SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87435; File No. SR-CboeEDGX-2019-064)

October 31, 2019

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Adopt Rule 21.23 (Complex Solicitation Auction Mechanism)

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 23, 2019, Cboe EDGX Exchange,

Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission (the

"Commission") the proposed rule change as described in Items I, II, and III below, which Items

have been prepared by the Exchange. The Commission is publishing this notice to solicit

comments on the proposed rule change from interested persons.

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

        Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to adopt Rule 21.23.

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://markets.cboe.com/us/options/regulation/rule_filings/edgx/), at the Exchange's Office of the

Secretary, and at the Commission's Public Reference Room.

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

        In its filing with the Commission, the Exchange included statements concerning the

purpose of and basis for the proposed rule change and discussed any comments it received on the

proposed rule change. The text of these statements may be examined at the places specified in

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

[2]   17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1.   Purpose

The proposed rule change permits use of its Solicitation Auction Mechanism ("SAM") for complex orders. Specifically, the proposed rule change adopts Rule 21.23, which describes how complex orders may be submitted to and will be processed in a SAM Auction ("C-SAM" or "C-SAM Auction"). Complex orders will be processed and executed in a C-SAM Auction pursuant to proposed Rule 21.23 in a similar manner as simple orders are processed and executed in a SAM Auction pursuant to Rule 21.21.[3] C-SAM will provide market participants with an opportunity to receive price improvement for their larger-sized complex orders. The proposed rule change is substantially the same as the complex order solicitation price improvement mechanism of Cboe Options, as well as other options exchanges.[4]

The Exchange believes the similarity of C-SAM to SAM, AIM, and C-AIM and the mechanisms of other exchanges will allow the Exchange's proposed price improvement functionality to fit seamlessly into the options market and benefit market participants who are already familiar with this similar functionality. The Exchange also believes this will encourage

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[3]   The Exchange notes the Securities and Exchange Commission (the "Commission") recently approved Rule 21.21 regarding the Exchange's SAM Auction, which the Exchange intends to make available upon approval of this rule filing. See Securities Exchange Act Release No. 87060 (September 23, 2019), 84 FR 51211 (September 27, 2019) (SR-CboeEDGX-2019-047).

[4]   See Cboe Options Rule 5.40; see also, e.g., Nasdaq ISE, LLC ("ISE") Options 3, Section 11(e).

2

Options Members to compete vigorously to provide the opportunity for price improvement for complex orders in a competitive auction process.

An Options Member (the "Initiating Member") may electronically submit for execution a complex order it represents as agent ("Agency Order") against a solicited complex order(s) (which cannot have a Capacity of F for the same EFID as the Agency Order)[5] (a "Solicited Order") if it submits the Agency Order for electronic execution into a C-SAM Auction pursuant to proposed Rule 21.23. The Agency Order and Solicited Order cannot both be for the accounts of a customer. The Exchange believes it is appropriate for such customer-to-customer crosses to be submitted to a C-AIM Auction pursuant to Rule 21.22, as that rule contains a provision for Customer-to-Customer Immediate AIM Crosses for complex orders. For purposes of proposed Rule 21.23, the term "SBBO" means the synthetic best bid or offer[6] at the particular point in time applicable to the reference.[7]

Unlike simple SAM, there is no restriction on the solicited order being for the account of any Options Market Maker registered in the applicable series on the Exchange, as there are no Market Maker appointments to complex strategies. With respect to the simple markets,

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[5]   Because the Solicited Order cannot be facilitated by the Initiating Member, the Exchange proposes to add these systematic blocks, and will also conduct surveillance for compliance with the rule that prevents the Solicited Order from being a facilitation. Additionally, bulk messages (the equivalent of quoting functionality) are not available for complex orders. See Rule 21.20(b).

[6]   The SBBO is calculated using the best displayed price for each component of a complex strategy from the Simple Book. See Rule 21.20(a)(11).

[7]   See proposed introductory paragraph to Rule 21.23. This proposed paragraph is the same as the corresponding paragraph for simple SAM (introductory paragraph to Rule 21.21), except it refers to SBBO rather than the national best bid or offer ("NBBO"). There is no NBBO for complex orders, as complex orders may be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy. See Rule 21.20(c)(2)(E). Additionally, executions of legs of complex orders are exceptions to the prohibition of trade-throughs. See Rule 27.2(b)(8).

appointed Market Makers have a variety of obligations related to providing liquidity and making

competitive markets in their appointed classes. Therefore, prohibiting Market-Makers from

being solicited in a simple SAM Auction may encourage those Market-Makers to provide

liquidity in that auction to provide liquidity through responses, as well as quotes on the Book that

may have the opportunity to execute against the Agency Order. Because Market-Makers have

no obligations to provide liquidity to complex markets (and there is no quoting functionality

available in the complex order book ("COB")), appointed Market-Makers are on equal footing

with all other market participants with respect to C-SAM Auctions. Permitting Market-Makers

to be solicited provides all market participants with the opportunity to provide liquidity to

execute against Agency Orders in C-SAM Auctions in the same manner (both through

solicitation, responses, and interest resting on the COB). Rule 21.22 similarly does not restrict

appointed Market-Makers from being solicited to participate on the contra-side of C-AIM

Auctions.[8]

The Exchange does not believe permitting an appointed Market-Maker to be solicited for

a C-SAM Auction provides the Market-Maker with any advantages with respect to its potential

quotes in the applicable series in the Simple Book. Rule 18.4 prohibits any Options Member

from misusing material nonpublic information, and requires Options Members to have policies

and procedures designed to prevent the misuse of material nonpublic information. When a

market participant is solicited to be the contra-side in a crossing auction, the knowledge of that

auction is not yet public. If an appointed Market-Maker was solicited for a C-SAM Auction and

modified its quotes in the Simple Book in the applicable series in response to that auction, the

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[8]   Cboe Options Rule 5.40 similarly does not prohibit appointed Market-Makers from being
       solicited. See also NYSE American, LLC ("American") Rule 971.2NY(a)(1) (which
       permits all users except customers from being solicited as the contra-party).

Exchange may determine that to be a violation of Rule 18.4. Such an action would only impact C-SAM Auction execution prices if those quotes were at the BBO in the applicable series. This is true for any Options Member solicited for a C-SAM Auction that modified the prices of any orders it has resting in the applicable legs in the Simple Book or in the applicable complex strategy resting in the COB, as C-SAM permissible execution prices are based on all interest resting in the Simple Book.

As defined, the Solicited Order may be comprised of multiple orders, in which case they must total the same size as the Agency Order. This will accommodate multiple contra-parties and increase the opportunities for customer orders to be submitted into a C-SAM Auction with the potential for price improvement, since the Solicited Order must stop the full size of the Agency Order. This will have no impact on the execution of the Agency Order, which may trade against multiple contra-parties depending on the final execution price(s), as set forth in proposed paragraph (e). The Exchange notes that with regard to order entry, the first order submitted into the system is marked as the agency side and the second order is marked as the initiating/contra-side. Additionally, the Solicited Order will always be entered as a single order, even if that order consists of multiple contra-parties, which are allocated their portion of the trade in a post-trade allocation.[9]

The Initiating Member may initiate a C-SAM Auction if all of the following conditions are met:

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[9]   See Rule 21.22, introductory paragraph; see also Cboe Options Rule 5.40, introductory paragraph; and ISE Regulatory Information Circular 2014-013 (which states that the contra-side order submitted into a crossing mechanism (including the ISE solicited order mechanism) may consist of one or more parties).

- The Agency Order may be in any class of options traded on the Exchange.[10]

- The Initiating Member must mark an Agency Order for C-SAM Auction processing.[11]

- The smallest leg of the Agency Order must be for at least the minimum size designated by the Exchange (which may not be less than 500 standard option contracts or 5,000 mini-option contracts). The Solicited Order must be for (or must total, if the Solicited Order is comprised of multiple solicited orders) the same size as the Agency Order. The System handles each of the Agency Order and the Solicited Order as an all-or-none ("AON") order.[12]

- The price of the Agency Order and Solicited Order must be in an increment of $0.01.[13]

- The Initiating Member may not designate an Agency Order or Solicited Order as Post Only.[14]

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[10] See proposed Rule 21.23(a)(1). Cboe Options Rule 5.40(a)(1) permits Cboe Options to make C-SAM available on a class-by-class basis. The Exchange does not believe it currently needs this flexibility.

[11] See proposed Rule 21.23(a)(2); see also Cboe Options Rule 5.40(a)(2).

[12] See proposed Rule 21.23(a)(3); see also Cboe Options Rule 5.40(a)(3). The Exchange notes Rule 21.21(a)(3) requires the Initiating Member to designate the Agency Order and Solicited Order as AON. However, C-SAM functionality will automatically handle any orders submitted to the Exchange on a C-SAM message as AON, and thus will not require the Initiating Member to include an instruction on the orders for them to be handled as AON. The Exchange intends to amend Rule 21.21 in a separate rule filing to conform to the proposed provision.

[13] See proposed Rule 21.23(a)(4). Cboe Options Rule 5.40(a)(4) permits Cboe Options to apply different minimum increments for C-SAM on a class-by-class basis. The Exchange does not believe it currently needs this flexibility.

[14] See proposed Rule 21.23(a)(5); see also Cboe Options Rule 5.40(a)(5).

- The Initiating Member may only submit an Agency Order to a C-SAM Auction after the complex order book ("COB") opens.[15]

The System rejects or cancels both an Agency Order and Solicited Order submitted to a C-SAM Auction that do not meet these conditions.[16]

The proposed introductory paragraph for Rule 21.23 is the same as the corresponding paragraph for C-AIM Auctions in Rule 21.22, which is the Exchange's price improvement crossing auction for complex Agency Orders of all sizes and substantially similar to the Exchange's C-SAM Auctions, except C-AIM Auctions permit facilitations and customer-to-customer immediate crosses, while C-SAM Auctions only permit solicitations of larger-sized orders and do not permit customer-to-customer immediate crosses, as set forth above.[17]

The Solicited Order must stop the entire Agency Order at a price that satisfies the following:

- If the Agency Order is to buy (sell) and (a) the applicable side of the BBO on any component of the complex strategy represents a Priority Customer order on the Simple Book, the stop price must be at least $0.01 better than the SBB (SBO); or (b) the applicable side of the BBO on each component of the complex strategy represents a non-

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[15]   See proposed Rule 21.23(a)(6); see also Cboe Options Rule 5.40(a)(6).

[16]   See proposed Rule 21.23(a). Proposed paragraph (a) is the same as the corresponding paragraph for simple SAM (see Rule 21.21(a)), except the proposed rule change does not provide that an Initiating Member may not submit an Agency Order if the NBBO is crossed (unless the Agency Order is a SAM ISO. As noted above, there is no NBBO for complex orders, and the legs of complex orders are not subject to the restriction on NBBO trade-throughs. Additionally, the proposed rule change references the opening of the COB rather than the market open, as the opening of the COB is when complex orders may begin trading.

[17]   The proposed introductory paragraph is also substantially the same as the introductory paragraph in Rule 21.21, which is the rule describing the Exchange's simple SAM Auction.

Priority Customer order or quote on the Simple Book, the stop price must be at or better

than the SBB (SBO). This ensures the execution price of the Agency Order will improve

the SBBO if there is a Priority Customer order in any of the legs on the Simple Book.

The proposed rule change protects Priority Customers in any of the component legs of the

Agency Order in the Simple Book. By permitting a Priority Customer Agency Order to

trade at the SBBO if there is a resting non-Priority Customer order in the Book, the

proposed rule change also protects Priority Customer orders submitted into a C-SAM

Auction. The Exchange believes the proposed rule change is consistent with general

customer priority principles.[18]

- If the Agency Order is to buy (sell) and a buy (sell) complex order rests on the

COB, the stop price must be at least $0.01 better than the bid (offer) of the resting

complex order, unless the Agency Order is a Priority Customer order and the resting

order is not a Priority Customer, in which case the stop price must be at or better than the

bid (offer) of the resting complex order. This ensures the execution price of the Agency

Order will improve the price of any resting Priority Customer complex orders on the

COB, and that the execution price of a Priority Customer Agency Order will not be

inferior to the price of any resting non-Priority Customer complex orders on the COB.

The proposed rule change protects Priority Customers on the same side of the COB as the

current rule does. By permitting a Priority Customer Agency Order to trade at the same

price as a resting non-Priority Customer order, the proposed rule change also protects

Priority Customer orders submitted into a C-SAM Auction. Application of this check at

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[18] See also Rule 21.22(b)(1). General principles of customer priority ensure the execution price of complex orders will not be executed at prices inferior to the SBBO or at a price equal to the SBBO when there is a Priority Customer at the BBO for any component.

the initiation of a C-SAM Auction may result in the Agency Order executing at a better

price, since the stop price must improve any same-side complex orders (with the

exception of a Priority Customer Agency Order and a resting non-Priority Customer

order described above). The proposed rule change is consistent with general customer

priority principles.[19]

- If the Agency Order is to buy (sell) and (a) the BBO of any component of the

complex strategy represents a Priority Customer order on the Simple Book, the stop price

must be at least $0.01 better than the SBO (SBB), or (b) the BBO of each component of

the complex strategy represents a non-Priority Customer order on the Simple Book, the

stop price must be at or better than the SBO (SBB). This ensures the execution price of

the Agency Order will improve the price of any Priority Customer orders resting in the

Simple Book at the opposite side of the SBBO, and not be through the opposite side of

the SBBO.[20]

- If the Agency Order is to buy (sell) and the best-priced sell (buy) complex order

on the COB represents (a) a Priority Customer complex order, the stop price must be at

least $0.01 better than the SBO (SBB); or (b) a complex order that is not a Priority

Customer, the stop rice must be at or better than the price of the resting complex order.

This ensures the execution price of the Agency Order will improve the price of any

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[19]   See also Rule 21.22(b)(2).

[20]   See also Rule 21.22(b)(3).

Priority Customer complex orders resting in the COB at the same price as the stop price, and not be through the price of any other complex order resting in the COB.[21]

These proposed price checks are consistent with the permissible execution prices as set forth in proposed paragraph (e), as described below. The System rejects or cancels both an Agency Order and Solicited Order submitted to a C-SAM Auction that do not meet the conditions in this paragraph (b).[22]

Upon receipt of an Agency Order that meets the above conditions, the C-SAM Auction process commences. One or more C-SAM Auctions in the same complex strategy may occur at the same time. C-SAM Auctions in different complex strategies may be ongoing at any given time, even if the complex strategies have overlapping components. A C-SAM Auction may be ongoing at the same time as a SAM Auction in any component of the complex strategy.

To the extent there is more than one C-SAM Auction in a complex strategy underway at a time, the C-SAM Auctions conclude sequentially based on the exact time each C-SAM Auction commenced, unless terminated early pursuant to proposed paragraph (d). In the event there are multiple C-SAM Auctions underway that are each terminated early pursuant to proposed paragraph (d), the System processes the C-SAM Auctions sequentially based on the exact time each C-SAM Auction commenced. If the System receives a simple order that causes a SAM Auction and C-SAM Auction (or multiple SAM and/or C-SAM Auctions) to conclude pursuant to proposed paragraph (d) and Rule 21.21(d), the System first processes SAM Auctions (in price-

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[21]   There is no corresponding provision in Rule 21.22(b), because orders submitted into C-AIM auctions do not have AON contingencies, and Agency Orders submitted into those auctions may trade against both the contra-side order and other contra-side interest.

[22]   Proposed Rule 21.23(b) is virtually identical to Cboe Options Rule 5.40(b), except the Cboe Options rule accounts for the possibility that there may be a different minimum increment other than $0.01.

time priority) and then processes C-SAM Auctions (in price-time priority). At the time each C-SAM Auction concludes, the System allocates the Agency Order pursuant to proposed paragraph (e) and takes into account all C-SAM Auction responses and unrelated orders and quotes in place at the exact time of conclusion.[23]

The Exchange currently permits concurrent AIM Auctions in the same series (for Agency Orders of 50 or more contracts), concurrent SAM Auctions in the same series, and concurrent C-AIM Auctions in the same complex strategy,[24] and thus believes it is appropriate to similarly permit concurrent C-SAM Auctions in the same complex strategy. The Exchange believes it is appropriate to permit concurrent C-SAM Auctions in the same complex strategy for the same reasons it permits concurrent C-AIM Auctions for larger-sized orders, and for the same reasons it permits concurrent simple AIM and SAM Auctions to occur. Different complex strategies are essentially different products, as orders in those strategies cannot interact, just as orders in different series or classes cannot interact. Therefore, the Exchange believes concurrent C-SAM Auctions in different complex strategies is appropriate given that concurrent simple AIM Auctions in different series or different classes may occur. Similarly, while it is possible for a complex order to leg into the Simple Book, a complex order may only execute against simple orders if there is interest in each component in the appropriate ratio for the complex strategy. A simple order in one component of a complex strategy cannot on its own interact with a complex

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[23]   See proposed Rule 21.23(c)(1); see also Rule 21.22(c)(1) and Cboe Options Rule 5.40(c)(1). Proposed paragraph (c)(1) is the same as the corresponding paragraph for simple SAM (see Rule 21.21(c)(1)), except the proposed change adds how the System will handle ongoing auctions that include an overlapping component (whether that component is the subject of an ongoing simple SAM Auction or part of a complex strategy for which a different C-SAM Auction is ongoing).

[24]   See Rules 21.19(c)(1), 21.21(c)(1), and 21.22 (c)(1); see also Cboe Options Rule 5.40(c)(1).

order in that complex strategy. Therefore, the Exchange believes it is appropriate to permit concurrent SAM and C-SAM Auctions that share a component. As proposed, C-SAM Auctions will ensure that Agency Orders execute at prices that protect Priority Customer orders in the Simple Book and that are not inferior to the SBBO at the conclusion of the C-SAM Auction, even when there are concurrent simple and complex auctions occurring. The proposed rule change sets forth how any auctions with overlapping components will conclude if terminated due to the same event.

The Exchange notes it is currently possible for auctions in a component leg and a complex strategy containing that component (such as a simple AIM Auction in the component and a C-AIM in the complex strategy that contains that component) to occur concurrently. While these auctions may be occurring at the same time, they will be processed in the order in which they are terminated (similar to how the System will process auctions as proposed above). In other words, suppose there is an AIM Auction in a series and a C-AIM in a complex strategy for which one of the components is the same series both occurring, which began and will terminate in that order, and each of which last 100 milliseconds. While it is possible for both auctions to terminate nearly simultaneously, the System will still process them in the order in which they terminate. When the AIM Auction terminates, the System will process it in accordance with Rule 21.19, and the auctioned order may trade against any resting interest (in addition to the contra-side order and responses submitted to that AIM Auction, which may only trade against the order auctioned in that AIM pursuant to Rule 21.19). The System will then process the C-AIM Auction when it terminates, and the auctioned order may trade against any resting interest (in addition to the contra-side order and responses submitted to that C-AIM

12

Auction, which may only trade against the Agency Order auctioned in that C-AIM), pursuant to

Rule 21.22.

The System initiates the C-SAM Auction process by sending a C-SAM Auction

notification message detailing the side, size, price, Capacity, Auction ID, and complex strategy

of the Agency Order to all Options Members that elect to receive C-SAM Auction notification

messages. C-SAM Auction notification messages are not included in OPRA.[25] A C-SAM

Auction will last for a period of time determined by the Exchange, which may be no less than

100 milliseconds and no more than one second.[26] An Initiating Member may not modify or

cancel an Agency Order or Solicited Order after submission to a C-SAM Auction.[27]

Any User other than the Initiating Member (the response cannot have the same EFID as

the Agency Order)[28] may submit responses to a C-SAM Auction that are properly marked

specifying size, side of the market, and the Auction ID for the C-SAM Auction to which the User

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[25]   See proposed Rule 21.23(c)(2); see also Rule 21.22(c)(2) and Cboe Options Rule
       5.40(c)(2). The proposed C-SAM Auction notification message is the same as the
       corresponding message for simple SAM (see Rule 21.21(c)(2)), except the proposed rule
       change indicates the notification message for a C-SAM Auction will include the complex
       strategy rather than the series.

[26]   See proposed Rule 21.23(c)(3); see also Rule 21.22(c)(3) and Cboe Options Rule
       5.40(c)(3). The proposed C-SAM Auction period is also the same as the auction period
       for simple SAM (see Rule 21.21(c)(3)). The Exchange will make announce the length of
       the C-SAM Auction period to Options Members pursuant to Rule 16.3.

[27]   See proposed Rule 21.23(c)(4); see also Rule 21.22(c)(4) and Cboe Options Rule
       5.40(c)(4). The proposed C-SAM Auction notification message is the same as the
       corresponding provision for simple SAM (see Rule 21.21(c)(4)), except it includes the
       complex strategy rather than the series.

[28]   Permitting the Initiating Member to respond to a C-SAM Auction would be inconsistent
       with the purpose of the auction, which is to cross solicited interest, rather than facilitated
       interest. Similar to the restriction that the Solicited Order cannot be for the Initiating
       Member, the Exchange proposes to add a systematic block, but will conduct surveillance
       for compliance with the rule that prevents the response from being for the Initiating
       Member (so that a response cannot be used in place of a facilitation order).

13

is submitting the response. A C-SAM Auction response may only participate in the C-SAM

Auction with the Auction ID specified in the response.[29]

- The minimum price increment for C-SAM responses is $0.01. The System rejects

a C-SAM response that is not in a $0.01 increment.[30]

- C-SAM responses are capped at the following prices that exist at the conclusion

of the C-SAM Auction: (i) the better of the SBO (SBB) or the offer (bid) of a resting

complex order at the top of the COB; or (ii) $0.01 lower (higher) than the better of the

SBO (SBB) or the offer (bid) of a resting complex order at the top of the COB if the BBO

of any component of the complex strategy or the resting complex order, respectively, is a

Priority Customer order. The System executes these C-SAM responses, if possible, at the

most aggressive permissible price not outside the SBBO at the conclusion of the C-SAM

Auction or price of the resting complex order. This will ensure the execution price is at

or better than the SBBO (or better than the SBBO if any component is represented by a

Priority Customer order) or prices of resting complex orders (or better than the best-

priced resting complex order if represented by a Priority Customer complex order) at the

end of the C-SAM Auction as set forth in proposed Rule 21.23(e). Therefore, as

proposed, the price at which any response may be entered (and thus be executed) will

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[29] See proposed Rule 21.23(c)(5); see also Rule 21.22(c)(5) and Cboe Options Rule 5.40(c)(5). The proposed provisions regarding C-SAM responses are the same as the provisions regarding SAM responses, except as set forth below. See Rule 21.21(c)(5).

[30] See proposed Rule 21.23(c)(5)(A); see also Rule 21.22(c)(5)(A). The proposed minimum increment for C-SAM responses is the same as the minimum increment for SAM responses. See Rule 21.21(c)(5)(A). Cboe Options Rule 5.40(c)(5)(A) provides Cboe Options with flexibility to apply a different minimum increment to C-SAM responses. The Exchange does not currently believe it needs this flexibility.

ultimately not be through the SBBO or the best-priced resting orders on the COB at the

conclusion of the C-SAM Auction.[31]

- A User may submit multiple C-SAM responses at the same or multiple prices to a

C-SAM Auction. The System aggregates all of a User's complex orders on the COB and

C-SAM responses for the same EFID at the same price.[32] The Exchange believes this is

appropriate since all interest at a single price is considered for execution against the

Agency Order at that price, and can then together be subject to the size cap, as discussed

below. This (combined with the proposed size cap described below) will prevent an

Options Member from submitting multiple orders or responses at the same price to obtain

a larger pro-rata share of the Agency Order.

- The System caps the size of a C-SAM response, or the aggregate size of a User's

complex orders on the COB and C-SAM responses for the same EFID at the same price,

at the size of the Agency Order (*i.e.*, the System ignores size in excess of the size of the

Agency Order when processing the C-SAM Auction). The Exchange believes this will

prevent an Options Member from submitting an order or response with an extremely

large size in order to obtain a larger pro-rata share of the Agency Order.[33]

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[31] See proposed Rule 21.23(c)(5)(B); see also Rule 21.22(c)(5)(B) and Cboe Options Rule 5.40(c)(5)(B). This proposed provision is similar to the corresponding provision for SAM responses, except it refers to the SBBO and prices of complex order rather than the NBBO. See Rule 21.21 (c)(5)(B).

[32] See proposed Rule 21.23(c)(5)(C); see also Rule 21.22(c)(5)(C) and Cboe Options Rule 5.40(c)(5)(C). This is the same as the corresponding provision for simple SAM, except it proposes to aggregate responses with complex order interest rather than simple order interest. See Rule 21.21(c)(5)(C).

[33] See proposed Rule 21.23(c)(5)(D); see also Rule 21.22(c)(5)(D) and Cboe Options Rule 5.40(c)(5)(D). This is the same as the corresponding provision for simple SAM, except it proposes to aggregate responses with complex order interest, and cap aggregate complex size, rather than simple order interest. See Rule 21.21(c)(5)(D).

- C-SAM responses must be on the opposite side of the market as the Agency Order. The System rejects a C-SAM response on the same side of the market as the Agency Order.[34]

- C-SAM responses are not visible to C-SAM Auction participants or disseminated to OPRA.[35]

- A User may modify or cancel its C-SAM responses during the C-SAM Auction.[36]

Pursuant to proposed Rule 21.23(d), a C-SAM Auction concludes at the earliest to occur of the following times:

- the end of the C-SAM Auction period;

- upon receipt by the System of an unrelated non-Priority Customer complex order on the same side as the Agency Order that would post to the COB at a price better than the stop price;

- upon receipt by the System of an unrelated Priority Customer complex order on the same side as the Agency Order that would post to the COB at a price equal to or better than the stop price;

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[34] See proposed Rule 21.23(c)(5)(E); see also Rule 21.22(c)(5)(E) and Cboe Options Rule 5.40(c)(5)(E). This is the same as the corresponding provision for simple SAM. See Rule 21.21(c)(5)(E).

[35] See proposed Rule 21.23(c)(5)(F); see also Rule 21.22(c)(5)(H) and Cboe Options Rule 5.40(c)(5)(F). This is the same as the corresponding provision for simple SAM. See Rule 21.21(c)(5)(F).

[36] See proposed Rule 21.23(c)(5)(G); see also Rule 21.22(c)(5)(I) and Cboe Options Rule 5.40(c)(5)(G). This is the same as the corresponding provision for simple SAM. See Rule 21.21(c)(5)(G).

- upon receipt by the System of an unrelated non-Priority Customer order or quote that would post to the Simple Book and cause the SBBO on the same side as the Agency Order to be better than the stop price;

- upon receipt by the System of a Priority Customer order in any component of the complex strategy that would post to the Simple Book and cause the SBBO on the same side as the Agency Order to be equal to or better than the stop price;

- upon receipt by the System of a simple non-Priority Customer order that would cause the SBBO on the opposite side of the Agency Order to be better than the stop price, or a Priority Customer order that would cause the SBBO on the opposite side of the Agency Order to be equal to or better than the stop price;

- upon receipt by the System of an order that would cause the SBBO to be a price not permissible under the Limit Up-Limit Down Plan or Regulation SHO, provided, however, that in such instance, the C-SAM Auction concludes without execution;

- the market close; and

- any time the Exchange halts trading in the complex strategy or any component of the complex strategy, provided, however, that in such instance, the C-SAM Auction concludes without execution.[37]

The Exchange proposes to conclude the C-SAM Auction in response to the incoming orders described above, as they would cause the SBBO or the best-priced complex order on the

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[37] See proposed Rule 21.23(d). The proposed events that cause a C-SAM Auction to conclude are the same as those that cause a C-AIM Auction to conclude (see Rule 21.22(d)) and the same as those that cause a C-SAM Auction to conclude on Cboe Options (see Cboe Options Rule 5.40(d)). Additionally, they are similar to those that cause a simple SAM Auction to conclude, except are based on the entry of simple or complex orders that impact the SBBO or the best available prices on the same side of the COB rather than the BBO. See Rule 21.21(d).

same side of the market as the Agency Order to be better priced than the stop price, or cause the stop price to be the same price as the SBBO with a Priority Customer order on the BBO for a component or a Priority Customer complex order on the COB. Similarly, the incoming orders described above would cause the opposite side SBBO to be at or better than the stop price. These events would create circumstances under which a C-SAM Auction would not have been initiated, and therefore, the Exchange believes it is appropriate to conclude a C-SAM Auction when they exist.

Additionally, the proposed rule change would conclude a C-SAM Auction in response to an incoming order that would cause the SBBO to be at a price not permissible under the Limit Up-Limit Down Plan or Regulation SHO,[38] and would conclude the C-SAM Auction without execution. This will ensure that the stock leg of a stock-option order submitted into a C-SAM Auction does not execute at a price not permissible under that plan or regulation. This is consistent with current C-SAM functionality to ensure that stock legs do not trade at prices not permissible under the Limit Up-Limit Down Plan or Regulation SHO, and the proposed rule change codifies this in the Rules.

If the System receives an unrelated market or marketable limit complex order (against the SBBO or the best price of a complex order resting in the COB), including a Post Only complex order, on the opposite side of the market during a C-SAM Auction, the C-SAM Auction does not end early, and the System executes the order against interest outside the C-SAM Auction or posts the complex order to the COB. If contracts remain from the unrelated complex order at the time the C-SAM Auction ends, they may be allocated for execution against the Agency Order

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[38]   See Rule 21.20(f)(2)(B).

pursuant to proposed paragraph (e).[39] Because these orders may have the opportunity to trade

against the Agency Order following the conclusion of the C-SAM Auction, which execution

must still be at or better than the SBBO and the best-priced complex orders on the COB, the

Exchange does not believe it is necessary to cause a C-SAM Auction to conclude early in the

event the Exchange receives such orders. This will provide more time for potential price

improvement, and the unrelated complex order will have the opportunity to trade against the

Agency Order in the same manner as all other contra-side interest.[40]

At the conclusion of the C-SAM Auction, the System executes the Agency Order against

the Solicited Order or contra-side complex interest (which includes complex orders on the COB

and C-SAM responses) at the best price(s) as follows. Any execution price(s) must be at or

between the SBBO and the best prices of any complex orders resting on the each side of the

COB at the conclusion of the C-SAM Auction.[41] The Agency Order will execute against the

Solicited Order if there are no Priority Customer complex orders resting on the COB on the

opposite side of the Agency Order at or better than the stop price and the aggregate size of

contra-side interest at an improved price(s) is insufficient to satisfy the Agency Order.[42] The

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[39]   See proposed Rule 21.23(d). Similarly, market or marketable limit simple orders on the opposite side of the Agency Order will not cause an AIM Auction, SAM Auction, or a C-AIM Auction to end. See Rules 21.19(d); 21.21(d); and 21.22(d) (respectively); see also Cboe Options Rule 5.40(d).

[40]   This is the same as the corresponding provision for C-AIM Auctions (see Rule 21.22(d)(2)), and similar to the corresponding provision for simple SAM Auctions (see Rule 21.21(d)(2)).

[41]   Additionally, if there is a Priority Customer order representing any leg of the SBBO in the Simple Book, the execution price must be better than the SBBO, in accordance with complex order priority. See Rule 21.20(f)(2) in the shell Rulebook. Additionally, any execution price must be better than the price of any resting Priority Order complex order on the COB. As further discussed below, as proposed, an execution may only occur at such a price.

[42]   See proposed Rule 21.23(e)(1); see also Cboe Options Rule 5.40(e)(1).

System will execute the Agency Order against contra-side interest (and will cancel the Solicited Order) if (a) there is a Priority Customer complex order resting on the COB on the opposite side of the Agency Order at or better than the stop price and the aggregate size of that order and other contra-side interest is sufficient to satisfy the Agency Order or (b) the aggregate size of contra-side interest at an improve price(s) is sufficient to satisfy the Agency Order.[43]

The System will cancel an Agency Order and Solicited Order with no execution if:

- execution of the Agency Order against the Solicited Order would not be (1) at or between the SBBO at the conclusion of the SAM Auction; (2) better than the SBBO if there is a Priority Customer order in any leg component in the Simple Book; (3) at or better than the best-priced complex resting on the COB; or (4) better than the best-priced complex order resting on the COB if it is a Priority Customer complex order;

- there is a Priority Customer complex order resting on the COB on the opposite side of the Agency Order at or better than the stop price, and the aggregate size of the Priority Customer complex order and any other contra-side interest is insufficient to satisfy the Agency Order; or

- there is a non-Priority Customer complex order resting on the COB on the opposite side of the Agency Order at a price better than the stop price, and the aggregate

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[43]   See proposed Rule 21.23(e)(2); see also Cboe Options Rule 5.40(e)(2). The Agency Order will execute against contra-side interest at each price level to the price at which the balance of the Agency Order can be fully executed first against Priority Customer complex orders on the COB (in time priority) and then against remaining contra-side interest (including non-Priority Customer orders in the COB and SAM responses) in a pro-rata manner.

size of the resting complex order and any other contra-side interest is insufficient to satisfy the Agency Order.[44]

Executions following a C-SAM Auction for a complex Agency Order are subject to the complex order price restrictions and priority in Rule 21.20(f)(2).[45] The System cancels or rejects any unexecuted C-SAM responses (or unexecuted portions) at the conclusion of the C-SAM Auction.[46]

The Agency Order will only execute against the Solicited Order or C-SAM responses and complex orders resting in the COB, and will not leg into the Simple Book, at the conclusion of a C-SAM Auction. As proposed, the execution prices for an Agency Order will always be better than the SBBO existing at the conclusion of the C-SAM Auction if it includes a Priority Customer order on any leg, as well as better than the best-priced complex order resting on the COB if it is a Priority Customer complex order, and thus is consistent with general customer priority principles with respect to complex orders, pursuant to which complex orders may only trade against complex interest at prices that improve the BBO of any component that is represented by a Priority Customer order.[47]

The Simple Book and the COB are separate, and orders on each do not interact unless a complex order legs into the Simple Book. As a result, the System is not able to calculate the aggregate size of complex auction responses and complex orders on the COB and the size of simple orders in the legs that comprise the complex strategy at each potential execution price (as executions may occur at multiple prices) prior to execution of an order following an auction for

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[44]   See proposed Rule 21.23(e)(3); see also Cboe Options Rule 5.40(e)(3).

[45]   See proposed Rule 21.23(e)(4); see also Cboe Options Rule 5.40(e)(4).

[46]   See proposed Rule 21.23(e)(5); see also Cboe Options Rule 5.40(e)(5).

[47]   See proposed Rule 21.23(e)(5).

complex orders. If the Exchange were to permit legging into the Simple Book following a C-SAM Auction in accordance with its current complex order allocation in Rule 21.20, the System would first look to determine whether there are Priority Customer orders resting in the Simple Book at the final auction price(s) (and in the applicable ratio), and whether there was sufficient interest at improved prices to satisfy the Agency Order. The System would then look back at C-SAM responses and complex orders resting in the COB to determine whether there is interest at that price level that could execute against the Agency Order. Finally, the System would then look back at the Simple Book to determine whether any non-Priority Customer orders in the legs are able to trade against the Agency Order. The System would need to do this at each price level, and then determine whether there were any Priority Customer orders resting on the Simple Book that are part of the SBBO or COB at the stop price, and determine whether there was sufficient size at improved prices, or sufficient size with any Priority Customer orders at the stop price, to satisfy the Agency Order.

The amount of aggregate interest available to execute against the Agency Order is relevant in a C-SAM Auction with respect to the allocation of contracts against the Agency Order and other interest because of the all-or-none nature of the Agency Order. Because the System will not be able to determine the aggregate size of contra-side interest (including simple and complex) at improved prices, it would not be able to determine whether the Agency Order would execute against the Solicited Order or other contra-side interest.

The Exchange notes there would be significant technical complexities associated with reprogramming priority within the System to permit Agency Orders to leg into the Simple Book following a C-SAM Auction and allocate the Agency Order in a manner consistent with standard priority principles and crossing auctions, while making the most crossing functionality available

to Options Members. The proposed rule change will ensure the Agency Order executes in accordance with the C-SAM allocation principles, which provide Priority Customers with priority over the Solicited Order (and other contra-side interest) but also provide for the Solicited Order to execute against the Agency Order if there is no price improvement and no Priority Customer interest present. The Exchange believes providing this functionality will encourage Options Members to submit large complex orders into C-SAM Auctions and provide customer orders with opportunities for price improvement. It will also ensure orders (including Priority Customer orders) on the Simple Book are protected in accordance with standard complex order priority principles, as an Agency Order will only be permitted to execute at prices that do not trade at the SBBO existing at the conclusion of the C-SAM Auction if it includes a Priority Customer order on any leg, and that do not trade through the SBBO existing at the conclusion of the C-SAM Auction.

As noted above, the stop price of the Agency Order must be better than the same and opposite side of the SBBO if there is a Priority Customer order at the BBO in any component of the complex strategy. Additionally, the stop price must be better than the price of any Priority Customer order resting at the top of the COB on either side of the Agency Order. Further, a C-SAM Auction concludes upon receipt of an unrelated Priority Customer order in any component of the complex strategy that would post to the Simple Book and cause the SBBO on either side of the Agency Order to be equal to or better than the stop price, or upon the receipt of an unrelated Priority Customer complex order on either side of the Agency Order that post to the COB with a price equal to or better than the stop price. Additionally, any execution prices at the conclusion of the C-SAM Auction are subject to the standard complex order priority, which will ensure an Agency Order must execute at a price that improves the SBBO if there is a Priority

Customer order at the BBO in any leg.[48] Therefore, the proposed rule change protects Priority

Customer orders in the Simple Book even though Agency Orders may not leg into the Simple

Book.

Proposed Rule 21.23, Interpretations and Policies .01 and .02 state:

- Prior to entering Agency Orders into a C-SAM Auction on behalf of customers, Initiating Members must deliver to the customer a written notification informing the customer that his order may be executed using the C-SAM Auction. The written notification must disclose the terms and conditions contained in proposed Rule 21.23 and be in a form approved by the Exchange.

Under Rule 21.23, Initiating Members may enter contra-side orders that are solicited. C-

SAM provides a facility for Members that locate liquidity for their customer orders. Members

may not use the C-SAM Auction to circumvent Rule 21.19 or 21.22 limiting principal

transactions. This may include, but is not limited to, Members entering contra-side orders that

are solicited from (a) affiliated broker-dealers or (b) broker-dealers with which the Member has

an arrangement that allows the Members to realize similar economic benefits from the solicited

transaction as it would achieve by executing the customer order in whole or in part as principal.[49]

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[48] If there was a Priority Customer order resting at the BBO in any leg of a complex strategy in the Simple Book, and a complex order was submitted to the Exchange (outside of a C-SAM Auction) with a price one minimum increment better than the SBBO, that complex order would not be able to execute against interest in the leg markets (including the Priority Customer order).

[49] These provisions are virtually identical to the ones applicable to simple SAM Auctions. See Rule 21.21, Interpretations and Policies .01 and .02; see also Cboe Options Rule 5.40, Interpretations and Policies .01 and .02.

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.[50] Specifically, the

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[51] 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)[52] requirement that the rules of an exchange not be designed

to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change will provide market participants with access to an auction

mechanism for execution of complex orders, which will provide them with greater flexibility in

pricing complex orders and may provide more opportunities for price improvement. C-SAM as

proposed will function in a substantially similar manner as SAM for simple orders, the

Exchange's current solicitation price improvement mechanism for larger orders – the proposed

differences relate primarily to basing the price and execution of the Agency Order on the SBBO

and the COB, rather than on the NBBO, and to ensure execution prices are consistent with

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[50]   15 U.S.C. 78f(b).

[51]   15 U.S.C. 78f(b)(5).

[52]   Id.

complex order priority principles. Additionally, C-SAM as proposed will function in a substantially similar manner as C-AIM, the Exchange's current price improvement mechanism for all-sized complex orders. C-SAM provides equal access to the exposed Agency Orders for all market participants, as all Options Members that subscribe to the Exchange's data feeds will have the opportunity to interact with orders submitted into C-SAM Auctions.[53] C-SAM will benefit investors, because it is designed to provide investors seeking to execute larger-sized complex orders with opportunities to access additional liquidity and receive price improvement. It will provide Options Members with a facility in which to execute customers' complex orders, potentially at improved prices. The proposed rule change may result in increased liquidity available at improved prices for complex orders, with competitive final pricing out of the Initiating Member's control. The Exchange believes C-SAM will promote and foster competition and provide more options contracts with the opportunity for price improvement.

The Exchange believes the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system, because other options exchanges similarly permit larger-sized complex orders to be submitted into their solicitation mechanisms.[54] The general framework of the proposed C-SAM Auction process (such as the eligibility requirements, the auction response period, the same-side stop price requirements, response requirements, and auction notification process),[55] is substantively the same as the framework of the SAM Auction for simple orders, except to account for the differences between

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[53]   Any Options Member can subscribe to the options data disseminated through the Exchange's data feeds.

[54]   See, e.g., Cboe Options Rule 5.40; and Nasdaq ISE LLC ("ISE") Options 3, Section 11(e).

[55]   See Rule 21.19.

simple and complex orders, as described above. The Exchange believes using the same general framework for the simple and complex auctions will benefit investors, as it will minimize confusion regarding how the auction mechanisms work.

Further, the new functionality may lead to an increase in Exchange volume and should allow the Exchange to better compete against other markets that already offer an electronic price improvement solicitation mechanism for larger-sized complex orders, while providing an opportunity for price improvement for Agency Orders and ensuring that Priority Customers on the Simple Book and the COB are protected. C-SAM Auction functionality should promote and foster competition and provide more options contracts with the opportunity for price improvement, which should benefit market participants.

The Exchange believes the proposed rule change will result in efficient trading and reduce the risk for investors that seek access to additional liquidity and price improvement for complex orders by providing additional opportunities to do so. The proposed priority and allocation rules in the C-SAM Auction are consistent with the Exchange's current complex order priority principles, pursuant to which complex orders may only trade against complex interest at prices that improve the BBO of any component that is represented by a Priority Customer order.[56] This will ensure a fair and orderly market by protecting Priority Customer orders on the Simple Book while still affording the opportunity for price improvement for complex orders during each C-SAM Auction commenced on the Exchange. The proposed allocation is also consistent with the allocation principles for the simple SAM Auction, which ensures protection of Priority Customer orders resting on the Simple Book.[57] In a simple SAM Auction, the

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[56] See proposed Rule 21.23(e)(4) and current Rule 21.20(f)(2).

[57] See Rule 21.19(e).

27

Solicited Order cannot execute if there is a Priority Customer order resting on the Book at a price at or better than the stop price. Similarly, in a C-SAM Auction, the Solicited Order will not execute if there is a Priority Customer complex order resting on the COB at a price at or better than the stop price.

The purpose of C-SAM is to provide a facility for Options Members that locate liquidity for their larger-sized customer orders to execute these orders (and potentially obtain better prices). An Initiating Member that provides or locates interest to execute against its customer orders at the best then-available price (or better) will receive in exchange for that effort execution priority over non-Priority Customers (who do not expend similar efforts to trade against the Agency Order and do not provide price improvement) to trade against a specified percentage of the Agency Order at the stop price. The Exchange believes the proposed rule change promotes just and equitable principles of trade, because it will protect Priority Customer complex orders resting on the COB while encouraging Options Members to continue to provide or locate liquidity against which their customers may execute their complex orders. The Exchange believes this may also encourage non-Priority Customers to submit interest at improved prices if they seek to execute against Agency Orders.

By keeping the priority and allocation rules for a C-SAM Auction similar to the allocation used for a simple SAM Auction on the Exchange and consistent with current complex order priority, the proposed rule change reduces the ability of market participants to misuse the C-SAM Auction to circumvent standard priority rules in a manner that is designed to prevent fraudulent and manipulative acts and practices, and to promote just and equitable principles of trade on the Exchange. The proposed execution and priority rules will allow orders to interact with interest in the COB, and will allow interest on the COB to interact with option orders in the

28

price improvement mechanism in an efficient and orderly manner. The Exchange believes this

interaction of orders will benefit investors by increasing the opportunity for complex orders to

receive executions, while also enhancing the execution quality for orders resting on the COB.

The proposed C-SAM Auction eligibility requirements are reasonable and promote a fair

and orderly market and national market system, because they are the same as the eligibility

requirements for a simple SAM Auction, except the proposed rule change excludes the

requirement related to the NBBO, because there is no NBBO for complex orders, and the legs of

complex orders are not subject to the restriction on NBBO trade-throughs. Additionally, the

proposed rule change references the opening of the COB rather than the market open, as the

opening of the COB is when complex orders may begin trading. These are minor differences

that relate solely to underlying differences between simple and complex orders.[58]

The proposed rule that an Initiating Member may not designate an Agency Order or

Solicited Order as Post Only protects investors, because it provides transparency regarding

functionality that will not be available for C-SAM. The Exchange believes this is appropriate, as

the purpose of a Post Only complex order is to not execute upon entry and instead rest in the

COB, while the purpose of submitting orders to a C-SAM Auction is to receive an execution

following the auction and not enter the COB. Pursuant to proposed Rule 21.23, an Agency

Order will fully execute against contra-side interest (the Solicited Order or other contra-side

complex interest), and thus there cannot be remaining contracts in an Agency Order to enter the

COB. Similarly, the Solicited Order may only execute against the Agency Order at the

conclusion of a C-SAM Auction, and thus will not enter the COB.

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[58] The eligibility requirements are also substantially the same as those for C-AIM, except for the minimum size requirement for C-SAM. See Rule 21.22(a); see also Cboe Options Rule 5.40(a).

The Exchange believes the proposed rule change to permit the Solicited Order to be comprised of multiple orders that total the size of the Agency Order may increase liquidity and opportunity for Agency Orders to participate in C-SAM Auctions, and therefore provide Agency Orders with additional opportunities for price improvement, which is consistent with the principles behind the C-SAM Auction. The Exchange believes this will be beneficial to participants because allowing multiple contra-parties should foster competition for filling the contra-side order and thereby result in potentially better prices, as opposed to only allowing one contra-party, which would require that contra-party to guarantee the entire Agency Order, which could result in a worse price for the trade. The Solicited Order for simple SAM Auctions may be comprised of multiple contra-parties.[59]

The proposed C-SAM Auction requirements for the stop price are reasonable and promote a fair and orderly market and national market system, because they are consistent with the corresponding requirements for a simple SAM Auction, except the proposed requirements are based on the SBBO and complex order prices in the COB rather than the NBBO. As noted above, there is no NBBO for complex orders. The proposed stop price requirements promote just and equitable principles of trade, because they protect Priority Customer orders in the Simple Book and Priority Customer complex orders in the COB, and prevent trading through the SBBO and the best-priced orders on the COB.[60]

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[59] See Rule 21.19; see also Rule 21.22 (which permits the contra-side order in C-AIM Auctions to consist of multiple orders) and Cboe Options Rule 5.40 (which permits the Solicited Order in Cboe Options C-SAM Auctions to consist of multiple orders).

[60] See also Rule 21.22(b) (which applies similar stop price requirements in C-AIM Auctions) and Cboe Options Rule 5.40(b) (which applies the same stop price requirements in C-SAM Auctions.

As discussed above, the Exchange has proposed to allow C-SAM Auctions to occur concurrently with other C-SAM Auctions for the same complex strategies. Although C-SAM Auctions for Agency Orders will be allowed to overlap, the Exchange does not believe this raises any issues that are not addressed through the proposed rule change described above. For example, although overlapping, each C-SAM Auction will be started in a sequence and with a time that will determine its processing. Thus, even if there are two C-SAM Auctions in the same complex strategy that commence and conclude, at nearly the same time, each C-SAM Auction will have a distinct conclusion at which time the C-SAM Auction will be allocated. In turn, when the first C-SAM Auction concludes, unrelated orders that then exist will be considered for participation in the C-SAM Auction. If unrelated orders are fully executed in such C-SAM Auction, then there will be no unrelated orders for consideration when the subsequent C-SAM Auction is processed (unless new unrelated order interest has arrived). If instead there is remaining unrelated order interest after the first C-SAM Auction has been allocated, then such unrelated order interest will be considered for allocation when the subsequent C-SAM Auction is processed. As another example, each C-SAM response is required to specifically identify the Auction for which it is targeted and if not fully executed will be cancelled back at the conclusion of the Auction. Thus, C-SAM responses will be specifically considered only in the specified C-SAM Auction.

The Exchange does not believe that allowing multiple auctions to overlap for Agency Orders presents any unique issues that differ from functionality already in place on the Exchange. Pursuant to Rules 21.19(c)(1), 21.21(c)(1), and 21.22(c)(1), multiple AIM (for Agency Orders for 50 or more contracts), SAM, and C-AIM (for Agency Orders with the

smallest leg for 50 or more contracts) Auctions, respectively, may overlap.[61] Different complex

strategies are essentially different products, as orders in those strategies cannot interact, just as

orders in different series or classes cannot interact. Therefore, the Exchange believes concurrent

C-SAM Auctions in different complex strategies is appropriate given that concurrent simple

SAM Auctions in different series or different classes may occur. Similarly, while it is possible

for a complex order to leg into the Simple Book, a complex order may only execute against

simple orders if there is interest in each component in the ratio of the complex strategy. A

simple order in one component of a complex strategy cannot on its own interact with a complex

order in that complex strategy. Therefore, the Exchange believes it is appropriate to permit

concurrent SAM and C-SAM Auctions in the same component. As proposed, C-SAM Auctions

will ensure that Agency Orders execute at prices that protect Priority Customer orders in the

Simple Book and that are not inferior to the SBBO, even when there are concurrent simple and

complex auctions occurring. The proposed rule change sets forth how any auctions with

overlapping components will conclude if terminated due to the same event. The Rules do not

currently prevent a C-AIM in a complex strategy from occurring at the same time as an AIM in

one of the components of the complex strategy. Therefore, the Exchange believes it is similarly

reasonable to permit a C-SAM in a complex strategy to occur at the same time as a SAM in one

of the components of the complex strategy.

The proposed auction process will promote a free and open market, because it ensures

equal access to information regarding C-SAM Auctions and the exposed Agency Orders for all

market participants, as all Options Members that subscribe to the Exchange's data feeds with the

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[61]   See also Cboe Options Rules 5.37(c)(1), 5.38(c)(1), 5.39(c)(1), and 5.40(c)(1) (which
        permit concurrent AIM (for larger-sized Agency Orders), C-AIM (for larger-sized
        Agency Orders), SAM, and C-SAM Auctions, respectively).

opportunity to interact with orders submitted into C-SAM Auctions.[62] The proposed auction notification message includes the same information as the auction notification message for simple SAM Auctions, and will be available in the same data feed. The Exchange has proposed a range between no less than 100 milliseconds and no more than one second for the duration of a C-SAM Auction, which is the same duration of a simple SAM Auction. This will provide investors with more timely execution of their complex orders, while ensuring there is an adequate exposure of complex orders. This proposed auction response time should provide investors with the opportunity to receive price improvement for complex orders through C-SAM while reducing market risk. The Exchange believes a briefer time period reduces the market risk for the Initiating Member, versus an auction with a longer period, as well as for any Options Member providing responses to a broadcast. As such, the Exchange believes the proposed rule change would help perfect the mechanism for a free and open national market system, and generally help protect investors and the public interest. All Options Members will have an equal opportunity to respond with their best prices during the C-SAM Auction. Since the Exchange considers all complex interest present in the System, and not solely C-SAM responses, for execution against the Agency Order, those participants who are not explicit responders to a C-SAM Auction may receive executions via C-SAM as well.[63]

The proposed C-SAM Auction response requirements are reasonable and promote a fair and orderly market and national market system, because they are virtually identical to the corresponding requirements for a simple SAM Auction and benefit investors by providing clarity regarding how they may respond to a C-SAM Auction. The only differences are that C-SAM

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[62]   Any Options Member can subscribe to the options data disseminated through the Exchange's data feeds.

[63]   See also Rule 21.22(c) and Cboe Options Rule 5.40(c).

responses will be aggregated with other complex size rather than other simple interest, and C-SAM responses will be capped at the SBBO or prices of complex orders rather than the NBBO (because, as discussed above, there is no NBBO for complex orders and restricting prices based on the SBBO and complex orders will ensure protection of Priority Customer orders). This will further benefit investors by providing consistency across the Exchange's price improvement mechanisms.[64]

The proposed rule change will also perfect the mechanism of a free and open market and a national market system, because it is consistent with linkage rules. Rule 27.2(b)(8) provides that a transaction that is effected as a portion of a complex trade is exception to the prohibition on effecting trade-throughs. As discussed above, any executions following a C-SAM Auction will not trade-through the SBBO or prices of complex orders resting on the COB (and will always improve the SBBO or COB prices if they consist of a Priority Customer order).

The proposed events that will conclude a C-SAM Auction are reasonable and promote a fair and orderly market and national market system, because they are consistent with the corresponding events that will conclude a simple SAM Auction, and benefit investors by providing clarity regarding what will cause a C-SAM Auction to conclude. These events would create circumstances under which a C-SAM would not have been permitted to start, and thus the Exchange believes it is appropriate to conclude a C-SAM Auction if those circumstances occur. As is the case with a simple SAM Auction (which will not conclude early due to the receipt of an opposite side simple order), the Exchange will not conclude a C-SAM Auction early due to the receipt of an opposite side complex order. The Exchange believes this promotes just and equitable principles of trade, because these orders may have the opportunity to trade against the

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[64]   See also Rule 21.22(c)(5) and Cboe Options Rule 5.40(c)(5).

Agency Order following the conclusion of the C-SAM Auction, which execution must still be at or better than the SBBO and prices of complex orders in the COB. The Exchange believes this will protect investors, because it will provide more time for price improvement, and the unrelated order will have the opportunity to trade against the Agency Order in the same manner as all other contra-side complex interest.[65]

With respect to trading halts, as described above, in the case of a trading halt on the Exchange in the affected complex strategy or any component series, the C-SAM Auction will be cancelled without execution. This is consistent with simple SAM, which will be cancelled without execution if there is a trading halt on the Exchange in the affected series. Cancelling C-SAM Auctions without execution in this circumstance is consistent with Exchange handling of trading halts in the context of continuous trading on EDGX Options and promotes just and equitable principles of trade and, in general, protects investors and the public interest.[66]

Pursuant Rule 21.20, if an order is able to leg into the Simple Book, the System would first execute an order against Priority Customer orders in the Simple Book, then against any complex order interest in the COB (or auction responses), and last against any other simple interest in the Simple Book (with executions against the Simple Book occurring in the applicable ratio). This would occur at each price at which the complex order may execute. Requiring the System to make these determinations by going "back and forth" between the Simple Book and the COB at multiple price levels would be more complicated after a C-SAM Auction. The

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[65]   See also Rule 21.22(d) (pursuant to which the same events will conclude a C-AIM Auction) and Cboe Options Rule 5.40(d) (pursuant to which the same events will conclude a C-SAM Auction on Cboe Options).

[66]   The Exchange notes that trading on the Exchange in any option contract will be halted whenever trading in the underlying security has been paused or halted by the primary listing market and other circumstances. See Rule 20.3.

System must determine the aggregate amount of interest available at each execution price level before executing any portion of the Agency Order to determine the final auction price and how to allocate the Agency Order against contra-side interest at the conclusion of a C-SAM Auction. This is necessary because the System must determine at each price level the aggregate non-Priority Customer interest to determine whether there is sufficient size of contra-side interest at improved prices and thus whether the Agency Order will execute against the Solicited Order or contra-side interest.

As noted above, there would be significant technical complexities associated with reprogramming priority within the System to permit Agency Orders to leg into the Simple Book following a C-SAM Auction[67] and allocate the Agency Order in a manner consistent with standard priority principles and crossing auctions, while making the most crossing functionality available to Options Members. Pursuant to the complex order priority principles in Rule 21.20(f)(2), if an order is able to leg into the Simple Book, the System first executes an order against Priority Customer orders in the Simple Book, then against any complex order interest in the COB (or auction responses), and last against any other simple interest in the Simple Book (with executions against the Simple Book occurring in the applicable ratio). This occurs at each price at which the complex order may execute. Requiring the System to make these determinations by going "back and forth" between the Simple Book and the COB at multiple price levels is more complicated after a C-SAM Auction. The System must determine the aggregate amount of interest available at each execution price level before determining whether the Agency Order will execute against the Solicited Order or contra-side complex interest.

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[67]   The Exchange notes AON complex orders will not be able to leg into the Simple Book due to the same technical complexities. See Rule 21.20(g).

As discussed above, the Exchange believes the proposed rule change protects Priority Customer orders on the Simple Book, because executions following a C-SAM Auction will be subject to the general complex order priority[68] that will apply to all executions of all complex orders on the Exchange. It ensures an Agency Order will only execute at prices better than the SBBO existing at the conclusion of the C-SAM Auction if there is a Priority Customer order at the BBO on any leg, and at prices equal to or better than the SBBO existing at the conclusion of the C-SAM Auction if there is no Priority Customer order at the BBO on any leg. The proposed allocation will also ensure the Agency Order does not trade at the same price as a Priority Customer complex order resting on the COB or through the best-priced complex orders on the COB, and will protect investors by providing Priority Customer complex orders with priority at each price level.

Given the infrequency with which complex orders currently leg into the Simple Book, the Exchange believes it is in the best interest of investors to not implement additional technical complexities given the expected minimal impact, if any, that not permitting Agency Orders to leg into the Simple Book following a C-SAM Auction would have on execution opportunities for orders in the Simple Book.[69]

As is the case with SAM, an Options Member may not use C-SAM to circumvent the Exchange's rules limiting principal transactions. The proposed regulatory provisions are the

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[68]   See proposed Rule 21.23(e)(4).

[69]   See also Rule 21.22(e) (pursuant to which Agency Orders will not leg into the Simple Book following a C-AIM Auction) and Cboe Options Rule 5.40(e) (pursuant to which Agency Orders will execute in the same manner as the proposed rule change following a C-SAM Auction).

same as those applicable to simple SAM,[70] and the Exchange believes they will protect

customers and the public interest, prevent fraudulent and manipulative acts and practices, and

promote just and equitable principles of trade.

The proposed rule change is also consistent with Section 11(a)(1) of the Act[71] and the

rules promulgated thereunder. Generally, Section 11(a)(1) of the Act restricts any member of a

national securities exchange from effecting any transaction on such exchange for (i) the

member's own account, (ii) the account of a person associated with the member, or (iii) an

account over which the member or a person associated with the member exercises investment

discretion (collectively, referred to as "covered accounts"), unless a specific exemption is

available. Examples of common exemptions include the exemption for transactions by broker

dealers acting in the capacity of a market maker under Section 11(a)(1)(A),[72] the "G" exemption

for yielding priority to non-members under Section 11(a)(1)(G) of the Act and Rule 11a1-1(T)

thereunder,[73] and "Effect vs. Execute" exemption under Rule 11a2-2(T) under the Act.[74]

The "Effect vs. Execute" exemption permits an exchange member, subject to certain

conditions, to effect transactions for covered accounts by arranging for an unaffiliated member to

execute transactions on the exchange. To comply with Rule 11a2-2(T)'s conditions, a member:

(i) must transmit the order from off the exchange floor; (ii) may not participate in the execution

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[70]   See Rule 21.21, Interpretations and Policies .01 and .02; see also Cboe Options Rule 5.40, Interpretations and Policies .01 and .02.

[71]   15 U.S.C. 78k(a). Section 11(a)(1) prohibits a member of a national securities exchange from effecting transactions on that exchange for its own account, the account of an associated person, or an account over which it or its associated person exercises discretion unless an exception applies.

[72]   15 U.S.C. 78k(a)(1)(A).

[73]   15 U.S.C. 78k(a)(1)(G) and 17 CFR 240.11a1-1(T).

[74]   17 CFR 240.11a2-2(T).

of the transaction once it has been transmitted to the member performing the execution;[75] (iii) may not be affiliated with the executing member; and (iv) with respect to an account over which the member has investment discretion, neither the member nor its associated person may retain any compensation in connection with effecting the transaction except as provided in the Rule. For the reasons set forth below, the Exchange believes that Options Members entering orders into a C-SAM would satisfy the requirements of Rule 11a2-2(T).

The Exchange does not operate a physical trading floor. In the context of automated trading systems, the Commission has found that the off-floor transmission requirement is met if a covered account order is transmitted from a remote location directly to an exchange's floor by electronic means.[76] The Exchange represents that the System and the proposed C-SAM Auction will receive all orders electronically through remote terminals or computer-to-computer interfaces. The Exchange represents that orders (as well as responses) for covered accounts from Options Members will be transmitted from a remote location directly to the proposed C-SAM mechanism by electronic means, and thus will satisfy the off-floor transmission requirement.

The second condition of Rule 11a2-2(T) requires that neither a member nor an associated person of such member participate in the execution of its order. The Exchange represents that,

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[75]   The member may, however, participate in clearing and settling the transaction.

[76]   See, e.g., Securities Exchange Act Release Nos. 61419 (January 26, 2010), 75 FR 5157 (February 1, 2010) (SR-BATS-2009-031) (approving BATS options trading); 59154 (December 23, 2008), 73 FR 80468 (December 31, 2008) (SR-BSE-2008-48) (approving equity securities listing and trading on BSE); 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (SR-NASDAQ-2007-004 and SR-NASDAQ-2007-080) (approving NOM options trading); 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006) (File No. 10-131) (approving The Nasdaq Stock Market LLC); 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001) (SR-PCX-00-25) (approving Archipelago Exchange); 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (SR-NYSE-90-52 and SR-NYSE-90-53) (approving NYSE's Off-Hours Trading Facility); and 15533 (January 29, 1979), 44 FR 6084 (January 31, 1979) ("1979 Release").

upon submission to the C-SAM Auction, an order or C-SAM response will be executed

automatically pursuant to the rules set forth for C-SAM Auctions. In particular, execution of an

order (including the Agency and Solicited Order) or a C-SAM response sent to the mechanism

depends not on the Options Member entering the order or response, but rather on what other

orders and responses are present and the priority of those orders and responses. Thus, at no time

following the submission of an order or response is an Options Member or associated person of

such Options Member able to acquire control or influence over the result or timing of order or

response execution.[77] Once the Agency Order and Solicited Order, or the response, as

applicable, have been transmitted, the Initiating Member that transmitted the orders, or the User

that submitted the response, respectively, will not participate in the execution of the Agency

Order or Solicited Order, or the response, respectively. No Options Member, including the

Initiating Member, will see a C-SAM response submitted into C-SAM, and therefore and will not

be able to influence or guide the execution of their Agency Orders, Solicited Orders, or C-SAM

responses, as applicable.

Rule 11a2-2(T)'s third condition requires that the order be executed by an exchange

member who is unaffiliated with the member initiating the order. The Commission has stated

that the requirement is satisfied when automated exchange facilities, such as the C-SAM Auction

are used, as long as the design of these systems ensures that members do not possess any special

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[77] An Initiating Member may not cancel or modify an Agency Order or Solicited Order after it has been submitted into C-SAM, but Users may modify or cancel their responses after being submitted into a C-SAM. See proposed Rule 5.40(c)(4) and (c)(5)(G). The Exchange notes that the Commission has stated that the non-participation requirement does not preclude members from cancelling or modifying orders, or from modifying instructions for executing orders, after they have been transmitted so long as such modifications or cancellations are also transmitted from off the floor. See Securities Exchange Act Release No. 14563 (March 14, 1978), 43 FR 11542, 11547 (the "1978 Release").

or unique trading advantages in handling their orders after transmitting them to the exchange.[78]

The Exchange represents that the C-SAM Auction is designed so that no Options Member has

any special or unique trading advantage in the handling of its orders or responses after

transmitting its orders to the mechanism.

Rule 11a2-2(T)'s fourth condition requires that, in the case of a transaction effected for

an account with respect to which the initiating member or an associated person thereof exercises

investment discretion, neither the initiating member nor any associated person thereof may retain

any compensation in connection with effecting the transaction, unless the person authorized to

transact business for the account has expressly provided otherwise by written contract referring

to Section 11(a) of the Act and Rule 11a2-2(T) thereunder.[79] The Exchange recognizes that

Options Members relying on Rule 11a2-2(T) for transactions effected through the C-SAM

Auction must comply with this condition of the Rule and the Exchange will enforce this

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[78]   In considering the operation of automated execution systems operated by an exchange, the Commission noted that, while there is not an independent executing exchange member, the execution of an order is automatic once it has been transmitted into the system. Because the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange, the Commission has stated that executions obtained through these systems satisfy the independent execution requirement of Rule 11a2-2(T). See 1979 Release.

[79]   See 17 CFR 240.11a2-2(T)(a)(2)(iv). In addition, Rule 11a2-2(T)(d) requires a member or associated person authorized by written contract to retain compensation, in connection with effecting transactions for covered accounts over which such member or associated persons thereof exercises investment discretion, to furnish at least annually to the person authorized to transact business for the account a statement setting forth the total amount of compensation retained by the member in connection with effecting transactions for the account during the period covered by the statement which amount must be exclusive of all amounts paid to others during that period for services rendered to effect such transactions. See also 1978 Release, at 11548 (stating "[t]he contractual and disclosure requirements are designed to assure that accounts electing to permit transaction-related compensation do so only after deciding that such arrangements are suitable to their interests").

requirement pursuant to its obligations under Section 6(b)(1) of the Act to enforce compliance with federal securities laws.

The Exchange believes that the instant proposal is consistent with Rule 11a2-2(T), and that therefore the exception should apply in this case. Therefore, the Exchange believes the proposed rule change is consistent with Section 11(a) of the Act and the Rules thereunder.

The proposed rule change will also perfect the mechanism of a free and open market and a national market system, because it is consistent with linkage rules. Rule 27.2(b)(8) provides that a transaction that is effected as a portion of a complex trade is exception to the prohibition on effecting trade-throughs. As discussed above, any executions following a C-SAM Auction will not trade-through the SBBO or prices of complex orders resting on the COB (and will always improve the SBBO or COB prices if they consist of a Priority Customer order). The proposed rule change will also remove impediments to and perfect the mechanism of a free and open market and a national market system, because it is substantially similar to solicitation auction mechanisms of other options exchanges.[80]

The proposed rule change enhances one of its price improvement auction mechanisms to apply to complex orders, which enhanced auction mechanism is substantially the same as one offered by Cboe Options and has a framework that is aligned with the other auction mechanisms offered by the Exchange and Cboe Options. Therefore, this proposed rule change will ultimately provide a consistent technology offering across the exchanges affiliated with the Exchange (the "Cboe Affiliated Exchanges," which include Cboe Options, Cboe C2 Exchange, Inc., and Cboe BZX Exchange, Inc.), which, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges.

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[80]   See, e.g., Cboe Options Rule 5.40; and ISE Options 3, Section 11(e).

This will provide Users with greater harmonization of price improvement auction mechanisms available among the Cboe Affiliated Exchanges, and therefore perfect the mechanism of a free and open market and a national market system and protect investors.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition, as the proposed rule change will apply in the same manner to all orders submitted to a C-SAM Auction. The proposed C-SAM Auction is voluntary for Options Members to use and will be available to all Options Members. As discussed above, the Exchange believes the proposed rule change should encourage Options Members to compete amongst each other by responding with their best price and size for a particular auction. By offering all Options Members the ability to participate in the proposed allocation during the C-SAM Auction, an Options Member will be encouraged to submit complex orders outside of the C-SAM Auction at the best and most aggressive prices. Within the C-SAM Auction, the Exchange believes the proposed rule change will encourage Options Member to compete vigorously to provide the opportunity for price improvement in a competitive auction process. The proposed execution and allocation rules are consistent with those applicable to simple SAM, as well as complex order priority, and therefore will ensure protection of Priority Customer orders in both the Simple Book and the COB.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, because other options exchanges offer similar complex order price

43

improvement auctions for larger-sized orders.[81] The general framework and primary features of

the proposed C-SAM Auction process (such as the eligibility requirements, auction response

period, response requirements, and auction notification process), are substantively the same as

the framework for simple SAM[82]. The auction process is also similar, and is modified to address

the underlying differences between simple and complex orders. For example, C-SAM will base

pricing and execution requirements on the SBBO and complex orders in the COB, rather than the

NBBO (which does not apply to complex orders), to ensure consistency with Priority Customer

priority and complex order priority principles.

The Exchange believes that the proposed rule change will relieve any burden on, or

otherwise promote, competition. The Exchange believes this proposed rule change is necessary

to permit fair competition among the options exchanges and to establish more uniform price

improvement auction rules on the various options exchanges. The Exchange anticipates that this

proposal will create new opportunities for the Exchange to attract new business and compete on

equal footing with those options exchanges with complex order price improvement auctions and

for this reason the proposal does not create an undue burden on intermarket competition. Rather,

the Exchange believes that the proposed rule would bolster intermarket competition by

promoting fair competition among individual markets.

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.

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[81]   See, e.g., Cboe Options Rule 5.40; and ISE Rule Options 3, Section 11(e).

[82]   See Rule 21.21. It is also substantially similar to the general framework of the
         Exchange's other price improvement auctions, AIM and C-AIM. See Rules 21.19 and
         21.22 (respectively).

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

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

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

B.   institute proceedings to determine whether the proposed rule change should be disapproved.

IV.   Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2019-064 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeEDGX-2019-064. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the

proposed rule change that are filed with the Commission, and all written communications

relating to the proposed rule change between the Commission and any person, other than those

that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for website viewing and printing in the Commission's Public Reference Room, 100 F

Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of such 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-CboeEDGX-2019-

064, 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.[83]

Jill M. Peterson
Assistant Secretary

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[83]   17 CFR 200.30-3(a)(12).