SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82308; File No. SR-CBOE-2017-077)

December 13, 2017

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Fees Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 8, 2017, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchanges seeks to amend the Fees Schedule. The text of the proposed rule change is available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

1. Purpose

Pursuant to Footnote 38 of the Fees Schedule, if a Lead Market-Maker ("LMM") in SPX options during extended trading hours ("ETH") (1) provides continuous electronic quotes in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair in an ETH allocated class (excluding intra-day add-on series on the day during which such series are added for trading) and (2) enters opening quotes within five minutes of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B(d)(i)(A) or (ii)(A)), provided that the LMM will not be required to enter opening quotes in more than the same percentage of series set forth in clause (1) for at least 90% of the trading days during ETH in a month, the LMM will receive a rebate for that month and will receive a pro-rata share of a compensation pool equal to $15,000 times the number of LMMs in that class (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month).

The Exchange proposes[3] to amend Footnote 38 to modify the standard an SPX LMM will need to satisfy in order to receive a rebate for its ETH activity, and increase the compensation pool for SPX LMMs to $30,000 per LMM.[4] In addition to providing continuous electronic quotes and entering opening quotes, as described above, in order for an LMM in SPX to receive the monthly rebate, it must satisfy the following time-weighted average quote widths and bid/ask

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3 The Exchange initially filed the proposed rule change on December 1, 2017 (SR-CBOE-2017-075). On December 8, 2017 the Exchange withdrew SR-CBOE-2017-075 and then subsequently submitted this filing (SR-CBOE-2017-077).

4 The proposed rule change does not change the standard a VIX LMM will need to meet to receive a rebate.

sizes for each moneyness category during the month: A) out of the money options ("OTM") category, average quote width of $0.75 or less and average bid/ask size of 15 contracts or greater; B) at the money options ("ATM") category, average quote width of $3.00 or less and bid/ask size of 10 contracts or more; and C) in the money options ("ITM") category, average quote width of $10.00 or less and bid/ask size of 5 contracts or more. In other words, the LMM will need to satisfy the following nine criteria during a month to receive the payment described above for that month.

OTM	ATM	ITM
1. Avg. Quote Width ≤ $0.75	4. Avg. Quote Width ≤ $3.00	7. Avg. Quote Width ≤ $10.00
2. Avg. Bid Size ≥ 15	5. Avg. Bid Size ≥ 10	8. Avg. Bid Size ≥ 5
3. Avg. Ask Size ≥ 15	6. Avg. Ask Size ≥ 10	9. Avg. Ask Size ≥ 5

The Exchange believes time-weighted averages are a good way to assess the overall quality of the market. The Exchange also believes having separate requirements per moneyness category will encourage tighter quote widths and larger sizes in each moneyness category.

The Exchange will determine an SPX LMM's monthly time-weighted average widths and sizes by capturing each of the LMM's quote submission's width, bid size, ask size, and receipt time during the month. Also, the percentage of series quoted will be weighted for the time the series is available for quoting during a month. For example, if a series is only listed for three days during a month, the performance in that series is only weighted for those three days. Additionally, the Exchange will exclude 5% of the total quote time for all SPX series during the month in which the LMM was disseminating its widest quotes and smallest bid/ask sizes. This will allow the LMM to widen its quotes and decrease its bid/ask sizes consistent with its risk model in response to market events during ETH while retaining the opportunity to meet the quoting standard for the month.

The below example demonstrates the manner in which the Exchange determines the time-weighted average quote widths.

- Assume Series A and B are the only OTM series in SPX during a month.
- If an LMM submits the below 6 quotes in Series A and B during the entire month, the resultant time-weighted average quote width in Series A for the month is as follows:

	Quote Width (difference between the bid-ask)	Time (amount of time a quote is resting - in microseconds)	Quote Time Weight (excludes 5% of the time during which the widest quotes were disseminated)	Time-Weighted Quote Width (Quote Width* Quote Time Weight)	Time-Weighted Average Quote Width (Time-Weighted Quote Width/ Quote Time Weight)
Quote 1 (in A)	0.10	13,200	13,200	1,320	
Quote 2 (in A)	0.10	3,600	3,600	360	
Quote 3 (in B)	0.50	9,000	9,000	4,500	
Quote 4 (in B)	0.90	14,400	14,400	12,960	
Quote 5 (in B)	6.00	3,600	1,467	8,802	
Quote 6 (in B)	8.75	60	0	0	
Total		43,860	41,667	27,942	
					0.67

The time-weighted average quote width in OTM series for the month is 0.67; thus, the LMM in this example has met the OTM time-weighted average quote width to be eligible for the monthly payment, because its time-weighted average quote width is less than 0.75 for the month.

The Exchange determines the time-weighted average bid size and ask size in a similar manner. For example:

- Assume Series A and B are the only OTM series in SPX during a month.
- If an LMM submits the below 6 quotes in Series A and B during the entire month, the resultant time-weighted average quote width in Series A for the month is as follows:

	Bid Size	Time (amount of time a quote is resting- in microseconds)	Quote Time Weight (excludes 5% of the time during which the smallest quotes were disseminated)	Time-Weighted Bid Size (Bid Size*Quote Time Weight)	Time-Weighted Average Bid Size (Time-Weighted Bid Size/Quote Time Weight)
Quote 1 (in A)	25	13,200	13,200	330,000	
Quote 2 (in A)	20	3,600	3,600	72,000	
Quote 3 (in B)	10	9,000	9,000	90,000	
Quote 4 (in B)	10	14,400	14,400	144,000	
Quote 5 (in B)	5	3,600	1,467	7,335	
Quote 6 (in B)	2	60	0	0	
Total		43,860	41,667	643,335	
					15.4

The time-weighted average quote bid size in OTM series for the month is 15.4; thus, the LMM in this example has met the OTM time-weighted average quote bid size to be eligible for the monthly payment because its time-weighted average quote bid size is greater than 15 contracts for the month. The LMM would also need to satisfy the OTM average quote ask size, as well as the time-weighted average width, bid size, and ask size criteria in the ATM and ITM categories, determined in the same manner as described in the above example, to receive the monthly payment.

Whether a series is OTM, ATM, or ITM will depend on how far away the series' strike price is from the S&P 500 Index's previous day's closing value, measured as a percentage. The OTM, ATM and ITM moneyness percentages will vary by time to expiration based on the table below. Expirations 1-6 are the nearest term expirations and expirations 37-last are the farthest term expirations.

	OTM		**ATM**		**ITM**	
Expirations	Calls	Puts	Calls	Puts	Calls	Puts
Expiration 1 – 6	> 102%	< 98%	≤ 102% and ≥ 98%	≤ 102% and ≥ 98%	< 98%	> 102%
Expiration 7 – 12	> 103%	< 97%	≤ 103% and ≥ 97%	≤ 103% and ≥ 97%	< 97%	> 103%
Expiration 13 – 18	> 104%	< 96%	≤ 104% and ≥ 96%	≤ 104% and ≥ 96%	< 96%	> 104%

Expiration 19 – 24	> 105%	< 95%	≤ 105% and ≥ 95%	≤ 105% and ≥ 95%	< 95%	> 105%
Expiration 25 – 30	> 106%	< 94%	≤ 106% and ≥ 94%	≤ 106% and ≥ 94%	< 94%	> 106%
Expiration 31 – 36	> 107%	< 93%	≤ 107% and ≥ 93%	≤ 107% and ≥ 93%	< 93%	> 107%
Expiration 37 - last	> 108%	< 92%	≤ 108% and ≥ 92%	≤ 108% and ≥ 92%	< 92%	> 108%

For example, if the S&P 500 Index closes at 2200, all call options with a near-term expiration (i.e., Expiration 1 – 6) that have a strike price greater than 2244 are considered OTM calls because 102% of 2200 is 2244. Similarly, all put options with a near-term expiration that have a strike price of less than 2156 are considered OTM puts because 98% of 2200 is 2156. Which series are considered OTM, ATM, or ITM will be readjusted on a daily basis. For example, series A may be OTM on trading day 1-5 of the month, and the S&P 500 Index may appreciate to make series A an ATM series on day 6 and so on.

LMMs are not obligated to satisfy the heightened quoting standards described in the Fees Schedule or in Rule 8.15 during ETH. LMMs are eligible to receive a rebate if they satisfy the heightened standards described in the Fees Schedule, which the Exchange believes will encourage LMMs to provide liquidity during ETH. Additionally, the Exchange notes that LMMs may have to undertake other expenses to be able to quote at the heightened standard during ETH, such as purchase additional bandwidth.

The Exchange also seeks to amend Footnote 38 of the Fees Schedule to clarify that the rebate described in Footnote 38 is the pro-rata share of the compensation pool. Footnote 38 provides, in relevant part that "…the LMM will receive a rebate for that month and will receive a pro-rata share of a compensation pool equal…" which could suggest there is a rebate and a payment from the compensation pool. However, the rebate is the payment from the compensation pool. The Exchange believes replacing "and will receive" with "in the amount of" will provide more clarity.

Lastly, the LMM rebate program is currently described in Rule 6.1A(e)(iii)(C) and the Fees Schedule. The Exchange believes consolidating information related to the LMM rebate program in the Fees Schedule, and deleting the language in that rule that is redundant of language in the Fees Schedule, will prevent potential confusion that arises from having the rebate program described in multiple places. Specifically, the Exchange proposes to remove subparagraph (e)(iii)(C) and move the following language from subparagraph (e)(iii)(C) to Footnote 38 of the Fees Schedule:

Notwithstanding Rule 1.1(ccc), for purposes of Footnote 38, an LMM is deemed to have provided "continuous electronic quotes" if the LMM provides electronic two-sided quotes for 90% of the time during ETH in a given month. If a technical failure or limitation of a system of the Exchange prevents the LMM from maintaining, or prevents the LMM from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the LMM has satisfied the 90% quoting standard with respect to that option class. The Exchange may consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[5] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[6] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and

[5] 15 U.S.C. 78f(b).

[6] 15 U.S.C. 78f(b)(5).

coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[7] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to offer LMMs in SPX during ETH a rebate if they meet a certain heightened quoting standard (described above) to encourage LMMs in SPX to provide increased liquidity. More specifically, the Exchange believes the amount of the amended rebate ($30,000) is reasonable because it takes into consideration certain additional costs an LMM may incur and the Exchange believes the proposed amount is such that it will incentivize LMMs to meet the ETH quoting standards for SPX that are further heightened by this proposal. Additionally, if a LMM does not satisfy the heightened quoting standard, then it will not receive the rebate. The Exchange believes it is equitable and not unfairly discriminatory to only offer the rebate to LMMs because it benefits all market participants in ETH to encourage LMMs to satisfy the heightened quoting standards, which may increase liquidity during those hours and provide more trading opportunities and tighter spreads. Also, the Exchange believes consolidating information related to the LMM rebate program in the Fees Schedule will prevent potential confusion that arises from having the rebate program described in multiple places, which, in general, helps protect customers and the public interest. Finally, the Exchange believes clarifying language in

7 Id.

the Fees Schedule will also prevent potential confusion, which, in general, helps protect customers and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the amended rebate for ETH is intended to encourage market participants to bring liquidity in SPX during ETH (which benefits all market participants), while still covering Exchange costs (including those associated with the upgrading and maintenance of Exchange systems). Furthermore, the Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because SPX is a proprietary product that will only be traded on Cboe Options. To the extent that the proposed changes make Cboe Options a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become Cboe Options market participants.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[8] and paragraph (f) of Rule 19b-4[9] thereunder. At any time within 60 days of the filing of the

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8 15 U.S.C. 78s(b)(3)(A).

9 17 CFR 240.19b-4(f).

proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR- CBOE-2017-077 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2017-077. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2017-077, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[10]

Eduardo A. Aleman
Assistant Secretary

[10] 17 CFR 200.30-3(a)(12).