

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87215; File No. SR-CBOE-2019-071)

October 3, 2019

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make Minor Updates and Consolidate Various Exchange Rules in Connection with the Post-Transaction Process on the Exchange, and Move Those Rules from the Current Rulebook to Proposed Chapter 6 of the Shell Rulebook

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 September 26, 2019, 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 and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to make minor updates and consolidate various Exchange Rules in connection with the post-transaction process on the Exchange, and move those Rules from the currently effective Rulebook (“current Rulebook”) to proposed Chapter 6 of the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) (“shell Rulebook”). The text of the proposed rule change is provided in Exhibit 5.

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

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

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

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

1. Purpose

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) (“Cboe Global”), which is also the parent company of Cboe C2 Exchange, Inc. (“C2”), acquired Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX” or “EDGX Options”), Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the “Cboe Affiliated Exchanges”). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences, between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7,

2019. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

The Exchange proposes to consolidate various rules in connection with the post-execution processes on the Exchange into sections of proposed Chapter 6 (Post-Transaction Matters) in the shell Rulebook. The Exchange notes that in addition to consolidating and moving the various post-transaction related rules to proposed Chapter 6, the proposed rule change deletes the rules from the current Rulebook. The proposed rule change moves and, where applicable, consolidates the rules as follows:

Proposed Rule	Current Rule
6.1 Report Transactions to the Exchange 6.1(a), (b), (d), (e) 6.1(c) 6.1(f) 6.1(g) 6.1(h) 6.1(i) 6.1(j)	6.51 Reporting Duties 6.51.01 6.51.02 6.51.03 6.51.04 6.51.04 6.58 Submission of Trade Information to the Exchange
6.2 Transaction Reports; Users' Identities	Cboe Rule N/A; copied from C2 Rule 6.28, and substantively the same as EDGX Rule 21.10 and BZX Rule 21.10.
6.3 Unmatched Trade Reports 6.3(a) 6.3(b) 6.3(b) and (b)(1)-(4)	6.60 Unmatched Trade Reports 6.61 Reconciliation and Resolution of Unmatched Trades 6.61.01

6.3(c)	6.61.02
6.3(d)	6.61.03
6.3(e)	6.61.04
6.3(f)	6.61.05
6.3.(g)	10.1 Disagreement on Unmatched Trade
6.3(b)(3)(A)	21.16 Reconciliation of Unmatched Trades (Government securities options)
6.3(b)(3)(A)	23.11 Reconciliation of Unmatched Trades (interest rate options)
6.4 Reporting of Trades to OCC	
6.4(a)	6.50 Submission for Clearance
6.4(b)	6.63 Reporting of Matched Trades to Clearing Corporation; conforms language to C2 Rule 6.27.
6.5 Nullification and Adjustment of Option Transactions Including Obvious Errors	6.25 Nullification and Adjustment of Options Transactions including Obvious Errors
6.5.09	29.15 Nullification and Adjustment of Credit Option Transactions
6.20 Exercise of Option Contracts	
6.20(a)-(b)	11.1(a)-(b) Exercise of Option Contracts
6.20(c)	11.1(c)(1)
6.20(d)	11.1(c)(2)-(3) and (d)
6.20(e)	24.18 Exercise of American-style Index Options
6.20(f)	20.11 Exercise of Range Options
6.20(g)	22.15 Automatic Exercise of Binary Option Contracts
6.20(h)	29.9 Determination of Credit Event, Automatic Exercise and Settlement (Credit Options)
6.20.01-07	11.1.01-.07
6.21 Allocation of Exercise Notices	
6.21(a)-(c)	11.2 Allocation of Exercise Notices
6.21(d)	21.23 Allocation of Exercise Assignment Notices (Government security options)

6.21(e)	28.14 Allocation of Exercise Assignment Notices (Corporate Debt Security options)
6.21(f)	22.15 and 29.9 (last sentences)
6.22 Delivery and Payment	
6.22(a)	11.3 Delivery and Payment
6.22(b)	21.24 Delivery and Payment (Treasury Bonds and Notes) i.e., Government securities options
6.22(c)	28.15 Delivery and Payment (Corporate Debt Security options)
6.21(d)	22.15 (last sentence)

The proposed rule changes, indicated in the table above, generally make only non-substantive changes to the rules (see below for a description of the one proposed additional rule, Rule 6.2). Overall, the proposed rule change makes only non-substantive rule changes in order to update headings, update references to other rule text that will be implemented upon migration, update certain technical text formatting that will be used in the Rules upon migration (specifically, changing all times to Eastern Time without time zone indication pursuant to Rule 1.1 in the shell Rulebook which states that unless otherwise specified, all times in the Rules are Eastern Time), incorporate defined terms, and reformat the paragraph lettering and/or numbering.

The proposed rule change updates the language in current Rule 6.51.01 (proposed Rule 6.1(c)(1)) to remove the language providing that a seller in each transaction (or buyer if designated by the Exchange) may submit a paper form copy of the transaction to the price reporting belt, which is no longer in existence, and instead provide that the seller (or buyer) may provide a paper copy form to the price reporting authority on the Exchange floor, the manner in which paper form copies are currently submitted. This does not substantially alter the manner in which a participant reports paper form copies, but merely updates the

provisions under proposed Rule 6.1 to reflect the current terms and process for paper form reporting, thereby providing additional clarity for market participants. The proposed rule change also deletes from current Rule 6.58 (proposed Rule 6.1(j)) the language that provides for the submission of trade information on a diskette or tape. These mediums are out-of-date and are no longer used by the Exchange or by its Trading Permit Holders (“TPHs”). Therefore, the removal of this language does not substantively alter the application of this rule but merely updates it to accurately reflect the manner in which trade information is currently submitted to the Exchange today.

The Exchange also notes that proposed Rule 6.4(b) governs the Exchange’s submission of trades to the Options Clearing Corporation (“OCC”) and is substantively the same as current Rule 6.63, it merely updates the rule language by means of conforming it to corresponding C2 Rule 6.27. The proposed rule change also makes a non-substantive change in removing current Rule 15.2 which states that each TPH shall submit to the Exchange on each business day a report of all transactions made by it during said business day, and that the Exchange may, in its discretion, deem this requirement to be satisfied by the reports required to be filed under the provisions of (current) Rule 6.51(d). The proposed rule change deletes this provision because the Exchange does not administer separate requirements under this rule but instead deems the reports under current Rule 6.51(d) (proposed Rule 6.1(d)) satisfactory. Therefore, Rule 15.2 is redundant of proposed Rule 6.1(d). The Exchange notes that current Rule 15.2 does not require or provide any additional transaction reporting information or instruction for TPHs. Instead, proposed Rule 6.1(d), unlike current Rule 15.2, specifically details the trade information required from TPHs in each business day’s transaction report, thereby providing sufficiently clear and specific

transaction reporting instructions for market participants. Likewise, the proposed rule change deletes current Rule 24.15 as it is redundant of the current (and shell) rules governing automatic execution of options on the Exchange. Current Rule 24.15 states that Rule 6.13 (shell Rules 5.8 and 5.32) governs the automatic execution of index options trading on the Hybrid System (or, the System as defined in shell Rule 1.1). Current Rule 6.13 (shell Rules 5.8 and 5.32) already governs the automatic execution, including order priority and allocation, of all options trading on the System.

Additionally, the proposed rule change adds proposed Rule 6.2, which is the same as C2 Rule 6.28. Proposed Rule 6.2 states the System sends to a User aggregated and individual transaction reports for the User's transactions, which reports include transaction details; the contra party's EFID, clearing TPH account number, and Capacity; and the name of any away exchange if an order was routed for execution. The Exchange reveals a User's identity when a registered clearing agency ceases to act for a participant, or the User's Clearing TPH, and the registered clearing agency determines not to guarantee the settlement of the User's trades, or for regulatory purposes or to comply with an order of an arbitrator or court. The Exchange currently sends out transaction reports containing similar information, and the Exchange believes including this information in the Rules will provide more transparency to market participants regarding these reports. As indicated above, the proposed rule is consistent with C2 Rule 6.28 and is substantively the same as EDGX Rule 21.10 and BZX Rule 21.10. The proposed rule change is consistent with current Exchange and options industry practices including the fact that clearing information available through OCC provides contra-party information, as well as the ability of a User to disclose its identity on orders.

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 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.

The proposed rule change is generally intended to consolidate and update the Exchange’s rules in anticipation of the technology migration on October 7, 2019. Generally, the proposed rule change does not make any substantive changes to the current Exchange Rules. The Exchange notes that the one proposed additional rule, proposed Rule 6.2, is an Exchange practice already in place and is designed to provide market participants with additional transparency in the Rules. Additionally, proposed Rule 6.2 is substantively the same as C2 Rule 6.28, EDGX Rule 21.10, and BZX Rule 21.10.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

⁷ Id.

Likewise, proposed Rule 6.4(b) is substantially the same as current Rule 6.63 and merely conforms language to match that of corresponding C2 Rule 6.27. The proposed rule change seeks to provide greater harmonization between the rules of the Cboe Affiliated Exchanges, which would result in greater uniformity, less burdensome and more efficient regulatory compliance, and increase the understanding of the Exchange's operations for Exchange participants that are also participants on the Cboe Affiliated Exchanges. The Exchange believes that the non-substantive majority of the proposed changes, which update technical text and formatting (e.g. paragraph headings and time-related references), update rule cross-references, consolidate, reorganize and make consistent rules and rule paragraphs and/or Interpretations and Policies, incorporate defined terms, and remove out-of-date processes and redundant rules that are already provided for under other rules in greater detail and clearer instruction, will also foster cooperation and coordination with those facilitating transactions in securities and remove impediments to and perfect the mechanism of a free and open market and national market system by simplifying the Exchange Rules and Rulebook as a whole, and making its Rules easier to follow and understand, likewise resulting in less burdensome and more efficient regulatory compliance.

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 reiterates that the proposed rule change is being proposed in the context of a technology migration of the Cboe Affiliated Exchanges, and not as a competitive filing. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition because, largely, it does not make any

substantive changes to the current Exchange Rules, and the one additional rule proposed is already an Exchange practice and is consistent with the rules of the Cboe Affiliated Exchanges. The proposed rule change merely intends to provide consolidated rules upon migration and are consistent with the terms, rules, and formatting presented in the shell Rulebook that will be in place come October 7, 2019. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition because the proposed rules are the same as the Exchange's current rules, and the one proposed additional rule is consistent with the rules of the Cboe Affiliated Exchanges, all of which have all been previously filed with the Commission.

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

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

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁸ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁹

⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹¹ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that it may implement the proposed rule change in connection with the technology migration on October 7, 2019. According to the Exchange, waiver of the operative delay will help to avoid any potential confusion by providing investors with a complete Exchange Rulebook upon the completion of migration. The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest because the proposed rule change raises no new or novel issues and makes only non-substantive changes to the rules. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.¹²

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or 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.

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2019-071 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-2019-071. 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-2019-071 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.¹³

Jill M. Peterson
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).