



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

PARTIAL AMENDMENT

Cboe C2 Exchange, Inc. (“C2” or the “Exchange”) submits this Amendment, constituting Amendment No. 1, to rule filing SR-C2-2018-021 (the “Rule Filing”) in which the Exchange proposes to allow the Post Only order instruction on complex orders that route to its electronic book. The purpose of this Amendment No. 1 is to amend the rule text of Rule 6.13(b) to add definitions for Book Only and Post Only complex orders and clarify the proposed handling of Post Only complex orders, as well as make corresponding amendments to and add examples regarding Post Only complex orders in the Form 19b-4 and Exhibit 1.

First, the Exchange proposes to delete the proposed addition of “or Post Only” and the current rule text “are Book Only” from the introductory paragraph of Rule 6.13(b) on page 19 of Exhibit 5.

The Exchange also proposes to add the following definitions of “Book Only complex order” and “Post Only complex order” as Rule 6.13(b)(4) and (5) on page 19 of Exhibit 5:

(4) Book Only Complex Order. A “Book Only complex order” is a complex order the System ranks and executes pursuant to this Rule 6.13 or cancels or rejects, as applicable (in accordance with the User’s instructions).

(5) Post Only Complex Order. A “Post Only complex order” is a complex order the System ranks and executes pursuant to this Rule 6.13 or cancels or rejects, as applicable (in accordance with the User’s instructions), except the order may not remove liquidity from the COB or the Simple Book. The System cancels or rejects a Post Only market complex order unless it is subject to the drill-through protection in Rule 6.14(b)(6).

Additionally, the Exchange proposes to delete the rule text in proposed Rule 6.13(h)(3) in its entirety and replace it with the following on page 20 of Exhibit 5:

(3) The System cancels or rejects an incoming Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side SBBO. The System cancels a resting Post Only complex limit order after evaluation pursuant to paragraph (i) below if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO.

The Exchange proposes to delete the last sentence of the carryover paragraph on page 5 of the Form 19b-4 and the second full paragraph on page 12 of Exhibit 1, and add the following paragraph after each such paragraph:

The Exchange proposes to add Post Only as a permissible instruction for complex orders. Specifically, proposed Rule 6.13(b)(5) states a “Post Only complex order” is a complex order the System ranks and executes pursuant to this Rule 6.13<sup>1</sup> or cancels or rejects, as applicable (in accordance with User’s instructions), except the order may not remove liquidity from the COB or the Simple Book. This is similar to the definition of a Post Only instruction for simple orders in paragraph (h) of the definition of Order Instructions in Rule 1.1, except this definition does not reference the Price Adjust process or routing away to another exchange, as neither of those applies to complex orders. The proposed rule change also states the System cancels or rejects a Post Only market complex order unless it is subject to the

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<sup>1</sup> Pursuant to Rule 6.13, a complex order may participate in the COB opening process (see paragraph (c)), initiate a complex order auction (see paragraph (d)), execute against the COB (see paragraph (d)), or Leg into the Simple Book (see paragraph (g)), rest in the COB (see paragraphs (c) through (f)), be subject to

drill-through protection in Rule 6.14(b)(6). This is consistent with the purpose of a market order, which is to execute at the best price available at the time of execution (see Rule 1.1, definition of order). Because a Post Only order will not execute against resting interest, there is no price at which a Post Only market order may execute, and there is no price at which it may rest in the COB, and therefore would be cancelled or rejected. If the limited circumstances described in Rule 6.14(b)(6) are present, such an order may be subject to the drill-through protection process and execute or be cancelled or rejected pursuant to that process. This proposed change merely clarifies how the System would handle such an order, and is consistent with currently handling rules and definitions related to market orders and Post Only orders.

Current Rule 6.13(b) provides that complex orders are Book Only. Because the Exchange is proposing to also permit complex orders be Post Only, the Exchange proposes to delete the current rule text that states complex orders are Book Only and add a definition for Book Only complex orders to proposed Rule 6.13(b)(4). The proposed definition states a “Book Only complex order” is a complex order the System ranks and executes pursuant to Rule 6.13<sup>2</sup> or cancels or rejects, as applicable (in accordance with the User’s instructions). This is consistent with current Book Only complex order functionality. Additionally, this is similar to the definition of

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additional handling pursuant to paragraph (h), or cancel or be rejected pursuant to those provisions.

<sup>2</sup>

See id.

a Book Only instruction for simple orders in paragraph (b) of the definition of Order Instructions in Rule 1.1, except this definition does not reference the Price Adjust process or routing away to another exchange, as neither of those applies to complex orders.

The Exchange also proposes to delete in its entirety the carryover paragraph on pages 5 to 6 of the Form 19b-4 and pages 12 to 13 of Exhibit 1 and replace it with the following:

Proposed Rule 6.13(b)(2) states that upon receipt of a Post Only complex order with any Time-in-Force, the System does not initiate a complex order auction (“COA”), and if a User marks the Post Only complex order to initiate a COA, the System cancels the order. Not permitting a Post Only complex order to COA is consistent with the purpose of a Post Only order, which as discussed above is to add liquidity to the COB. Proposed Rule 6.13(g)(4) states that Post Only complex orders may not Leg into the Simple Book. Similarly, the amendment adds to Rule 6.13(h)(3) that the System cancels a resting Post Only complex limit order after evaluation pursuant to paragraph (i) below if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO. Complex orders that Leg into the Simple Book are considered “takers,” as they remove liquidity from the Simple Book. This proposed functionality is consistent with the purpose of the Post Only instruction and ensures a Post Only complex order will not remove liquidity from the COB or the Simple Book, in accordance with the User’s intent. This is consistent with the

functionality and purpose of the Post Only order instruction on simple orders, and the intent of a User that submits a Post Only complex order. The proposed rule change also ensures that a complex order with a price that locks or crosses the SBBO will not rest on the COB, which is consistent with the proposed change in the initial rule filing that states Post Only complex orders do not Leg into the Simple Book (see proposed Rule 6.13(g)(4)), proposed paragraph (h)(3) in the initial filing, which states the System cancels or rejects a Post Only complex order if it locks or crosses the then-current opposite side SBBO, and the evaluation process in current paragraph (i).

The following examples demonstrate the proposed handling of Post Only complex orders.

Example #1

Assume there are no orders for a specific strategy resting on the COB, the synthetic national best bid or offer (“SNBBO”) is \$3.00 by \$3.15, and the SBBO is \$2.95 by \$3.15. Assume next that Complex Order 1 enters the COB to sell 10 contracts of that strategy at \$3.14 and such order is posted to the COB. If Complex Order 2 then enters the COB to buy 10 contracts of that strategy at \$3.14, but Complex Order 2 also contains the Post Only instruction, Complex Order 2 is rejected since it locks the resting contra order.

Example #2

Assume there are no orders for a specific strategy resting on the COB, the SNBBO is \$3.00 by \$3.15, and the SBBO is \$2.95 by \$3.20. If a two-leg Complex Order with the Post Only instruction enters the COB to buy 10 contracts of that strategy at \$3.20, that Complex Order is rejected since it cannot leg in to the Simple Book and it locks the contra side SBBO.

#### Example #3

Assume there are no orders for a specific strategy resting on the COB, the SNBBO is \$3.00 by \$3.15, and the SBBO is \$2.95 by \$3.20. If a two-leg Complex Order with the Post Only instruction to buy 10 contracts of that strategy at \$3.05 arrives, and that Complex Order enters the COB pursuant to Rule 6.13(e), it will remain on the COB until it executes or is cancelled or rejected following evaluation pursuant to Rule 6.13(i).

#### Example #4

Assume there are no orders for a specific strategy resting on the COB, the SNBBO is \$3.00 by \$3.15, and the SBBO is \$2.95 by \$3.20. If a two-leg Complex Order with the Post Only instruction to buy 10 contracts of that strategy at \$3.10 arrives, and that Complex Order enters the COB pursuant to Rule 6.13(e), it will remain on the COB until it executes or is cancelled or rejected following evaluation pursuant to Rule 6.13(i). Following evaluation pursuant to Rule 6.13(i), the System determines that the SBBO changed to \$2.95 by \$3.10, and cancels the resting Complex Order, because it locks the then-current SBBO.

#### Example #5

Assume there are no orders for a specific strategy resting on the COB, the SNBBO is \$3.00 by \$3.15, and the SBBO is \$2.95 by \$3.15. Assume next that Complex Order 1 enters the COB to sell 10 contracts of that strategy at \$3.14 with a Post Only Instruction and such order is posted to the COB. If Complex Order 2 then enters the COB to buy 10 contracts of that strategy at \$3.14, Complex Order 2 executes against Complex Order 1 at \$3.14.

The Exchange proposes to add the following to the end of the final paragraph prior to the “Statutory Basis” section page 6 of the Form 19b-4 and page 14 of Exhibit 1:

The proposed rule change has no impact on the priority of complex orders. Resting Post Only complex orders will be prioritized against incoming complex orders in the same manner as all other resting complex orders pursuant to Rule 6.13. Additionally, broker-dealers who submit Post Only complex orders on behalf of customers remain subject to best execution obligations and must execute Post Only complex orders in accordance with those obligations on behalf of their customers.

The Exchange requests accelerated approval of Amendment No. 1. The proposed rule change merely adds separate definitions for Book Only complex orders (which are permitted under current Rules) and Post Only complex orders (as proposed in the initial rule filing). These proposed definitions are consistent with the Book Only and Post Only definitions in Rule 1.1, except the proposed definitions for complex orders exclude the elements of those definitions that are inapplicable to complex orders (i.e. routing to other exchanges and the Price Adjust process). The

proposed change regarding the handling of Post Only market complex orders. This change is consistent with the definition of a market order and the current definition of Post Only. Therefore, this merely adds detail to the Rules regarding how the System will handle these orders, which could be determined from the proposed definition in the initial rule filing and handling rules in Rule 6.13. The proposed change that states the System cancels a resting Post Only complex limit order after evaluation pursuant to paragraph (i) below if the resting Post Only complex limit order it locks or crosses the updated SBBO is consistent with the proposed change in the initial rule filing that states Post Only complex orders do not Leg into the Simple Book (see proposed Rule 6.13(g)(4)), proposed paragraph (h)(3) in the initial filing, which states the System cancels or rejects a Post Only complex order if it locks or crosses the then-current opposite side SBBO, and the evaluation process in current paragraph (i). Therefore, this proposed change merely adds detail to the Rules regarding how the System will handle a resting Post Only complex order if the System evaluates whether that order can execute after the leg market prices change in a manner consistent with the proposed changes in the initial filing. The proposed examples in Amendment No. 1 provide additional explanation of the changes as proposed in the initial filing.

Amendment No. 1 makes no substantial changes to the initial rule filing and does not propose any new functionality that was not proposed in the initial rule filing. Amendment No. 1 merely adds detail and clarification to the proposed rule change in the initial filing, which details and clarifications are consistent with the changes as proposed in the initial rule filing and current Rules, as discussed above.

Therefore, the Exchange does not believe a full notice and comment period is necessary, and thus believes accelerated approval is appropriate.

EXHIBITS

Exhibit 4. Marked copy of changes to the rule text proposed in an amendment compared against the version of the rule text that was initially filed.

Exhibit 5. Proposed rule text.

## EXHIBIT 4

Additions set forth in the proposed rule text of original SR-C2-2018-021 are underlined; deletions are [bracketed]. Additional changes being made pursuant to Amendment No. 1 to SR-C2-2018-021 are double-underlined; deletions being made pursuant to Amendment No. 1 to SR-C2-2018-021 are struck-through.

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**Rules of Cboe C2 Exchange, Inc.**

\* \* \* \* \*

**Rule 6.13. Complex Orders**

Trading of complex orders is subject to all other Rules applicable to trading of orders, unless otherwise provided in this Rule 6.13.

(a) No change.

(b) *Types of Complex Orders.* The Exchange determines which Times-in-Force of Day, GTC, GTD, IOC, or OPG are available for complex orders (including for eligibility to enter the COB and initiate a COA). The Exchange determines which Capacities (*i.e.*, non-broker-dealer customers, broker-dealers that are not Market-Makers on an options exchange, or Market-Makers on an options exchange) are eligible for entry onto the COB. Complex orders ~~are Book Only or Post Only and~~ may be market or limit orders. Users may designate complex orders as Attributable or Non-Attributable. The System also accepts the following instructions for complex orders:

(1) No change.

(2) *COA-Eligible and Do-Not-COA Orders.* Upon receipt of an IOC complex order, the System does not initiate a COA unless a User marked the order to initiate a COA, in which case the System cancels any unexecuted portion at the end of the COA. Upon receipt of a Post Only complex order with any Time-in-Force, the System does not initiate a COA, and if a User marks the Post Only complex order to initiate a COA, the System cancels the order. Upon receipt of a complex order with any other Time-in-Force (except OPG), the System initiates a COA unless a User marked the order to not initiate a COA. Buy (sell) complex orders with User instructions to (or which default to) initiate a COA that are priced higher (lower) than the SBB (SBO) and higher (lower) than the price of complex orders resting at the top of the COB are “COA-eligible orders,” while buy (sell) complex orders with User instructions not to (or which default to not) initiate a COA, that are marked Post Only, or that are priced equal to or lower (higher) than the SBB (SBO) or equal

to or lower (higher) than the price of complex orders resting at the top of the COB are “do-not-COA orders.”

(3) No change.

(4) Book Only Complex Order. A “Book Only complex order” is a complex order the System ranks and executes pursuant to this Rule 6.13 or cancels or rejects, as applicable (in accordance with the User’s instructions).

(5) Post Only Complex Order. A “Post Only complex order” is a complex order the System ranks and executes pursuant to this Rule 6.13 or cancels or rejects, as applicable (in accordance with the User’s instructions), except the order may not remove liquidity from the COB or the Simple Book. The System cancels or rejects a Post Only market complex order unless it is subject to the drill-through protection in Rule 6.14(b)(6).

(c) – (f) No change.

(g) *Legging Restrictions.* A complex order may execute against orders and quotes in the Simple Book pursuant to subparagraphs (d)(5)(A)(i) and (e)(1) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be two, three or four) (“Legging”), subject to the following restrictions:

(1) – (3) No change.

(4) Post Only complex orders may not Leg into the Simple Book.

(h) *Additional Complex Order Handling.* Processing and execution of complex orders pursuant to this Rule 6.13 (including pursuant to paragraphs (d) and (e), and following evaluation pursuant to paragraph (i)) are subject to the following:

(1) – (2) No change.

(3) The System cancels or rejects an incoming Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side SBBO. The System cancels a resting Post Only complex limit order after evaluation pursuant to paragraph (i) below if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO.

(i) – (k) No change.

\* \* \* \* \*

## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

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**Rules of Cboe C2 Exchange, Inc.**

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**Rule 6.13. Complex Orders**

Trading of complex orders is subject to all other Rules applicable to trading of orders, unless otherwise provided in this Rule 6.13.

(a) No change.

(b) *Types of Complex Orders.* The Exchange determines which Times-in-Force of Day, GTC, GTD, IOC, or OPG are available for complex orders (including for eligibility to enter the COB and initiate a COA). The Exchange determines which Capacities (*i.e.*, non-broker-dealer customers, broker-dealers that are not Market-Makers on an options exchange, or Market-Makers on an options exchange) are eligible for entry onto the COB. Complex orders [are Book Only and] may be market or limit orders. Users may designate complex orders as Attributable or Non-Attributable. The System also accepts the following instructions for complex orders:

(1) No change.

(2) *COA-Eligible and Do-Not-COA Orders.* Upon receipt of an IOC complex order, the System does not initiate a COA unless a User marked the order to initiate a COA, in which case the System cancels any unexecuted portion at the end of the COA. Upon receipt of a Post Only complex order with any Time-in-Force, the System does not initiate a COA, and if a User marks the Post Only complex order to initiate a COA, the System cancels the order. Upon receipt of a complex order with any other Time-in-Force (except OPG), the System initiates a COA unless a User marked the order to not initiate a COA. Buy (sell) complex orders with User instructions to (or which default to) initiate a COA that are priced higher (lower) than the SBB (SBO) and higher (lower) than the price of complex orders resting at the top of the COB are “COA-eligible orders,” while buy (sell) complex orders with User instructions not to (or which default to not) initiate a COA, that are marked Post Only, or that are priced equal to or lower (higher) than the SBB (SBO) or equal to or lower (higher) than the price of complex orders resting at the top of the COB are “do-not-COA orders.”

(3) No change.

(4) Book Only Complex Order. A “Book Only complex order” is a complex order the System ranks and executes pursuant to this Rule 6.13 or cancels or rejects, as applicable (in accordance with the User’s instructions).

(5) Post Only Complex Order. A “Post Only complex order” is a complex order the System ranks and executes pursuant to this Rule 6.13 or cancels or rejects, as applicable (in accordance with the User’s instructions), except the order may not remove liquidity from the COB or the Simple Book. The System cancels or rejects a Post Only market complex order unless it is subject to the drill-through protection in Rule 6.14(b)(6).

(c) – (f) No change.

(g) *Legging Restrictions.* A complex order may execute against orders and quotes in the Simple Book pursuant to subparagraphs (d)(5)(A)(i) and (e)(1) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be two, three or four) (“Legging”), subject to the following restrictions:

(1) – (3) No change.

(4) Post Only complex orders may not Leg into the Simple Book.

(h) *Additional Complex Order Handling.* Processing and execution of complex orders pursuant to this Rule 6.13 (including pursuant to paragraphs (d) and (e), and following evaluation pursuant to paragraph (i)) are subject to the following:

(1) – (2) No change.

(3) The System cancels or rejects a Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side SBBO. The System cancels a resting Post Only complex limit order after evaluation pursuant to paragraph (i) below if the System determines the resting Post Only complex limit order locks or crosses the updated SBBO.

(i) – (k) No change.

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