

subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEARCA-2019-66 and should be submitted on or before October 16, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87024; File No. SR-CBOE-2019-059]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Certain Rules Relating To Market-Makers Upon Migration to the Trading System Used by Cboe Affiliated Exchanges

September 19, 2019.

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

September 6, 2019, Cboe Exchange, Inc. filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend and move certain current Rules in connection with Market-Makers from the Exchange's currently effective Rulebook ("current Rulebook") to the shell structure for the Exchange's Rulebook that will become effective upon the migration of the Exchange's trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) ("shell Rulebook"). The text of the proposed rule change is provided in Exhibit 5.

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

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

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

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

1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe C2 Exchange, Inc. ("C2"), acquired Cboe EDGA Exchange, Inc. ("EDGA"), Cboe EDGX Exchange, Inc. ("EDGX" or "EDGX Options"), Cboe BZX Exchange, Inc. ("BZX" or "BZX Options"), and Cboe

BYX Exchange, Inc. ("BYX" and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. The Exchange intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. The Exchange believes offering similar functionality to the extent practicable will reduce potential confusion for market participants.

In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

The Exchange now proposes to update and amend its rules under Chapter 8 (Market-Makers, Trading Crowds and Modified Trading Systems). Specifically, the Exchange proposes to amend its rules regarding Market-Maker registration, class appointments, and obligations (applicable to Market-Makers generally and the various Market-Maker types, *i.e.* Designated Primary Market-Makers ("DPMs"), Primary Market-Makers ("PMMs"), and Lead Market-Makers ("LMMs")) to conform to the corresponding Market-Makers rules of its affiliated options exchanges, C2, EDGX Options, and BZX Options (the "Affiliated Options Exchanges").³ The Exchange proposes these amendments to reflect the current Market-Maker functionality and general rule language of that of the Affiliated Options Exchanges to the extent necessary to retain intended differences unique to Cboe Options market-model, functionality and/or rule text. In conforming its Rule to that of is Affiliated Options Exchanges' rules, the Exchange proposes few substantive changes, which include proposed changes to the FLEX appointment process, updates to Market-Maker class appointments and obligations to such appointments to apply across Global Trading Hours ("GTH") and Regular Trading Hours ("RTH"), updates to the

³ The Exchange notes that the Affiliated Options Exchanges recently updated and harmonized their Market-Maker rules. The recent updates to BZX Option's Market-Maker rules will be implemented on or around October 1, 2019, and this filing refers to these updates. See Securities Exchange Act Release No. 85845 (May 13, 2019), 84 FR 22541 (May 17, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Delay the Operative Date of Rule Change Pursuant to SR-CboeBZX-2019-025) (SR-CboeBZX-2019-043).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

appointment cost structure, amendments to certain obligation provisions, including the bid/ask requirement, the series excluded from continuous quoting obligations and adding a “good-standing” rule, and updates to some of the rules in connection with DPMs, including segregation of accounts for DPM-related transactions accounts from a firms other accounts, the DPM net liquidating requirements, requirement to have two DPM designees, Exchange review of DPMs, as well as On-Floor terminations (which is also in connection with LMMs) and designations of classes in connection with DPMs and LMMs.

The Exchange also proposes to make non-substantive changes to simplify, clarify, and generally update its Market-Maker rules by consolidating various provisions and rules (including select

rules not covered under current Chapter 8 but pertain to Market-Maker requirements), simplifying rule language (e.g. revising run-ons and unnecessary clauses), updating the rule text to read in plain English, deleting duplicative and obsolete rule provisions, reformatting provision sequencing, numbering, and lettering, and revising headings. The Exchange also updates cross-references to rules not yet in the shell Rulebook but that will be in the shell Rulebook and implemented upon migration. The tables below list each rule under current Chapter 8, along with the few additional rules related to Market-Makers that the Exchange proposes to consolidate with the Market-Maker rules, the proposed rule in the shell Rulebook to which the current rule will be moved, the corresponding rule of one or more of the

Affiliated Options Exchanges to which the propose change conforms (if applicable), whether the proposed change is substantive or non-substantive, and finally, a description of the proposed rule change. The Exchange notes that all current provisions proposed to move to the corresponding proposed provisions in the shell Rulebook will also be deleted from the current rules upon migration.

Market-Maker Registration (Proposed Chapter 3, Section C)

The proposed rule change moves current Chapter 8 rules related to registration (including approvals, eligibility, termination, etc.) and general Market-Maker functions, from the current Rulebook to Chapter 3, Section C (TPH Trading Functions) of the shell Rulebook as follows:

Current rule	Proposed rule	Corresponding other Exchange rule	Substantive change	Description of change
Rule 8.1 (Market-Maker Defined).	Rule 3.52 (Market-Makers).	C2 Rule 8.1, EDGX Options Rule 22.2, BZX Options Rule 22.2.	N	Conforms language to that of the Affiliated Options Exchanges' rules. Language defining Market-Makers deleted; duplicative of the definition already in Rule 1.1.
Rule 8.2 (Registration of Market-Makers).	Rule 3.52 (Market-Makers).	C2 Rule 8.1, EDGX Options Rule 22.2, BZX Options Rule 22.2.	Y: see further discussion below..	Conforms registration process provisions to that of the Affiliated Options Exchanges' rules.
Rule 8.13 (Preferred Market-Makers).	Rule 3.56 (PMMs)	N/A	N	Moves Rule 8.13(a) and (b), and Interpretation and Policy .01(a) to proposed rule, deleted Interpretation and Policy .01(b) regarding PMM participation entitlements, ⁴ and renumbers provisions, changes headings, and updates cross-references. Removes receipt of PMM order through complex order book (“COB”) or complex order auctions as such complex entitlements are infrequently allocated, if at all, and, in addition to this, complex orders traded on the COB or COA will not have PMM allocation in the migrated system.
Rule 8.15 (Lead Market-Makers).	Rule 3.55 (LMMs)	N/A	N	Moves current Rule 8.15(a) and Interpretation and Policy .01 to proposed rule and renumbers provisions, changes headings, and updates cross-references. Moves current Rule 6.1A(iii)(A) to proposed rule, which states that the Exchange may approve one or more market-Makers to act as LMMs in each class during GTH for one-month terms.
Rule 6.1A (Global Trading Hours), paragraph (e)(iii)(A).				
Rule 8.81 (DPM Designees).	Rule 3.54 (DPM Designees).	N/A	Y: see further discussion below.	Deletes current 8.1(d) which provides that each DPM must have two designees that are nominees of the DPM, requirement is an unnecessary expense to DPMs. Renumbers provisions and updates cross-references and updates language to read in plain English.
Rule 8.83 (Approval to Act as DPM).	Rule 3.53 (DPMs)	N/A	N	Modifies the term “appointment” to “designation” to clarify the distinction between a Market-Maker approved to act as a DPM and its appointment to options classes (and updates this term throughout the proposed Market-Maker rules). Updates the term “allocation” of “securities” to “appointment” of classes, which is consistent with the terms used throughout Market-Maker rules (this update is made throughout the proposed Market-Maker rules). Removes language in connection with the “Hybrid Trading System” and “Hybrid classes” (and makes same update throughout the proposed Market-Maker rules.) ⁵ Renumbers provisions (including adding Interpretations and Policies to the rule text) and updates cross-references and updates language to read in plain English.
Rule 8.88 (Review of DPM Operations and Performance).	Rule 3.53 (DPMs)	N/A	N	Renumbers provisions and updates cross-references and headings and updates language to read in plain English.
Rule 8.89 (Transfer of DPM Appointments).	Rule 3.53 (DPMs)	N/A	N	Moves to proposed rule to consolidate rules regarding Exchange approval, transfer review, and termination/limitation of status as DPM. Renumbers provisions and updates cross-references and headings and updates language to read in plain English. Updates certain terms to delineate between Exchange designation as a DPM and DPM appointment to a class (makes this change where applicable throughout the rules).

⁴ The proposed rule change deletes Interpretation and Policy .01(b) because the Exchange already moved/consolidated participation entitlements and rates into shell Rulebook in Rule 5.32. See Securities Exchange Act Release No. 86374 (July 15, 2019), 84 FR 34963 (July 19, 2019) Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to System Connectivity and Order Entry and Allocation Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges) (SR-CBOE-2019-033). The Exchange notes that SR-CBOE-2019-003 inadvertently failed to remove Rule

8.13.01(b) when it consolidated into the shell Rulebook. The filing deleted the following provisions: Rule 8.13(c) (regarding entitlement rates for PMMs); Rule 8.15(c)-(d) (regarding participation entitlements for LMMs); Rule 8.87 (in its entirety, regarding participation entitlements for DPMs).

⁵ As noted, on October 7, 2019 the Exchange's trading platform will be migrated to the same system used by the Cboe Affiliated Exchanges. The Exchange's trading system will still exist as a hybrid system but will no longer be referred to as the “Hybrid Trading System.” Instead, it will be defined as the “System,” pursuant to Rule 1.1 in the

shell Rulebook, to mean “the Exchange's hybrid trading platform that integrates electronic and open outcry trading of option contracts on the Exchange.” The Exchange notes that the term “Hybrid class” is no longer relevant because as of 2018, all classes listed for trading on the Exchange now trade on the same platform (prior to that, certain classes traded on the Exchange's Hybrid 3.0 platform, while most classes traded on the Exchange's Hybrid platform), making the distinction obsolete.

Current rule	Proposed rule	Corresponding other Exchange rule	Substantive change	Description of change
Rule 8.90 (Termination, Conditioning, or Limiting Approval to Act as a DPM).	Rule 3.53 (DPMs)	N/A	N	Moves to proposed rule to consolidate rules regarding Exchange approval, transfer review, and termination/limitation of status as DPM. Renumbers provisions and updates cross-references and headings, and updates language to read in plain English.
Rule 24A.9 (FLEX Market-Maker Appointments and Obligations).	Rule 3.57 (FLEX Market-Makers).	N/A	Y: see below for further detail.	Moves current Rule 24A.9(a) to proposed rule Changes current "FLEX Qualified Market-Makers" to "FLEX Market-Makers" to harmonize language under the Market-Maker type rules to the extent possible. Removes current Rule 24A.9(b) regarding FLEX Appointed Market-Makers because the Exchange currently does not have any FLEX Appointed Market-Makers nor a participation entitlement established. To the extent the Exchange determines in the future to appoint FLEX Market-Makers as FLEX Appointed Market-Makers (or similar role) and establish a participation entitlement, the Exchange will submit a separate rule filing.

The majority of these rules are virtually identical (other than renumbering or reorganizing paragraphs, updating cross-references and headings, updating language to read in plain English, and making the types of non-substantive changes as described above), and are merely moving from the current Rulebook to the shell Rulebook. The Exchange intends to move the current rules indicated above to proposed Chapter 3, Section C (TPH Trading Functions) of the shell Rulebook in order to consolidate into one location the rules that provide for the application, approval, and removal processes for its various Market-Maker types. As indicated in the table above, the proposed change does not substantively alter the Market-Maker registration requirement provisions (current Rule 8.1(b) and Rule 8.2) but rather proposes to consolidate its current Market-Maker registration provisions into proposed Rule 3.52, which conforms its paragraphs and language to mirror that of the Affiliated Options Exchanges' corresponding rules (to the extent Affiliated Options Exchanges' have corresponding rules).

The Exchange notes that the proposed Rule 3.52 permits the Exchange to impose limits to the number of Trading Permit Holders ("THPs") that may become Market-Makers based on a non-exhaustive list of objective factors, including system constraints and capacity restrictions. This is consistent with the corresponding rules of the Affiliated Options Exchanges.⁶

The proposed rule change removes the requirement that, at a minimum, the Exchange conduct a review of a DPM's operations or performance on an annual basis. This gives the Exchange more flexibility regarding when a full review or evaluation is warranted given the firm characteristics and infrastructure of DPM firms do not tend to change and the Exchange has various surveillances in place that, if they were to identify a lapse or failure in a DPM's compliance

with its obligations, proposed Rule 3.53 allows the Exchange to initiate a review of a DPM's operations or performance at any time, as it currently may.

Proposed Rules 3.53 and 3.55 amend language under current Rule 8.83(g) and 8.15.01(c), respectively, which provide that a class in which an Off-Floor DPM and/or Off-Floor LMM has been appointed, the Exchange in its discretion may also appoint an On-Floor LMM, and, if the Exchange in its discretion determines to reallocate a class in which an Off-Floor DPM and/or Off-Floor LMM has been appointed, the On-Floor LMM appointment will automatically terminate. The proposed rules update these rules to remove automatic termination and allow for the Exchange to terminate the On-Floor LMM appointment in its discretion because the performance of an Off-Floor DPM and/or Off-Floor LMM is not connected or indicative of the performance of an On-Floor LMM that may be high performing, therefore, automatic termination would be unnecessary and disruptive to the On-Floor LMM's appointment and obligations.

The proposed rule change updates the FLEX Market-Maker approval and appointment process under proposed Rule 3.57(b). The proposed change removes the language in current Rule 24A.9(a) that provides for Exchange designation of two or more FLEX Market-Makers to each FLEX Index Option of a given class, and two or more FLEX Market-Makers to each FLEX Equity Option of a given class. The proposed change removes these provisions, as they are no longer necessary in the enhancement and maintenance of the Exchange's Market-Maker program or for FLEX classes. Instead, proposed Rule 3.57(c) updates the language of current Rule 24A.9(a) in connection with FLEX appointments and Non-FLEX appointments. The current rule conditions a FLEX Market-Maker's appointment in a FLEX Index Option class or a FLEX Equity Option class on maintaining an appointment in one or more Non-FLEX Index Option

classes or one or more Non-FLEX Equity Option classes, as applicable. Such Non-FLEX Option class appointment(s) need not be in a class(es) that has the same underlying index or security as the appointed FLEX Option. The proposed change updates the appointment process so that a Market-Maker approved for FLEX market-making will automatically receive an appointment in the same FLEX options class(es) as its Non-FLEX class appointments selected in relation to its general Market-Making responsibilities pursuant to proposed Rule 5.50. The proposed rule does not alter the obligations of a FLEX Market-Maker, as they will continue to be required to maintain an appointment in a Non-FLEX class. The proposed rule change simplifies the FLEX appointment process, but will continue to provide that each FLEX class will have appointed Market-Makers to provide liquidity in that class, in addition to all other market participants.

The proposed rule change deletes current Rule 8.83(b) which provides that each DPM shall have at least two DPM Designees who are nominees of the DPM. The Exchange has determined that for a DPM to maintain Trading Permits for two nominees is an unnecessary expense to a member organization designated to act as a DPM. Current Rule 3.8 requires that each member organization have at least one nominee (which, upon migration, will be referred to as a "Responsible Person" for TPH organizations that hold electronic Trading Permits).⁷ The Exchange implemented Rule 8.83(b) in 1999 in order to ensure that a DPM is responsible for ensuring there is always a nominee available, if, for example, a nominee were to depart from the

⁶ See C2 Rule 8.1; EDGX Options Rule 22.2; and BZX Options Rule 22.2.

⁷ The Exchange will implement a rule change to current Rule 3.8 in anticipation of migration that will require a designation of a nominee only for floor-based Trading Permits. TPH organizations that hold electronic permits will be required to designate a "Responsible Person", who must be affiliated with the TPH. The Exchange notes that it updates this reference where applicable in the proposed rules herein this filing.

organization.⁸ The Exchange notes the infrequency in which a DPM necessitated or could not provide for a “back-up” DPM over the last two decades and, therefore, that the benefit or protection potentially provided by this rule is far outweighed by the expense a DPM must incur to maintain two nominees. A DPM, like all member organizations, will continue to be

required to maintain at least one nominee (or Responsible Person) and may choose to maintain multiple nominees (or Responsible Persons).

Market-Maker Appointments and Obligations (Proposed Chapter 5, Section D)

The proposed rule change also moves current Chapter 8 rules related to

Market-Maker appointments to classes and Market-Maker obligations from the current Rulebook to Chapter 5, Section D (Market-Maker Appointments and Obligations) of the shell Rulebook as follows:

Current rule	Proposed rule	Corresponding other exchange rule	Substantive change	Description of change
Rule 8.3 (Appointment of Market-Makers).	Rule 5.50 (Market-Maker Appointments).	C2 Rule 8.2, EDGX Options Rule 22.3, BZX Options Rule 22.3.	Y: see below for further detail.	Conforms to the Affiliated Options Exchanges' corresponding rules regarding appointments to the extent necessary to adhere to existing Exchange rule text, maintain provisions specific to Cboe Options, and to account for details/descriptions included in the Exchange's Rules but not in the applicable Affiliated Options Exchanges' rules. Incorporates GTH appointment costs. Removes provisions in connection with Trading Permits as they relate to appointment costs, which is consistent with the fee schedule and Exchange functionality to be implemented upon migration. Deletes obsolete provisions and language regarding Exchange-appointed classes as the Exchange does not currently appoint and Market-Makers already choose appointments. Removes current language that refers to the creation of Virtual Trading Crowds (“VTCs”) The Exchange previously maintained two different assignment types for appointment costs, VTC and Physical Trading Crowd (“PTC”) and PTC appointments have long been eliminated, therefore, there is no longer a need to discern VTC appointments; all appointments assign appointment costs in the same manner. Deletes language that allows the Exchange to group classes and make appointments to those groupings because the Exchange does not invoke these provisions and Market-Makers already select their own appointments. Deletes redundant language and provisions proposed or currently elsewhere in the rules, updates cross-references, paragraph numbering, headings, and language to read in plain English.
Rule 6.1A (Global Trading Hours), paragraph (e) (Appointments).	Rule 5.51 (Market-Maker Obligations).	C2 Rule 8.5, EDGX Options Rule 22.5, BZX Options Rule 22.5.	N	Moves current Rule 8.7(a) and (b) and Interpretation and Policy .09 to proposed rule and conforms to the Affiliated Options Exchanges' rules to the extent necessary to adhere to existing Exchange rule text, maintain provisions specific to Cboe Options rules, and to account for details/descriptions included in the Exchange's Rules but not in the applicable rules of the Affiliated Options Exchanges. Removes provisions redundant of and/or already encompassed by a Market-Maker's obligation to engage in dealing to maintain fair and orderly markets. Proposed Rule 5.51(e), which provides that if the Exchange finds any substantial or continued failure by a Market-Maker to engage in a course of dealings, the Market-Maker will be subject to disciplinary action or suspension or revocation of its registration or its appointment(s), is based on and consistent with the Affiliated Exchanges' rules, as well as the Exchange's current authority to take disciplinary action for Market-Maker failure to meet its Market-Maker obligations (e.g. continuous quoting requirements).
Rule 8.7 (Obligations of Market-Makers).	Rule 5.52 (Market-Maker Quotes).	C2 Rule 8.6, EDGX Options Rule 22.6, BZX Options Rule 22.6.	Y: see below for further details.	Moves current Rule 8.7(c) and (d), as well as Interpretations and Policies .03, .05, .06, .09, .10, and .11 to proposed rule. Conforms proposed quoting obligation provisions to Affiliated Options Exchanges' quoting obligation rules (including for GTH) to the extent necessary to adhere to existing Exchange rule text, maintains provisions specific to the Exchange and to account for details/descriptions included in the Exchange's Rules but not in the applicable Affiliated Options Exchanges' rules. Moves the definition of “continuous quoting obligations” from current Rule 1.1 for consistency and consolidation; this includes the current two-sided quote requirement language which is incorporated into proposed Rule 5.52(c). Deletes Rule 6.1A(e)(iv), as this was related separate trading session appointments and Hybrid classes, neither will be applicable upon migration. Proposed rule does not substantively alter current obligations but rather removes redundancies and makes the quoting obligation rules easier to follow by consolidating current provisions and streamlining language (which includes removing the lengthy and potentially confusing examples under current 8.7(d)(iii); the Exchange instead currently disseminates notices with such examples, explanations, answers to FAQ, and Exchange contact information). Deletes obsolete and redundant language/provisions, updates cross-references, paragraph lettering, headings, and language to read in plain English.
Rule 1.1 (definition of “continuous quoting obligations”). Rule 6.1A (Global Trading Hours), paragraph (e)(iv). N/A	Rule 5.53 (Good-Standing for Market-Makers).	C2 Rule 8.4, EDGX Options Rule 22.4, BZX Options Rule 22.4.	Y: see below for further details.	Proposed rule conforms to Market-Maker good standing rules of the Affiliated Options Exchanges.

⁸ See Securities and Exchange Act No. 41325 (April 22, 1999), 64 FR 23691 (May 3, 1999) (Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Inc. To Update and Reorganize Its Rules Relating to Designated Primary Market-Makers) (SR-CBOE-98-54).

⁹ See Securities Exchange Act Release No. 51371 (March 15, 2005), 70 FR 13557 (March 21, 2005)

(Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated To Amend CBOE Rule 8.4 To Remove the Physical Trading Crowd Appointment Alternative for Remote Market-Makers and To Create an “A+” Tier Consisting of the Two Most Actively-Traded Products on the Exchange) (SR-CBOE-2005-23).

¹⁰ The Exchange intends to move Interpretation and Policy .01 and .01(c) to proposed Rule 4.14 of the shell Rulebook at a later date in anticipation of migration.

¹¹ The Exchange intends to move Interpretation and Policy .01 and .01(c) to proposed Rule 4.14 of the shell Rulebook at a later date in anticipation of migration.

Current rule	Proposed rule	Corresponding other exchange rule	Substantive change	Description of change
Rule 8.13 (Preferred Market-Makers).	Rule 5.56 (PMMs) ..	C2 Rule 8.6, EDGX Options 22.6, BZX Options 22.6.	Y: update of the time-to-expiration language for certain series excluded is the only substantive change made; described below.	Moves current 8.13(b)–(d) and Interpretations and Policies .01(a) through .04 to proposed rule. Codifies that PMM obligations are applicable only during Regular Trading Hours, which is currently the manner in which they apply. Updates the language in current Rule 8.13 to clarify that receipt of PMM orders is the point in time when a PMM receives an entitlement (i.e. after being preferred on an order), this is currently that manner in which receipt functions. Conforms time-to-expiration-language for series excluded to the Affiliated Options time-to-expiration (i.e. from 9 months to 270 days). Renumbers provisions, changes headings, and updates cross-references and language to read in plain English.
Rule 8.14 (Hybrid Trading System Platforms & Market-Maker Participants).	Rule 5.50 (Market-Maker Appointments) paragraph (l).	Consistent with EDGX Options Rule 22.2(c) *.	Y: see below for further details.	Moves current Rule 8.14 to proposed paragraph (l). ¹⁰ Removes current Rule 8.14(a) as it is no longer necessary because all classes now trade on the System (Hybrid Trading System). Removes conditions in current paragraph (b) for Exchange designation of classes without a DPM/LMM and updates rule language to reflect this change.
Rule 8.15 (Lead Market-Makers).	Rule 5.55 (LMMs) ..	N/A	N	Moves current 8.15(b)–(d) and Interpretations and Policies .02–.04 to proposed rule, deletes certain provisions redundant of Market-Maker obligations under proposed Rule 5.52 (current Rule 8.7, to which a LMM must already comply). Codifies that LMM obligations are applicable only during Regular Trading Hours, which is the current manner in which LMM obligations already apply. Renumbers provisions and updates cross-references and headings, and language to read in plain English. Moves current Rule 6.1A(iii)(B) to Rule 6.1A to proposed 5.55(b).
Rule 6.1A (Global Trading Hours), paragraph (iii)(B). Rule 8.84 (Conditions on the Allocations of Securities to DPMs).	Rule 5.50 (Market-Maker Appointments).	N/A	N	Moves current rule to proposed 5.50(k), Interpretation and Policy .02 to 5.50(i)(5), and deletes current Interpretation and Policy .01(b) because it is redundant of an existing provision in current Rule 8.95 with which current Rule 8.84 is being consolidated with in proposed Rule 5.50. Renumbers provisions and updates cross-references and headings, and language to read in plain English.
Rule 8.85 DPM Obligations.	Rule 5.54 (DPMs) ..	N/A	Y: see below for further details.	Moves current rule, including Interpretations and Policies, to proposed rule. Codifies that DPM obligations are applicable only during Regular Trading Hours, which is the current manner in which DPM obligations already apply. Removes segregation of account requirements for DPM-related transactions. Deletes current 8.85(a)(ii) which states obligations redundant of those in 8.85(a)(i). Deletes Rule 8.85(a)(iii) which is redundant of Market-Maker obligations under proposed rule 5.52 (current Rule 8.7, to which a DPM must already comply). Changes “Exchange committee to “Exchange” as the Exchange, rather than a specific committee, requires DPM Designees. Renumbers provisions and updates cross-references and headings and language to read in plain English.
Rule 8.95 (Allocation of Securities and Location of Trading Crowds and DPMs).	Rule 5.50 (Market-Maker Appointments).	N/A	N	Deletes Interpretation and Policy .04 which would be redundant of Rule 8.84, also being consolidated into proposed Rule 5.50. Deletes current 8.95(j) and Interpretation and Policy .03, which is obsolete as it refers to classes open for trading prior to 1987. Renumbers provisions and updates headings and cross-references and language to read in plain English.
Rule 21.19 (Obligations of Market-Makers (Treasury Bonds and Notes)).	N/A	C2 Rule 8.6, EDGX Options Rule 22.6, BZX Options Rule 22.6.	N	Deletes current rule (which covers bid/ask requirements for government securities) to align with proposed no bid/ask requirement, which is consistent with the Affiliated Options Exchanges. In addition, the Exchange delisted government securities in 2011, therefore, Market-Maker obligations in such classes are no longer relevant.
Rule 22.14 (Maximum Bid-Ask Differentials; Market-Maker Appointments & Obligations).	N/A	N/A	N	Deletes current rule (which covers bid/ask requirements for binary options) to align with proposed no bid/ask requirement, which is consistent with the Affiliated Options Exchanges. In addition, the Exchange delisted binary options in 2015, therefore, Market-Maker obligations in such classes are no longer relevant.
29.17 (Market-Maker Appointments & Obligations).	N/A	N/A	N	Deletes current rule, which provides for certain Market-Making obligations in relation to Credit Option classes as the Exchange delisted Credit Options in 2014, therefore, this provision is no longer relevant to the current or proposed Market-Maker program.
Rule 24A.9 (FLEX Market-Maker Appointments and Obligations).	Rule 5.57 (FLEX Market-Makers).	N/A	N	Moves current Rule 21A.9(d) and (e) to proposed rule. Removes current Rule 21A.9(c) regarding FLEX Appointed Market-Maker obligations because the Exchange currently does not have any FLEX Appointed Market-Makers. To the extent the Exchange determines in the future to have FLEX Appointed Market-Makers in place, the Exchange will submit a separate rule filing. Updates cross-references, heading, and language to read in plain English.
Rule 8.7 (Obligations of Market-Makers).	Rule 5.51 (Market-Maker Obligations).	C2 Rule 8.5, EDGX Options Rule 22.5, BZX Options Rule 22.5.	N	Moves current Rule 8.7(a) and (b) and Interpretation and Policy .09 to proposed rule and conforms to the Affiliated Options Exchanges' rules to the extent necessary to adhere to existing Exchange rule text, maintain provisions specific to Cboe Options rules, and to account for details/descriptions included in the Exchange's Rules but not in the applicable rules of the Affiliated Options Exchanges. Removes provisions redundant of and/or already encompassed by a Market-Maker's obligation to engage in dealing to maintain fair and orderly markets. Proposed Rule 5.51(e), which provides that if the Exchange finds any substantial or continued failure by a Market-Maker to engage in a course of dealings, the Market-Maker will be subject to disciplinary action or suspension or revocation of its registration or its appointment(s), is based on and consistent with the Affiliated Exchanges' rules, as well as the Exchange's current authority to take disciplinary action for Market-Maker failure to meet its Market-Maker obligations (e.g. continuous quoting requirements).

Current rule	Proposed rule	Corresponding other exchange rule	Substantive change	Description of change
Rule 8.7 (Obligations of Market-Makers).	Rule 5.52 (Market-Maker Quotes).	C2 Rule 8.6, EDGX Options Rule 22.6, BZX Options Rule 22.6.	Y: see below for further details.	Moves current Rule 8.7(c) and (d), as well as Interpretations and Policies .03, .05, .06, .09, .10, and .11 to proposed rule. Conforms proposed quoting obligation provisions to Affiliated Options Exchanges' quoting obligation rules (including for GTH) to the extent necessary to adhere to existing Exchange rule text, maintains provisions specific to the Exchange and to account for details/descriptions included in the Exchange's Rules but not in the applicable the Affiliated Options Exchanges' rules. Moves the definition of "continuous quoting obligations" from current Rule 1.1 for consistency and consolidation; this includes the current two-sided quote requirement language which is incorporated into proposed Rule 5.52(c). Deletes Rule 6.1A(e)(iv), as this was related separate trading session appointments and Hybrid classes, neither will be applicable upon migration. Proposed rule does not substantively alter current obligations but rather removes redundancies and makes the quoting obligation rules easier to follow by consolidating current provisions and streamlining language (which includes removing the lengthy and potentially confusing examples under current 8.7(d)(iii); the Exchange instead currently disseminates notices with such examples, explanations, answers to FAQ, and Exchange contact information). Deletes obsolete and redundant language/provisions, updates cross-references, paragraph lettering, headings, and language to read in plain English.
Rule 1.1 (definition of "continuous quoting obligations"). Rule 6.1A (Global Trading Hours), paragraph (e)(iv). N/A	Rule 5.53 (Good-Standing for Market-Makers). Rule 5.56 (PMMs) ..	C2 Rule 8.4, EDGX Options Rule 22.4, BZX Options Rule 22.4. C2 Rule 8.6, EDGX Options 22.6, BZX Options 22.6.	Y: see below for further details. Y: update of the time-to-expiration language for certain series excluded is the only substantive change made; described below..	Proposed rule conforms to Market-Maker good standing rules of the Affiliated Options Exchanges. Moves current 8.13(b)–(d) and Interpretations and Policies .01(a) through .04 to proposed rule. Codifies that PMM obligations are applicable only during Regular Trading Hours, which is currently the manner in which they apply. Updates the language in current Rule 8.13 to clarify that receipt of PMM orders is the point in time when a PMM receives an entitlement (i.e. after being preferred on an order), this is currently that manner in which receipt functions. Conforms time-to-expiration-language for series excluded to the Affiliated Options time-to-expiration (i.e. from 9 months to 270 days). Renumbers provisions, changes headings, and updates cross-references and language to read in plain English.
Rule 8.13 (Preferred Market-Makers).	Rule 5.50 (Market-Maker Appointments) paragraph (i). Rule 5.55 (LMMs) ..	Consistent with EDGX Options Rule 22.2(c) *. N/A	Y: see below for further details. N	Moves current Rule 8.14 to proposed paragraph (i). ¹¹ Removes current Rule 8.14(a) as it is no longer necessary because all classes now trade on the System (Hybrid Trading System). Removes conditions in current paragraph (b) for Exchange designation of classes without a DPM/LMM and updates rule language to reflect this change. Moves current 8.15(b)–(d) and Interpretations and Policies .02—.04 to proposed rule, deletes certain provisions redundant of Market-Maker obligations under proposed Rule 5.52 (current Rule 8.7, to which a LMM must already comply). Codifies that LMM obligations are applicable only during Regular Trading Hours, which is the current manner in which LMM obligations already apply. Renumbers provisions and updates cross-references and headings, and language to read in plain English. Moves current Rule 6.1A(iii)(B) to Rule 6.1A to proposed 5.55(b).
Rule 8.14 (Hybrid Trading System Platforms & Market-Maker Participants). Rule 8.15 (Lead Market-Makers).	Rule 5.50 (Market-Maker Appointments). N/A	N/A	N	Moves current rule to proposed 5.50(k), Interpretation and Policy .02 to 5.50(i)(5), and deletes current Interpretation and Policy .01(b) because it is redundant of an existing provision in current Rule 8.95 with which current Rule 8.84 is being consolidated with in proposed Rule 5.50. Renumbers provisions and updates cross-references and headings, and language to read in plain English.
Rule 6.1A (Global Trading Hours), paragraph (iii)(B). Rule 8.84 (Conditions on the Allocations of Securities to DPMs).	Rule 5.54 (DPMs) ..	N/A	Y: see below for further details.	Moves current rule, including Interpretations and Policies, to proposed rule. Codifies that DPM obligations are applicable only during Regular Trading Hours, which is the current manner in which DPM obligations already apply. Removes segregation of account requirements for DPM-related transactions. Deletes current 8.85(a)(ii) which states obligations redundant of those in 8.85(a)(i). Deletes Rule 8.85(a)(iii) which is redundant of Market-Maker obligations under proposed rule 5.52 (current Rule 8.7, to which a DPM must already comply). Changes "Exchange committee" to "Exchange" as the Exchange, rather than a specific committee, requires DPM Designees. Renumbers provisions and updates cross-references and headings and language to read in plain English
Rule 8.85 DPM Obligations.	Rule 5.50 (Market-Maker Appointments). N/A	N/A	N	Deletes Interpretation and Policy .04 which would be redundant of Rule 8.84, also being consolidated into proposed Rule 5.50. Deletes current 8.95(j) and Interpretation and Policy .03, which is obsolete as it refers to classes open for trading prior to 1987. Renumbers provisions and updates headings and cross-references and language to read in plain English.
Rule 8.95 (Allocation of Securities and Location of Trading Crowds and DPMs).	N/A	C2 Rule 8.6, EDGX Options Rule 22.6, BZX Options Rule 22.6.	N	Deletes current rule (which covers bid/ask requirements for government securities) to align with proposed no bid/ask requirement, which is consistent with the Affiliated Options Exchanges. In addition, the Exchange delisted government securities in 2011, therefore, Market-Maker obligations in such classes are no longer relevant.
Rule 21.19 (Obligations of Market-Makers (Treasury Bonds and Notes)).	N/A	N/A	N	Deletes current rule (which covers bid/ask requirements for binary options) to align with proposed no bid/ask requirement, which is consistent with the Affiliated Options Exchanges. In addition, the Exchange delisted binary options in 2015, therefore, Market-Maker obligations in such classes are no longer relevant.
Rule 22.14 (Maximum Bid-Ask Differentials; Market-Maker Appointments & Obligations). 29.17 (Market-Maker Appointments & Obligations).	N/A	N/A	N	Deletes current rule, which provides for certain Market-Making obligations in relation to Credit Option classes as the Exchange delisted Credit Options in 2014, therefore, this provision is no longer relevant to the current or proposed Market-Maker program.

Current rule	Proposed rule	Corresponding other exchange rule	Substantive change	Description of change
Rule 24A.9 (FLEX Market-Maker Appointments and Obligations).	Rule 5.57 (FLEX Market-Makers).	N/A	N	Moves current Rule 21A.9(d) and (e) to proposed rule. Removes current Rule 21A.9(c) regarding FLEX Appointed Market-Maker obligations because the Exchange currently does not have any FLEX Appointed Market-Makers. To the extent the Exchange determines in the future to have FLEX Appointed Market-Makers in place, the Exchange will submit a separate rule filing. Updates cross-references, heading, and language to read in plain English.

As indicated above, many of the proposed rules are virtually identical (other than updating the rule text to plain English, updating cross-references, revising headings renumbering provisions, and, where applicable, deleting duplicative provisions as a result of consolidation, and making other types of non-substantive changes described above) and are merely moving from the current Rulebook to the shell Rulebook.

Proposed Rule 5.50 (Market-Maker Appointments)

Proposed Rule 5.50 consolidates rules under current Chapter 8 in connection with class appointments, which includes appointment costs and class appointments to DPMs and Trading Crowds. Below describes in more detail the substantive changes proposed:

Proposed Rule 5.50(a) provides that a registered Market-Maker may select class appointments to make markets in those classes during all trading sessions, *i.e.* Regular Trading Hours (“RTH”) ¹² and Global Trading Hours (“GTH”) ¹³. Particularly, this proposed change removes current language, which provides that a Market-Maker may select class appointments in one or more trading sessions in order to harmonize its rules and processes with the Affiliate Options Exchanges, which allow for a Market-Maker selected class appointment that apply to classes during all trading sessions. ¹⁴ In other words, if a Market-Maker selects an appointment in Cboe Volatility Index (“VIX”) options, which series are open for trading during GTH and RTH, that appointment would apply during both trading sessions (and thus, the Market-Maker would have an appointment to make markets in VIX during both GTH and RTH). As a result, a Market-Maker continuous quoting obligations set forth in proposed Rule 5.52(d) (current Rule 8.7(d)) would apply to the class for an entire trading day. A Market-Maker with appointments in either GTH or RTH is required to provide continuous quotes in at least 60% of the series ¹⁵ for 90%

of the time it is quoting in those classes. ¹⁶ The Exchange notes that a Market-Maker’s continuous obligations will continue to function in this manner, therefore, the extension of obligations to appointed classes to trading sessions will have a de minimis, if any, impact on a Market-Maker’s continuous quoting obligations, as they may continue to choose when to actively quote and have their obligations to their appointed classes apply.

Proposed 5.50(b) states that a Market-Maker may enter an appointment request via an Exchange-approved electronic interface with the Exchange’s systems by 2:30 a.m. ¹⁷ for “All Sessions” ¹⁸ classes, that is an option class the Exchange lists for trading during both GTH and RTH., which appointment becomes effective on the open of the Global Trading session, or by 9:00 a.m. for classes traded during Regular Trading Hours, which appointment becomes effective on the open of the Regular Trading session. Market-Makers already request appointments via an Exchange-approved electronic interface, therefore this proposed rule merely codifies the existing request process. ¹⁹ This is consistent with the corresponding rules of the Affiliated Options Exchanges, ²⁰ but is amended to provide Market-Makers with flexibility regarding appointments between its two trading sessions, which are different in scope than those of the Affiliate Options Exchanges.

The proposed rule change (proposed Rule 5.50(g)(1)) also deletes language in current Rule 8.3(c)(iv) that allows for only 1.0 appointment cost and one tier appointment per Trading Permit, as well as rule language relevant to this limitation. In anticipation of migration, the Exchange intends to update and simplify its fee schedule, and a Market-Maker firm will need only one Market-Making Trading Permit, regardless of

the number of classes in which it chooses to have appointments. ²¹ Upon migration, a Market-Maker firm will only be required to have one permit and will be charged for one or more “Appointment Units” (which will scale from 1 “unit” to more than 5 “units”), depending on which classes they elect appointments. Appointment Units will replace the standard 1.0 appointment cost, but function in the same manner. Appointment weights (which, in the proposed rule, replaces the term “appointment costs”, but these terms are equivalent) for each appointed class will be summed for each Market-Maker in order to determine the total appointment units, to which fees will be assessed. This is the current manner in which the tier costs per class appointment are summed to meet the 1.0 appointment cost, the only difference will be that if a Market-Maker exceeds this “unit” then their fees will be assessed under the “unit” that corresponds to the total of their appointment weights, as opposed to holding another Trading Permit because it exceeded the 1.0 “unit”. The proposed rule also updates some of the appointment costs (and updates this term to reflect “appointment weights” in line with the fees schedule for migration) in order to align with the rebalanced Appointment Units upon migration. The proposed change is intended to provide for a more straightforward and efficient administration of the appointment unit process as it will remove the more burdensome process in obtaining Trading Permits and replace it with a simple, scaled appointment unit regime (which is reflective of the same scaled regimes Market-Makers are accustomed to within the Exchange’s fees schedule). The Exchange believes that by making the appointment unit process less burdensome for Market-Makers, the proposed rule may potentially incentivize more market-making across classes.

The proposed rule change removes the condition in current Rule 8.14(b) that the Exchange may only designate classes to not have a DPM or LMM if

¹² Proposed Rule 5.52(d) (current Rule 1.1).

¹⁷ All times are Eastern Time pursuant to Rule 1.6 in shell Rulebook.

¹⁸ See Rule 1.1 in the shell Rulebook.

¹⁹ See Cboe Release No. C2019071600 (2019), available at http://cdn.cboe.com/resources/release_notes/2019/Quarterly-Rebalance-of-Option-Class-Tiers-and-Online-Appointment-System-Q2-2019.pdf

²⁰ See C2 Rule 8.2; EDGX Options Rule 22.3; and BZX Options Rule 22.3.

²¹ See Exchange Notice C2019081900 (August 19, 2019). Also, the Exchange intends to propose this change to the Fees Schedule in a separate rule filing.

¹² From 8:30 a.m. CT to 3:15 p.m. CT.

¹³ From 2:00 a.m. CT to 8:15 a.m. CT.

¹⁴ See C2 Rule 8.2; EDGX Options Rule 22.3; and BZX Options Rule 22.3. The Exchange notes that CTH session on the Affiliated Options Exchanges occurs from 7:30 a.m. CT to 8:15 a.m. CT.

¹⁵ Proposed Rule 5.52(d) (current Rule 8.7(d)).

there are at least four Market-Makers quoting in the class that are subject to the continuous quoting obligations. When the Exchange implemented this condition, there were a limited number of classes trading on the Hybrid System and this condition was designed, at that time, to enhance the Exchange's Market-Making program in the select classes trading on Hybrid, which was relatively new to the Exchange. As discussed above, all classes now trade on the System (*i.e.* Hybrid), and Market-Makers select their own appointments which adequately cover all classes of options necessitating market-making liquidity. In addition to this, proposed Rule 5.52(g) (current Rule 8.7(d)(iv)) allows for the Exchange to call on a Market-Maker to submit a single quote or maintain continuous quotes in one or more series of a Market-Maker's appointed class whenever, in the judgment of the Exchange, it is necessary to do so in the interest of maintaining a fair and orderly market. The Exchange believes these rules provide for sufficient liquidity in classes trading on the Exchange. Also, the proposed change is consistent with the rules of EDGX Options, which currently has a DPM program and lists many of the same classes. Pursuant to EDGX Options rules, it may choose to appoint one DPM per class, yet its rules do not obligate it to do so, nor do they require for a requisite number of Market-Makers when EDGX does not choose to appoint a DPM to a class.²²

Proposed Rules Regarding Market-Maker Obligations

The Exchange notes that the proposed rules in connection with Market-Maker obligations (presented in the table above) largely make non-substantive changes to update and simplify the rules by reorganizing and consolidating provisions, simplifying language, updating language to plain English and removing redundancies. For example, and as indicated in the table above, proposed Rule 5.51 only makes non-substantive changes to the rule governing a Market-Maker's general obligations (current Rule 8.7, in part), most of which remove redundant provisions that are already covered under the umbrella of a Market-Maker's obligation to engage in dealing to maintain fair and orderly markets. The proposed rules make only a few substantive changes to Market-Maker's obligations. The following provides an overview of the proposed substantive changes being made to the obligations for Market-Maker and Market-Maker

types (which are described in further detail in the sections below):

- Adds exceptions under proposed Rule 5.52(a) to the current requirement (under current Rule 8.51)²³ that a Market-Maker's quotes must be firm. These are consistent with the exceptions to the firm quote requirement for Market-Makers on the Affiliated Options Exchanges.

- Amends language throughout proposed Rule 5.52 to reflect that a Market-Maker's current continuous quoting requirements (*i.e.*, 90% of the time a Market-Maker is quoting in its appointed classes) in 60% of the series of the Market-Maker's appointed classes will now apply to all trading sessions (GTH and RTH). As indicated in the table above, the 90% continuous quoting requirement in 60% of appointed classes is currently the quoting requirement for Market-Makers. The proposed rule change does not alter this continuous electronic quoting obligation but merely incorporates the definition of continuous electronic quotes into this proposed rule, as opposed to having this term defined elsewhere in the Rules, as it is currently. The Exchange notes that DPMs, PMMs, and LMMs will also continue to have the same electronic quoting requirements which will continue to apply only during RTH, as they currently do.

- Updates the series excluded from a Market-Maker's continuous quoting obligations under proposed 5.52(d)(2), including: Amending the exclusion of "9-month" series to "270-day series" (and makes this proposed change where applicable throughout the rules); and adding that any intra-day add-on series on the day during which such series are added for trading and any Quarterly Options series are excluded from the continuous quoting obligation. The Exchange notes that it does not propose to add these series to be excluded from PMM, DPM, and LMM obligations.

- Removes the quote width requirements (current Rule 8.7(d)(i)(A) and (ii)(A), Rule 21.19, and Rule 22.14). This is consistent with the Market-Maker quoting requirements on the Affiliated Options Exchanges.

- Adds proposed Rule 5.53 which governs good standing for Market-Makers and is consistent with rules of the Affiliated Options Exchanges.

- Removes the requirement under proposed Rule 5.54 that DPMs must segregate in a manner prescribed by the

Exchange (*i.e.* segregated accounts) transaction made in a DPM capacity from other transactions/activity.

Proposed Rule 5.52 (Market-Maker Quotes)

Proposed Rule 5.52 consolidates overall the Market-Maker quoting obligations and amends obligations to 1) include quoting obligations under the Affiliated Options Exchanges' rules, and 2) update current quoting obligations to be consistent, the extent possible to maintain Exchange specific requirements, with the quoting obligations of the Affiliated Options Exchanges. The Exchange notes that, as proposed, a Market-Maker's obligations will be substantially similar to its current obligations.

Proposed Rule 5.52(a) provides for the firm quote obligation for Market-Makers pursuant to Rule 602 of Regulation NMS, to which Market-Makers must already comply pursuant to current Rule 8.51 (Firm Disseminated Market Quotes).²⁴ Proposed Rule 5.52(a) mirrors the firm quoting provision for Market-Makers under the rules of the Affiliated Options Exchanges, and adds exceptions to firm quotes that are the same as the exceptions under corresponding rules of the Affiliated Options Exchanges.²⁵ These proposed exceptions to a Market Maker's firm quote include system malfunction, unusual market conditions, and quotes during the pre-open.

Proposed Rule 5.52(d)(2), regarding continuous electronic quoting requirements incorporates obligations to appointed classes to the entire trading day (*i.e.*, GTH and RTH, which is described in detail above) by removing or updating language that refers to "Regular Trading Hours" and "per trading session" and its amends its list of series of excluded from a Market-Maker's continuous quoting obligation to incorporate the exclusion of any intra-day add-on series on the day during which such series are added for trading and any Quarterly Options series. This exclusion is consistent with corresponding rules of the Affiliated Options Exchanges.²⁶ As stated above,

²⁴ See *supra* note 25.

²⁵ See C2 Rule 8.6; EDGX Options Rule 22.6; BZX Options Rule 22.6.

²⁶ *Id.*; see also Securities Exchange Act Release No. 71129 (December 18, 2013), 78 FR 77736 (December 18, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Modify BATS Options Market Maker Continuous Quoting Obligation Rules) (SR-BATS-2013-062), which adopted exclusions, including Quarterly Options series, to Market Maker's quoting obligations and noted that such exclusions were "consistent with the rules of several other options exchanges" and "did not diminish the quoting

²² See EDGX Options Rule 22.2(c).

²³ The Exchange notes that current Rule 8.51, which governs Firm Disseminated Market Quotes will be maintained as is, and continue to apply to Market-Makers, but will be moved to the shell Rulebook at a later date.

proposed Rule 5.52(d)(2) also amends the current quoting exclusion of any series with an expiration of nine months or greater to an expiration of greater than 270 days, which is consistent with the time-to-expiration language for the same exclusion under the Affiliated Options Exchanges' rules. The Exchange notes that Market Makers generally already monitor expirations by a defined count of 270 days, as opposed to a nine month count in which the number of days continuously varies. Therefore, this proposed change aligns the Exchange's rules with current industry practice already in place on the Affiliated Options Exchanges. The Exchange also applied this change in the PMM obligation rule (the only other location in the Market-Maker rules which refers to 9-month series), proposed Rule 5.56.

The proposed rule change also removes the quote width requirements under current Rule 8.7(d)(i)(A) and (d)(ii)(A)), as well as reference to such determined quote widths throughout the proposed rules, including those for SPX, Interpretation and Policy .08 regarding bid/ask determinations for indexes, and current Rule 24A.9(e). This is consistent with the corresponding rules of the Affiliated Options Exchanges²⁷ and the manner in which Market-Makers on those exchanges are required to quote many of the same classes as Market-Makers on the Exchange. The Exchange notes that currently the quote width requirement for generally all classes is \$10, however, Market-Makers consistently maintain two-sided quotes that are much tighter than the required width. Indeed, even if markets are experiencing period of stress or volatility, pursuant to proposed Rule 5.51 (current Rule 8.7), Market-Makers remain obligated to maintain two sided markets and engage in a course of dealings that must be reasonable calculated to contribute to the maintenance of a fair and orderly market, which includes refraining from making bids or offers that are inconsistent with such course of dealings and updating quotations in response to changed market conditions. The Exchange may take disciplinary action against any substantial or continued failure of these obligations. Therefore, the Exchange does not believe that the continuing to provide for a quote width requirement is necessary nor will it impact the maintenance of fair and orderly markets

because Market-Makers already quote at a bid/ask spread much narrower than the requirements and are required to continuously fulfill their obligations to engage in a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market. The Exchange also notes that under proposed Rule 5.51 (current Rule 8.7), in connection with a Market-Maker's obligations to maintain fair and orderly markets, it may not make bids or offers inconsistent with this requirement, and, if the Exchange finds any substantial or continued failure by a Market-Maker regarding this requirement, the Market-Maker will be subject to disciplinary action or suspension or revocation of its registration or appointment(s). As such, Market-Makers must continue to submit quotes in accordance with this standard.

The Exchange also notes a proposed non-substantive change (not presented in the table above) to delete the language under current 8.7(d) which provides that Market-Makers remain subject to all obligations imposed by current Rule 8.7, and, to the extent another obligation contained elsewhere in current Rule 8.7 is inconsistent with an obligation contained in current paragraph (d) of Rule 8.7 (*i.e.*, continuous quoting obligations) with respect to a class, current paragraph (d) shall govern. The Affiliated Options Exchanges' corresponding rules do not provide for the same, as a Market-Maker is expected to uphold all obligations under the rules and in no circumstance circumvent its other, equally important obligations (*e.g.*, constituting a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market) in order to continuously quote. Therefore, this proposed change will not impact a Market-Maker's obligations under any of the rules, but instead is designed to ensure that a Market-Maker upholds each of its obligations. The proposed change conforms the Exchange's rules to the Affiliated Options Exchanges' rules. Similarly, the proposed rule change removes Interpretation and Policy .02, which states that the obligations of a Market-Maker with respect to those classes of option contracts to which the Market-Maker holds an Appointment shall take precedence over his other Market-Maker obligations. The Exchange notes that a Market-Maker's obligations only pertain to its appointed classes, which renders this provision unnecessary. This is also consistent with the quoting obligation provisions of the Affiliated Options Exchanges.

Proposed Rule 5.53 (Good Standing for Market-Makers)

Proposed Rule 5.53, which covers good standing for Market-Makers, is identical to the corresponding rules of the Affiliated Options Exchange.²⁸ The Exchange currently does not have a similar, consolidated rule that covers good standing for Market-Makers. This change is designed to harmonize Market-Maker requirements across the Exchange and the Affiliated Options Exchanges which provide clear requirements for Market-Makers to maintain good standing as a Market-Maker. The proposed rule states that for a Market-Maker to remain in good standing, a Market-Maker must: (1) Continue to meet the requirements established in Exchange Act Rule 15c3-1(a)(6)(i), the general requirements for Trading Permit Holders set forth in Chapter 3 of the Rules (as proposed), and the Market-Maker requirements set forth in Chapter 5 of the Rules (as proposed); (2) comply with the Rules as well as the Rules of the Clearing Corporation and the Federal Reserve Board; and (3) pay on a timely basis such participation, transaction, and other fees as the Exchange prescribes. The rule also provides that the Exchange may suspend or terminate a Trading Permit Holder's registration as a Market-Maker or a Market-Maker's appointment to a class, or otherwise withdraw the good standing of a Market-Maker as provided in the Rules, if the Market-Maker ceases to maintain any of these conditions for approval or violates any of its agreements with the Exchange or any of the provisions of the Rules. The proposed rule does not impose any new obligations or requirements for Market-Makers but are merely provides for the standards, currently in place under other rules or regulations, for which the Exchange may measure a Market-Maker's good standing.

Proposed Rule 5.54 (DPMs)

The proposed rule deletes current Rule 8.85(a)(vi), which states that a DPM must segregate in a manner prescribed by the Exchange all transactions consummated by the DPM in securities allocated to the DPM and any other transactions consummated by or on behalf of the DPM that are related to the DPM's DPM business, and current Rule 8.85(c)(v), which states the DPM shall segregate in a manner prescribed by the Exchange the DPM's business and activities as a DPM from the DPM's other businesses and activities (*i.e.* segregated accounts for DPM-related

obligation". The Exchange also notes that these exclusions were adopted on EDGX Options when that exchange was established.

²⁷ See *supra* note 27.

²⁸ See C2 Rule 8.4; EDGX Options Rule 22.4; and BZX Options Rule 22.4.

transactions from the firm's general Market-Maker accounts or accounts in relation to other trading activities or capacities). This is consistent with EDGX Options Rules (which, of the Affiliated Options Exchanges, also has DPMs), which do not require DPMs to maintain segregated accounts for that of their general Market Maker or other trading activities. These provisions were implemented in the past to ensure the financial stability of, then, newly

formed small DPM firms. Today, DPMs now need larger financial infrastructure to trade as a DPM and the Exchange determines if firms are appropriately situated act as a DPM pursuant to proposed Rule 3.53 (current Rule 8.83) by considering, among other things, the firms' adequacy of capital and operational capacity. This reduces the risk that a DPM's financial integrity would be adversely impacted by financial losses that may be incurred by

the DPM in connection with its other businesses and activities.²⁹ Finally, the proposed rule change removes current paragraph (e) regarding Trading Permits per appointment costs, in line with the changes made to the overall Market-Maker appointment costs and assignments under proposed Rule 5.50 (described in detail above).

Miscellaneous Market-Maker Rules

Current rule	Proposed rule	Corresponding other exchange rule	Substantive change	Description of change
Rule 8.8 (Restriction on Acting as Market-Maker and Floor Broker).	Rule 8.25 (Restriction on Acting as Market-Maker and Floor Broker).	N/A	N	None (aside from updating cross-references).
Rule 8.9 (Securities Accounts and Orders of Market-Makers).	Rule 7.6 (Securities Accounts and Orders of Market-Makers).	C2 Rule 8.7, EDGX Options Rule 22.7, BZX Options Rule 22.7.	N	Conforms to corresponding rules of the Affiliated Options Exchanges (including Interpretation and Policy .01 to BZX/EDGX Rule 22.7). Maintains provisions specific to Cboe Options rules. Deletes redundancies, including those provisions already covered under other Rules (e.g. Rule 6.55.03), updates language to read in plain English
Rule 8.10 (Financial Arrangements of Market-Makers).	Rule 11.6(b) (Market-Maker Financial Requirements).	N/A	N	None.
Rule 8.17 (Stopping of Option Order).	Rule 5.58 (Stopping of Option Orders) of Section D (Market-Maker Appointments and Obligations).	N/A	N	None.
Rule 8.60 (Evaluation of Trading Crowd Performance).	N/A	N/A	N: however, see below for further details.	Removes current rule which is no longer in practice by the Exchange and unnecessary given the authority of the Exchange to evaluate and determine satisfactory Market-Maker performance and fulfillment of obligations, as well as authority to take disciplinary action for failure to satisfy Market-Maker requirements through various other Exchange rules.
Rule 8.80 (DPM Defined)	Rule 1.1	N/A	N	Replaces reference to Rule 8.1 in current Rule 1.1 with current Rule 8.1 language which defines a DPM.
Rule 8.86 (DPM Financial Requirements).	Rule 11.6 (Financial Arrangements of Market-Makers).	C2 Rule 8.8	Y: see below for further details.	Moves to proposed Rule 11.6(a) and removes the \$100,000 net liquidating equity requirement as it is no longer applicable to the current DPM and marketplace structures. Conforms Rule 11.6(a) to corresponding C2 rule. The Market-Maker language covers all Maker-Maker types, thus DPMs.

Proposed Deletion of Current Rule 8.60

The proposed rule change deletes current Rule 8.60 which provides for the Exchange evaluation of trading crowd performance. The current rule provides that the Exchange periodically evaluate the performance of DPMs, Market-Makers, and other Trading Permit Holders both individually and collectively as trading crowds in order to determine whether they are satisfactorily meeting their market responsibilities. The Exchange may do so by means of a survey, and, if the Exchange finds that such participant has failed to satisfy its Market-Making requirements then the Exchange may, among other things, suspend, terminate or restrict registration or appointment to a class or classes, reallocate (*i.e.* reappoint, as proposed) class(es) or restrict allocation of classes, and so on, and give notice and an opportunity for a market participant to have a formal hearing or informal hearing, depending on the action under consideration. The proposed rule change deletes current Rule 8.60 as it is no longer implemented

by the Exchange. The Exchange does not take such surveys or make determinations pursuant to Rule 8.60 because the Exchange exercises its authority under other rules to ensure that Market-Makers (and Market-Maker types) fulfil their Market-Making requirements, and to take appropriate disciplinary actions for a participant's failure to do so. The Exchange may make the same determinations and take action against a participant for failing to meet their respective Market-Maker obligations under the current rules (moved to proposed Rules 3.53, 5.50, 5.51, 5.52, 5.53, 5.54, 5.55, and 5.56). Moreover, the Exchange must follow the notice provision to terminate or condition a participant's approval to act as a DPM under proposed Rule 3.53, as well as the notice and proceeding requirements for disciplinary actions under Chapter 17. Because the Exchange does not take surveys or make determinations under Rule 8.60, and instead, currently ensures that participants fulfill their respective Market-Making requirements pursuant to multiple other rules, the proposed

rule change does not alter the manner in which the Exchange determines whether Market-Making requirements are met nor the actions and procedures necessary to discipline a participant for failure of such obligations. The proposed rule change merely removes a rule that is not essential to the function and continuity of the Exchange and its Market-Maker program.

Proposed Rule 11.6

The proposed rule change moves current Rule 8.86 to proposed Rule 11.6(a) and removes the \$100,000 net liquidating equity requirement as it is no longer applicable to current DPM structures. This is consistent with corresponding C2 Rule 8.8. Current Rule 8.86 was enacted (almost 20 years ago) to ensure the financial stability of newly formed, small DPM firms who were not previously net capital computing firms, as a number of small firms were not net capital computing based on an exemption (*i.e.*, the "(b)(1) exemption") in Exchange Act Rule 15c3-1. However, due to changes in the market and, as stated above, the large infrastructure

²⁹ The Exchange also already surveils for a firm's DPM requirements by DPM-specific acronyms and firm IDs.

now needed to trade as a DPM, in which the Exchange determines if appropriately situated to act as a DPM pursuant to proposed Rule 3.53 (current Rule 8.83), the number of firms who can be a DPM has decreased significantly and the size of DPM firms, including their adequacy of capital and operational capacity, has increased significantly. As a result, current DPMs have capital well beyond the \$100,000 net liquidating requirement, which eliminates the need for the Exchange to surveil for compliance with this requirement and will enable the Exchange to better allocate its surveillance resources, focusing on enhanced surveillance in connection with Exchange rules permitting, requiring, or prohibiting liquidation and rules requiring liquidation in a reasonable and orderly fashion.

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.³⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³¹ 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)³² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule changes are generally intended to add or align certain system functionality currently offered by the Exchange and the Cboe Affiliated Exchanges (specifically, the Affiliated Options Exchanges) in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and

maintenance by Exchange participants that are also participants on the Affiliated Options Exchanges. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on the Affiliated Options Exchanges. The Exchange notes that many of the proposed changes are generally based on rules of the Affiliated Options Exchanges and differ only to the extent necessary to conform to the Exchange’s current rules, retain intended differences unique to Cboe Options market-model, functionality and/or rule text and not applicable to the Affiliated Options Exchanges. Where applicable,³³ the Exchange has substantively mirrored the Affiliated Options Exchange rules or certain Market-Maker requirement language within the Affiliated Options Exchange rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange’s operations for TPHs that are also participants on the Cboe Affiliated Options Exchanges. The Exchange notes that the proposed changes to make its rules consistent with the Affiliated Options Exchange’s rule do not impose new or novel obligations for Market-Makers or does not differ from the Exchange’s current authority over Market-Makers; the proposed rules based on the Affiliated Options Exchanges’ rules are substantially similar to the current rules. The proposed rule change would provide greater harmonization between the rules of the Cboe Affiliated Exchanges, resulting in greater uniformity, bolstered collective understanding of the Exchange’s rules and the Affiliated Options Exchanges for participants, and less burdensome and more efficient regulatory compliance. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

The proposed change to harmonize the Exchange’s rules and processes with the Affiliate Options Exchanges by allowing a Market-Maker to select class appointments that apply to classes during all trading sessions, thus applying Market-Maker obligations across all trading sessions, will remove impediments to and perfect the mechanism of a free and open market and a national market system by

harmonizing the application of appointments with that of the Affiliated Options Exchange rules. The application class appointments to all trading sessions will not have an impact of the protection of investors or cause any additional burden to Market-Maker’s because a Market-Maker’s continuous obligations will continue to apply only when quoting in their appointed classes, therefore, the proposed change will have negligible, if any, impact on a Market-Maker’s continuous quoting obligations as they may continue to choose when to actively quote and have their obligations to their appointed classes apply.

The proposed changes to the appointment cost provisions (both in connection with Market-Makers, generally, and DPMs) will remove impediments to and perfect the mechanism of a free and open market and national market system because it will provide rules for investor that accurately reflect the structure of the Exchange’s fees schedule upon migration.³⁴ Furthermore, the Exchange believes that the proposed change will serve to incentivize more market-making across classes as Market-Makers will no longer be limited to a 1.0 appointment cost or having to acquire additional Trading Permits to select appointments in more classes, thereby benefitting all market participants.

The proposed change to remove the condition that a requisite number of Market-Makers where the Exchange determines to designate a class without a DPM or LMM removes impediments to and perfects the mechanism of a free and open market and national market system and, in general, protects investors, because it is consistent with the rules of EDGX Options (previously filed with the Commission) which also has a DPM program and lists many of the same classes. The Exchange believes that the current condition to this determination is no longer necessary given that all classes now trade on the System (*i.e.* Hybrid) and its Market-Maker program has grown to adequately cover the classes that necessitate market-maker liquidity. In addition to this, the rules allow for the Exchange to appropriately address the case where further market-making in a class might be needed. Therefore, the Exchange believes that the proposed change will not have any significant impact on the trading of classes and functions of the Exchange.

The Exchange also believes that by making Market-Maker obligations consistent, to the extent possible while

³⁰ 15 U.S.C. 78f(b).

³¹ 15 U.S.C. 78f(b)(5).

³² *Id.*

³³ Proposed Rules 3.52, 5.50, 5.51, 5.52, 5.53, 5.56, 7.6, and 11.6.

³⁴ See *supra* note 23.

maintaining Exchange specific rule text and obligations, with those of the Affiliated Options Exchanges the proposed rule change fosters cooperation and coordination with persons engaged in facilitating transactions in securities, as well as removes impediments to and perfects the mechanism of a free and open market and national market system. The Exchange notes that the proposed changes to the Market-Maker obligation provisions are substantially similar to the current obligations, therefore will have de minimus impact on market participants. The proposed changes do not alter the authority and/or discretion of the Exchange in connection with Market-Makers, significantly alter the obligations of Market-Makers, nor impose any significant additional burden. Instead, the Exchange believes the changes will result in greater uniformity for Market-Maker obligations across the Exchange and its affiliates, thereby bolstering participants' collective understanding of Market-Maker obligations across the affiliated exchanges and resulting in less burdensome regulatory compliance.

In particular, the Exchange believes the proposed rule change to amend certain provisions in connection with a Market Makers' quoting obligations will remove impediments to and perfect the mechanism of a free and open market and a national market system. By conforming the quoting obligations, to the extent possible to maintain differences unique to the Exchange, to that of the Affiliated Options Exchange rules, the proposed change will remove impediments to and perfect the mechanism of a free and open market and national market system. As stated, the proposed rules in connection with Market-Maker obligations largely make non-substantive changes to update and simplify the rules by reorganizing and consolidating provisions, simplifying language, updating language to plain English and removing redundancies. For example, proposed Rule 5.51 makes only non-substantive changes to the rule governing a Market-Maker's general obligations, most of which remove redundant provisions that are already covered under the umbrella of a Market-Maker's obligation to engage in dealing to maintain fair and orderly markets. The proposed substantive changes that harmonize Market-Maker obligations with those of the Affiliated Options Exchange include adding exclusions to a Market-Maker's the firm quote requirement, removing the quote width requirement, adding certain series excluded from continuous quoting

obligations, conforming the series expiration of 9 months to the 270-day period, adding provision governing good standing for Market-Makers, and removing the requirement that DPMs maintain segregated accounts for DPM-related transactions (addressed in the paragraph below). These proposed changes are reasonable and do not affect investor protection because the proposed changes do not present any novel or unique issues, as they have been previously filed with the Commission. Market-Makers continue to comply with the firm quote requirement under current Rule 8.51 and Rule 602 of Regulation NMS and the proposed exceptions to a Market-Maker's firm quote are consistent with the rules of the Affiliated Options Exchanges and remove impediments to and perfect the mechanism of a free and open market and national market system by providing exceptions to firm quotes with malfunctions and unusual market conditions arise. The proposed change from the 9 month expiration time to the 270 expiration time is an industry practice currently in place, as Market-Makers generally already monitor expirations by a defined count of 270 days, as opposed to a nine month count in which the number of days continuously varies. In addition, Market-Makers on the Affiliated Options Exchanges quote in many of the same classes available on the Exchange but do not have a bid/ask requirement when quoting on those exchanges. The Exchange notes that removing this requirement will not impact market participants because Market-Maker's already submit two-sided quotes consistently at a much tighter spread than the Exchange-determined quote widths and Market-Makers are obliged to continue to engage in dealings that maintain a fair and orderly market. The proposed rule providing for good standing requirements for Market-Makers will serve to protect investors because it provides under a single rule the requirements, which are already in place pursuant to the rules and regulations, that the Exchange will refer to in order to determine if a Market-Maker is fit to continue making markets on the Exchange. This rule mirrors that of the Affiliated Options Exchanges' corresponding rules.

The Exchange believes that the proposed updates to certain provisions of the DPM requirements, overall, serve to remove impediments to and perfect the mechanism of a free and open national market system. The proposed change to remove the requirement that each DPM has at least two Designees

who are nominees of the DPM removes an unnecessary compliance burden for DPMs for which the cost of maintaining two designees far outweighs the benefit, if any, of the rule. Further, like all member organizations a DPM will continue to be required to maintain at least one nominee and may choose to maintain multiple nominees. The proposed removal of the net DPM liquidation requirement and the requirement that a firm segregate accounts between DPM-related transactions and that of its general Market-Maker account or accounts related to other trading activities or capacities requirement will also lift a compliance burden for DPMs as these provisions are no longer necessary to ensure financial integrity or to mitigate losses given the current financial status and infrastructure of DPMs. As stated, the Exchange determines if a DPM has the adequacy of capital and operational capacity necessary to perform and take on the potential risks as a DPM.

The Exchange believes that removing the designation of two Market-Makers in FLEX classes and instead automatically appointing FLEX class appointments when a Market-Maker (approved for FLEX) selects an appointment in the same Non-FLEX class will not alter the obligations of a FLEX Market-Maker, as they will continue to be required to maintain an appointment in a Non-FLEX class, which will then automatically appoint them the FLEX class. The proposed rule change removes impediments to and perfects the mechanism of a free and open market and national market system by simplifying the FLEX appointment process through the automatic FLEX class appointments in connection with a Market-Maker's selection of class appointments for its general Market-Making requirements, and continuing to ensure that each FLEX class will have appointed Market-Makers to provide liquidity in that class, in addition to all other market participants.

The proposed change to allow the Exchange the discretion to terminate an On-Floor LMM (as opposed to automatic termination) when it decides to terminate the Off-Floor DPM and/or Off-Floor LMM in that class will serve to remove impediments to and perfect the mechanism of a free and open market and national market system by allowing an On-Floor LMM that may be high performing to continue its appointment in that class instead of disrupting the On-Floor LMM's appointment and obligations by automatic termination.

The proposed removal of the rule relating to the Exchange's evaluation of a trading crowd performance removes a

rule that is no longer in practice by the Exchange as the Exchange's evaluation, determinations, and ability to sanction Market-Makers and Market-Maker types are currently implemented under various other Market-Maker related rules.

The Exchange believes the proposed reorganization of Rules to move all Rules that relate to Market-Makers and Market-Maker types, including: (1) Related to registration (as well as approvals, eligibility, termination, etc.) and general Market-Maker functions; (2) Market-Maker appointments; (3) Market-Maker obligations and entitlements; and 4) other rules in connection with Market-Makers under the same chapters, will also benefit investors and remove impediments to and perfect the mechanism of a free and open market and a national market system. The majority of the changes in the proposed rule change move rules from the current Rulebook to the shell Rulebook with no substantive changes. Indeed, many of the proposed non-substantive changes removes impediments to and perfects the mechanism of a free and open market and national market system by providing up-to-date rules that accurately reflect the manner in which the Exchange, its Market-Maker program, and its market participants currently function by removing provisions that are not invoked by the Exchange or currently in practice by its participants and are not necessary to, nor impact, the Exchange's Market-Maker program, which protects investors by providing accurate and up-to-date rules. The proposed non-substantive changes to the Rules also provide additional detail in the rule regarding current functionality, make the Rules more plain English, update cross-references and paragraph lettering and numbering, delete duplicative or unnecessary language and language that is no longer applicable to the current functions of the Exchange, simplify and streamline rule language, and update terms to provide consistency throughout the proposed Market-Maker rules, all of which benefits investors. The Exchange believes these changes and transparency the proposed changes provide will protect investors, as they provide more clarity and reduce complexity within the Rules, making the rule easier to understand and comply with.

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 they will apply to all potential Market-Makers and Market-Maker types (*i.e.* applicants), and all Market-Makers and Market-Maker types in the same manner. The Exchange reiterates that a majority of the proposed rule change is intended to harmonize the Exchange rules with that of the Affiliated Options Exchanges' rules. Thus, the Exchange believes this proposed rule change will reduce the burden on Exchange participants by providing consistent rules among the affiliated exchanges upon migration. Such proposed rule changes in this filing conform to the approved rules of the Affiliated Options Exchanges, which have already been filed with the Commission. In addition to this, the Exchange does not believe that the other proposed changes will impose any burden on intramarket competition because such changes serve to update and remove provisions or requirements that are no longer necessary in the function and maintenance of the Exchange and its Market-Maker program, or are already ensured and/or implemented via other rules of the Exchange. As such, these proposed changes will not impose any burden on intramarket competition, but rather, will serve to relieve certain compliance burdens for Market-Makers or surveillance burdens for the Exchange, which will make available more market-making resources to allocate toward classes that may need and consume more liquidity, or more enhanced surveillance resources to monitor for Market-Maker compliance, including general obligations, quoting obligations, and account maintenance.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because majority of the proposed change to the Market-Maker rules (*i.e.*, registration, appointments, good standing, general obligations, and quoting obligations) is based on the rules of the Affiliated Options Exchange, previously filed with the Commission. The Exchange also notes that to the degree that other exchanges have varying obligations for Market-Makers, market participants on other exchanges are welcome to become Market-Makers on the Exchange if they determine that this proposed rule change has made market making on Cboe Options more attractive or favorable. The proposed changes to the rules that reflect functionality that will

be in place come October 7, 2019, will not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act but rather provide clear, accurate rules for market participants surrounding the completion of migration.

The proposed non-substantive changes are not intended to have any impact on competition, as they do not impact trading on Cboe Options.

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

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

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

Because the foregoing rule does not (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change or such shorter time as designated by the Commission,³⁵ the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act³⁶ and Rule 19b-4(f)(6) thereunder.³⁷

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

³⁵ The Exchange has fulfilled this requirement.

³⁶ 15 U.S.C. 78s(b)(3)(A).

³⁷ 17 CFR 240.19b-4(f)(6).

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 email to rule-comments@sec.gov. Please include File Number SR-CBOE-2019-059 on the subject line.

Paper Comments

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

All submissions should refer to File Number SR-CBOE-2019-059. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2019-059 and should be submitted on or before October 16, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁸

Jill M. Peterson,
Assistant Secretary.

[FR Doc. 2019-20698 Filed 9-24-19; 8:45 am]

BILLING CODE 8011-01-P

SMALL BUSINESS ADMINISTRATION

Privacy Act of 1974; System of Records

AGENCY: U.S. Small Business Administration.

ACTION: Notice of a Modified System of Records.

SUMMARY: The U.S. Small Business Administration (SBA) proposes to update a system of records titled, Veteran Programs Training and Counseling Records (SBA 39), to its inventory of records systems subject to the Privacy Act of 1974 (5 U.S.C. 552a), as amended. Publication of this notice complies with the Privacy Act and the Office of Management and Budget (OMB) Circular A-130 requirement for agencies to publish a notice in the **Federal Register** whenever the agency establishes a new system of records. The SBA's Office of Veterans Business Development (OVBD) manages grant programs related to the counseling and training services for veterans. The OVBD maintains a System of Records including include registration forms, participant/client surveys, interviews, resource partner surveys, which includes personal information such as name, gender, race, ethnicity, service, and pay grade, which are used to analyze the population of veterans who are seeking training.

DATES: Submit comments on or before October 25, 2019. This revised system will be effective upon publication.

FOR FURTHER INFORMATION CONTACT: Martin Williams, Veterans Affairs Specialist, 409 3rd Street SW, Suite 5700 Washington, DC 20416.

ADDRESSES: Submit written comments to Martin Williams, Veterans Affairs Specialist, 409 3rd Street SW, Suite 5700 Washington, DC 20416.

SUPPLEMENTARY INFORMATION: A system of records is a group of any records under the control of a Federal agency from which information is retrieved by the name of an individual or by a number, symbol or other identifier assigned to the individual. The Privacy Act, 5 U.S.C. 552a, requires each Federal agency to publish in the **Federal Register** a system of records notice (SORN) identifying and describing each system of records the agency maintains, the purposes for which the agency uses the personally identifiable information (PII) in the system, the routine uses for which the agency discloses such information outside the agency, and how individuals can exercise their rights related to their PII information. The SBA's Office of Veterans Business

Development (OVBD) manages grant programs related to the counseling and training services for veterans, National Guard & Reserve members, transitioning service members, military spouses and their dependents. These services include the Boots to Business & Boots to Business Reboot Programs, Veterans Business Outreach Center Program, Women Veteran Entrepreneurship Program, Service-Disabled Veteran Entrepreneurship Training Program and the Veteran Federal Procurement Entrepreneurship Training Program. VBOCs, and other OVBD grantees, implement SBA's Veterans programs and initiatives as authorized by section 32 of the Small Business Act (15 U.S.C. 657b). In order to measure program performance, implement standardized outreach efforts and register participants for training/counseling, information is collected through various methods. These methods include registration forms, participant/client surveys, interviews, resource partner surveys, and data obtained through data sharing agreements with other Federal agencies. Collected information is used to analyze the population of veterans who are seeking entrepreneurial training, identify trends among participants, facilitate communication between the Office of Veterans Business Development and training/counseling participants, and to evaluate the performance of the OVBD programs.

SYSTEM NAME AND NUMBER:

Veteran Programs Training and Counseling Records (SBA 39).

SECURITY CLASSIFICATION:

Unclassified.

SYSTEM LOCATION:

SBA Headquarters, 409 3rd Street SW, Washington, DC 20416.

SYSTEM MANAGER(S):

Martin Williams, Veterans Affairs Specialist, 409 3rd Street SW, Suite 5700, Washington, DC 20416, 202-205-6157.

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CATEGORIES OF RECORDS IN THE SYSTEM:

The records in this system include:

1. Course data.
2. Personal Data (Last Name, First Name, Middle Name, Date of Birth, Post-separation email, Post-separation phone number).
3. Military Service data (DoD ID Number, Grade, Service, Component, Guard/Reserve Status, Military Installation, Anticipated Separation Date).
4. Demographics (Gender, Race, Ethnicity).

³⁸ 17 CFR 200.30-3(a)(12).