communicated to Members via specifications and/or Regulatory Circular. In order to initiate a COA upon receipt, a COA-eligible order must be designated as such and must meet the criteria described in Interpretation and Policy .02 of this Rule. Complex orders processed through a COA may be executed without consideration to prices of the same complex interest that might be available on other exchanges. A COA will be allowed to occur at the same time as other COAs for the same complex strategy.

(2) Commencement of COA. Upon receipt of a COA-eligible order, the Exchange will begin the COA process by sending a COA auction message. The COA auction message will be sent to all subscribers to the Exchange’s data feeds that deliver COA auction messages. The COA auction message will identify the COA auction ID, instrument ID (i.e., complex strategy), origin code, quantity, and side of the market of the COA-eligible order. The Exchange may also determine to include the price in COA auction messages and if it does so it will announce such determination in published specifications and/or a Regulatory Circular to Members. The price included in the COA auction message will be the limit order price, unless the COA is initiated by a complex market order, in which case such price will be the SBBO, subject to any applicable price protections.

(3) Response Time Interval. The “Response Time Interval” means the period of time during which responses to the COA auction message may be entered. The Exchange will determine the duration of the Response Time Interval, which shall not exceed 500 milliseconds, and will communicate it to Members via specifications and/or Regulatory Circular.

(4) COA Response. Members may submit a response to the COA auction message (a “COA Response”) during the Response Time Interval. COA Responses can be submitted by a Member with any origin code, including Priority Customer. COA Responses may be submitted in \$0.01 increments and must specify the price, size, side of the market (i.e., a response to a buy COA as a sell or a response to a sell COA as a buy) and COA auction ID for the COA to which the response is targeted. Multiple COA Responses from the same Member may be submitted during the Response Time Interval. COA Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the Response Time Interval, though any modification to a COA Response other than a decrease of size will result in a new timestamp and a loss of priority. COA Responses will not be displayed by the Exchange. At the end of the Response Time Interval, COA Responses are firm (i.e., guaranteed at their price and size). Any COA Responses not executed in full will expire at the end of the COA. Any COA Responses not executable based on the price of the COA will be cancelled immediately.

(5) Processing of COA-eligible orders.

(A) At the end of the Response Time Interval, COA-eligible orders may be executed in whole or in part. COA-eligible orders will be executed against the best priced contra side interest as described in subparagraphs (6) and (7) below.

(B) Any unexecuted portion of a COA-eligible order remaining at the end of the Response Time Interval will be placed on the COB and ranked pursuant to subparagraph (c)(3) above or cancelled, if IOC.

(C) Notwithstanding the foregoing in this subparagraph (d)(5), the COA will terminate:

(i) upon receipt of a new non-COA-eligible order on the same side as the COA but with a better price, in which case the COA will be processed and the new order will be posted to the COB;

(ii) if an order is received that would improve the SBBO on the same side as the COA in progress to a price better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated; or

(iii) if a Priority Customer Order is received that would join or improve the SBBO on the same side as the COA in progress to a price equal to or better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated.

(6) COA Pricing. A complex strategy will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer Order on the Simple Book without improving the BBO on at least one component of the complex strategy by at least \$.01. At the conclusion of the Response Time Interval, COA-eligible orders will be allocated pursuant to subparagraph (7) below.

(7) Allocation at the Conclusion of a COA. Orders executed in a COA will be allocated first in price priority based on their original limit price as follows:

(A) Priority Customer Orders resting on the Simple Book;

(B) COA Responses and [all other interest] unrelated orders on the COB in time priority;

(C) Remaining individual orders in the Simple Book (i.e., non-Priority Customer), which will be allocated pursuant to Rule 21.8.

(8) Effect of Limit Up-Limit Down State. Consistent with Rule 21.1(d)(5), the System will reject a complex market order received when the underlying security is subject to a Limit State or Straddle state, as such terms are defined in the Limit Up-Limit Down Plan. If the underlying security of a COA-eligible order that is a market order enters a Limit State or Straddle State, the COA will end early without trading and all COA Responses will be cancelled.

(9) Effect of Trading Halts. If, during a COA, the underlying security and/or any component of a COA-eligible order is subject to a trading halt, the COA will be handled as set forth in Interpretation and Policy .05 of this Rule.

*Interpretations and Policies:*

.01. Market Maker Quoting.

Market Makers are not required to quote on the COB. Complex strategies are not subject to any quoting requirements that are applicable to Market Makers in the simple market for individual options series or classes. Volume executed in complex strategies is not taken into consideration when determining whether Market Makers are meeting quoting obligations applicable to Market Makers in the simple market for individual options.

.02. COA Eligibility.

Upon receipt of a complex order that is designated as a COA-eligible order when the complex strategy is open, the System will determine whether the order is qualified to initiate a COA. If a COA-eligible order is priced equal to, or improves, the SBBO and is also priced to improve other complex orders resting at the top of the COB, the complex order will be eligible to initiate a COA, provided that if any of the bids or offers on the Simple Book that comprise the SBBO consists of a Priority Customer Order, the COA will only be initiated if it will trade at a price that is better than the corresponding bid or offer by at least a \$0.01 increment.

Pursuant to this Rule, a COA will be allowed to commence even to the extent a COA for the same complex strategy is already underway. To the extent there is more than one COA for a specific complex strategy underway at a time, each COA will conclude sequentially based on the exact time each COA commenced, unless terminated early pursuant to paragraph (d)(5)(C) of this Rule. At the time each COA concludes, such COA will be allocated pursuant to this Rule and will take into account all COA Responses and unrelated complex orders on the COB at the exact time of conclusion. In the event there are multiple COAs underway that are each terminated early pursuant to paragraph (d)(5)(C) of this Rule, the COAs will be processed sequentially based on the order in which they commenced. Because a COA Response must specifically identify the COA for which it is targeted, and if not fully executed will be cancelled back at the conclusion of the COA, COA Responses will only be considered in the specified COA.

.03. Dissemination of Information. Dissemination of information related to COA-eligible orders by the submitting Member to third parties will be deemed conduct inconsistent with just and equitable principles of trade as described in Rule 3.1.

.04. Price and Other Protections

(a) Definitions. For purposes of this Interpretation and Policy .04:

(1) *Vertical Spread*. A “vertical” spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

(2) *Butterfly Spread*. A “butterfly” spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a “true” butterfly; otherwise, it is a “skewed” butterfly.

(3) *Box Spread*. A “box” spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

(b) Credit-to-Debit Parameters: Market orders that would be executed at a net debit price after receiving a partial execution at a net credit price will be cancelled.

(c) Debit/Credit Price Reasonability Checks.

(1) To the extent a price check parameter is applicable, the Exchange will not accept a complex order that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order for a credit strategy with a net debit price that exceeds a pre-set buffer, or a market order for a credit strategy that would be executed at a net debit price that exceeds a pre-set buffer. The Exchange will determine these pre-set buffer amounts and communicate them to Members via specifications and/or Regulatory Circular.

(2) The System defines a complex order as a debit or credit as follows:

(A) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit);

(B) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); and

(C) an order for which all pairs and loners are debits (credits) is a debit (credit). For purposes of this check, a “pair” is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and both legs have the same expiration date but different exercise prices or, for all options except European-style index options, the same exercise price but different expiration dates. A “loner” is any leg in an order that the System cannot pair with another leg in the order (including legs in orders for European-style index options that have the same exercise price but different expiration dates).

(i) The System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price.

(ii) The System then, for all options except European-style index options, pairs legs to the extent possible with the same exercise prices across expiration dates, pairing one leg with the leg that has the next nearest expiration date.

(iii) A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(iv) A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(v) A loner to buy is a debit, and a loner to sell is a credit.

The System does not apply the check in subparagraph (1) to an order for which the System cannot define whether it is a debit or credit.

(3) The System rejects or cancels back to the Member any limit order or market order (or any remaining size after partial execution of the order), that does not satisfy this check.

(4) This check applies to auction responses in the same manner as it does to orders.

(d) Buy Strategy Parameters. The System will reject a limit order where all the components of the strategy are to buy and the order is priced at zero, any net credit price that exceeds a pre-set buffer, or a net debit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order.

(e) Maximum Value Acceptable Price Range: The System will reject an order that is a vertical, true butterfly or box spread, or a limit order or market order if it would execute at a price that is outside of an acceptable price range. The acceptable price range is set by the minimum and maximum possible value of the spread, subject to an additional buffer amount determined by the Exchange and communicated to Members via specifications and/or a Regulatory Circular:

(1) The maximum possible value of a vertical, true butterfly and box spread is the difference between the exercise prices of (A) the two legs; (B) the middle leg and the legs on either side; and (C) each pair of legs, respectively.

(2) The minimum possible value of the spread is zero.

(f) Drill-Through Price Protection. The Drill-Through Price Protection feature is a price protection mechanism applicable to all complex orders under which a buy (sell) order will not be executed at a price that is higher (lower) than the SNBBO or the SNBBO at the time of order entry plus (minus) a buffer amount (the "Drill-Through Price"). The Exchange will adopt a default buffer amount for the Drill-Through Price Protection and will publish this amount in publicly available specifications and/or a Regulatory Circular. A Member may modify the buffer amount applicable to Drill-Through Price Protections to either a larger or smaller amount than the Exchange default. If a buy (sell) order would execute or post to the COB at a price higher (lower) than the



Drill-Through Price, the System will instead post the order to the COB at the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the COB (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds (which the Exchange will determine and communicate to Members via specifications and/or Regulatory Circular) with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it.

.05 Trading Halts

(a) Halts During Regular Trading. If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended and a Member's complex orders will be cancelled unless a Member has instructed the Exchange not to cancel its orders. The COB will remain available for Members to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. Incoming complex orders with a time in force of IOC will be cancelled.

(b) Halts During a COA. If, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA will end early without trading and all COA Responses will be cancelled. Remaining complex orders will be placed on the COB if eligible, or cancelled.

(c) Resumption of Trading Following a Halt. When trading in the halted component(s) and/or underlying security of the complex order resumes, the System will evaluate and re-open the COB pursuant to subparagraphs (c)(2)(B)-(D) above.

.06 Other Risk Protection for Complex Orders

(a) Fat Finger Price Protection. The Exchange defines a price range outside of which a complex limit order will not be accepted by the System. The price range is a number defined by the Exchange and communicated to Members via specifications and/or Regulatory Circular. A Member may also establish a more aggressive or restrictive value than the Exchange default. The default price range for Fat Finger Price Protection will be greater than or equal to a price through the SNBBO for the complex strategy to be determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular. A complex limit order to sell will not be accepted at a price that is lower than the SNBBO bid, and a complex limit order to buy will not be accepted at a price that is higher than the SNBBO offer, by more than the Exchange defined or Member established price range. A complex limit order that is priced through this range will be rejected.

(b) Complex Order Size Protections. The System will prevent certain complex orders from executing or being placed on the COB if the size of the complex order exceeds the complex order size protection designated by the Member. If the maximum size of complex orders is not designated by the Member, the Exchange will set a

maximum size of complex orders on behalf of the Member by default. Members may designate the complex order size protection on a firm wide basis. The default maximum size for complex orders will be determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.

(c) The protections set forth in this Interpretation and Policy .06 will be available for complex orders as determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.

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EXHIBIT 5

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

Rules of Bats EDGX Exchange, Inc.

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CHAPTER XXI. TRADING SYSTEMS

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Rule 21.1. Definitions

The following definitions apply to Chapter XXI for the trading of options listed on EDGX Options.

(a)-(e) (No changes.)

(f) The term “Time in Force” shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1)-(3) (No changes.)

(4) [(Reserved.)]“Good Til Cancelled” or “GTC” shall mean, for an order so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first.

(5) (No changes.)

(6) “At the Open” or “OPG” shall mean, for an order so designated, an order that shall only participate in the opening process on the Exchange. An OPG order not executed in the opening process will be cancelled.

(g)-(i) (No changes.)

\* \* \* \* \*

Rule 21.15. Data Dissemination

(a) (No change.)

(b) Exchange Data Products. The Exchange offers the following Exchange data products free of charge, except as otherwise noted in the Fee Schedule:

(1) Multicast PITCH. Multicast PITCH is an uncompressed data feed that offers depth of book quotations and execution information based on options orders entered into the System. The Exchange offers separate Multicast PITCH data feeds for the Exchange's Simple Book and the Exchange's Complex Order Book, as such terms are defined in Rule 21.20.

(2) Multicast TOP. Multicast TOP is an uncompressed data feed that offers top of book quotations and execution information based on options orders entered into the System. The Exchange offers separate Multicast TOP data feeds for the Exchange's Simple Book and the Exchange's Complex Order Book, as such terms are defined in Rule 21.20.

~~[(2)]~~(3) DROP. DROP is an uncompressed data feed that offers information regarding the options trading activity of a specific Member. DROP is only available to the Member to whom the specific data relates and those recipients expressly authorized by the Member.

~~[(3)]~~(4) Historical Data. Historical Data is a data product that offers historical options data.

~~[(4)]~~(5) Auction Feed. The Auction Feed is an uncompressed data product that provides information regarding the current status of price and size information related to auctions conducted by the Exchange. The Exchange offers separate Auction data feeds for the Exchange's Simple Book and the Exchange's Complex Order Book, as such terms are defined in Rule 21.20.

(c) Notification of Priority Customer Interest on the Book.

(1) (No change.)

(2) The Exchange will identify Priority Customer Orders and trades as such on messages disseminated by the Exchange through its Multicast PITCH, Multicast TOP and Auction data feeds.

#### Rule 21.16. Risk Monitor Mechanism

(a) The System will maintain a counting program ("counting program") for each User. A single User may configure a single counting program or multiple counting programs to govern its trading activity (i.e., on a per port basis). The counting program will count executions of contracts traded by each User. The counting program counts executions, contract volume and notional value, within a specified time period established by each User (the "specified time period") and on an absolute basis for the trading day ("absolute limits"). The specified time period will commence for an option when a transaction occurs in any series in such option. The counting program will also count a User's executions, contract volume and notional value across all options which a User trades ("Firm Category").

(b)-(e) (No changes.)

Interpretations and Policies

.01 Complex orders, as defined in Rule 21.20(a), participate in the Risk Monitor Mechanism as set forth above in this Rule 21.16. For purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count individual trades executed as part of a complex order when determining whether a volume trigger, notional trigger or count trigger has been reached. For purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count the percentage executed of a complex order when determining whether the percentage trigger has been reached.

\* \* \* \* \*

Rule 21.20. Complex Orders

(a) Definitions. For purposes of Rule 21.20, the following terms will have the meanings specified in this paragraph (a). A term defined elsewhere in Exchange Rules will have the same meaning with respect to this Rule 21.20, unless otherwise defined below.

(1) ABBO. The term “ABBO” means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Rule 27.1(a)(7)) and calculated by the Exchange based on market information received by the Exchange from OPRA.

(2) BBO. The term “BBO” means the best bid or offer on the Simple Book (as defined below) on the Exchange.

(3) Complex Order Auction or COA. A “COA” is an auction of a complex order as set forth in subparagraph (d) below.

(4) COA-Eligible Order. A “COA-eligible order” is a complex order designated to be placed into a Complex Order Auction upon receipt that meets the requirements of subparagraph (d)(1) below.

(5) Complex Order. A “complex order” is any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the “legs” or “components” of the complex order), for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purposes of executing a particular investment strategy. Only those complex orders in the classes designated by the Exchange and communicated to Members with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis and communicated to Members, are eligible for processing. The Exchange will

communicate such information to Members by making publicly available specifications and/or publishing a Regulatory Circular.

(6) Complex Order Book or COB. The “COB” is the Exchange’s electronic book of complex orders.

(7) Complex Strategy. The term “complex strategy” means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System at a particular time and will communicate any such limitation to Members via specifications and/or Regulatory Circular.

(8) NBBO. The term “NBBO” means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from OPRA.

(9) Regular Trading. The term “regular trading” means trading of complex orders that occurs during a trading session other than: (i) at the opening or re-opening of the COB for trading following a halt; or (ii) during the COA process (as described in paragraph (d) of this Rule).

(10) Simple Book. The “Simple Book” is the Exchange’s regular electronic book of orders.

(11) Synthetic Best Bid or Offer or SBBO. The “SBBO” is calculated using the best displayed price for each component of a complex strategy from the Simple Book.

(12) Synthetic National Best Bid or Offer or SNBBO. The “SNBBO” is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy.

(b) Availability of Types of Complex Orders. The Exchange will determine and communicate to Members via specifications and/or a Regulatory Circular listing when the complex order types, among the complex order types set forth in this Rule, are available for use on the Exchange. The complex order types that may be submitted are limit orders and market orders, and orders with a Time in Force of GTD, IOC, DAY, GTC, or OPG as such terms are defined in Rule 21.1(f). The following complex orders will also be accepted by the Exchange:

(1) Complex Only Orders. A Market Maker may designate orders to only check against the COB. Only a complex order with a Time in Force of DAY or IOC may be designated as Complex Only. Unless designated as Complex Only, and for all other Times in Force and complex order origin codes, a complex order will check against both the COB and the Simple Book.

(2) COA-Eligible and Do Not COA Orders. Complex orders that are marked as IOC will, by default, not initiate a COA upon arrival, but a Member that submits an order marked IOC may elect to opt-in to initiating a COA and any quantity of the IOC order not executed will be cancelled at the end of the COA. All other Times in Force will by default initiate a COA, but a Member may elect to opt-out of initiating a COA. Orders with instructions to (or which default to) initiate a COA are referred to as COA-eligible orders, subject to the additional eligibility requirements set forth in this rule, while orders with instructions not to (or which default not to) initiate a COA are referred to as do-not-COA orders.

(3) Complex Orders with Match Trade Prevention Modifiers. The System will support, when trading against other complex orders on the COB, complex orders with the following MTP Modifiers defined in Rule 21.1(g): MTP Cancel Newest, MTP Cancel Oldest and MTP Cancel Both. When Legging into the Simple Book, a complex order with any MTP Modifier will be cancelled if it would execute against any leg on the Simple Book that includes an order with an MTP Modifier and the same Unique Identifier as the complex order.

(c) Trading of Complex Orders. The Exchange will determine and communicate to Members via specifications and/or Regulatory Circular which complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not Market Makers on an options exchange, and/or Market Makers on an options exchange) are eligible for entry onto the COB. Complex orders will be subject to all other Exchange Rules that pertain to orders submitted to the Exchange generally, unless otherwise provided in this Rule.

(1) Minimum Increments and Trade Prices.

(A) Bids and offers on complex orders may be expressed in \$0.01 increments, and the component(s) of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order.

(B) If any component of a complex strategy would be executed at a price that is equal to a Priority Customer bid or offer on the Simple Book, at least one other component of the complex strategy must trade at a price that is better than the corresponding BBO.

(C) A complex order will not be executed at a net price that would cause any component of the complex strategy to be executed:

(i) at a price of zero; or

(ii) ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy.

(2) Execution of Complex Orders.

(A) Complex Order Entry and Cancellation Before COB Opening Process, Including After a Halt. The Opening Process for the COB will operate at the beginning of each trading session and upon re-opening after a halt. Members may submit complex orders to the Exchange as set forth in Rule 21.6(c), provided that complex orders will not participate in the Exchange's Opening Process pursuant to Rule 21.7 but will instead be subject to the Opening Process for the COB as set forth in this Rule. Any complex orders designated for the Opening Process for the COB will be queued until 9:30 a.m. at which time they will be eligible to be executed in the Opening Process for the COB. Any complex orders designated for a re-opening following a halt will be queued until the halt has ended, at which time they will be eligible to be executed in the Opening Process for the COB. Beginning at 7:30 a.m. and updated every five seconds thereafter, indicative prices and order imbalance information associated with the Opening Process for the COB will be disseminated by the Exchange through data feeds described in Rule 21.15 while complex orders are queued prior to 9:30 a.m. or, in the case of a halt, prior to re-opening.

(B) Opening and Re-opening of the COB for Trading. Complex orders do not participate in the Opening Process for the individual option series conducted pursuant to Rule 21.7. The Opening Process will commence when all legs of the complex strategy are open on the Simple Book. If there are complex orders in a strategy that have been queued but none that can match, the System will open that strategy without a trade and transition such orders to the COB, subject to Legging into the Simple Book (as described in subparagraph (c)(2)(F) below).

(C) Determining the Equilibrium Price. If there are complex orders that can match, the System will determine the equilibrium price where the most complex orders can trade. If there are multiple price levels that would result in the same number of strategies executed, the System will choose the price that would result in the smallest remaining imbalance. If there are multiple price levels that would result in the same number of strategies executed and would leave the same "smallest" imbalance, the System will choose the price that is closest to the Volume Based Tie Breaker ("VBTB") as the opening price. For purposes of this subparagraph (C), the VBTB is the midpoint of the SNBBO. If there is no valid VBTB available, the System will use the midpoint of the highest and lowest potential opening prices as the opening price. If the midpoint price would result in an invalid increment, the System will round up to the nearest permissible increment and use that as the opening price. If executing at the equilibrium price would require printing at the same price as a Priority Customer on any leg in the Simple Book, the System will



adjust the equilibrium price to a price that is better than the corresponding bid or offer in the marketplace by at least a \$0.01 increment.

(D) *Execution and Transition to Regular Trading.* When an equilibrium price is established at or within the SNBBO, the Exchange will execute matching complex orders in price/time priority at the equilibrium price (i.e., orders better than the equilibrium price are executed first in price/time priority and thereafter orders at the equilibrium price are executed in time priority). Any remaining complex order or the remaining portion thereof will be entered into the COB, subject to the Member's instructions. If, after a configurable time period established by the Exchange that may not exceed thirty (30) seconds, the System cannot match orders because it cannot determine an equilibrium price (i.e., all queued orders are Market Orders) or an acceptable equilibrium price (i.e., within the SNBBO that also satisfies paragraph (c)(1)(C) above), the System will open the strategy without a trade and transition such orders to the COB. All complex orders received by the Exchange prior to the Exchange opening the strategy in this fashion, including complex orders received during any delay applied by the Exchange pursuant to this paragraph (c)(2)(D), will be eligible to be matched in the Opening Process.

(E) *Prices for Complex Strategy Executions.* Incoming complex orders will be executed by the System in accordance with the provisions set forth herein, and will not be executed at prices inferior to the SBBO or at a price that is equal to the SBBO when there is a Priority Customer Order at the best SBBO price. Complex orders will never be executed at a price that is outside of the individual component prices on the Simple Book, and the net price of a complex order executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. Incoming complex orders that could not be executed because the executions would be priced (i) outside of the SBBO, or (ii) equal to the SBBO when there is a Priority Customer Order at the best SBBO price, will be cancelled if such complex orders are not eligible to be placed on the COB. Complex orders will be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy provided, however, that such complex order price may be subject to the Drill-Through Price Protection described in Interpretation and Policy .04(f) of this Rule.

(F) *Legging.* Complex orders up to a maximum number of legs (determined by the Exchange on a class-by-class basis as either two, three, or four legs and communicated to Members via specifications and/or Regulatory Circular) may be automatically executed against bids and offers on the Simple Book for the individual legs of the complex order

(“Legging”), provided the complex order can be executed in full or in a permissible ratio by such bids and offers. Complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders on the COB and will not be permitted to leg into the Simple Book. Notwithstanding the foregoing, all two leg COA-eligible Customer complex orders will be allowed to leg into the Simple Book without restriction. Complex orders with three or four option legs where all legs are buying or all legs are selling may only trade against other complex orders on the COB and will not leg into the Simple Book, regardless of whether the option leg is a call or a put.

(G) Evaluation. The System will evaluate complex orders initially once all components of the complex strategy are open as described in subparagraph (c)(2)(B)-(D) above, upon receipt as described in subparagraph (c)(5)(A) below, and continually as described in subparagraph (c)(5)(B) below. The evaluation process for complex orders is used to determine:

(i) their eligibility to initiate, or to participate in, a COA as described in subparagraph (d)(1) below;

(ii) their eligibility to participate in the managed interest process as described in subparagraph (c)(4) below;

(iii) their eligibility for full or partial execution against a complex order resting on the COB or through Legging into the Simple Book (as described in subparagraph (c)(2)(F) above);

(iv) whether the complex order should be cancelled; and

(v) whether the complex order or any remaining portion thereof should be placed or remain on the COB.

(3) Complex Order Priority.

(A) Notwithstanding the provisions of Rule 21.8, a complex order may be executed at a net credit or debit price against another complex order without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such net credit or debit; provided, however, that if any of the bids or offers established in the marketplace consist of a Priority Customer Order, at least one component of the complex strategy must trade at a price that is better than the corresponding BBO by at least a \$0.01 increment.

(B) Complex orders will be automatically executed against bids and offers on the COB in price priority. Bids and offers at the same price

on the COB will be executed in time priority. Complex orders that leg into the Simple Book (as described in subparagraph (c)(2)(F) above) will be executed in accordance with Rule 21.8.

(4) Managed Interest Process for Complex Orders. Complex orders will not be routed outside of the Exchange regardless of prices displayed by away markets. The managed interest process is used to manage the prices at which a complex order that is not immediately executed upon entry is handled by the System, including how such an order is priced and re-priced on the COB. The managed interest process for complex orders will be based upon the SBBO.

(A) A complex order that is resting on the COB and is either a complex market order (as described in subparagraph (c)(6) below), or has a limit price that locks or crosses the current opposite side SBBO when the SBBO is the best price, may be subject to the managed interest process for complex orders as discussed herein. If the order is not a COA-eligible order, the System will first determine if the inbound complex order can be matched against other complex orders resting on the COB at a price that is at or inside the SBBO (provided there are no Priority Customer Orders on the Simple Book at that price). Second, the System will determine if the inbound complex order can be executed by Legging against individual orders resting on the Simple Book at the SBBO. A complex order subject to the managed interest process will never be executed at a price that is through the individual component prices on the Simple Book. The net price of a complex order subject to the managed interest process that is executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. When the opposite side SBBO includes a Priority Customer Order, the System will book and display such booked complex order on the COB at a price (the “book and display price”) that is \$0.01 away from the current opposite side SBBO. When the opposite side SBBO does not include a Priority Customer Order and is not available for execution in the ratio of such complex order, or cannot be executed through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above), the System will place such complex order on the COB and display such booked complex order at a book and display price that will lock the current opposite side SBBO.

(B) Should the SBBO change, the complex order’s book and display price will continuously re-price to the new SBBO until: (i) the complex order has been executed in its entirety; (ii) if not executed, the complex order’s book and display price has reached its limit price or, in the case of a complex market order, the new SBBO, subject to any applicable price protections; (iii) the complex order has been partially executed and the remainder of the order’s book and display price has reached its limit price or, in the case of a complex market order, the new

SBBO, subject to any applicable price protections; or (iv) the complex order or any remaining portion of the complex order is cancelled. If the Exchange receives a new complex order for the complex strategy on the opposite side of the market from the managed complex order that can be executed, the System will immediately execute the remaining contracts from the managed complex order to the extent possible at the complex order's current book and display price. If unexecuted contracts remain from the complex order on the COB, the complex order's size will be revised and disseminated to reflect the complex order's remaining contracts at its current managed book and display price.

(5) Evaluation Process. The COB is evaluated upon receipt of a new complex order, and is evaluated continually thereafter by the System.

(A) Evaluation Upon Receipt During Regular Trading. After a complex strategy is open for trading, all new complex orders that are received for the complex strategy are evaluated upon arrival. The System will determine if such complex orders are COA-eligible orders, using the process and criteria described in subparagraph (d) below. The System will also evaluate:

(i) whether such complex orders are eligible for full or partial execution against a complex order resting on the COB;

(ii) whether such complex orders are eligible for full or partial execution through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above);

(iii) whether all or any remaining portion of a complex order should be placed on the COB;

(iv) the eligibility of such complex orders (as applicable) to participate in the managed interest process as described in subparagraph (c)(4) above; and

(v) whether such complex orders should be cancelled.

(B) Continual Evaluation. The System will continue to evaluate complex orders on the COB. The System will also continue to evaluate:

(i) whether such complex orders are eligible for full or partial execution against a complex order resting on the COB;

(ii) whether such complex orders are eligible for full or partial execution through Legging with the Simple Book (as described in subparagraph (c)(2)(F) above);

(iii) whether all or any remaining portion of a complex order should be placed on the COB;

(iv) the eligibility of such complex orders (as applicable) to participate in the managed interest process as described in subparagraph (c)(4) above; and

(v) whether such complex orders should be cancelled.

The System will also continue to evaluate whether there is a trading halt affecting any component of a complex strategy, and, if so, the System will handle complex orders in the manner set forth in Interpretation and Policy .05 of this Rule.

(C) Complex Orders That Are COA-eligible. If the System determines that a complex order is a COA-eligible order, such complex order will be submitted into the COA process as described in subparagraph (d) below.

(D) Complex Orders That Are Not COA-eligible. If the System determines that a complex order is not a COA-eligible order, such complex order may be, as applicable:

(i) immediately matched and executed against a complex order resting on the COB;

(ii) executed against the individual components of the complex order on the Simple Book through Legging (as described in subparagraph (c)(2)(F) above);

(iii) placed on the COB and managed pursuant to the managed interest process as described in subparagraph (c)(4) above; or

(iv) cancelled by the System if the time-in-force of the complex order does not allow it to rest on the COB.

(6) Complex Market Orders. Complex orders may be submitted as market orders and may be designated as COA-eligible.

(A) Complex market orders designated as COA-eligible may initiate a COA upon arrival.

(B) Complex market orders not designated as COA-eligible will trade immediately with any contra-side complex orders, or against the individual legs, up to and including the SBBO, and if not fully executed due to applicable price protections, may be posted to the COB subject to

the managed interest process described in subparagraph (c)(4) above, and the Evaluation Process described in subparagraph (c)(5) above.

(d) COA Process. All option classes will be eligible to participate in a COA. Upon evaluation as set forth in subparagraph (c)(5) above, the Exchange may determine to automatically submit a COA-eligible order into a COA.

(1) COA-eligible order. A “COA-eligible order” means a complex order that, as determined by the Exchange, is eligible to initiate a COA based upon the Member’s instructions, the order’s marketability (i.e., if the price of such order is equal to or better than the current SBBO, subject to applicable restrictions when a Priority Customer Order comprises a portion of the SBBO) as determined by the Exchange, number of components, and complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not market makers on an options exchange, and/or market makers on an options exchange as determined by the Exchange). Determinations by the Exchange with respect to COA eligibility will be communicated to Members via specifications and/or Regulatory Circular. In order to initiate a COA upon receipt, a COA-eligible order must be designated as such and must meet the criteria described in Interpretation and Policy .02 of this Rule. Complex orders processed through a COA may be executed without consideration to prices of the same complex interest that might be available on other exchanges. A COA will be allowed to occur at the same time as other COAs for the same complex strategy.

(2) Commencement of COA. Upon receipt of a COA-eligible order, the Exchange will begin the COA process by sending a COA auction message. The COA auction message will be sent to all subscribers to the Exchange’s data feeds that deliver COA auction messages. The COA auction message will identify the COA auction ID, instrument ID (i.e., complex strategy), origin code, quantity, and side of the market of the COA-eligible order. The Exchange may also determine to include the price in COA auction messages and if it does so it will announce such determination in published specifications and/or a Regulatory Circular to Members. The price included in the COA auction message will be the limit order price, unless the COA is initiated by a complex market order, in which case such price will be the SBBO, subject to any applicable price protections.

(3) Response Time Interval. The “Response Time Interval” means the period of time during which responses to the COA auction message may be entered. The Exchange will determine the duration of the Response Time Interval, which shall not exceed 500 milliseconds, and will communicate it to Members via specifications and/or Regulatory Circular.

(4) COA Response. Members may submit a response to the COA auction message (a “COA Response”) during the Response Time Interval. COA Responses can be submitted by a Member with any origin code, including Priority Customer. COA Responses may be submitted in \$0.01 increments and must specify the price, size, side of the market (i.e., a response to a buy COA as a sell

or a response to a sell COA as a buy) and COA auction ID for the COA to which the response is targeted. Multiple COA Responses from the same Member may be submitted during the Response Time Interval. COA Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the Response Time Interval, though any modification to a COA Response other than a decrease of size will result in a new timestamp and a loss of priority. COA Responses will not be displayed by the Exchange. At the end of the Response Time Interval, COA Responses are firm (i.e., guaranteed at their price and size). Any COA Responses not executed in full will expire at the end of the COA. Any COA Responses not executable based on the price of the COA will be cancelled immediately.

(5) Processing of COA-eligible orders.

(A) At the end of the Response Time Interval, COA-eligible orders may be executed in whole or in part. COA-eligible orders will be executed against the best priced contra side interest as described in subparagraphs (6) and (7) below.

(B) Any unexecuted portion of a COA-eligible order remaining at the end of the Response Time Interval will be placed on the COB and ranked pursuant to subparagraph (c)(3) above or cancelled, if IOC.

(C) Notwithstanding the foregoing in this subparagraph (d)(5), the COA will terminate:

(i) upon receipt of a new non-COA-eligible order on the same side as the COA but with a better price, in which case the COA will be processed and the new order will be posted to the COB;

(ii) if an order is received that would improve the SBBO on the same side as the COA in progress to a price better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated; or

(iii) if a Priority Customer Order is received that would join or improve the SBBO on the same side as the COA in progress to a price equal to or better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated.

(6) COA Pricing. A complex strategy will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer Order on the Simple Book without improving the BBO on at least one component of the complex strategy by

at least \$.01. At the conclusion of the Response Time Interval, COA-eligible orders will be allocated pursuant to subparagraph (7) below.

(7) Allocation at the Conclusion of a COA. Orders executed in a COA will be allocated first in price priority based on their original limit price as follows:

(A) Priority Customer Orders resting on the Simple Book;

(B) COA Responses and unrelated orders on the COB in time priority;

(C) Remaining individual orders in the Simple Book (i.e., non-Priority Customer), which will be allocated pursuant to Rule 21.8.

(8) Effect of Limit Up-Limit Down State. Consistent with Rule 21.1(d)(5), the System will reject a complex market order received when the underlying security is subject to a Limit State or Straddle state, as such terms are defined in the Limit Up-Limit Down Plan. If the underlying security of a COA-eligible order that is a market order enters a Limit State or Straddle State, the COA will end early without trading and all COA Responses will be cancelled.

(9) Effect of Trading Halts. If, during a COA, the underlying security and/or any component of a COA-eligible order is subject to a trading halt, the COA will be handled as set forth in Interpretation and Policy .05 of this Rule.

*Interpretations and Policies:*

.01. Market Maker Quoting.

Market Makers are not required to quote on the COB. Complex strategies are not subject to any quoting requirements that are applicable to Market Makers in the simple market for individual options series or classes. Volume executed in complex strategies is not taken into consideration when determining whether Market Makers are meeting quoting obligations applicable to Market Makers in the simple market for individual options.

.02. COA Eligibility.

Upon receipt of a complex order that is designated as a COA-eligible order when the complex strategy is open, the System will determine whether the order is qualified to initiate a COA. If a COA-eligible order is priced equal to, or improves, the SBBO and is also priced to improve other complex orders resting at the top of the COB, the complex order will be eligible to initiate a COA, provided that if any of the bids or offers on the Simple Book that comprise the SBBO consists of a Priority Customer Order, the COA will only be initiated if it will trade at a price that is better than the corresponding bid or offer by at least a \$0.01 increment.



Pursuant to this Rule, a COA will be allowed to commence even to the extent a COA for the same complex strategy is already underway. To the extent there is more than one COA for a specific complex strategy underway at a time, each COA will conclude sequentially based on the exact time each COA commenced, unless terminated early pursuant to paragraph (d)(5)(C) of this Rule. At the time each COA concludes, such COA will be allocated pursuant to this Rule and will take into account all COA Responses and unrelated complex orders on the COB at the exact time of conclusion. In the event there are multiple COAs underway that are each terminated early pursuant to paragraph (d)(5)(C) of this Rule, the COAs will be processed sequentially based on the order in which they commenced. Because a COA Response must specifically identify the COA for which it is targeted, and if not fully executed will be cancelled back at the conclusion of the COA, COA Responses will only be considered in the specified COA.

.03. Dissemination of Information. Dissemination of information related to COA-eligible orders by the submitting Member to third parties will be deemed conduct inconsistent with just and equitable principles of trade as described in Rule 3.1.

.04. Price and Other Protections

(a) Definitions. For purposes of this Interpretation and Policy .04:

(1) *Vertical Spread.* A “vertical” spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

(2) *Butterfly Spread.* A “butterfly” spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a “true” butterfly; otherwise, it is a “skewed” butterfly.

(3) *Box Spread.* A “box” spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

(b) Credit-to-Debit Parameters: Market orders that would be executed at a net debit price after receiving a partial execution at a net credit price will be cancelled.

(c) Debit/Credit Price Reasonability Checks.

(1) To the extent a price check parameter is applicable, the Exchange will not accept a complex order that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order for a credit strategy with a net debit price that exceeds a pre-set buffer, or a market order for a credit strategy

that would be executed at a net debit price that exceeds a pre-set buffer. The Exchange will determine these pre-set buffer amounts and communicate them to Members via specifications and/or Regulatory Circular.

(2) The System defines a complex order as a debit or credit as follows:

(A) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit);

(B) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); and

(C) an order for which all pairs and loners are debits (credits) is a debit (credit). For purposes of this check, a “pair” is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and both legs have the same expiration date but different exercise prices or, for all options except European-style index options, the same exercise price but different expiration dates. A “loner” is any leg in an order that the System cannot pair with another leg in the order (including legs in orders for European-style index options that have the same exercise price but different expiration dates).

(i) The System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price.

(ii) The System then, for all options except European-style index options, pairs legs to the extent possible with the same exercise prices across expiration dates, pairing one leg with the leg that has the next nearest expiration date.

(iii) A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(iv) A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(v) A loner to buy is a debit, and a loner to sell is a credit.

The System does not apply the check in subparagraph (1) to an order for which the System cannot define whether it is a debit or credit.

(3) The System rejects or cancels back to the Member any limit order or market order (or any remaining size after partial execution of the order), that does not satisfy this check.

(4) This check applies to auction responses in the same manner as it does to orders.

(d) Buy Strategy Parameters. The System will reject a limit order where all the components of the strategy are to buy and the order is priced at zero, any net credit price that exceeds a pre-set buffer, or a net debit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order.

(e) Maximum Value Acceptable Price Range: The System will reject an order that is a vertical, true butterfly or box spread, or a limit order or market order if it would execute at a price that is outside of an acceptable price range. The acceptable price range is set by the minimum and maximum possible value of the spread, subject to an additional buffer amount determined by the Exchange and communicated to Members via specifications and/or a Regulatory Circular:

(1) The maximum possible value of a vertical, true butterfly and box spread is the difference between the exercise prices of (A) the two legs; (B) the middle leg and the legs on either side; and (C) each pair of legs, respectively.

(2) The minimum possible value of the spread is zero.

(f) Drill-Through Price Protection. The Drill-Through Price Protection feature is a price protection mechanism applicable to all complex orders under which a buy (sell) order will not be executed at a price that is higher (lower) than the SNBBO or the SNBBO at the time of order entry plus (minus) a buffer amount (the “Drill-Through Price”). The Exchange will adopt a default buffer amount for the Drill-Through Price Protection and will publish this amount in publicly available specifications and/or a Regulatory Circular. A Member may modify the buffer amount applicable to Drill-Through Price Protections to either a larger or smaller amount than the Exchange default. If a buy (sell) order would execute or post to the COB at a price higher (lower) than the Drill-Through Price, the System will instead post the order to the COB at the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the COB (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds (which the Exchange will determine and communicate to Members via specifications and/or Regulatory Circular) with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it.

.05 Trading Halts

(a) Halts During Regular Trading. If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended and a Member's complex orders will be cancelled unless a Member has instructed the Exchange not to cancel its orders. The COB will remain available for Members to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. Incoming complex orders with a time in force of IOC will be cancelled.

(b) Halts During a COA. If, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA will end early without trading and all COA Responses will be cancelled. Remaining complex orders will be placed on the COB if eligible, or cancelled.

(c) Resumption of Trading Following a Halt. When trading in the halted component(s) and/or underlying security of the complex order resumes, the System will evaluate and re-open the COB pursuant to subparagraphs (c)(2)(B)-(D) above.

.06 Other Risk Protection for Complex Orders

(a) Fat Finger Price Protection. The Exchange defines a price range outside of which a complex limit order will not be accepted by the System. The price range is a number defined by the Exchange and communicated to Members via specifications and/or Regulatory Circular. A Member may also establish a more aggressive or restrictive value than the Exchange default. The default price range for Fat Finger Price Protection will be greater than or equal to a price through the SNBBO for the complex strategy to be determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular. A complex limit order to sell will not be accepted at a price that is lower than the SNBBO bid, and a complex limit order to buy will not be accepted at a price that is higher than the SNBBO offer, by more than the Exchange defined or Member established price range. A complex limit order that is priced through this range will be rejected.

(b) Complex Order Size Protections. The System will prevent certain complex orders from executing or being placed on the COB if the size of the complex order exceeds the complex order size protection designated by the Member. If the maximum size of complex orders is not designated by the Member, the Exchange will set a maximum size of complex orders on behalf of the Member by default. Members may designate the complex order size protection on a firm wide basis. The default maximum size for complex orders will be determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.

(c) The protections set forth in this Interpretation and Policy .06 will be available for complex orders as determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.

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