SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-89063; File No. SR-CBOE-2020-052)

June 12, 2020

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change Relating to Amend Rules 5.37, 5.38 and Rule 5.73

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 June 3, 2020, 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

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend Rules 5.37, 5.38 and Rule 5.73. 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

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

2 17 CFR 240.19b-4.

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

The Exchange proposes to amend Rule 5.38 and Rule 5.73 regarding the minimum increment for Complex Automated Improvement Mechanism ("C-AIM") and FLEX AIM Auction responses, respectively, in connection with SPX Combo Orders, as well as Rule 5.37, Rule 5.38, and Rule 5.73 in connection with dissemination of the stop price in auction notification messages for auctions in SPX.

By way of background, the Exchange recently activated the Automated Improvement Mechanism ("AIM") and C-AIM Auctions in S&P 500 Index ("SPX") options.[3] When submitting an Agency Order into a C-AIM Auction, the Initiating Member must also submit a contra-side second order for the same size as the Agency Order. This second order guarantees that the Agency Order will receive an execution (i.e., it acts as a stop). Upon commencement of a C-AIM Auction, market participants submit responses to trade against the Agency Order. At the end of an auction, depending on the contra-side interest available, the contra order may be allocated a certain percentage of the Agency Order.[4]

When the Exchange is operating in its normal trading environment, the Exchange has not activated C-AIM (or AIM) in SPX,[5] thus all non-FLEX crossing transactions in SPX were

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3 The Exchange notes FLEX AIM in SPX had been activated prior to March 16, 2020.

4 See generally Rule 5.38(e). The Exchange notes, too, that the same process applies to the FLEX AIM Auction pursuant to the FLEX Rules. See generally Rule 5.73(e).

5 The Exchange had activated C-AIM and AIM in SPX for the first time as a result of the March 16, 2020 trading floor suspension to help prevent the spread of COVID-19 and operated in an all-electronic configuration beginning March 16, 2020. Currently, the

previously only able to occur on the trading floor. Therefore, Trading Permit Holders may cross orders only in open outcry on the trading floor. Pursuant to Rule 5.87(f), a floor broker holding an order for the eligible order size is entitled to cross a certain percentage[6] of the order with facilitated (and solicited orders, if designated by the Exchange for a class) after satisfying public customer orders[7] if the order trades at or between the best bid or offer given by the crowd in response to the floor broker's initial request for a market. Specifically, a floor broker representing an order of the eligible order size or greater that he wishes to cross (and the percentage of which he is entitled to cross) must request bids and offers for such option series and make all persons in the trading crowd, including the PAR Official, aware of his request. In this way, the crossing mechanism on the trading floor allows for the trading crowd to control the price of a crossing order and indicates to responding TPHs and the crossing floor broker a reasonable range at which the market is willing to buy (sell) at that point in time. This provision is subject to the crossing rules in Rule 5.86 (subject to certain exceptions), which require disclosure of all terms and conditions to the crowd (including the price) prior to executing a cross.[8]

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trading floor is scheduled to reopen June 15, 2020. The Exchange intends to activate AIM and C-AIM in SPX as electronic crossing mechanisms available for Users while the trading floor is open, subject to approval of this proposed rule change and separate proposed rule changes regarding AIM and C-AIM.

6 Currently, the Exchange has set the percentage as 40% (the same crossing entitlement percentage as on AIM, C-AIM, and FLEX AIM). See CBOE Regulatory Circular RG16-179, Participation Entitlement Applicable to Crossing Orders in Open Outcry (November 18, 2016) available at https://www.cboe.com/publish/RegCir/RG16-179.pdf.

7 Similarly, the AIM and C-AIM percentage applies after public customer orders are satisfied. See Rules 5.37(e) and 5.38(e).

8 See Rule 5.87, Interpretation and Policy .05.

Moreover, orders in SPX generally take on greater risk than in other option classes. SPX options tend to have a higher notional value than options in other classes (e.g., they are ten times the notional size of SPY options), trade much larger size than in other options classes (indeed, even smaller sized orders in SPX would be considered fairly large size in other classes), and effect increasingly more complex strategies than executed in other classes (e.g., SPX Combo orders) or executed electronically (e.g., in open outcry complex orders trade with larger ratios that may be negotiated by the trading crowd). Given these factors, SPX Market-Makers on the floor generally have more confidence in the pricing of their responses as the crosses start with a request for market and the trading crowd then provides a "ballpark" of the prices at which they are willing to trade and a Market-Maker may thus more confidently base response on the market of other members of the trading crowd.

Pursuant to Rules 5.4(b) and 5.33(f)(1)(A), the minimum increment for bids and offers on complex orders in options on SPX[9] is $0.05 or greater, or in any increment determined by the Exchange. When seeking to cross SPX complex orders on the trading floor, a floor broker generally identifies the legs of the complex order and their relative sizes to each other with a net package price. The Exchange understands the trading crowd then generally provides a market based on the strategy's theoretical value in an increment of $0.05 rather than the value of the net package (which equals the strategy times the ratio), which is particularly true when the complex order represented is a delta neutral order that includes a combo. The Exchange has observed that SPX Combos comprise a significant portion of crosses in SPX.[10] For example, assume a floor broker represents a $4.00 option tied to a combo, with a ratio of 8-to-1 combo (i.e. 12.5 delta),

9 Except for box/roll spreads.

10 In April 2020, SPX Combos comprised 60.5% of crossed volume executed in SPX via AIM while the trading floor was inoperable.

and further assume the combo portion is priced as a package at even,[11] which strategy has a theoretical value of $4.00, which is applied to each of the 8 options in the order. Members of the trading crowd then generally respond with markets based on a $0.05 increment above or below the theoretical value of $4.00 rather than the net package price of $32.00 (8 x $4.00). If the execution price occurred at $4.50, the net cash price would be $36.00, providing for $4.00 price improvement (i.e. $0.50 x 8 options) over the theoretical value of the strategy. However, if this order is submitted via C-AIM, responses are generally based on a $0.05 increment above or below $32.00. If the execution price was $32.50, the price improvement above the theoretical price for the strategy would be approximately $0.06 ($0.50 / 8).

Since the Exchange activated C-AIM for SPX options, a significant amount of SPX volume has executed through C-AIM. As noted above, the Exchange has also observed that a majority of the complex strategies submitted for execution in SPX options are "delta neutral," often hedged with a "combo" of other SPX options, as is the case with complex orders crossed on the trading floor. An SPX Combo Order is a complex order that includes one or more SPX legs, hedged by an SPX combo, or synthetic future, defined by the delta. Specifically, an "SPX combination" is a purchase (sale) of an SPX call and a sale (purchase) of an SPX put with the same expiration date and strike price, and "delta" is the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with one or more SPX option series.[12]

Currently, Rule 5.38(c)(5)(A) and Rule 5.38(a)(4) provide that the minimum price increment for C-AIM responses and Agency and Initiating Orders, respectively, must be in an

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11 The Exchange also notes that it intends to implement Index Combo Orders when it reopens its trading floor. See Rule 5.33(b).

12 See Rule 5.6(b).

increment the Exchange determines on a class basis – which, as described above, is $0.05 in SPX options.[13] The Exchange notes that the corresponding FLEX AIM Rules 5.73(c)(5)(A) and 5.73(a)(4) provide the same for FLEX AIM Auctions. However, unlike on the trading floor, market participant responses using this increment have generally improved the net package price (based on then-current leg markets) by the minimum increment of $0.05. While members of the trading crowd on the trading floor are permitted to improve the net package price (based on then-current leg markets) by the minimum increment of $0.05 under the Rules, that is not the common practice, as noted above. The Exchange believes this is because the parties to an electronic complex order trade may compete only with respect to the net price and are not able to negotiate the leg prices.

For example, consider an SPX complex strategy to buy 8 of the June 2600/2550 SPX put spreads tied to one June 2660 Combo, using a delta of 5. Consider that the desired starting price of the put spread is $15.50 by 8 with the combo trading at even (i.e. zero). If the strategy was executed on the trading floor, the broker would first ask for a market for the June 2600/2550 put spread tied to the 2660 combo, and the trading crowd might, for example, price the 2600 leg at 16-17, the 2550 leg at 1-3, and the combo at 20-22 and 20-22 (or, even). Based off the market provided, an in-crowd Market-Maker could then respond to the package at 13-16, which equates to buying the 2660 leg at 16 and selling the 2550 leg at 3 and then selling the 2600 leg at 17 and buying the 2550 leg at a dollar. The trading crowd's responses would not include the combo, instead, the combo at even is "tied up" to, or in addition to, the package price. The broker would then be able to indicate their size and direction for the put spread (i.e., their contra) based off the

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13 The System rejects a C-AIM response or Agency or Initiating Order that is not in the applicable minimum increment.

market given by the trading crowd; in this example, that they would pay 15.50 for 8. Open outcry auction responses would then be priced in $0.05 increments below $15.50, per spread. However, the same strategy submitted into a C-AIM Auction must currently be entered as one package, inclusive of the combo, for a net price of $124.00 ($15.50 x 8). In this example, the broker would submit the Agency Order and contra-side order(s) simultaneously to commence the Auction. C-AIM Auction responses would then join the $124.00 package price or occur in $0.05 below the $124.00 package price, thus price improved by $123.95, an improvement of only a quarter penny per spread (i.e. $0.05/8).

In addition to this, current Rules 5.37(c)(2), 5.38(c)(2), and 5.73(c)(2) provide that the System initiates the AIM, C-AIM, and FLEX AIM Auction processes, respectively, by sending an auction notification message detailing the side, size, Auction ID, options series (additionally, in the case of C-AIM Auctions, complex strategy, and in the case of FLEX AIM Auctions, length of the auction period and complex strategy, as applicable) of the Agency Order to all Users that elect to receive AIM, C-AIM, or FLEX AIM Auction notification messages. AIM, C-AIM, and FLEX AIM Auction notification messages are not included in the disseminated BBO (in connection with AIM Auctions) or OPRA. As such, the stop price of an Agency Order is not currently included in auction notification messages. The Exchange believes that lack of an indication of where an auction is set to begin, like the ballpark figure provided by the trading crowd when crossing on the trading floor, may cause apprehension in pricing competitive responses during the electronic auctions in SPX, which may reduce liquidity and price improvement during such auctions.

The Exchange is considering activating AIM and C-AIM in SPX when it reopens the trading floor. To better align the C-AIM process for SPX complex strategies with the open outcry crossing process for those strategies, the Exchange proposes to amend Rule 5.38(c)(5)(A) to provide that the minimum price increment for a C-AIM response in which the Agency Order complex strategy is comprised of an SPX Combo Order (as defined in Rule 1.1) will be the ratio of the non-combo portion of the strategy to the number of combos, multiplied by the minimum price increment the Exchange determines for options on SPX Agency Orders pursuant to Rule 5.38(a)(4). Also, to better align the AIM and C-AIM pricing process generally for responses with the open outcry process, the Exchange proposes to amend Rules 5.37(c)(2) and 5.38(c)(2) to provide that the Exchange may also determine to include the stope price in AIM and C-AIM Auction notification messages, respectively, in SPX. Like all other information disseminated in an AIM and C-AIM Auction notification message, the stop price will be available to all Users that elect to receive auction notification messages. The Exchange notes that the FLEX AIM Rules in connection with the auction process for FLEX complex orders are substantially similar to the AIM and C-AIM Rules. Therefore, to maintain consistency within the Rules between the FLEX and non-FLEX auctions, the Exchange also proposes to amend the FLEX AIM process for SPX complex strategies (i.e. for FLEX C-AIM) and for FLEX AIM Auction notification messages in the same manner.[14]

The Exchange believes that the proposed rule changes will create similar price competition for these orders in electronic and open outcry trading. Particularly, the Exchange believes that the current manner in which de minimis price improvement may occur via C-AIM, as well as FLEX C-AIM, Auctions in connection with SPX Combo Orders (i.e., potentially only improved in sub-penny increments) may discourage market participants from providing contra-side interest at the best prices and liquidity providers from joining or improving at meaningful

[14] See proposed Rules 5.73(c)(2) and 5.73(c)(5)(A).

increments. As such, the proposed rule change is intended to provide for substantially the same price improvement opportunities at meaningful increments on SPX complex strategies submitted to C-AIM and FLEX C-AIM that occur for the same strategies on the trading floor. To illustrate by using the same complex strategy example above, if a User buys 8 of the June 2600/2550 SPX Put spreads tied to one June 2660 Combo, using a delta of 5, pursuant to the proposed rules, the System would calculate the minimum increment by the ratio of the non-combo leg (8) to the number of combos (1) by the minimum increment of $0.05. Therefore, (8/1) x 0.05 = $0.40 as the starting point for price improvement during the C-AIM or FLEX C-AIM Auction. In this way, by tying the minimum increment to the legs of the order, as opposed to the package price inclusive of the combos, the Exchange believes the proposed rule would require market participants to respond to the C-AIM or FLEX C-AIM Auctions for SPX complex strategies at prices more aligned with the prices at which responses generally occur in open outcry, i.e. prices in response to a broker's corresponding bids (offers) based off of the market per leg at which the trading crowd indicates it is willing to buy (sell). If market participants may participate in C-AIM or FLEX C-AIM executions in connection with SPX complex strategies by providing de minimis price improvement compared to price improvement that may occur on the floor, the Exchange believes there may be less interest by market participants to take on the risk of participating as a contra and may negatively impact liquidity available on the trading floor. As a result, the Exchange believes this potentially reduces price improvement opportunities for customers. Particularly, if the Exchange determines to activate C-AIM in SPX when the trading floor re-opens, the Exchange believes the proposed rule change may provide customers with additional opportunities for more meaningful price improvement and may encourage market participants to provide more liquidity for C-AIM transactions in SPX while also mitigating any potential disincentive to provide liquidity on the trading floor in SPX by better aligning electronic and open outcry crossing of SPX complex orders that include a combo.

The Exchange notes that the proposed rule change does not alter the minimum increment as determined by the Exchange for SPX complex strategies and is consistent with the ability of the Exchange to determine the minimum increment for SPX (the proposed minimum increment will be in multiples of $0.05) but instead provides that price improvement opportunities for such orders submitted into C-AIM, as well FLEX AIM, occur at the same meaningful increments that market participants reasonably would expect to occur on such orders pursuant to the current Rules and practice on the trading floor. The Exchange believes this may encourage a potential increase in participation in the C-AIM and FLEX AIM Auctions in SPX without a corresponding negative impact on participation or liquidity in open outcry auctions once the trading floor reopens.

In the same way, the Exchange believes that the proposed rule change to allow the System to disseminate the initial price of an SPX AIM and C-AIM Auction, as well as FLEX AIM Auction, would more generally align the trading of SPX options submitted for execution into the electronic auctions with those crossed on the trading floor. The Exchange believes that the proposed rule change would allow the Exchange to address any uncertainties market participants may have when pricing SPX responses, given the more complicated market models, greater risk, higher notional value, larger sizes, and increasingly more complex strategies in SPX, by including the Agency Order stop price in the auction notification messages. This, in turn, may facilitate market participants’ confidence in pricing meaningful, competitive responses during electronic auctions in SPX in a manner substantially similar to which the trading crowd’s market allows for market participants to more confidently price their responses accordingly. As a result, this proposed rule change is intended to incentivize continued, competitive responses to SPX electronic auctions in substantially the same manner in which responses may be priced on the trading floor, thus, providing for potentially improved liquidity and price improvement opportunities for orders being executed through those auctions. The Exchange also notes that its affiliated options exchange, Cboe EDGX Exchange, Inc. ("EDGX Options") corresponding rules[15] governing the AIM and C-AIM auction notification messages on EDGX Options provide that its system initiates the AIM or C-AIM auction processes by sending an auction notification message detailing the price, along with the same fields currently detailed pursuant to Cboe Options Rules 5.37(c)(2) and 5.38(c)(2) as well as 5.73(c)(2). Also, pursuant to Exchange Rule 5.33(d)(1), C2 Rule 6.13(d)(1), and EDGX Options Rule 21.20(d)(1), the Exchange and its affiliated options exchanges may currently determine to include in similar notification messages the limit price of an order that initiates a Complex Order Auction ("COA"), much like that of the stop price of an AIM, C-AIM, or FLEX AIM Agency order that initiates these auctions. The Exchange further notes that similar electronic auctions on other options exchanges disseminate the price in their initial auction messages.[16]

The Exchange believes that providing similar response and execution opportunities across these trading facilities will serve to maintain meaningful levels of liquidity, price competition, and price improvement opportunities in SPX during both electronic and open outcry auctions upon the reopening of the trading floor if the Exchange determines to activate AIM and

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15 See EDGX Options Rules 21.19(c)(2) and 21.22(c)(2).

16 See MIAX Options Rule 5.18(d)(2), which governs the commencement of a Complex Auction on MIAX Options, and Rules 515A(a)(2)(i)(B) and 515A.12, which govern the request for response message disseminated during MIAX Options' electronic crossing auctions, PRIME and complex PRIME; substantially similar to AIM and C-AIM; see also NYSE American Options Rule 903G(a)(2), which governs the information required in FLEX Request for quotes.

C-AIM for SPX at that time. As a result, the proposed rule change is designed to ensure that C-AIM for complex SPX strategies remains a viable additional means of execution for SPX complex orders, and that market participants maintain the same confidence in pricing their responses to AIM and C-AIM Auctions in SPX as they have during open outcry auctions, and thus, will continue to provide more execution and price improvement opportunities for customers. Likewise, the proposed rule change would align the FLEX AIM and C-AIM Auction process with the non-FLEX AIM and C-AIM Auction process, potentially providing the similar opportunities for execution and price improvement in connection with the same complex strategies and similar meaningfully price responses submitted into FLEX AIM and providing investors with continued consistency in the Exchange's auction rules, thus, mitigating any confusion for those participating in both non-FLEX and FLEX SPX trading.

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.[17] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[18] 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

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17 15 U.S.C. 78f(b).

18 15 U.S.C. 78f(b)(5).

investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[19] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes the proposed rule change, overall, will promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and a national market system by further aligning the AIM, C-AIM and FLEX AIM Auction processes with the open outcry crossing process. The Exchange believes the proposed rule change will permit market participants that respond to C-AIM and FLEX AIM Auctions for orders tied to SPX Combos in a similar manner as members of a trading crowd respond to request for markets for those orders. Additionally, for those that respond to AIM, C-AIM, and FLEX AIM auctions generally in SPX, the Exchange believes the proposed rule change will facilitate more confidence of market participants in pricing responses during auctions in a manner similar to pricing process that takes place on the trading floor.

In particular, the Exchange believes the proposed rule change regarding minimum increments for responses to SPX Combo Orders will remove impediments to and perfect the mechanism of a free and open market and national market system and will protect investors by encouraging market participants to continue to provide liquidity by acting as contra in C-AIM Auctions for SPX orders, as well as possibly providing more price improvement opportunities and more meaningful price improvement if the Exchange determines to activate C-AIM in SPX when the trading floor is reopened. The Exchange believes that providing similar execution opportunities for SPX complex strategies between C-AIM and open outcry will help to maintain meaningful levels of liquidity and price improvement opportunities in SPX across both facilities.

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19 Id.

Thus, the proposed rule change seeks to have C-AIM for complex SPX strategies be an additional means of execution for SPX complex orders, together with executions opportunities via open outcry, in turn, providing additional execution and price improvement opportunities overall for customers without a potential negative impact on liquidity on the trading floor. The proposed rule change does not alter the minimum increment as determined by the Exchange for SPX complex strategies but rather increases the overall minimum increment for responses (in other words, executions will continue to trade in an increment of $0.05 per leg and per order), which will still be in a multiple of $0.05. The Exchange believes this may result in responses to customer orders submitted for execution in C-AIM and FLEX AIM at prices market participants reasonably would expect to receive for such orders on the trading floor.

Additionally, the Exchange believes that proposal to permit the Exchange to include the auction price in the auction notification message, which, unlike open outcry, will be a net package price rather than a per strategy price, may pose potential risk of market participants submitting responses by de minimis amounts ($0.05 above or below the auction price), which as described above, may discourage market participants from taking on the risk to participate as contras, which could reduce liquidity available in the electronic and open outcry SPX market. The Exchange is concerned that potential interruptions to the provision of liquidity in SPX and general participation in the complex electronic auctions in SPX, as well as on the trading floor, could result from the de minimis price increases market participants may provide in responses to electronic auctions due to the disparity between pricing in electronic auctions and pricing in open outcry trading. As a result, the Exchange believes the proposed rule change may encourage continued submission of SPX complex strategies to the electronic auctions by modifying C-AIM and FLEX AIM Auctions for SPX to more closely replicate the open outcry crossing auction process for SPX (which constitutes the majority of SPX trading when the Exchange trading floor is available and C-AIM is not activated). The Exchange believes the proposed rule change would generally enhance price improvement and execution opportunities in SPX C-AIM Auctions, as well as FLEX AIM, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, overall, benefitting the entire market and all investors.

Similarly, the Exchange believes that the proposed change to allow the System to disseminate the price of an Agency Order in SPX options submitted to AIM and C-AIM auctions will further enable all market participants to respond to the auctions with competitive prices thereby removing impediments to and perfecting the mechanism of a free and open market and national market system. As described above, participants in SPX are accustomed to receiving an approximate starting price range during open outcry auctions, which provides them with confidence in pricing their responses; this confidence is particularly important for orders in SPX, which, as noted above, generally take on greater risk and effect increasingly more complex strategies than in other option classes. Thus, the proposed rule change is intended to better align the dissemination of auction prices in SPX with the manner in which the trading floor may give a "ball park" price in response to a request for a market on the trading floor, thereby providing participants with the same level of confidence in pricing their responses when responding to both the electronic and open outcry auctions, and thus encouraging market participants to continue to submit responses and participate in the electronic auctions when the trading floor is again operable. This proposed change, too, may increase price improvement and execution opportunities in SPX during the AIM and C-AIM, as well as the FLEX AIM, Auctions, thereby also facilitating the provision of an additional viable avenue(s) of execution for SPX orders if

AIM and C-AIM remain activated in SPX once the trading floor reopens. In addition to this, the proposed rule change is not new or unique, as the Exchange may already determine to include the price for notification messages in connection with the commencement of its COA pursuant to Rule 5.33(d)(1), the rules of EDGX Options currently provide that the price of an Agency Order in its AIM and C-AIM auctions be disseminated via its auction notification messages,[20] and other options exchange rules also permit for dissemination of the price of an electronic auction-commencing order in auction messages.[21] The Exchange notes that each of the aforementioned rules has previously been filed with the Commission.

The Exchange believes that, together, both proposed changes would provide benefits to investors participating in SPX. As discussed above, the Exchange believes providing market participants with the auction price for SPX AIM Auctions may increase participation in the AIM Auctions, and thus increase execution and price improvement opportunities for customer orders submitted into those auctions. The Exchange believes this will benefit all market participants that trade in the SPX market. In connection with this change, the Exchange believes the proposed change to impose a larger minimum increment for responses is necessary and appropriate offsets the potential risk that the display of the auction price may lead to further de minimis price improvement for those orders.

Moreover, the Exchange believes the proposed rule changes will likewise extend these additional execution and price improvement opportunities to such orders submitted into FLEX AIM while also maintaining consistent auction rules in connection with SPX auction notification messages and SPX complex strategies in both non-FLEX and FLEX. As a result, the Exchange

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[20] See supra note 15.

[21] See supra note 16.

believes this will benefit investors by mitigating any potential confusion regarding the manner of SPX auction message dissemination or SPX execution for complex strategies in SPX into either auction.

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 the proposed rule change in connection with minimum increments for SPX complex strategies will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it will apply to all C-AIM and FLEX AIM executions in connection with SPX Combo Orders for all market participants. The Exchange believes it is reasonable to limit the proposed rule change to SPX Combo Orders as the majority of index strategies are structured as SPX combos. The Exchange also does not believe that the proposed rule change in connection with the dissemination of price in the SPX auction notification messages will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it will apply to all Agency Orders submitted into the AIM, C-AIM, and FLEX AIM Auctions, as the Exchange determines, by all market participants. Additionally, the dissemination of the price via the auction notification message, when applicable, will continue to be made available to all market participants that elect to receive auction notification messages, as it currently is today. The Exchange further notes that, as compared to other options classes, SPX exhibits generally more complex trading characteristics and market models, different investor basis, and a significant portion of larger orders and more complex strategies that typically occur on the trading floor, and thus, it is reasonable to limit the proposed rule change to SPX as it is designed to facilitate confidence when pricing responses in light of these factors.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the proposed rule change relates to an Exchange-specific auction mechanism in a class of options only listed for trading on the Exchange. Other exchanges with similar price improvement auctions may amend their rules to propose different minimum increments for auction responses as they deem appropriate. The Exchange notes the proposed rule change has no impact on the allocation or priority of orders and responses at the conclusion of the C-AIM and FLEX AIM Auctions. Also, as noted above, pursuant to rules previously filed with the Commission, the Exchange and its affiliated options exchanges may currently determine to include price in its similar notification messages disseminated in connection with the COA, EDGX Options currently disseminates the price of agency orders in its auction notification messages for AIM and C-AIM auctions,[22] and the rules of other options exchanges governing substantially similar electronic auctions disseminate the initiating prices for such auctions.[23]

The Exchange believes the proposed rule change may promote competition on the Exchange, as it will more closely align the electronic crossing process with the open outcry crossing process, and thus provide similar execution and price improvement opportunities to customers whether their orders are submitted for electronic or open outcry execution. In particular, the Exchange may activate AIM and C-AIM for SPX when the trading floor is reopened, and the proposed rule change would enable it to do so in a manner the Exchange believes will encourage liquidity in both electronic and open outcry trading, and, as a result, will

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[22] See supra note 15.

[23] See supra note 16.

provide an additional viable avenue of execution for SPX orders, and thus more execution and price improvement opportunities overall in SPX for customers.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be 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-2020-052 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-2020-052. 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-2020-052 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.[24]

J. Matthew DeLesDernier
Assistant Secretary

[24] 17 CFR 200.30-3(a)(12).