

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85642; File No. SR-CboeBZX-2019-025)

April 15, 2019

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Chapter 22 of the Exchange's Rulebook

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 8, 2019, Cboe BZX Exchange, Inc. ("Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe BZX Exchange, Inc. (the "Exchange" or "BZX Options") proposes to amend Chapter 22 of the Exchange's rulebook. The text of the proposed rule change is provided in Exhibit 5. [sic]

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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 proposes to harmonize its rules within Chapter 22 (Market Participants) that pertain to Options Market Maker requirements to that of its affiliated exchange, Cboe C2 Exchange, Inc. (“C2”).⁵ Specifically, the Exchange proposes to conform its Rule 22.3 (Continuing Options Market Maker Registration) to C2 Rule 8.2 (Market-Maker Class Appointments), which allows for Market Makers to select a class appointment. In doing so, the Exchange also proposes to amend its definition of “class of options” under Rule 16.1 to be consistent with C2’s definition under C2 Rule 1.1. Additionally, the Exchange wishes to amend language in Rules 22.2 (Options Market Maker Registration), 22.4 (Good Standing for Market Makers), 22.5 (Obligations of Market Makers) and 22.6 (Market Maker Quotations) to be substantially similar to the language of the corresponding rules within C2 Chapter 8 (Market Makers), retaining only intended differences between it and C2. The Exchange also proposes other various non-substantive changes to Rules 22.2 through 22.6 which will serve to harmonize

⁵ The Exchange notes that its affiliated exchange, Cboe EDGX Exchange, Inc. (“EDGX Options”) is simultaneously proposing to harmonize its Options Market Maker rules with that of C2.

its rules with the corresponding C2 rules, as well as simplify or clarify its Market Maker rules, delete duplicative rule provisions, conform paragraph numbering and lettering throughout the rules. Additionally, the Exchange proposes a substantive change to its current continuous quoting requirement for Market Makers under Rule 22.6(d), which is described in detail below. This proposed rule change to the continuous quoting requirement is based on existing Nasdaq PHLX LLC (“Phlx”), Nasdaq ISE, LLC (“ISE”), Nasdaq MRX, LLC (“MRX”) and Nasdaq GEMX, LLC (“GEMX”) rules⁶ previously filed with the Commission. It also intends to harmonize the proposed quoting requirements across BZX Options and its affiliated exchanges, C2 and Cboe EDGX Exchange, Inc. (“EDGX Options”).⁷ Overall, the Exchange believes that having substantially the same Market Maker rules and requirements across exchanges will reduce the compliance burden and confusion for Market Makers that are members of multiple exchanges.

In particular, the proposed rule change amends Rule 22.2(c), which permits the Exchange to impose limits to the number of Members that may become Market Makers based on objective factors, including system constraints and capacity restrictions. Under the proposed rule, the Exchange may not impose such limits until the proposed limits and objective standards for the limits are reviewed and approved by the Commission. This provision is the same as C2 Rule 8.1(c). The proposed rule change adds Rule 22.2(d), which states that a Member or prospective Member adversely affected by an Exchange determination under this Chapter 22, including the Exchange’s termination or suspension of a Member’s status as a Market Maker or of a Market Maker’s appointment to a class, may obtain a review of such determination in accordance with

⁶ See Phlx Rule 1081(c); ISE Rule 804(e); MRX Rule 804(e); and GEMX Rule 804(e). See also Securities Exchange Act Release No. 83209 (May 10, 2018), 83 FR 22717 (May 16, 2018) (SR-Phlx-2018-22) (Order Granting Approval of Proposed Rule Change to Amend Phlx’s Quoting Requirements, Among Other Changes) (SR-Phlx-2018-22).

⁷ The Exchange notes that C2 and EDGX Options are simultaneously proposing the same continuous quoting requirements.

the provisions of Chapter 10 (Adverse Action). The Exchange notes that because the remaining rules in Chapter 22 contain various provisions that permit the Exchange to make determinations which would be subject to review under Chapter 10, it is appropriate to explicitly reference Chapter 10 in proposed Rule 22.2(d), applicable to the entire Chapter 22. This provision is the same as C2 Rule 8.1(d).

The proposed rule change modifies rule provisions throughout Chapter 22 to clarify the distinction between Market Maker registration and appointment. This harmonizes the Exchange's rules with the registration and appointment requirement rules under Chapter 8 of C2. In particular, an Options Member may already register as a Market Maker pursuant to Rule 22.2(a). Proposed Rule 22.3(a) allows a registered Market Maker to select appointments to classes, rather than registering⁸ for a series. Under the proposed class appointments, a Market Maker obtains Market Maker treatment by agreeing to and satisfying obligations in its appointed classes. This proposed change is consistent with C2 Rule 8.2(a). The proposed rule change makes corresponding changes to reflect the application of Market Maker obligations to appointed classes to Rule 22.4 (Good Standing for Market Makers), Rule 22.5 (Obligations of Market Makers) and Rule 22.6 (Market Maker Quotations). The proposed change also makes corresponding changes within Rule 21.1(l) to reflect that a Market Maker with an appointment in a class may designate a bulk message for that class as Post Only or Book Only, as well as a reference to that same class regarding User designation. This update is consistent with C2's corresponding Rule 6.8(c). The proposed rule change also renames Rule 22.3 to be "Market Maker Class Appointments", reflecting the fact that the rule generally describes how, as

⁸ The Exchange notes that the term "registering" to make markets in a series currently corresponds to the manner in which C2 uses and applies the term "appointment" to make markets in classes.

proposed, a Market Maker may obtain appointments to classes, rather than continuing Market Maker registration. Under proposed Rule 22.3(b) Market Makers may select their own class appointments through the same electronic interface process in which they currently register for series of options. This is the same appointment process as prescribed in C2 Rule 8.2(b). Proposed Rule 22.3(c) references the Exchange's ability to limit Market Maker appointments pursuant to proposed Rule 22.2(c), as described above. This corresponds to C2 Rule 8.2(d). The Exchange is not proposing to adopt a provision that corresponds to C2 Rule 8.2(c), which provides that a "Market Maker's appointment in a class confers the right of the Market Maker to quote (using order functionality) in that class", as BZX rules do not provide for separate quoting functionality in an appointed class. BZX offers order and bulk message functionality (similar to quoting functionality), which may be used by all Users.⁹ Therefore, the Exchange believes the adoption of this paragraph to be unnecessary. Additionally, the Exchange is not proposing to adopt a provision that corresponds to C2 Rule 8.3 (Market-Maker Class Appointment Costs), which describes the appointment costs per Trading Permit, as Trading Permits and appointment costs are specific to C2 and do not apply to BZX Options.

In order to provide for consistency across the Exchange and C2 regarding Market Maker obligations and appointment to classes, the Exchange proposes to amend its definitions under Rule 16.1(a)(14) for the term "class of options", and under Rule 16.1(a)(56) for the term "series" or "series of options" to be the same as C2's definitions. Currently, the Exchange defines a class of options as options of the same type. Type is defined as either a put or a call. However, the term class is generally understood to include both puts and calls, which are types of series, not

⁹ The Exchange notes that C2 is simultaneously proposing to delete its Rule 8.2(c) as it has recently implemented quoting functionality available to all Users, including Market-Makers.

separate classes, making this definition outdated. Specifically, it is understood that options with the same exercise price and expiration date that are puts constitute one series, and options with the same exercise price and expiration date that are calls constitute another series. The Exchange thus proposes to amend the definition of class to mean all options contracts with the same unit of trading covering the same underlying security or index. The proposed amendment also adds that options may cover an index, which are currently provided for on the Exchange, and that the term “class” may be used interchangeably with “class of options” because references to “class” are already made throughout the Exchange’s rules, which inherently refers to “class of options” as this definition pertains only to activity on BZX Options. This amended definition is consistent with the definition of class under C2 Rule 1.1 (Definitions). The Exchange thus believes that this change will serve to provide clarity and reduce confusion across the affiliated exchanges’ rules, particularly regarding a Market Maker’s understanding of its obligations to its proposed appointed classes. In line with this change, the Exchange also amends its definition of “series of options” to clarify that a series consists of options of the same type, as described in detail above. This is consistent with the definition under C2 Rule 1.1.

The proposed rule change deletes current Rule 22.4(a)(2), which states a Market Maker must continue to satisfy the Market Maker qualification requirements specified by the Exchange. The Exchange notes that this is redundant of the language in subparagraph (a)(1). Subparagraph (a)(1) states that a Market Maker must continue to meet the general requirements for Members set forth in Chapter 2 and Market Maker requirements set forth in Rule 22.2 (which is a proposed amendment replacing reference to Rule 11.5 as Rule 22.2 covers BZX Options Market Maker registration, relevant to Chapter 22, whereas Rule 11.5 covers Market Maker registration for BZX Equities). These are generally the only requirements applicable to qualify as a Market

Maker. C2 Rule 8.4(a) similarly does not contain this provision. The proposed changes to Rule 22.4(b) are non-substantive modifications that mirror language in C2's corresponding Rule 8.4 (Good Standing for Market-Makers). As stated above, the proposed changes to Rule 22.5 consist of amending language to reflect a Market Maker's class appointment, rather than registration to a series, as well as non-substantive changes to reflect the language of C2 Rule 8.5.

Current Rule 22.6 (Market Maker Quotations) describes requirements applicable to Market Maker quotes. The proposed rule change moves Rule 22.6(c) to proposed Rule 22.6(a), which mirrors the order of corresponding provisions under C2 Rule 8.6, and adds exceptions to firm quotes under proposed Rule 22.6(a) that are the same as the exceptions under corresponding C2 Rule 8.6(a). These proposed exceptions to a Market Maker's firm quote include system malfunction, unusual market conditions, and quotes during the pre-open. The proposed rule change adjusts the lettering of current Rule 22.6(a) through Rule 22.6(b) accordingly.

The Exchange also proposes to amend a Market Maker's continuous quoting obligations under Rule 22.6 based on existing Phlx, ISE, MRX and GEMX rules,¹⁰ previously filed with the Commission. The proposed amendments to Rule 22.2(d) are consistent with the continuous quoting requirement provisions on other exchanges.¹¹ Specifically, current Rule 22.6(d)(1) provides that a Market Maker must make markets on a continuous basis in at least 75% of the option series in which it is registered while current Rule 22.6(d)(3) provides that a Market Maker fulfills the requirement if the Market Maker provides two-sided quotes 90% of the time in an appointed series on a given trading day, or such higher percentage as the Exchange may announce in advance. The proposed rule change to 22.6(d) requires a Market Maker to continuously enter bids and offers in series in its appointed classes in 60% of the cumulative

¹⁰ See supra note 6.

¹¹ Id.

number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Market Maker's appointed classes are open, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option Series and any series with an expiration of greater than 270 days. Additionally, the proposed change amends current subparagraph (d)(3) (proposed paragraph (d)(1)) to provide for the way in which the Exchange calculates this requirement and is explicit in stating that quoting is not required in every appointed class. An example of the proposed calculation is presented below:

Market-Maker A ("Firm A")¹² has selected an appointment to quote option class U, in which options U1, U2, U3, U4, and U5 are open for trading. Firm A also has selected appointments in options classes V and W.

Option U1 opened at 09:30:00¹³ and closed at 16:00:00

Firm A quoted U1 at 09:35:30 @ 13.00(10)-15.00(10)

Firm A updated quote in U1 at 09:50:31 @ 10.00(10)-15.00(20)

Firm A purged quote at 15:55:40

Total quoted time for U1 is: 15:55:40-09:35:30 = (15-9)*3600 + (55-35)*60 + (40-30) = 22810 (seconds)

Total available quote time for U1 is: 16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 270000 (seconds)

¹² The Exchange notes that a Market-Maker may use multiple Executing Firm IDs ("EFIDs") to submit quotes in a class. The quoting time from all of a Market-Maker EFIDs' will be considered together when determining compliance with this obligation.

¹³ All times in example calculation in Eastern Time.

Option U2 opened at 09:30:00 and closed at 16:00:00

Firm A quoted U2 at 10:05:30 @13.00(10)-15.00(10)

Firm A updated quote in U2 at 11:00:01 @11.00(10)-16.00(20)

Firm A purged quote at 15:05:40

Total quoted time for U2 is: 15:05:40-10:05:30 = (15-10)*3600 + (65-05)*60 + (40-30)=
21610 (seconds)

Total available quote time for U2 is: 16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 +
(00-00) = 27000 (seconds)

Option U3 opened at 09:30:00 and closed at 16:15:00

Firm A quoted U3 at 11:10:21 @21.00(10)-24.00(20)

Firm A purged quote at 15:15:05

Total quoted time for U3 is: 15:15:05-11:10:21 = (15-11)*3600 + (75-10)*60 + (65-21) =
18344 (seconds)

Total available quote time for U3 is: 16:01:20-09:40:02 = (16-9)*3600 + (75-30)*60 +
(00-00) = 27900 (seconds)

Option U4 opened at 9:30:00 and closed at 16:00:00

Firm A quoted U4 at 09:34:29 @35.00(10)-37.00(10)

Firm A updated quote in U4 at 10:30:21 @31.00(10)-37.00(20)

Firm A purged quote in U4 at 15:59:34

Total quoted time for U4 is: $15:59:34-09:34:29 = (15-09)*3600 + (59-34)*60 + (34-29) = 23105$ (seconds)

Total available quote time is: $16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-0) = 27000$ (seconds)

Option U5 opened at 9:30:00 and closed at 16:00:00

Firm A did not quote U5 thus, the total quoted time for U5 will be: 0 (seconds)

Total available quote time is: $16:00:00-09:30:00 = (16-9)*3600 + (60-30)*60 + (00-00) = 27000$ (seconds)

Total time Firm A quoted class U: $22810 + 21610 + 18344 + 23105 + 0 = 85869$

(seconds)

Total eligible quoting time for Firm A on class U: $27000 + 27000 + 27900 + 27000 + 27000 = 135900$ (seconds)

Similarly assume:

Total time for Firm A quoted class V: 80983(seconds)

Total eligible quoting time for Firm A on class V: 84515 (seconds)

Total time for Firm A quoted class W: 0(seconds)

Total eligible quoting time for Firm A on underlying W: 46513 (seconds)

Then the total quoting percentage for Firm A is: $(85869 + 80983 + 0) / (135900 + 84515 + 46513) = 156852/266928 = 62.5\%$

As stated, the current rule requires a Market Maker to quote 75% of the series in which it is registered for 90% of each trading day. By comparison, the proposed rule change permits a Market Maker to quote any percentage of appointed classes so long as the Market Maker meets the requirement that it enters quotes aggregating 60% of the cumulative seconds across the total seconds that its appointment classes are open for trading. The proposed rule explicitly provides that a Market Maker does not necessarily have to quote every appointed class. The Exchange believes the proposed rule better accommodates the occasional issues that may arise in a particular class, whether technical or manual. For example, an issue may arise on the Market Maker's side in which there is a glitch in its systems or a manual computing error that temporarily disrupts quoting ability. The Exchange notes that the existing requirement may at times discourage liquidity in particular classes because a Market Maker is forced to focus on a momentary technical lapse in order to meet the higher current thresholds, rather than using the appropriate resources to focus on the classes that need and consume additional liquidity. The proposed rule maintains the language (currently in subparagraph (b)(3)) that the Exchange may announce in advance a higher percentage than the proposed 60% of the cumulative number of seconds requirement, which the Exchange believes may be appropriate on occasions when doing so would be in the interest of a fair and orderly market. This discretion is the same in the corresponding rules of Phlx, ISE, MRX, and GEMX.¹⁴

The proposed rule change also moves the continuous quoting obligation provisions to the introduction of Rule 22.6(d) from current subparagraphs (d)(1) and (d)(3) and the same quoting exclusions from subparagraph (d)(6). As such, the proposed rule change deletes the language in current subparagraph (d)(3) regarding the current continuous quoting obligation, the language in

¹⁴ See supra note 6.

subparagraph (d)(6) regarding series excluded, as well as the remaining language in subparagraph (d)(6) which is consistent with C2 Rule 8.6. Additionally, the proposed rule change incorporates the exclusion of any intra-day add-on series on the day during which such series are added for trading. This exclusion is consistent with corresponding C2 Rule 8.6. The proposed change also amends the current quoting exclusion of any series with an expiration of nine months or greater to an expiration of greater than 270 days. The Exchange notes that Market Makers generally already monitor expirations by a defined count of 270 days, as opposed to a nine month count in which the number of days continuously varies. Therefore, this proposed change intends to align the Exchange's rules with current industry practice.¹⁵

Furthermore, the proposed rule change deletes the language in current subparagraph (d)(3) (proposed subparagraph (d)(1)), which states that a Market Maker shall be deemed to have fulfilled the continuous quoting requirement if the Market Maker provides quotes for the percentage of the time that it is required to provide quotes on a given trading day, as it is redundant of the language in proposed Rule 22.6(d). The proposed rule change also makes non-substantive changes to the remaining language in proposed subparagraph (d)(1) to conform with corresponding C2 Rule 8.6(d)(2), and modifies language in proposed subparagraphs (d)(2) and (d)(3) (current subparagraphs (d)(4) and (d)(5)) to reflect the form and substance in that of corresponding C2 Rules 8.6(d)(1) and 8.6(d)(4), as well as the proposed continuous quoting percentage obligation where applicable. Additionally, the proposed rule change moves current subparagraph (d)(2) to proposed Rule 22.6(e), and current Rule 22.6(e) to proposed Rule 22.6(f).

¹⁵ The Exchange notes that C2 and EDGX Options are simultaneously proposing to amend their corresponding rules to exclude any series with an expiration of greater than 270 days.

The revised language and paragraph lettering mirrors that of C2 corresponding Rule 8.6(e) and Rule 8.6(f).

As proposed, the Exchange's Market Maker requirements and quoting obligations are substantially the same as current C2 Market-Maker requirements and obligations. Importantly, the proposed change incorporates C2's Chapter 8 Market Maker obligations to an appointed class, in lieu of the current registration to a series. Additionally, the Exchange amends its continuous quoting requirements to be substantially similar to the requirements under other exchanges' rules.¹⁶ The Exchange believes that proposed amendments to its quoting requirements are reasonable because these requirements are already in place on other options exchanges.¹⁷ The Exchange notes that the proposed change to continuous quoting requirements creates a clear, affirmative Market Maker obligation to hold themselves out as willing to buy and sell securities for their own account on a continuous basis, which justifies favorable Market Maker treatment and will continue to provide customer trading interest a net benefit. The Exchange further believes having consistent Market Maker requirements and obligations in the BZX and C2 Rules, as well as with other exchanges, will simplify the regulatory requirements for its Members that are active across multiple exchanges.

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.¹⁸ Specifically, the

¹⁶ See supra note 6.

¹⁷ See supra note 7. The same quoting requirements will be incorporated into C2 and EDGX Options rules.

¹⁸ 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ 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)²⁰ 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 contribute to the protection of investors and the public interest by having rules related to Market Maker registration, appointments, and obligations consistent among BZX Options and its affiliated exchanges, C2 and EDGX Options,²¹ as well as by bolstering participants' collective understanding of the Exchange's rules and the rules of its affiliated exchanges. The proposed rule change makes a clear distinction between Market Maker registration and appointments to classes in which they are obligated to make markets, and aligns the Exchange Rules with the corresponding C2 rules. The Exchange notes that this proposed change to have Market Maker class appointments rather than series appointments does not propose new Market Maker obligations as Market Makers currently quote most series of options within a class. Therefore, the Exchange believes the proposed change will not significantly alter Market Maker obligations nor impose any significant additional burden. The Exchange believes the proposed

¹⁹ 15 U.S.C. 78f(b)(5).

²⁰ Id.

²¹ See supra note 5 and note 7.

appointment to classes, along with the amended definitions of class and series, promotes consistency in Market Maker obligations and understanding of the rules across BZX Options and its affiliated exchange, C2.²² The Exchange believes this will result in greater uniformity and less burdensome regulatory compliance. As such, the Exchange believes maintaining uniformity in class and series definitions, Market Maker class appointments and their obligations to such appointments will foster cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange believes the proposed rule change to amend Market Makers' continuous quoting obligations will remove impediments to and perfect the mechanism of a free and open market and a national market system. With respect to continuous quoting obligations, the proposed rule change seeks to conform the quoting obligations to that of the rules of other exchanges.²³ The Exchange currently requires a Market Maker to quote in at least 75% the options series in which the Market Maker is registered during 90% of the trading day. The Exchange believes that applying a Market Maker's cumulative quoting time to the Market Maker's aggregate appointed classes to meet a threshold of 60% of the cumulative seconds its appointed classes are open for trading (like that of the current requirements on other exchanges) is less stringent than the Exchange's current requirement because of the lower quoting time threshold and because the proposed requirement does not consider a percentage of its appointed classes, so long as the overall 60% time requirement is met. Further, the Exchange notes that the current continuous quoting requirement potentially discourages liquidity at times when a Market Maker is forced to focus on making up for a momentary lapse in a particular class rather than

²² As well as EDGX Options. See supra note 5.

²³ See supra note 6.

allocating appropriate resources to focus on the classes that need and consume additional liquidity, and then allowing a Market Maker to continue quoting in the class that experienced a lapse after correcting the applicable issue.²⁴ The Exchange believes that this rule change better accommodates these occasional lapses, whether technical or manual, and enables a Market Maker to provide appropriate liquidity commensurate with the needs of its appointed classes. Moreover, the Exchange believes that it can better attract Market Makers, add liquidity, and grow its market to the benefit of all investors, if its quoting obligation is more aligned with that of other exchanges. The proposed rule change supports the quality of the Exchange's market by helping to ensure that Market Makers will continue to be obligated to quote in a percentage of their appointed classes. Ultimately, the benefit the proposed rule change confers upon Market Makers is offset by the continued responsibilities to provide significant liquidity to its appointed classes to the benefit of all market participants. The Exchange believes that the proposed change to continuous quoting requirements creates a clear, affirmative Market Maker obligation to hold themselves out as willing to buy and sell securities for their own account on a continuous basis, which justifies favorable Market Maker treatment and will continue to provide customer trading interest a net benefit. The Exchange further notes that the proposed rule text is consistent with the Act because the quoting obligations are substantially the same as quoting obligations on Phlx, ISE, MRX, and GEMX today, previously filed with the Commission.²⁵ Additionally, the Exchange believes the proposed rule change excluding any series with an expiration greater than 270 days, as opposed to nine months or greater, from a Market Maker's quoting obligations is in line with the way in which Market Makers currently monitor expiration. As a result, the

²⁴ See also Exchange Rule 22.6(d)(4) (proposed Rule 22.6(d)(2)). The Exchange already accounts for technical failure or limitation due to the automated system for order execution and trade reporting owned and operated by the Exchange ("System").

²⁵ See supra note 6.

Exchange believes that this change will foster cooperation and coordination with persons engaged in regulating securities, as well as facilitating transactions in securities. The proposed change will reduce confusion by codifying an industry practice already in place and harmonizing expiration time across the Exchange and its affiliated exchanges.²⁶ The Exchange also notes that the proposed changes are reasonable and do not affect investor protection because the proposed changes do not present any novel or unique issues, as they have either been previously filed with the Commission or are codifying an industry practice currently in place.

To the extent a proposed rule change within Chapter 22 is based on an existing C2 rule within C2 Chapter 8, the language of the Exchange rules and C2 rules may differ where necessary to conform to existing Exchange rule text or to account for details or descriptions included in the Exchange's rules but not in the applicable C2 rules. Where possible, the Exchange has substantively mirrored C2 rules, as it believes consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Members that are also participants on C2, as well as on EDGX Options, which is simultaneously proposing the same changes. The proposed rule change will provide greater harmonization between the rules of BZX Options and its affiliated exchanges,²⁷ resulting in greater uniformity and less burdensome and more efficient regulatory compliance. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to

²⁶ See supra note 12.

²⁷ See supra note 5.

understand, standing alone and collectively with its affiliated exchanges' rules.²⁸ In addition, the proposed rule change makes other non-substantive changes throughout the rules that will protect investors and benefit market participants, as these changes simplify or clarify rules, delete duplicative rule provisions, conform paragraph numbering and lettering throughout the rules, use plain English, and conform language to corresponding C2 rules where feasible.

Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(1) of the Act,²⁹ which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's Members and persons associated with its Members with the Act, the rules and regulations thereunder, and the rules of the Exchange. As stated, the proposed rule change conforms its Options Market Maker rules to be substantially similar to the Market Maker rules of its affiliated exchange, C2. Moreover, the proposed change to a Market Maker's continuous quoting requirements will serve to harmonize the quoting requirement for Market Makers across its affiliated exchanges, C2 and EDGX Options that are also proposing the same requirements. The Exchange thus believes these proposed changes create uniformity, which allows for the Exchange to organize consistently with its affiliated exchanges and to more easily enforce compliance by participants on the multiple affiliated exchanges.

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 a majority of the proposed rule change is intended to harmonize the Exchange rules with that of its affiliated exchange, C2. Thus, the Exchange believes this

²⁸ Id.

²⁹ 15 U.S.C. 78f(b)(1).

proposed rule change will reduce the burden on Exchange participants by providing consistent rules among affiliated exchanges. The harmonizing proposed rule changes in this filing conform to the approved rules of C2, which have already been found to be consistent with the Act.

Additionally, the Exchange believes that the proposed rule change to a Market Maker's continuous quoting requirements does not affect intramarket competition. The proposed change applies an affirmative obligation to all Market Makers to hold themselves out as continuously willing to buy and sell options for their own account, justifying favorable treatment and benefitting the trading interest of all customers. The Exchange believes that the proposed change to continuous quoting requirements does not affect intermarket competition, as this proposal is based on other exchanges' rules previously filed with the Commission.³⁰ The Exchange also notes that to the degree that other exchanges have varying continuous quoting obligations for Market Makers, market participants on other exchanges are welcome to become Options Market Makers on BZX Options if they determine that this proposed rule change has made market making on BZX Options more attractive or favorable. Finally, the Exchange believes that the proposed rule change will relieve any burden on market participants because it serves to provide Market Makers with affirmative quoting requirements that ensure each appointed class will receive appropriate liquidity to the benefit of all market participants who interact with that liquidity.

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

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

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

Because the foregoing proposed rule change does not:

³⁰ See supra note 6.

A. significantly affect the protection of investors or the public interest;

B. impose any significant burden on competition; and

C. 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 Act³¹ and Rule 19b-4(f)(6)³² thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
- or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2019-025 on the subject line.

³¹ 15 U.S.C. 78s(b)(3)(A).

³² 17 CFR 240.19b-4(f)(6).

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-CboeBZX-2019-025. 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-CboeBZX-2019-025 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.³³

Eduardo A. Aleman
Deputy Secretary

³³ 17 CFR 200.30-3(a)(12).