



**8011-01p**

**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-87337; File No. SR-CBOE-2019-092]**

**Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Make Minor Amendments to and Relocate Certain Rules Related to the Listing of Index Options (Including Binary and Range Options) from the Currently Effective Rulebook to Proposed Chapter 4, Section B of 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**

October 17, 2019

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

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

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to make minor amendments to and relocate certain rules related to the listing of index options (including binary and range options) from the currently effective Rulebook (“current Rulebook”) to proposed Chapter 4, Section B of the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) (“shell Rulebook”). The text of the proposed rule change is provided in Exhibit 5.

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

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

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

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

**1. Purpose**

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) (“Cboe Global”), which is also the parent company of Cboe C2 Exchange, Inc. (“C2”), acquired Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc.

(“EDGX” or “EDGX Options”), Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the “Cboe Affiliated Exchanges”). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences, between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. In connection with this technology migration and the related reorganization of its Rulebook, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

The Exchange proposes to make minor amendments to and relocate certain rules related to the listing of index options (including binary options and range options) into proposed Chapter 4, Section B of the shell Rulebook.<sup>5</sup> The Exchange notes that in addition to making these amendments and reorganizing the current rules, the proposed rule change deletes these rules from the current Rulebook. The proposed rule change relocates and, where applicable, reorganizes the rules as follows:

Shell Rule	Current Rule
Chapter 4, Section B Introduction	Chapter XXIV Introduction  In addition to nonsubstantive changes, the proposed rule change adds that other Rules may not apply if the context otherwise requires (for example, a rule that refers to

<sup>5</sup> The Exchange notes it moved certain rules related to index options from the current Rulebook to the shell Rulebook (such as rules related to trading hours and position and exercise limits) in other rule filings. See, e.g., Securities Exchange Act Release No. 86173 (June 20, 2019), 84 FR 30267 (June 26, 2019) (SR-CBOE-2019-027); and SR-CBOE-2019-088.

	the stock underlying an option would be inapplicable to an index option, which has an underlying index).
4.10 Designation of the Index	24.2 Designation of the Index <sup>6</sup>
4.11 Definitions	24.1 Definitions (except Interpretation and Policy .01)  The proposed rule change deletes the definitions of “underlying security” and “reporting authority,” as those terms are already defined in Rule 1.1 of the shell Rulebook, and therefore the definitions in Rule 24.1 are redundant. <sup>7</sup>
4.12(a) – (b) Dissemination of Information 4.12(c) Reporting Authorities	24.3 Dissemination of Information  24.1, Interpretation and Policy .01 Reporting Authorities <sup>8</sup>
4.13 Series of Index Options Open	24.9 Terms of Index Option Contracts  8.14, Interpretation and Policy .01 <sup>9</sup>

<sup>6</sup> The proposed rule change moves current Rule 24.2, Interpretation and Policy .01 into proposed Rule 4.10(h) and (i), current Rule 24.2, Interpretation and Policy .02 into proposed Rule 4.10(j) and (k), and current Rule 24.2, Interpretation and Policy .03 into proposed Rule 4.10(l) and (m).

<sup>7</sup> The proposed rule change also deletes reserved paragraphs that contain no substantive rule text from current Rule 24.1.

<sup>8</sup> The proposed rule change updates the name of certain reporting authorities to their current legal names.

<sup>9</sup> The Exchange previously deleted the rule text from current Rule 8.14. See Securities Exchange Act Release No. 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (SR-CBOE-2019-059). The Exchange is not adding to the shell Rulebook the language from Rule 8.14, Interpretation and Policy .01 that states the Exchange will have authority to change the eligible categories of Market-Maker participants for each group, as that authority is covered by other rules. See Rules 3.55(a) (which states the Exchange may designate one or more Market-Makers in good standing with an appointment in a class for which a designated primary market-maker (“DPM”) has not been appointed as a Lead Market-Maker (“LMM”)), 5.50(h) (which permits the Exchange to determine for each class traded on the Exchange whether a DPM should be appointed to the class), and 5.50(l) (which permits the Exchange to designate a class for trading without a DPM or LMM). Additionally, the language in current Rule 8.14, Interpretation and Policy .01(a)

4.14 Debit Put Spread Cash Account Transactions	24.11A Debit Put Spread Cash Account Transactions
4.15 Range Options  (a) General  (b) Definitions  (c) Designation of Range Option Contracts  (d) Maintenance Listing Standards  (e) Determination of the Settlement Value of the Underlying Index	Chapter XX, Introduction <sup>10</sup>  20.1 Definitions  20.3 Designation of Range Option Contracts  20.4 Maintenance Listing Standards  20.9 Determination of the Settlement Value of the Underlying Index

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was previously moved to Rule 5.5(l)(1) of the shell Rulebook, .01(b) was previously moved to 5.50(l)(2) of the shell Rulebook, and .01(c) was previously moved to Rule 1.5(b) [sic] of the shell Rulebook.

<sup>10</sup> The proposed rule change simplifies the current language, but makes no substantive changes.

<p>4.16 Binary Options</p> <p>(a) General</p> <p>(b) Definitions</p> <p>(c) Designation of Binary Option Contracts</p> <p>(d) Maintenance Listing Standards</p> <p>(e) Determination of the Settlement Value of the Underlying Index</p> <p>(f) Adjustment</p> <p>(g) FLEX Trading</p>	<p>Chapter XXII, Introduction<sup>11</sup></p> <p>22.1 Definitions<sup>12</sup></p> <p>22.3 Designation of Binary Option Contracts</p> <p>22.4 Maintenance Listing Standards</p> <p>22.10 Determination of the Settlement Value of the Underlying Index</p> <p>22.13(c) Premium Bids and Offers; Minimum Increments; Priority and Allocation</p> <p>22.16 FLEX Trading</p> <p>The proposed rule change deletes the language from this provision regarding the inapplicability of minimum quote widths (in current Rule 24A.9) to binary options, as there is no longer a quote width obligation, so there is no longer a need to exclude its applicability to binary options.<sup>13</sup> Since this quote width obligation did not apply to binary options, deletion of that provision, and thus deletion of its reference in this proposed paragraph (g), would have no impact on the trading of FLEX binary options. [sic]</p>
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<sup>11</sup> The proposed rule change simplifies the current language, but makes no substantive changes.

<sup>12</sup> The proposed rule change deletes the definition of “reporting authority,” as that term is already defined in Rule 1.1 of the shell Rulebook, and therefore the definition in Rule 22.1 is redundant

<sup>13</sup> See Securities Exchange Act Release No. 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (SR-CBOE-2019-059) (in which filing the Exchange deleted the quote width obligation from current Rule 24A.9 [sic]).

The proposed rule change deletes current Rules 22.11 and 22.13(d), as those rules merely point to other rules as applying to binary options. Pursuant to proposed Rule 4.16(a), all rules apply to binary options unless otherwise provided or unless the context provides otherwise. Therefore, these rules are redundant and unnecessary.

The proposed rule change deletes the introduction to current Chapter XXIV. It is clear from the Chapter and Section headings that the rules being moved into the shell Rulebook relate to index options. Any rules that apply differently to index options specify that in the rules in the shell Rulebook. [sic]

The proposed rule change deletes indexes currently listed in current Rules 24.1, Interpretation and Policy .01 and 24.9(a)(3), (a)(4), (b)(2) and Interpretation and Policy .01<sup>14</sup> (proposed Rules 4.12(c) and 4.13(a)(3), (a)(4), and Interpretation and Policy .01, respectively) on which the Exchange is authorized to list options, but on which the Exchange does not currently, and does not intend, to list options. Because there are currently no options listed on any of these indexes, the proposed rule change has no impact on how options are listed on the Exchange or the requirements for listing options on the Exchange.

The proposed rule change deletes a reference to Rule 8.14 from current Rule 24.9(d)(6) (proposed Rule 4.13(d)(6), as that provision was deleted as unnecessary.<sup>15</sup> The Exchange may determine eligible categories of Market-Maker participants for a class pursuant to other rules.<sup>16</sup> Additionally, the proposed rule change deletes the parenthetical that references public customers

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<sup>14</sup> The proposed rule change also deletes a reference to one of the indexes being deleted from current Rule 24.9(c), and deletes current Rule 24.9, Interpretation and Policy .01(f) and (g), which relate to indexes being deleted from the rules.

<sup>15</sup> See Securities Exchange Act Release No. 87024 (September 19, 2019), 84 FR 50545 (September 25, 2019) (SR-CBOE-2019-059).

<sup>16</sup> See, e.g., Rules 3.55 and 5.50 in the shell Rulebook.

whose orders would be eligible to be placed on the book under current Rule 7.4(a) from the introductory paragraph of Rule 24.11A (proposed Rule 4.14), as the orders of all public customers are eligible to be placed on the book in all classes, and there no longer is a Rule 7.4 in the current Rulebook.

The proposed rule change updates references in current Rule 24.9, Interpretations and Policies .01(b) and .11(c) (proposed Rule 4.13, Interpretations and Policies .01(b) and .10(c)) to the EOW/EOM Pilot Program in current Rule 24.9(e) (which the proposed rule change moves to proposed Rule 4.13(e)), to the Nonstandard Expirations Pilot Program, which is the current name of that program.

The proposed rule changes make also makes nonsubstantive changes to the rules in order to add section headings, update cross-references to other rules and chapters that will be implemented upon migration, update certain technical text formatting that will be used in the rules upon migration (e.g., using words for numbers below 10 in the rule text and numerals for numbers above 10 in the rule text), update times from Chicago time to Eastern time (see Rule 1.6 of the shell Rulebook), delete empty reserved rules, correct punctuation, alphabetize definitions, refer to Standard & Poor's as S&P, incorporate defined terms, and reformat the paragraph lettering and numbering to conform to that used in the shell Rulebook.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>17</sup> Specifically, the

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<sup>17</sup> 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>18</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>19</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change only deletes redundant rules, deletes references to indexes on which the Exchange does not list (and does not intend to list) options, and makes nonsubstantive changes to the rules and is merely intended to simplify, consolidate, and reorganize the Exchange's Rules in anticipation of the technology migration on October 7, 2019. The Exchange believes that these proposed change will foster cooperation and coordination with those facilitating transactions in securities and remove impediments to and perfect the mechanism of a free and open market and national market system by simplifying the Rules and Rulebook as a whole, and making its Rules easier to follow and understand, which will also result in less burdensome and more efficient regulatory compliance.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of a

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<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> Id.

technology migration of the Exchange's trading platform to the same system as the Cboe Affiliated Exchanges and the related reorganization of the Rulebook, and not as a competitive filing. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition because it only deletes redundant rules, deletes references to indexes on which the Exchange does not list (and does not intend to list) options, and makes nonsubstantive changes to the rules and is merely intended to simplify, consolidate, reorganize the Exchange's Rules in the shell Rulebook that will be in place come October 7, 2019. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition because the proposed rules are substantially the same as the Exchange's current rules, all of which have all been previously filed with the Commission.

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

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

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>20</sup> and Rule 19b-4(f)(6)<sup>21</sup> thereunder. Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>22</sup> and Rule 19b-4(f)(6)<sup>23</sup> thereunder.

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<sup>20</sup> 15 U.S.C. 78(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give

A proposed rule change filed under Rule 19b-4(f)(6)<sup>24</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>25</sup> the Commission may designate a shorter time if such action is consistent with protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative prior to the Exchange's proposed system migration on October 7, 2019, in order to permit the Exchange to provide a complete Rulebook upon the completion of the migration. According to the Exchange, the proposed rule change simplifies, consolidates, and updates its rule text and does not substantively alter any of its rules. Moreover, the Exchange has represented that the proposed rule change has no impact on how options are listed on the Exchange or the requirements for listing options on the Exchange. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal does not raise any new or novel issues. Further, notwithstanding the introduction to Chapter 4, Section B, that all rules apply unless the context may otherwise require, the Commission expects any rules that were previously applicable will continue to apply in the same manner. Therefore, the Commission designates the proposed rule change to be operative on upon filing.<sup>26</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

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the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>24</sup> 17 CFR 240.19b-4(f)(6).

<sup>25</sup> 17 CFR 240.19b-4(f)(6).

<sup>26</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### **IV. Solicitation of Comments**

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

Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2019-092 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-2019-092. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-CBOE-2019-092 and should be submitted on or before **[INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

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<sup>27</sup> 17 CFR 200.30-3(a)(12)

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