

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87261; File No. SR-CBOE-2019-096)

October 9, 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 Business Conduct on the Exchange, and Move those Rules from the Currently Effective Rulebook to Proposed Chapter 8 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 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 4, 2019, Cboe Exchange, Inc.

("Exchange" or "Cboe Options") filed with the Securities and Exchange Commission

("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 Act<sup>3</sup> and Rule 19b-4(f)(6)

thereunder.<sup>4</sup> 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 business conduct on the Exchange, and move those Rules from the currently effective Rulebook ("current Rulebook") to proposed Chapter 8 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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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 4 and various other current rules in connection with business conduct on the Exchange into sections of proposed Chapter 8 (Business Conduct) in the shell Rulebook. The Exchange notes that in addition to consolidating and moving the various rules related to business conduct to proposed Chapter 8, 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   |
|--|--|
| SECTION A. GENERAL CONDUCT                           |  |
| 8.1 Just and Equitable Principles of Trade           | 4.1 Just and Equitable Principles of Trade                     |
| 8.2 Adherence to Law                                 | 4.2 Adherence to Law   |
| 8.3 Gratuities                                       | 4.4 Gratuities   |
| 8.4 Nominal Employment                               | 4.5 Nominal Employment   |
| 8.5 False Statements                                 | 4.6 False Statements   |
| 8.6 Manipulation                                     | 4.7 Manipulation   |
| 8.7 Rumors   | 4.8 Rumors   |
| 8.8 Disciplinary Action by Other Organizations       | 4.9 Disciplinary Action by Other Organizations                 |
| 8.9 Other Restrictions on Trading Permit Holders     | 4.10 Other Restrictions on Trading Permit Holders <sup>5</sup> |
| 8.10 Prevention of the Misuse of Material, Nonpublic | 4.18 Prevention of the Misuse of Material,                     |

<sup>5</sup> See Securities Exchange Act Release No. 86910 (September 19, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 4.10(b) Regarding the Notice Requirement in Connection with Trading Permit Holders that Clear Market-Maker Trades) (SR-CBOE-2019-055). The changes in SR-C2-2019-015 are currently effective but not yet operative; however, the proposed rule changes assume operativeness of those effective changes.

| Information  | Nonpublic Information   |
|--|---|
| 8.11 Prohibition Against Harassment  | 4.19 Prohibition Against Harassment   |
| 8.12 Anti-Money Laundering Compliance Program                                      | 4.20 Anti-Money Laundering Compliance Program   |
| 8.13 Third Party Deposits Prohibited   | 4.21 Third Party Deposits Prohibited  |
| 8.14 Communications to the Exchange or the Clearing Corporation                    | 4.22 Communications to the Exchange or the Clearing Corporation                               |
| 8.15 Unbundling of Orders to Maximize Rebates of Fees                              | 4.23 Unbundling of Orders to Maximize Rebates of Fees   |
| 8.16 Supervision   | 4.24 Supervision  |
| 8.17 Proxy Voting  | 4.25 Proxy Voting   |
| 8.18 Failure to Pay Premium <sup>6</sup>   | 10.3 Failure to Pay Premium   |
| 8.20 Prohibition Against Customers Functioning as Market-Makers                    | 6.8 Prohibition Against Customers Functioning as Market-Makers                                |
| 8.21 Multiple Representation Prohibited  | 6.55 Multiple Representation Prohibited   |
| 8.22 Trading by Trading Permit Holders on the Floor                                | 6.22 Trading by Trading Permit Holders on the Floor   |
| <b>SECTION B. POSITION LIMITS, EXERCISE LIMITS, LIQUIDATION AND REPORTS</b>        |   |
| 8.30 Position Limits   | 4.11 Position Limits  |
| 8.31 Position Limits for Broad-Based Index Options                                 | 24.4 Position Limits for Broad-Based Index Options  |
| 8.32 Position Limits for Industry Index Options                                    | 24.4A Position Limits for Industry Index Options  |
| 8.33 Position Limits for Position Limits for Options on Micro Narrow-Based Indexes | 24.4B Position Limits for Options on Micro Narrow-Based Indexes As Defined Under Rule 24.2(d) |
| 8.34 Position Limits for Individual Stock or ETF                                   | 24.4C Position Limits for Individual Stock or   |

<sup>6</sup> The Exchange notes that Rule 8.25 (Restriction on Acting as Market-Maker and Floor Broker) is currently in the shell Rulebook, and the proposed rule change merely updates the rule number to Rule 8.19 to fit within the structure of proposed Chapter 8 in its entirety.

| Based Volatility Index Options  | ETF Based Volatility Index Options   |
|---|--|
| 8.35 Position Limits for FLEX Options   | 24A.7(a)-(c) Position Limits and Reporting Requirements [FLEX options, provisions regarding position limits]   |
| 8.36 Position Limits for Binary Options   | 22.6 Position Limits [binary options]  |
| 8.37 Position Limit for Range Options   | 20.6 Position Limits [range options]   |
| 8.38 Position Limits for Corporate Debt Security Options  | 28.2 Position Limits [corporate debt security options]   |
| 8.39 Position Limits for Credit Options   | 29.5 Position Limits [credit options]  |
| 8.40 Position Limits for Government Security Options  | 21.3 Position Limits [Treasury Bonds and Notes]  |
| 8.41 Position Limits on Interest Rate Options   | 23.3 Position Limits [interest rate options]   |
| 8.42 Exercise Limits<br>8.42(a)<br>8.42(b)<br>8.42(c)<br>8.42(d)<br>8.42(e)<br>8.42(f)<br>8.42(g)<br>8.42(h)  | 4.12 Exercise Limits<br>24.5 Exercise Limits [index options, including Interpretations and Policies]<br>20.8 Exercise Limits [range options]<br>28.3 Exercise Limits [corporate debt security options]<br>21.4 Exercise Limits [government security options]<br>23.4 Exercise Limits [interest rate options]<br>24A.8 Exercise Limits [FLEX options]<br>22.7 Exercise Limits [binary options], and 29.7 Exercise Limits [credit options] |
| 8.43 Reports Related to Position Limits<br>8.43(a)-(d)<br>8.43(e)<br>8.43(f)<br>8.43(g)<br>8.43(h)<br>8.43(i) | 4.13 Reports Related to Position Limits<br>20.7 Reports Related to Position Limits and Liquidation of Positions [range options]<br>22.8 Reports Related to Position Limits and Liquidation of Positions [binary options]<br>28.4 Reports Related to Position Limits and Liquidation of Positions [corporate debt security options]<br>29.6 Reports Related to Position Limits and  |

|   |  |
|---|--|
| 8.43(j)   | Liquidation of Positions [credit options]<br>21.5 Reports Related to Position Limits and Liquidation of Positions (Treasury Bonds and Notes) [government security options]<br>24A.7(d) Position Limits and Reporting Requirements [FLEX options, provision regarding reporting requirements] |
| 8.44 Liquidation of Positions   | 4.14 Liquidation of Positions  |
| 8.45 Limit on Outstanding Uncovered Short Positions                                     | 4.15 Limit on Outstanding Uncovered Short Positions  |
| 8.46 Other Restrictions on Options Transactions and Exercises<br>8.46(a)-(b)<br>8.46(c) | 4.16 Other Restrictions on Options Transactions and Exercises<br><br>22.9 Other Restrictions on Binary Options Transactions, and 24.10 Restrictions on Contracts [index options]   |

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 references to other rule text that will be implemented upon migration, as well as correct inaccurate references, 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 1.6 in the shell Rulebook which states that unless otherwise specified, all times in the Rules are Eastern Time), and reformat the paragraph lettering and numbering.

The proposed rule also makes non-substantive changes in connection with removing redundant rules and rule language. The proposed rule change removes Rule 29.8 which states that current Rule 4.16 (proposed Rule 8.46) shall be applicable to Credit Options, as this is redundant of the rule itself. The proposed change also removes redundant language under current Rules 21.5, 28.4, and 29.6, in connection with Government security options, Corporate Debt

Security options, and Credit Options, respectively. The proposed rule change removes the language under each that states that the respective rule supplements current Rules 4.13 and 4.14. This language is redundant given the fact that these rules are being consolidated into the rules in which they reference and, as described below, the rules in which they reference are being updated so that they clearly cover Government security, Corporate Debt Security, and Credit options. The proposed rule change also removes the introductory clause (“in determining compliance with Rule 4.12”) to current Rules 28.3, 21.4, 23.4, and 24A.8, because, as indicated in the table above, these rules will be consolidated into current Rule 4.12 (proposed Rule 8.42) which would make this language redundant. Additionally, the proposed rule change removes the language under current Rules 21.5, 28.4, and 29.6 that states that for the purposes of current Rules 4.13 and 4.14 (proposed Rules 8.43 and 8.44), references to current Rule 4.11 (proposed Rule 8.30) in connection with position limits shall be deemed, in the case of each respective option type, to be to the current position limit rule that governs that option type (e.g., in the case of Credit Options, references to current Rule 4.11 are deemed to be to current Rule 29.5). Instead, the proposed rule change replaces the references to current Rule 4.11 in proposed Rules 8.43 and 8.44 with the phrase “the applicable position limits Rule”, thereby encompassing the position limit provision for all respective options types and eliminating the need for the existing multiple cross-reference language in currently in Rules 21.5, 28.4, 29.6. Likewise, the proposed rule change removes the provision under current Rule 21A.7 which states that Rule 24A.7 supplements current Rule 4.11 generally, but supersedes Interpretations .02 and .04 of current Rule 4.11 and all of current Rules 24.4, 24.4A, 24.4B, 24.4C and 29.5 except to the extent those Rules are referred to in this rule. The Exchange proposes to remove the language in the above-described rules, as it believes the multiple layers of cross-references are unnecessarily

cumbersome and potentially confusing for investors. It believes the proposed consolidated rules with updated and more concise cross-references make the proposed rules clear as to the specific position limit provisions that apply to different types of options.

## 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.<sup>7</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>8</sup> 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)<sup>9</sup> 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 nonsubstantive 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 time-related references), update rule cross-references, correct inaccurate

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> Id.



rule cross-references, consolidate and reorganize rules and rule paragraphs and/or Interpretations and Policies, and remove redundant and/or cumbersome provisions that are potentially confusing for market participants, particularly in light of the consolidated shell Rulebook format, 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 consistent 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 substantively 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 Act<sup>10</sup> and Rule 19b-4(f)(6) thereunder.<sup>11</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>12</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>13</sup> the Commission may 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 proposal may become operative upon filing. As the Exchange represents above, the proposed rule change would consolidate current Chapter 4 and various other current rules in connection with business conduct on the Exchange into sections of proposed Chapter 8 (Business Conduct) in the shell Rulebook and would make only non-substantive changes to the relocated 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. The Commission therefore waives the 30-day operative delay and designates the proposal

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 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.

<sup>12</sup> Id.

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).

operative upon filing.<sup>14</sup>

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.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2019-096 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-2019-096. 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

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<sup>14</sup> 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).

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, DC 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-2019-096, 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.<sup>15</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).