

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87229; File No. SR-CBOE-2019-088)

October 4, 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 Trading Permit Holder Registration and with Doing Business with the Public, and Move Those Rules from the Currently Effective Rulebook to Proposed Chapter 9 and, in part, Chapter 3 of the Shell Structure for the Exchange's Rulebook that will Become Effective Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges

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 October 3, 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 Trading Permit Holder ("TPH") registration and with doing business with the public, and move those Rules from the currently effective Rulebook ("current Rulebook") to proposed Chapter 9 and, in part, Chapter 3

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).

of the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s 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 current Chapter 9 in connection with doing business with the public and TPH registration into proposed Chapter 9 (Doing Business With the Public), as well as proposed Section B of Chapter 3 (TPH Registration), in the shell Rulebook. The Exchange notes that in addition to consolidating and moving the various rules related to doing business with the public to proposed Chapter 9 and those related to TPH registration to proposed Section B of Chapter 3, the proposed rule change deletes the rules from the current Rulebook. The proposed rule change moves and, where applicable, consolidates the rules as follows:

Shell Rule	Current Rule
CHAPTER 3. TPH MEMBERSHIP, REGISTRATION, AND PARTICIPANTS	
SECTION B. TPH REGISTRATION	
3.33 Continuing Education for Registered Persons	
3.33(a)-(c)	9.3A Continuing Education for Registered Persons
3.33(d)	9.3A.01
3.33(e)	9.3A.02
3.33(f)	9.3A.03
3.33(g)	9.3A.04
3.35 Exchange Approval	9.1 Exchange Approval; 21.19A Doing Business with the Public (government securities options, provision in connection with Rule 9.1)
3.36 Registration of Options Principals	
3.36(a)	9.2 Registration of Options Principals; 21.19A Doing Business with the Public (government securities options, provision in connection with

3.36(b)	Rule 9.2) 9.2.01
3.36(c)	9.2.02
3.37 Registration and Termination of Representatives	9.3 Registration and Termination of Representatives
3.37(a)-(c)	
3.37(d)	9.3.01
3.37(e)	9.2.02
3.38 Other Affiliations of Registered Associated Persons	9.4 Other Affiliations of Registered Associated Persons
3.39 Discipline, Suspension, Expulsion of Registered Persons	9.5 Discipline, Suspension, Expulsion of Registered Persons
3.40 Branch Offices of TPH Organizations	
3.40(a)-(b)	9.6 Branch Offices of TPH Organizations
3.40(c)-(g)	9.6.01
CHAPTER 9. DOING BUSINESS WITH THE PUBLIC	
9.1 Opening of Accounts	
9.1(a)-(f)	9.7 Opening of Accounts
9.1(b)(1)	9.7.01
9.1(b)(2)	9.7.02
9.1(c) last sentence in paragraph	9.7.03
9.1(g)	9.7.04
9.1(h)	21.19A Doing Business with the Public (government securities options, provision in connection with Rule 9.7)
9.2 Supervision of Accounts	
9.2(a)-(h)	9.8 Supervision of Accounts
9.2(g), included as last sentence	9.8.03

9.2(i)-(j)	9.8.01-.02
9.2(k)	21.19A Doing Business with the Public (government securities options, provision in connection with Rule 9.8)
9.3 Suitability of Recommendations	
9.3(a)-(b)	9.9 Suitability of Recommendations
9.3(c)	9.9.01
9.4 Discretionary Accounts	
9.4(a)-(e)	9.10 Discretionary Accounts
9.4(f)	9.10.01
9.5 Confirmation to Customers	9.11 Confirmation to Customers
9.6 Statements of Accounts to Customers	
9.6(a)	9.12 Statements of Accounts to Customers
9.6(b)	9.12.01
9.7 Statements of Financial Condition to Customers	9.13 Statements of Financial Condition to Customers
9.8 Addressing of Communications to Customers	9.14 Addressing of Communications to Customers
9.9 Delivery of Current Options Disclosure Documents	9.15 Delivery of Current Options Disclosure Documents
9.10 Restrictions on Pledge and Lending of Customers' Securities	9.16 Restrictions on Pledge and Lending of Customers' Securities
9.11 Transactions of Certain Customers	9.17 Transactions of Certain Customers
9.12 Prohibition Against Guarantees and Sharing in Accounts	9.18 Prohibition Against Guarantees and Sharing in Accounts
9.13 Assuming Losses	9.19 Assuming Losses
9.14 Transfer of Accounts	
9.14(a)-(g)	9.20 Transfer of Accounts
9.14(h)-(i)	9.20.01-.02

9.15 Options Communications	
9.15(a)-(e)	9.21 Options Communications
9.15(e)(3)	9.21.01
9.15(f)	9.21.02
9.15(g)	9.21.03
9.15(h)	9.21.04
9.16 Brokers' Blanket Bonds	9.22 Brokers' Blanket Bonds, and introductory language to 9.22.01
9.16(a)	9.22.01(a)
9.16(b)	9.22.01(b)
9.16(c)	9.22.01(c)
9.16(d)	9.22.01(d)
9.16(e)	9.22.01(e)
9.17 Customer Complaints	9.23 Customer Complaints
9.18 Telemarketing	
9.18(a)-(n)	9.24 Telemarketing
9.18(o)	9.24.01-.02
9.19 Borrowing From or Lending to Customers	9.25 Borrowing from or Lending to Customers

The proposed rule changes make only non-substantive changes to the rules in order to update headings that better flow with the consolidated rules, update cross-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 (e.g., using words for numbers below 10 in the text and numerals for numbers above 10 in the text), incorporate defined terms, and reformat the paragraph lettering and numbering. The proposed change removes an expired clause under current Rule 9.3A(a)(3) (proposed Rule 3.33(a)(3)) which currently states that, until January 4,

2016, the Exchange will offer the S501 Series 56 Proprietary Trader Continuing Education Program for Series 56 registered persons, and the S101 General Program for Series 7, Series 57, and all other registered persons. The proposed rule also makes non-substantive changes in connection with removing a redundant rule. The proposed rule change removes Rule 28.13 which states that the rules in Chapter 9 have a parallel application to Corporate Debt Security options, as this is redundant of the Chapter itself and its applicability to all options trading on the Exchange. It also removes the language under current Rule 21.19A regarding current Rule 9.15, which states that Rule 9.15 requires delivery of the current options disclosure document, because this is redundant of Rule 9.15 itself.

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

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

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 does not make any substantive changes to the rules and is merely intended to consolidate, reorganize, and make non-substantive updates to the Exchange's rules in anticipation of the technology migration on October 7, 2019. The Exchange believes that the non-substantive proposed changes, which update technical text and formatting (e.g. paragraph headings and number-related references), update rule cross-references, consolidate and reorganize rules and rule paragraphs and/or Interpretations and Policies, and remove an expired clause and a redundant rule that is integrally provided for in the Chapter in which it references, will 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, which will also result 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 it does not make any substantive changes to the current Exchange Rules. The proposed rule change merely intends to provide consolidated rules upon migration and are

⁷ Id.

consistent with the technical text and formatting 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, 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) of the Act⁸ and Rule 19b-4(f)(6) thereunder.⁹

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 the Exchange may implement the proposed rule change at the time of its anticipated October 7, 2019 system migration. The Exchange believes that

⁸ 15 U.S.C. 78s(b)(3)(A).

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.

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

waiver of the operative delay is appropriate because, as the Exchange discussed above, its proposal does not make any substantive changes to the Exchange's rules. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal does not raise any 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 as 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.

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-2019-088 on the subject line.

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

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-2019-088. 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-2019-088 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).