SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-90212; File No. SR-CBOE-2020-099)

October 16, 2020

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 5.34 in Connection with its Debit/Credit Price Reasonability Check

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 13, 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 and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal pursuant to Section 19(b)(3)(A)(iii) of the Act[3] 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 amend Rule 5.34 in connection with its debit/credit price reasonability check. 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.

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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).

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

The Exchange proposed to amend Rule 5.34(b)(3), which provides for its debit/credit price reasonability check. Specifically, the proposed rule change amends Rule 5.34(b)(3)(A) in connection with two-legged strategies that have one A.M.-settled leg and one P.M.-settled leg with the same expiration date.[5] The proposed rule change also codifies the definition of diagonal spreads in Rule 5.34(b)(1)(E), which is already a strategy described in Rule 5.34(b)(3) and handled by the System in connection with the debit/credit reasonability check, the codified definition of which was inadvertently omitted in the rule filing that allowed the System to apply the debit./credit reasonability check to diagonal spreads.[6]

Pursuant to the debit/credit price reasonability check, the Exchange cancels or rejects a complex order (or unexecuted portion) that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order (or unexecuted portion) for a credit strategy with a net

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5 The proposed rule change also updates the definition of vertical spread in Rule 5.34(b)(1)(A) and the definition of calendar spread in Rule 5.34(b)(1)(D) in light of the proposed change to Rule 5.34(b)(3)(A).

6 See Securities Exchange Release No. 88923 (May 21, 2020), 85 FR 32086 (May 28, 2020) (SR-CBOE-2020-046).

debit price that exceeds a pre-set buffer, or a market order (or unexecuted portion) for a credit strategy that would execute at a net debit price that exceeds a pre-set buffer (the pre-set buffers are determined by the Exchange on a class and strategy (i.e., vertical, calendar, butterfly, orders with different expiration dates and exercise prices) basis). The System defines a complex order as a debit (credit) if all pairs and loners are debits (credits).[7] For purposes of the credit/debit price reasonability check, a "pair" is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and the legs have the same expiration date but different exercise prices (i.e., vertical)[8], the same exercise price but different expiration dates (i.e., calendar)[9], or the exercise price for the call (put) with the farther expiration date is lower (higher) than the exercise price for the nearer expiration date (which is a diagonal pair). A "loner" is any leg in an order that the System cannot pair with another leg in the order.

The System determines whether an order is a debit or credit based on general options volatility and pricing principles, which the Exchange understands are used by market participants in their option pricing models. With respect to options with the same underlying:

- if two calls (puts) have the same expiration date, the price of the call (put) with the lower (higher) exercise price is more than the price of the call (put) with the higher (lower) exercise price; and

7 See Rule 5.34(b)(3)(B)(i) and (ii). The System also determines certain call and put butterfly spreads as debits and credits.

8 See also Rule 5.34(b)(1)(A), which defines a "vertical spread" as a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

9 See also Rule 5.34(b)(1)(D), which defines a "calendar spread" as a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same exercise price but different expiration dates.

- if two calls (puts) have the same exercise price, the price of the call (put) with the nearer expiration is less than the price of the call (put) with the farther expiration.

In other words, a call (put) with a lower (higher) exercise price is generally more expensive than a call (put) with a higher (lower) exercise price, because the ability to buy stock at a lower price is more valuable than the ability to buy stock at a higher price, and the ability to sell stock at a higher price is more valuable than the ability to sell stock at a lower price. A call (put) with a farther expiration is generally more expensive than the price of a call (put) with a nearer expiration, because locking in a price further into the future involves more risk for the buyer and seller and thus is more valuable, making an option (call or put) with a farther expiration more expensive than an option with a nearer expiration. Based on the principles described above and pursuant to Rule 5.34(b)(3)(B)(iii), the System pairs calls (puts) under the current debit/credit reasonability check, as follows:

1) The System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price.

2) The System then pairs legs to the extent possible across expiration dates, pairing one call (put) with the call (put) that has the next nearest expiration date and the same or next lower (higher) exercise price.

3) A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the exercise price of the sell (buy) leg is the same as or lower than the exercise price of the buy (sell) leg).

4) A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the exercise price of the sell (buy) leg is the same as or higher than the exercise price of the buy (sell) leg).

5) A loner to buy is a debit, and a loner to sell is a credit.

Additionally, the System does not apply the debit/credit price reasonability check to an order for which the System cannot define whether it is a debit or credit.

As indicated above, the debit/credit reasonability check allows the Exchange to determine a pre-set buffer on a class-by-class and strategy basis (i.e., vertical, calendar, butterfly, orders with different expiration dates and exercise prices). This flexibility allows the Exchange to appropriately respond to the different trading characteristics and market conditions that have unique impact across different classes and different strategies. For example, the Exchange understands that in certain market conditions, particularly in volatile conditions, the general pricing principles described above may not apply to certain classes or strategies. It is possible that the leg with the farther expiration may be trading at a discount and thus is worth less than the leg with the nearer term expiration, and thus entering a diagonal or calendar strategy as a debit may be consistent with the then-current market. Specifically, certain classes may exhibit backwardation,[10] which occurs when series with the farther expirations are worth less than series with the nearer term expirations. In such conditions, the Exchange may deem it appropriate to increase the buffer to permit these orders to be accepted

[10] Specifically, European-settled options (which is a group of classes) may experience backwardation. For example, SPX is a European style option that may be impacted by backwardation in unusual or volatile market conditions. Accordingly, the Exchange regularly sets widened buffers for SPX diagonal pairs.

for electronic processing. While an order with a diagonal or calendar strategy entered as a debit in normal market conditions may appear erroneous and be appropriately rejected, in volatile market conditions, such an order entered as a debit may be accurately reflecting the market. As such, the flexibility to establish pre-set buffers on a class and strategy basis currently permits the Exchange to provide a calendar or diagonal strategy order entered as a debit with electronic execution opportunities, as applicable, by modifying the buffer of these strategies with legitimate debit prices that are consistent with then-current market conditions. In this way, the System may accept such orders while maintaining the check's protection for classes and strategies whose pricing is not impacted by these market conditions and are not experiencing backwardation.

As stated above, for purposes of the debit/credit reasonability check, the System defines a vertical spread order as a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices,[11] and a calendar spread order as a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same exercise price but different expiration dates.[12] The Exchange notes that while the expiration date of the legs of a vertical or calendar spread with an A.M.-settled leg and a P.M.-settled leg may be the same, the last trading date of the two legs differs. For example, an S&P 500 Index ("SPX") option/SPX Weekly ("SPXW") vertical spread would contain the same expiration date, yet SPX options are A.M.-settled, thus they stop trading on the Thursday prior to Friday expiration, and SPXW options are P.M.-settled, thus they stop trading at the close on Friday expiration. As a result, the time to expiration of trading for each leg is different, which the Exchange understands is what market

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11 See Rule 5.34(b)(1)(A).

12 See Rule 5.34(b)(1)(D).

participants consider when pricing options with an A.M.-settled/P.M.-settled vertical strategy, similar to the pricing of a diagonal spread, or when pricing options with an A.M.-settled/P.M.-settled calendar strategy — in other words, market participants consider these legs to have different expiration dates. When applying the debit/credit reasonability check, however, the System currently considers a strategy with one P.M.-settled leg and one A.M.-settled leg with the same expiration date and different exercise prices to be a vertical strategy, rather than a diagonal strategy., [sic] and it rejects a strategy with one P.M.-settled leg and one A.M.-settled leg with the same expiration date and same exercise prices because it does not recognize this strategy as a calendar strategy. More specifically, the System and the Rules do not currently consider the difference in time between the actual close of trading for the A.M.-settled leg and the actual close of trading the following day for the P.M.-settled leg – it considers only that the legs have the same expiration date. As a result, the System does not determine the credit (debit) net price for vertical or calendar spread orders with a pair(s) of A.M.-settled/P.M.-settled legs using the same pricing principles for the debit/credit reasonability check that the Exchange understands market participants use for these strategies, as market participants consider these spreads to have different expiration dates, and thus to be diagonals (rather than verticals) or calendars for pricing purposes. That is, if a sell (buy) leg is P.M.-settled (i.e., is "farther out" in time until trading actually ceases) and is a call (put) with an exercise price that is the same as or lower (higher) than the exercise price of the buy (sell) A.M.-settled leg (thus making the P.M.-settled leg more expensive), the System would not treat this as a diagonal spread, nor recognize it as a calendar spread, pursuant to Rule 5.34(b)(3)(B)(iii)(c) and (d), even though market participants would price these spreads as a diagonal (if the legs have different exercise prices) or calendar (if the legs have the same exercise price) from a pricing perspective.

Specifically, a vertical spread with A.M.-settled/P.M.-settled legs essentially emulates the manner in which a diagonal strategy executes, given that each leg in a diagonal strategy ceases trading at different times (because they have different expiration dates) and diagonal spread legs, like vertical spread legs, also have different exercise prices. Likewise, a spread with A.M.-settled/P.M.-settled legs with the same exercise price essentially emulates the manner in which a calendar spread executes, given that each leg in a calendar strategy ceases trading at different times (because they have different expiration dates). Under the proposal, the debit/credit reasonability check logic and Exchange-determined buffers, where applicable, would apply in the same manner as they do today for calendar and diagonal spreads, as applicable, to spreads with a pair(s) of A.M.-settled/P.M.-settled legs. Therefore, the proposed rule change amends Rule 5.34(b)(3)(A) to provide that, for the purposes of the debit/credit price reasonability check, the System considers a two-legged strategy with one P.M.-settled leg and one A.M.-settled leg with the same expiration date to be a diagonal spread (where both legs have different expiration dates and different exercise prices), rather than a vertical spread, or a calendar spread (where both legs have the same exercise price).[13] As a result, the System will apply to such vertical strategies, which are generally priced using the same principles as diagonal spreads and may be adjusted to reflect backwardation (as described above), the same debit/credit check logic and pre-set buffers that it currently applies to diagonal spreads. In addition, the System will apply to such strategies, which are generally priced using the same principles as calendar spreads, the same debit/credit check logic and pre-set buffers that it currently applies to calendar spreads and not reject such strategies because the legs have the same expiration dates and exercise prices. The Exchange believes the enhancing the debit/credit price reasonability check to consider a spread that contains a pair of A.M.-settled/P.M. settled legs with

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[13] See supra note 5.

the same expiration date as a diagonal or calendar, as appropriate, will cause the System to apply more accurate pricing principles to them when determining whether to accept or reject strategies with A.M.-settled/P.M.-settled legs.

Regarding vertical spreads with A.M.-settled/P.M.-settled legs with the same expiration date and different exercise prices, currently, if the System receives such a vertical spread order, and the exercise price for the sell leg is lower than the exercise price of the buy leg with a debit price, the System will determine this to be a credit and reject it (assuming it is outside of the buffer). However, if the class is experiencing backwardation, the debit price may be appropriate. As discussed above, the Exchange may widen the buffer for such a class in such circumstances for calendars and diagonals to account for the backwardation. Therefore, if the System receives a spread with A.M.-settled/P.M.-settled legs in a class experiencing backwardation during unusual or volatile market conditions, the System would apply a different buffer to that spread than it would apply to a diagonal spread. While the A.M.-settled/P.M.-settled vertical spread would likely have been priced using the same pricing principles as the diagonal spread, the System would reject the vertical spread order, despite it likely having a legitimate price, while accepting the diagonal order with a similarly legitimate price. Pursuant to the proposed rule change the strategy described above would be handled as a diagonal and will have the opportunity to be accepted and executed. Similarly, the System will recognize a spread with A.M.-settled/P.M.-settled legs with the same expiration date and the same exercise price as a calendar spread and not reject such spread order.

The Exchange notes that it announces any changes to the parameters of the debit/credit reasonability check to market participants by Exchange notice pursuant to Rule 1.5. The Exchange notes too that it will continue to regularly monitor the application of the debit/credit price reasonability check, including the number of orders rejected as a result of the check, as well as continue to monitor orders that may be executed at erroneous prices pursuant to Rule 6.5. The Exchange currently considers all of these factors, as well as market conditions, investor demand, and other relevant factors when determining whether to modify the debit/credit reasonability check buffer or other risk control parameters in order to attempt to create an appropriate balance between protection against executions at potentially erroneous prices and provision of execution opportunities for legitimately priced orders.

In addition to this, the proposed rule change codifies the definition of diagonal spreads in the current spread definitions in Rule 5.34(b)(1). Specifically, proposed Rule 5.34(b)(1)(E) provides that a "diagonal" spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with different expiration dates and different exercise prices. As noted above, diagonal spreads are currently described within Rule 5.34(b) and the System currently applies the debit/credit reasonability check and Exchange-determined buffers to diagonal spreads pursuant to Rule 5.34(b)(3)(A).[14] The Exchange merely inadvertently omitted codifying the definition of diagonal spreads in a previous rule filing that updated Rule 5.34 to allow the System to apply the debit/credit reasonability check to diagonals.[15]

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

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[14] In light of the proposed codified definition, the Exchange updates the current description of a diagonal in Rule 5.34(b)(3)(A) to, instead, refer to "diagonal", as well as adds this reference to the description of a diagonal in Rule 5.34(b)(3)(B)(iii).

[15] See supra note 6.

Exchange and, in particular, the requirements of Section 6(b) of the Act.[16] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[17] 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)[18] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change will remove impediments to and perfects the mechanism of a free and open market and national market system by applying the current debit/credit price reasonability check logic for diagonal spreads (which have different expiration dates and thus cease trading on different dates, as well as different exercise prices) to spread orders with A.M.-settled/P.M.-settled legs that have different exercise prices but the same expiration date (and are thus currently defined as verticals) but similarly cease trading on different dates. Additionally, it will allow the System to recognize spreads with A.M.-settled/P.M.-settled legs that have the same exercise price and the same expiration date, but likewise cease trading on different dates, to be calendar spreads (which have different expiration dates and the same exercise price). By considering these particular orders to be diagonals rather

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16 15 U.S.C. 78f(b).

17 15 U.S.C. 78f(b)(5).

18 Id.

than verticals, or to be calendars, the Exchange will apply the same buffers to vertical strategies that have legs that stop trading at different times (i.e., one leg is A.M-settled and one leg is P.M.-settled) as it applies to diagonal strategies (which also have legs that stop trading at different times), and will apply the same buffers to strategies that have legs that stop trading at different times (i.e., one leg is A.M-settled and one leg is P.M.-settled) and the same exercise price as it applies to calendar strategies. This handling of vertical spreads is appropriate in classes in which market conditions may cause the P.M.-settled leg (with the farther time until trading expiration) to trade at a discount and be worth less than the A.M.-settled leg (with the nearer time until trading expiration). By considering a vertical strategy with A.M.-settled/P.M.-settled legs with the same expiration date as diagonal rather than a vertical, for purposes of the debit/credit price reasonability check, the proposed rule change will provide the same execution opportunities for legitimately priced vertical strategies with A.M.-settled/P.M.-settled legs in certain classes as it may for diagonal strategies in certain classes given then-current market conditions. Additionally, this handling of strategies with A.M.-settled/P.M.-settled legs with the same expiration date and different exercise prices as calendar spreads will provide those orders with opportunities to be accepted and executed, rather than be rejected because the debit/credit price reasonability checks views the orders as having legs with the same expiration dates and exercise prices and thus does not recognize it as a calendar spread.

As a result, the proposed rule change ultimately protects investors by continuing to prevent execution of spreads with A.M.-settled/P.M.-settled legs that cease trading on different days at potentially erroneous prices, while also providing additional execution opportunities for those spreads that may be legitimately priced given then-current market conditions but may currently be rejected when these orders are treated as vertical spreads for the purposes of the debit/credit reasonability check, or are not recognized as calendar spreads. This proposed application of the debit/credit price reasonability check promotes just and equitable principles of trade, as it is based on the same general option and volatility pricing principles the System currently uses to pair calls and puts for other complex orders that also stop trading on different days, and will result in the handling of strategies with legs that stop trading on different days in the same manner during unusual or volatile market conditions.

In addition to this, the Exchange notes that the proposed rule change would not raise any novel or unique issues for investors as the debit/credit reasonability check logic and Exchange-determined buffers, where applicable, would apply to strategies with A.M.-settled/P.M.-settled legs in the same manner as they do today for calendar and diagonal spreads, which also have legs that stop trading on different dates. The Exchange will continue to announce any changes to the parameters of the debit/credit reasonability check to market participants by Exchange notice, to regularly monitor the application of the debit/credit price reasonability check and for orders that may be executed at erroneous prices, to consider market conditions, investor demand, and other relevant factors when determining whether to modify the debit/credit reasonability check buffer or other risk control parameter amount in order to appropriately balance providing protection against executions at potentially erroneous prices and providing execution opportunities for legitimately priced orders.

In addition to this, the proposed rule change to codify the definition of diagonal spreads in Rule 5.34(b) would generally protect investors by adding clarity to the Rules regarding a strategy that is already described within the Rules and to which the System currently applies the debit/credit reasonability check and Exchange-determined price buffers.

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 proposed rule change will not impose any burden on intramarket competition, because the debit/credit price reasonability check will continue to apply to all incoming complex orders of all TPHs in the same manner. The proposed rule change would allow the System to apply the logic and pre-set buffers to vertical spreads with A.M.-settled/P.M.-settled legs (and thus stop trading on different dates) that it already applies to other spreads that contain legs that stop trading on different dates and have different exercise prices (i.e., diagonals), as well as to apply the logic and pre-set buffers to spreads with A.M.-settled/P.M.-settled legs (and thus stop trading on different dates) that it already applies to other spreads that contain legs that stop trading on different dates and have the same exercise prices (i.e., calendars). This, in turn, will allow the System to apply the appropriate Exchange-determined buffer to such vertical orders, which the Exchange understands market participants price more similarly to a diagonal spread as opposed to a vertical spread, or to such calendar orders, given the difference in the actual trading days on which each leg stops trading, thus allowing for legitimately priced strategies with A.M.-settled/P.M.-settled legs to execute as intended.

The proposed rule change does not impose any burden on intermarket competition, as it is an enhancement to a price protection mechanism the System applies to complex orders submitted to the Exchange to determine whether they should be accepted for potential execution on the Exchange. The Exchange believes the proposed rule change would provide all market participants with additional execution opportunities when appropriate while still providing protection from anomalous or erroneous executions. To the extent that market participants find the proposed application of the debit/credit reasonability check to their vertical and calendar spreads with A.M.-settled/P.M.-settled legs more favorable for execution of their legitimately priced orders, other exchanges may adopt functionality to similarly handle such complex strategies.

Additionally, the proposed rule change to codify the definition of diagonal spreads to the Rules is a nonsubstantive, noncompetitive change that merely provides additional clarity within the Rules regarding a term/strategy that is already described in the Rules and that the System already accounts for pursuant to the Rules.

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[19] and Rule 19b-4(f)(6) thereunder.[20] Because the 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 prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[21] and Rule 19b-4(f)(6)(iii) thereunder.[22]

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19 15 U.S.C. 78s(b)(3)(A)(iii).

20 17 CFR 240.19b-4(f)(6).

21 15 U.S.C. 78s(b)(3)(A).

22 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's 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 under Rule 19b-4(f)(6)[23] normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),[24] 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 immediately upon filing. The Exchange states that market participants have voiced concerns regarding the System rejecting their legitimately priced A.M.-settled/P.M.-settled calendar spreads and vertical spreads, especially closer in time to A.M./P.M. expiration dates. The Exchange believes that waiver of the operative delay will protect investors by allowing the Exchange to apply a potentially widened buffer to A.M.-settled/P.M.-settled vertical spreads during volatile market conditions, and by allowing the System to recognize and accept A.M.-settled/P.M.-settled spreads with the same expiration date and exercise price as calendar spreads, rather than rejecting them. As discussed above, the Exchange states that because the component legs of an A.M.-settled/P.M.-settled vertical spread cease trading on different days, market participants price A.M.-settled/P.M.-settled vertical spreads more similarly to diagonal spreads. In addition, market participants treat A.M.-settled/P.M.-settled spreads with component legs that have the same exercise price and expiration date as calendar spreads, although the System currently does not recognize them as calendar spreads. The Commission believes that waiver of the operative delay will allow the Exchange to modify the debit/credit price reasonability check so that it applies to A.M.-settled/P.M.-settled calendar and vertical spreads in a manner that is consistent with market participants' pricing of these spreads, and could help to ensure that the price check

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23 17 CFR 240.19b-4(f)(6).

24 17 CFR 240.19b-4(f)(6)(iii).

does not reject appropriately priced A.M.-settled/P.M.-settled calendar and vertical spreads. In addition, the Commission believes that adding a definition of diagonal spread will help to clarify the operation of the rule. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. According, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.[25]

At any time within 60 days of the filing of this 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-2020-099 on the subject line.

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25 For purposed only of waiving the 30-day operative delay, the Commission 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-2020-099. 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, 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-2020-099, 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.[26]

J. Matthew DeLesDernier
Assistant Secretary

[26] 17 CFR 200.30-3(a)(12).