

**SECURITIES AND EXCHANGE COMMISSION**  
(Release No. 34-87224; File No. SR-CBOE-2019-081)

October 4, 2019

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make Minor Updates and Consolidate Various Exchange Rules in Connection Generally with Options Trading on the Exchange, Including Those Regarding Trading Halts and the Plan to Address Extraordinary Market Volatility, and Move Those Rules From the Currently Effective Rulebook to the Shell Structure for the Exchange's Rulebook that will Become Effective Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 1, 2019, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the 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 generally with options trading on the Exchange, including those regarding trading halts and the Plan to Address Extraordinary Market Volatility (the "Plan"), and move those Rules from the currently effective Rulebook

---

<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).

(“current Rulebook”) to the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) (“shell Rulebook”). The text of the proposed rule change is provided in Exhibit 5.

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

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

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

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

#### **1. Purpose**

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

system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

The Exchange proposes to consolidate various rules in connection generally with trading on the Exchange into sections of proposed Chapter 5 (Options Trading) in the shell Rulebook. The Exchange notes that it has already submitted (or will submit) other rule filings that update, consolidate, and move many of the current Exchange Rules to Chapter 5 of the shell Rulebook. This proposed rule change now seeks to update, consolidate, and move the remaining Exchange Rules (and subsequently delete these rules from the current Rulebook) intended to be housed under Chapter 5 of the shell Rulebook upon migration. The proposed rule change moves and, where applicable, consolidates the following:

<b>Proposed Rule for shell Rulebook</b>	<b>Current Rule(s)</b>
5.10 Give Up of Clearing TPH	6.21 Give Up of Clearing TPH
5.11 Binding Transactions 5.11(a) (General) 5.11(a) (Erroneous Report) 5.11(b) (Comparison)	6.48(a) Contract Made on Acceptance of Bid or Offer 6.52 Price Binding Despite Erroneous Report 6.66 Comparison Does Not Create Contract
5.12 Transactions Off the Exchange	6.49 Transactions Off the Exchange (including its Interpretations and Policies)
5.20 Trading Halts	6.3 Trading Halts 21.12 (halts for Government

	<p>securities options)</p> <p>22.12 (halts for binary options)</p> <p>23.8 (halts for interest rate options)</p> <p>24.7 (halts for index options)</p> <p>28.10 (halts for Corporate Debt Securities options)</p> <p>29.13 (halts for Credit Options)</p>
5.21 Equity Market Plan to Address Extraordinary Market Volatility	6.3A Equity Market Plan to Address Extraordinary Market Volatility
5.22 Market-wide Trading Halts due to Extraordinary Market Volatility	<p>6.3B Market-wide Trading Halts due to Extraordinary Market Volatility</p> <p>22.12 (halts for binary options)</p> <p>24.7 (halts for index options)</p> <p>29.13 (halts for Credit Options)</p>
5.23 Unusual Market and Emergency Conditions	<p>6.6 Unusual Market Conditions</p> <p>6.17 Authority to Take Action Under Emergency Conditions</p>
5.59 Firm Disseminated Market Quotes	8.51 Firm Disseminated Market Quotes
<p>5.85 Order and Quote Allocation, Priority, and Execution</p> <p>5.85(g) (Stock-Option Orders and Security Future Option Orders)</p> <p>5.85(h) (Cabinet Orders)</p>	<p>6.48(b)-(d) Contract Made on Acceptance of Bid or Offer</p> <p>5.12 (in current shell Rulebook) Cabinet Orders</p>

The proposed rule change to the rules indicated in the table above does not make any substantive changes to the rules. The proposed rule change makes only non-substantive changes to the rules in the table above to simplify rule language, update the rule text to read in plain English, update headings, update references to terms or other rule text that will be implemented upon migration (e.g. in proposed Rule 5.21(b)), reformat the paragraph lettering and/or numbering, and update cross-references to rules not yet in the shell Rulebook but that will be in the shell Rulebook and implemented upon migration. The paragraphs below provide a description of the more detailed, non-substantive changes made.

In particular, regarding proposed Rule 5.20, the proposed rule change moves: current Rule 24.7, in part, to proposed Rule 5.20(a)(3), as well as incorporates current Rule 24.7.03 into proposed Rule 5.20(a)(3) and current Rule 24.7.01 into proposed Rule 5.20(a)(6); current Rule 23.8 to proposed Rule 5.20(a)(7)(A); current Rule 21.12 to proposed Rule 5.20(a)(7)(B); current Rule 29.13 to proposed Rule 5.20(a)(7)(C); and current Rule 28.10 to proposed Rule 5.20(a)(7)(D). The proposed rule change also updates proposed 5.20(a) and (b) (current 6.3(a) and (b)) to eliminate the distinction between who may declare a halt for two days and for more than two days, and who may resume trading. As proposed under 5.20(a), two Floor Officials and a senior executive officer may halt trading for any number of days and, under proposed Rule 5.20(b), may resume trading. This is the same manner in which current Rule 24.7 (halts for index options) governs trading halts and resumptions.<sup>5</sup> The proposed rule change incorporates reference to Rule 5.31(g), which is currently in the shell Rulebook and governs the opening process following a trading halt, into proposed Rule 5.20(b) (current Rule 6.3(b)). This does not alter the post-halt opening process but merely adds

---

<sup>5</sup> The proposed rule change also incorporates into proposed Rule 5.20(a) the rule language from current Rule 27.4(a) that trading may be halted “to protect investors” (in addition to the language that trading may be halted in the interests of a fair and orderly market).

clarity by incorporating the appropriate cross-reference. The proposed rule change also moves the remainder of current Rule 24.7, which governs trading halts in connection with index options, to proposed Rule 5.20(d) and (e), and removes current Rule 24.7.02 as it is redundant of the resumption provision already provided for in current Rule 6.3 (proposed Rule 5.20(b)) and the determination of the Exchange to reopen using a different method already provided for in Rule 5.31(h), currently in the shell Rulebook. The proposed rule also deletes references to “suspension”, as this is the same as a halt.<sup>6</sup>

The Exchange again notes that the proposed changes do not make any substantive changes to the current rules, but instead consolidate the rules in connection with trading halts into one, concise rule governing trading halts. The Exchange also notes that the proposed rule removes language throughout the current rules where it states that Rules 6.3 and/or 6.3B are applicable to binary options, index options, and credit options, as this is redundant of the rules referenced which currently govern all such securities and options on securities. The proposed rule combines Rule 6.3.01 and .04 into proposed Rule 5.20(c). It removes current Rule 6.3.02 because it is redundant of the reasons already enumerated in current Rule 6.3(a) (proposed Rule 5.20(a)). Rule 6.3.02 states that generally, in the case of an option on a security, trading will be halted when a regulatory halt in the underlying security has occurred in the primary market for that security. The Exchange notes that during a Regulatory Halt an underlying security has halted trading across the industry, and during a non-Regulatory Halt the primary exchange has experienced a technical issue but the underlying security continues to trade on other equities platforms. Proposed Rule 5.20(a)(1) provides that in the case of an option on a security trading in the underlying security has been halted

---

<sup>6</sup> See Securities Exchange Act Release No. 39292 (November 3, 1997), 62 FR 60738 (November 12, 1997) (Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 1 Thereto Relating to Trading Halts and Suspensions) (SR-CBOE-97-35).

in the one or more of the markets trading the underlying security, thereby covering a Regulatory Halt that may occur across all markets, but not necessarily halting trading when a halt occurs only in the primary market. Accordingly, when the primary market halts trading for non-regulatory matters and the security continues to trade on other equity exchanges, Cboe Options may continue to trade options on that security.

The proposed rule change also removes current Rule 22.12 as it states only that current Rules 6.3, 6.3B and 24.7 shall be applicable to binary options, which is redundant of the cross-referenced rules themselves (as proposed). Indeed, proposed Rule 5.20 (current Rule 6.3) incorporates the applicability of current Rules 27.7 [sic] and 6.3 (proposed subparagraphs (a)(1) through (a)(6)) via proposed subparagraph (a)(8), and proposed Rule 5.22(e) makes it explicit that proposed Rule 5.22 (current Rule 6.3B) applies to binary options (as well as Credit Options and index options). The proposed rule change removes the term market-if-touched order from current Rule 6.6 (proposed Rule 5.23) as this order is no longer available on the Exchange pursuant to Rule 5.6, which governs order types, order instructions, and times-in-force and is currently in the shell Rulebook. The proposed rule change also removes current Rule 6.5 which states that no regular Trading Permit Holder shall bid, offer, purchase or write (sell) on the Exchange any security other than an option contract that is currently open for trading in accordance with the provisions of current Chapter 5 (shell Chapter 4). This rule is redundant of the provisions of current Chapter 5, which provide that an option contract will not be listed or open for trading if it does not meet the required listing criteria under the relevant rules of current Chapter 5. This, in turn, would result in a Trading Permit Holder's inability to transact at all on such an option contract.

The Exchange notes that proposed Rule 5.22 merely moves the Interpretation and Policy section to current Rule 6.3B to the body of the proposed rule. As stated above, proposed Rule

5.22(e) states that Rule 5.22 applies to binary options (provided for in current Rule 22.12), Credit Options (provided for in current Rule 29.13), and index options (provided for in current Rule 24.7). It also deletes current Rule 6.3C (which expired on February 4, 2014 in accordance with Rule 6.3C.03) regarding individual stock trading pauses due to extraordinary market volatility and Rule 6.3.03 also regarding trading pauses (as it was implemented in connection with the, now expired, Rule 6.3C “Pause Pilot”)<sup>7</sup>, because current Rule 6.3B (proposed Rule 5.22) already governs trading halts in both stock and stock options.

Additionally, proposed Rule 5.59 makes minor, non-substantive changes to current Rule 8.51. The proposed changes update the current Rule 8.51 definitions by removing language that references optional classes on the Cboe Hybrid System, as all classes currently trade on the System. The Exchange notes that the classes trading on the System are made available to the floor (i.e. made available to the trading crowd), and an interest that trades on the floor is systemized according to Exchange Rules through approved systems. It also removes from the current Rule 8.51 definition, language references Interpretation and Policy .01, as this Interpretation and Policy has been previously removed, and this language was inadvertently

---

<sup>7</sup> See Securities Exchange Act Release No. 62272 (June 10, 2010), 75 FR 34509 (June 17, 2010) Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Individual Equity Options Overlying Stocks Subject to Trading Pauses Due to Extraordinary Market Volatility) (SR-CBOE-2010-055); Securities Exchange Act Release No. 64434 (May 6, 2011) 76 FR 27687 (May 12, 2011) (Notice of Proposed Rule Change Related to the Individual Trading Pause Pilot and CBSX Market-Maker Quoting Obligations) (SR-CBOE-2011-049); and Securities Exchange Act Release No. 64735 (June 23, 2011), 76 FR 38243 (June 29, 2011) (Order Approving Proposed Rule Changes Relating To Expanding the Pilot Rule for Trading Pauses Due to Extraordinary Market Volatility to All NMS Stocks) (SR-CBOE-2011-049). See also Securities Exchange Act Release No. 82646 (February 7, 2018), 83 FR 6294 (February 13, 2018) (SR-CBOE-2018-010). The Exchange notes that SR-CBOE-2018-010 had been implemented to delete Exchange Rules that no longer applied to the Exchange and, at the time, should have deleted current 6.3.03 (what was then 6.3.06) as it was no longer applicable to the Exchange, however, it inadvertently left this provision under Rule 6.3.



maintained in the rules. The proposed change moves footnote 1 and 2 to the body of proposed Rule 5.59, and updates references to SEC Rules.<sup>8</sup>

## 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>9</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</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>11</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 is generally intended to consolidate and update the Exchange’s rules in anticipation of the technology migration on October 7, 2019. The proposed rule change does not make any substantive changes to the Exchange Rules or Exchange functionality. The Exchange believes that the non-substantive changes to update terms and references, simplify rule language, make the rule provisions plain English, consolidate and reorganize rules and rule

---

<sup>8</sup> The proposed Rule change updates references to SEC Rules in proposed Rule 5.12, as well.

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> Id.

paragraphs and/or Interpretations and Policies, and remove rules that are redundant or have since expired and are no longer applicable to trading on the Exchange 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 them easier to understand. The Exchange also believes that simplifying the Exchange Rules will protect investors by resulting in less burdensome and more efficient regulatory compliance.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of a technology migration of the Cboe Affiliated Exchanges, and not as a competitive filing. As stated, the proposed changes to the rules are consistent with the shell Rulebook that will be in place come October 7, 2019 and provide clear, consistent rules for all market participants upon the completion of migration. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition because it does not in any way substantively alter the current rules of the Exchange. It merely intends to provide simplified, consolidated rules upon migration. Likewise, the Exchange does not believe 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, 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**

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder. 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>14</sup> and Rule 19b-4(f)(6)<sup>15</sup> thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>16</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>17</sup> the Commission may designate a shorter time if such action is consistent with protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative prior to the Exchange's proposed system migration on October 7, 2019, in order to permit the Exchange to provide a complete Rulebook upon the completion of the migration. According to the Exchange, the proposed rule change simplifies, reorganizes, and updates its rule text and does not substantively alter any of its rules. The Commission believes that waiver of the 30-day

---

<sup>12</sup> 15 U.S.C. 78(b)(3)(A).

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

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 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.

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

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

operative delay is consistent with the protection of investors and the public interest because the proposal does not raise any new or novel issues and makes only non-substantive changes to the rules. Therefore, the Commission designates the proposed rule change to be operative on upon filing.<sup>18</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. 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](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2019-081 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.

---

<sup>18</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-CBOE-2019-081. 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-2019-081 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>19</sup>

Jill M. Peterson  
Assistant Secretary

---

<sup>19</sup> 17 CFR 200.30-3(a)(12)