

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 059	Amendment No. (req. for Amendments *)
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Filing by Chicago Board Options Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed rule change regarding On-Floor LMMs.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Kyle	Last Name * Edwards
Title * Counsel	
E-mail * edwards@cboe.com	
Telephone * (312) 786-7304	Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 08/31/2017	Counsel
By Kyle Edwards	
(Name *)	



edwards@cboe.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to amend the On-Floor Lead Market-Maker (“LMM”) program. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 8.15. Lead Market-Makers

(a) No change.

(b) **LMM Obligations:** Each LMM must fulfill all the obligations of a Market-Maker under the Rules and satisfy each of the following requirements:

(i) provide continuous electronic quotes (as defined in Rule 1.1 (ccc)) in at least the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair, with the term “call-put pair” referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading. Compliance with this quoting obligation applies to all of an LMM’s appointed classes on each platform collectively. The Exchange will determine compliance by an LMM with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve an LMM from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against an LMM for failing to meet this obligation each trading day. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the On-Floor LMM will not be obligated to comply with this paragraph (b)(i) and instead will be obligated to comply with the obligations of Market-Makers in Rule 8.7(d). In an option class in which the Exchange appointed an On-Floor LMM that has open-outcry obligations only, that On-Floor LMM will not be obligated to comply with this paragraph (b)(i) and instead will be obligated to comply with the obligations of Market-Makers in Rule 8.7(d) and have a designee in the class’s crowd on the trading floor for the entire trading day (except for a de minimis amount of time);

(ii) – (iv) No change.

(v) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B(d)(i)(A) or (ii)(A)) and

participate in other rotations described in Rule 6.2B (including the modified opening rotation set forth in Interpretation and Policy .01) or 24.13, as applicable. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (b)(v) will be that of the Off-Floor DPM or Off-Floor LMM and not the On-Floor LMM. In an option class in which the Exchange appointed an On-Floor LMM that has open-outcry obligations only, that On-Floor LMM will not be obligated to comply with this paragraph (b)(v);

(vi) – (viii) No change.

(c) – (d) No change.

... Interpretations and Policies:

.01 An LMM generally will operate on CBOE’s trading floor (“On-Floor LMM”). However, as provided below, an LMM can request that the Exchange authorize the LMM to function remotely away from CBOE’s trading floor (“Off-Floor LMM”) on a class-by-class basis.

(a) – (b) No change.

(c) Notwithstanding Rule 8.15(a)[,]; (i) in an option class in which an Off-Floor LMM or Off-Floor DPM has been appointed in accordance with this Rule 8.15 or Rule 8.83, as applicable, the Exchange in its discretion may also appoint an On-Floor LMM, which will be eligible to receive a participation entitlement under this Rule 8.15 with respect to orders represented in open outcry; and (ii) in a class in which the Exchange does not grant an electronic participation entitlement pursuant to Rule 6.45(a)(ii) and in which the Exchange did not appoint an Off-Floor LMM or Off-Floor DPM, the Exchange may appoint an On-Floor LMM that has open-outcry obligations only. If the Exchange in its discretion determines to reallocate a class in which an Off-Floor LMM or Off-Floor DPM has been appointed, the On-Floor LMM appointment will automatically terminate.

.02 – .04 No change.

* * * * *

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on May 23, 2017.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Laura G. Dickman, (312) 786-7572, Chicago Board Options Exchange, Incorporated, 400 South LaSalle, Chicago, Illinois 60605.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The Exchange proposes to amend the On-Floor LMM program. Currently, Rule 8.15, Interpretation and Policy .01 permits an LMM that is approved to operate as an Off-Floor LMM in one or more classes can request the Exchange authorize it to operate as an On-Floor LMM in those classes. Additionally, in an option class in which an Off-Floor LMM or Off-Floor Designated Primary Market-Maker ("DPM") has been appointed in accordance with Rule 8.15 or Rule 8.83, respectively, the Exchange in its discretion may appoint an On-Floor LMM (which may be the same firm or different firm serving as the Off-Floor LMM or Off-Floor DPM), which will be eligible to receive a participation entitlement under Rule 8.15 with respect to orders represented in open outcry. Pursuant to Rule 8.15(b), in an option class in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the On-Floor LMM will not be obligated to comply with the continuous electronic quoting obligation in subparagraph (i) or opening quoting obligation in subparagraph (v) (the Off-Floor LMM or Off-Floor DPM would be required to comply with those quoting obligations).

Pursuant to Rule 6.45(a)(ii), which permits the exchange to determine, on a class-by-class basis, certain priority overlays, including participation entitlements to LMMs (as well as DPMs and Preferred Market-Makers). The Exchange may grant an LMM a participation

entitlement only if it has applied the priority customer overlay. LMMs operating on the trading floor may also receive a participation entitlement.¹ In exchange for eligibility to receive a participation entitlement, LMMs must, among other things, satisfy a heightened quoting obligation.² If the Exchange does not grant an electronic participation entitlement to a class, currently an LMM that operates off the floor is required to continue to satisfy the heightened electronic quoting obligation under the rules, even though it does not receive the benefit of an electronic participation entitlement (although it would continue to receive an open outcry participation entitlement if it also operates on the floor).

Therefore, under current Rules, the Exchange may appoint an On-Floor LMM in a class if there is also an Off-Floor LMM or Off-Floor DPM in that class (which, as noted above, the same firm or different firms may be operating as the On-Floor LMM and Off-Floor LMM or Off-Floor DPM). Additionally, the Rules provide an On-Floor LMM does not have to satisfy heightened electronic quoting standards if there is also an Off-Floor LMM or Off-Floor DPM in that class, who must satisfy those standards. However, the Rules do not expressly contemplate the Exchange appointing an On-Floor LMM in a class if it has not appointed an Off-Floor DPM or Off-Floor LMM in that class. Additionally, current Rules do not explicitly permit the Exchange to not impose a heightened electronic quoting obligation on an On-Floor LMM if there is no Off-Floor LMM or Off-Floor DPM (in other words, if the Exchange were to appoint an On-Floor LMM who operates only on the floor, and no Off-Floor LMM or Off-Floor DPM, the On-Floor LMM would still be

¹ See Rule 8.15(d).

² Generally, LMMs and DPMs must provide continuous electronic quotes (for 90% of the time) in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair, while Market-Makers must provide continuous electronic quotes (for 90% of the time) in at least 60% of the series in their appointed classes.

required to satisfy heightened quoting standards). The proposed rule change explicitly states the Exchange may appoint an On-Floor LMM in a class, under specific circumstances (as further discussed below), even if there is no Off-Floor LMM or Off-Floor DPM in that class, which On-Floor LMM must satisfy certain floor-based obligations and is eligible for an open outcry participation entitlement, but will not have to satisfy heightened electronic quoting obligations and will not be eligible for an electronic participation entitlement. The proposed rule change merely expands the Exchange's flexibility with respect to appointing On-Floor LMMs in a circumstance not currently contemplated in the Rules – in classes in which it has not appointed an Off-Floor DPM or Off-Floor LMM – and specifies the obligations and entitlement in such a circumstance.

Specifically, the Exchange proposes to amend Rule 8.15, Interpretation and Policy .01 to permit the Exchange to appoint an On-Floor LMM to operate only on the trading floor with open-outcry obligations only in a class in which the Exchange appointed no Off-Floor LMM or Off-Floor DPM and does not grant an electronic participation entitlement pursuant to Rule 6.45(a)(ii) (in addition to classes in which the Exchange has appointed an Off-Floor DPM or LMM).³ The proposed rule change also amends Rule 8.15(b)(i) and (v) to provide an On-Floor LMM with open-outcry obligations only will not be obligated to comply with the continuous electronic quoting obligation in subparagraph (i) or opening quoting obligation in subparagraph (v), but must comply with the obligations of Market-

³ The Exchange may remove an On-Floor LMM in accordance with Rule 8.15 in the same manner as it may remove any other LMM appointed pursuant to Rule 8.15, including current On-Floor LMMs.

Makers in Rule 8.7(d) and have a designee in the class's crowd on the trading floor for the entire trading day (except for a de minimis amount of time).⁴

The Exchange believes it is reasonable for an On-Floor LMM with open-outcry obligations only to be eligible for an open outcry entitlement, because priority customer orders in the book always receive priority over in-crowd market participants, including LMMs who may be eligible for an open outcry entitlement. Additionally, as proposed, the On-Floor LMM must satisfy the proposed heightened standard to be in the crowd for the entire trading day to be eligible for the open outcry entitlement.⁵ The Exchange believes this standard is reasonable, as it understands On-Floor LMMs currently have designees present on the floor during the entire trading, because a designee must be present to participate in open outcry trades and receive open outcry participation entitlements on trades.⁶

If the Exchange eliminates an electronic participation entitlement from a class, the Exchange believes there is no incentive for a Market-Maker to satisfy a heightened electronic quoting standard in that class due to the allocation algorithm determined by the Exchange. The Exchange does not believe the open outcry participation entitlement is a sufficient benefit to balance the requirement to satisfy the heightened electronic quoting obligation (due to the significant electronic trading volume) if an LMM or DPM is not also receiving an electronic participation entitlement. However, the Exchange believes it will

⁴ For example, a de minimis time period may be the brief time during which a designee leaves the trading floor to purchase a beverage.

⁵ See Rule 6.45(b)(i).

⁶ If an On-Floor LMM has no designee on the trading floor at any time during the trading day, it could not receive an entitlement, as there is no one present to participate on any trade during that time. On-Floor LMMs may have multiple designees in the trading crowd.

benefit price discovery in the trading crowd for an LMM to be present in that class if it is eligible to receive a participation entitlement, even though there may be no LMM streaming quotes remotely. The proposed rule change will permit the Exchange to appoint an LMM to a trading crowd in this circumstance with an appropriate balance of floor-based benefits and obligations, consistent with the LMM's on-floor role.

The proposed rule change permits the Exchange to appoint an On-Floor LMM as it already can do pursuant to current Rules, which is appoint an On-Floor LMM that must satisfy regular market-maker quoting obligations rather than heightened LMM quoting obligations and only receive an open outcry participation entitlement (with the expectation a designee of the LMM will have a presence on the trading floor for the entire trading day). The proposed rule change merely provides the Exchange with discretion to make such an appointment in a different circumstance not currently contemplated in the Rules – in a class with no Off-Floor DPM or Off-Floor LMM. The Exchange may make such an appointment in the limited circumstance of classes in which it does not grant an electronic participation entitlement, and it will consider, among other factors, electronic liquidity in the class prior to making such an appointment. An On-Floor LMM in such a class will be subject to the same obligations and receive the same benefits as current On-Floor LMMs in other classes, subject to a different heightened quoting standard of maintaining a floor presence all day (subject to a de minimis exception) (which is expected of current On-Floor LMMs). Any violation of the proposed heightened quoting standard will be subject to potential discipline under Chapter XVII.⁷

⁷ Exchange regulatory staff are present on the trading floor and may detect violations of this obligation. Additionally, pursuant to Rule 17.2(a), Trading

The Exchange notes current On-Floor LMMs in classes in which there is a different Off-Floor DPM or Off-Floor LMM, as well as On-Floor LMMs in classes with no Off-Floor DPM or Off-Floor LMM pursuant to the proposed rule change, are not subject to the heightened electronic quoting obligation or opening quoting obligation in Rule 8.15(b), but receive the participation entitlement in Rule 8.15(d). While there is no current obligation in the rules requiring an On-Floor LMM to have a designee on the floor during the entire trading day, the Exchange expects current On-Floor LMMs to do so and may consider trading floor presence when determining whether to renew an On-Floor LMM's term.⁸

(b) 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.⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁰ 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

Permit Holders (including those in a trading crowd) may submit complaints to the Regulatory Division alleging violations of this obligation.

⁸ See Rule 8.15(a)(i) (a factor to be considered by the Exchange when selecting LMMs includes presence in the trading crowd).

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹¹ 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 change promotes just and equitable principles of trade by creating a balance between the obligations imposed on and benefits provided to On-Floor LMMs that only operate on the trading floor and only have open-outcry obligations. The Exchange believes if an On-Floor LMM was obligated to satisfy a heightened continuous electronic quoting standard in a class in which there was no electronic participation entitlement, the obligations would outweigh the benefit of an open outcry entitlement. The proposed rule change imposes a more reasonable heightened open outcry obligation that balances the eligibility of the open outcry benefit, as the proposed rule change imposes an on-floor requirement to be eligible for the on-floor entitlement rather than an electronic quoting obligation unrelated to the corresponding potential entitlement.

The proposed rule change permits the Exchange to appoint an On-Floor LMM as it does pursuant to current Rules; it merely provides the Exchange with discretion to appoint an On-Floor LMM in a different circumstance – in a class with no Off-Floor DPM or Off-Floor LMM. Current rules do not contemplate an On-Floor LMM in a class with no Off-Floor DPM or Off-Floor LMM. An On-Floor LMM in such a class will be subject to the same obligations and receive the same benefits as current On-Floor LMMs in other classes, subject to a different heightened quoting standard of maintaining a floor presence for the entire trading day (subject to a de minimis exception), although current

¹¹ Id.

On-Floor LMMs are similarly expected have a designee present on the trading floor for the entire trading day. The proposed rule change removes impediments to and perfects the mechanism of a free and open market by providing flexibility to have an LMM in the trading crowd, which enhances price discovery and provides potential price improvement, in a class in which there is no incentive for a Market-Maker to satisfy a heightened electronic quoting standard due to the allocation algorithm determined by the Exchange in that class.

Item 4. Self-Regulatory Organization's Statement on Burden on Competition

CBOE 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 believes it is appropriate to limit its ability to appoint an On-Floor LMM with open-outcry obligations only in classes in which it determines to have no electronic participation entitlement, as it wants to incentivize firms to remain LMMs (and provide liquidity) in the trading crowd when there is no incentive for firms to satisfy heightened electronic quoting standards. The Exchange will, among other factors, consider electronic liquidity in the class prior to making such an appointment. The Exchange believes the continued presence of an LMM in the trading crowd enhances price discovery and provides potential price improvement, and such requirement creates a balance with eligibility for an open outcry participation entitlement. The Exchange believes requiring an On-Floor LMM that operates only on the trading floor to satisfy heightened electronic quoting standards would outweigh the benefit of an open outcry only entitlement. The proposed rule change has no impact on intermarket competition, as it relates solely to the presence of an LMM on CBOE's trading floor.

Item 5. 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.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act¹² and Rule 19b-4(f)(6)¹³ thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the Exchange has given the Commission written notice of its 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 proposed rule change permits the Exchange to appoint an On-Floor LMM as it already can do pursuant to current Rules, which is appoint an On-Floor LMM that must satisfy regular market-maker quoting obligations rather than heightened LMM quoting

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

obligations and only receive an open outcry participation entitlement (with the expectation a designee of the LMM will have a presence on the trading floor for the entire trading day). The proposed rule change merely provides the Exchange with discretion to make such an appointment in a different circumstance not currently contemplated in the Rules – in a class with no Off-Floor DPM or Off-Floor LMM. The Exchange may make such an appointment in the limited circumstance of classes in which it does not grant an electronic participation entitlement, and it will consider, among other factors, electronic liquidity in the class prior to making such an appointment. An On-Floor LMM in such a class will be subject to the same obligations and receive the same benefits as current On-Floor LMMs in other classes, subject to a different heightened quoting standard of maintaining a floor presence all day (subject to a de minimis exception) (which is expected of current On-Floor LMMs). Ultimately, the proposed rule change is not creating a new market participant role, or imposing any different levels of obligations or benefits not currently in its Rules; it merely expands flexibility of when the Exchange may appoint a firm in a current role already contemplated in the Rules, subject to the same benefits and obligations, just in different and limited circumstances.

The Exchange believes the proposed rule change creates a balance between the obligations imposed on and benefits provided to On-Floor LMMs that only operate on the trading floor and have open-outcry obligations only due to the allocation algorithm for a class determined by the Exchange. The proposed rule change imposes a more reasonable heightened open outcry obligation that balances the eligibility of the open outcry benefit, as the proposed rule change imposes an on-floor requirement to be eligible for the on-floor entitlement rather than an electronic quoting obligation unrelated to the

corresponding potential entitlement. The proposed rule change enhances price discovery and provides potential price improvement, in a class in which there is no incentive for a Market-Maker to satisfy a heightened electronic quoting standard due to the allocation algorithm determined by the Exchange in that class.

For the foregoing reasons, this rule filing qualifies as a “non-controversial” rule change under Rule 19b-4(f)(6), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this 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. The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective and permit the proposed rule change to become effective on September 1, 2017, benefiting the marketplace by permitting the Exchange to appoint an On-Floor LMM as of the first of the month, which is consistent with the timing of the Exchange’s evaluation of satisfaction of market-maker obligations in general. As noted above, the proposed rule change is non-controversial as the proposed rule change is not creating a new market participant role, or imposing any different levels of obligations or benefits not currently in its Rules; it merely expands flexibility of when the Exchange may appoint a firm in a current role already contemplated in the Rules, subject to the same benefits and obligations, just in different and limited circumstances.

(c) Not applicable.

(d) Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2017-059]

[Insert date]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to the On-Floor Lead Market-Maker Program

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 [insert date], Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the On-Floor Lead Market-Maker (“LMM”) program. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 8.15. Lead Market-Makers

(a) No change.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(b) LMM Obligations: Each LMM must fulfill all the obligations of a Market-Maker under the Rules and satisfy each of the following requirements:

(i) provide continuous electronic quotes (as defined in Rule 1.1 (ccc)) in at least the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair, with the term “call-put pair” referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading. Compliance with this quoting obligation applies to all of an LMM’s appointed classes on each platform collectively. The Exchange will determine compliance by an LMM with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve an LMM from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against an LMM for failing to meet this obligation each trading day. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the On-Floor LMM will not be obligated to comply with this paragraph (b)(i) and instead will be obligated to comply with the obligations of Market-Makers in Rule 8.7(d). In an option class in which the Exchange appointed an On-Floor LMM that has open-outcry obligations only, that On-Floor LMM will not be obligated to comply with this paragraph (b)(i) and instead will be obligated to comply with the obligations of Market-Makers in Rule 8.7(d) and have a designee in the class’s crowd on the trading floor for the entire trading day (except for a de minimis amount of time);

(ii) – (iv) No change.

(v) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B(d)(i)(A) or (ii)(A)) and participate in other rotations described in Rule 6.2B (including the modified opening rotation set forth in Interpretation and Policy .01) or 24.13, as applicable. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (b)(v) will be that of the Off-Floor DPM or Off-Floor LMM and not the On-Floor LMM. In an option class in which the Exchange appointed an On-Floor LMM that has open-outcry obligations only, that On-Floor LMM will not be obligated to comply with this paragraph (b)(v);

(vi) – (viii) No change.

(c) – (d) No change.

... Interpretations and Policies:

.01 An LMM generally will operate on CBOE’s trading floor (“On-Floor LMM”). However, as provided below, an LMM can request that the Exchange authorize the LMM to function remotely away from CBOE’s trading floor (“Off-Floor LMM”) on a class-by-class basis.

(a) – (b) No change.

(c) Notwithstanding Rule 8.15(a)[,]: (i) in an option class in which an Off-Floor LMM or Off-Floor DPM has been appointed in accordance with this Rule 8.15 or Rule 8.83, as applicable, the Exchange in its discretion may also appoint an On-Floor LMM, which will be eligible to receive a participation entitlement under this Rule 8.15 with respect to orders represented in open outcry; and (ii) in a class in which the Exchange does not grant an electronic participation entitlement pursuant to Rule 6.45(a)(ii) and in which the Exchange did not appoint an Off-Floor LMM or Off-Floor DPM, the Exchange may appoint an On-Floor LMM that has open-outcry obligations only. If the Exchange in its discretion determines to reallocate a class in which an Off-Floor LMM or Off-Floor DPM has been appointed, the On-Floor LMM appointment will automatically terminate.

.02 – .04 No change.

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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

The Exchange proposes to amend the On-Floor LMM program. Currently, Rule 8.15, Interpretation and Policy .01 permits an LMM that is approved to operate as an Off-Floor LMM in one or more classes can request the Exchange authorize it to operate as an On-Floor LMM in those classes. Additionally, in an option class in which an Off-Floor

LMM or Off-Floor Designated Primary Market-Maker (“DPM”) has been appointed in accordance with Rule 8.15 or Rule 8.83, respectively, the Exchange in its discretion may appoint an On-Floor LMM (which may be the same firm or different firm serving as the Off-Floor LMM or Off-Floor DPM), which will be eligible to receive a participation entitlement under Rule 8.15 with respect to orders represented in open outcry. Pursuant to Rule 8.15(b), in an option class in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the On-Floor LMM will not be obligated to comply with the continuous electronic quoting obligation in subparagraph (i) or opening quoting obligation in subparagraph (v) (the Off-Floor LMM or Off-Floor DPM would be required to comply with those quoting obligations).

Pursuant to Rule 6.45(a)(ii), which permits the exchange to determine, on a class-by-class basis, certain priority overlays, including participation entitlements to LMMs (as well as DPMs and Preferred Market-Makers). The Exchange may grant an LMM a participation entitlement only if it has applied the priority customer overlay. LMMs operating on the trading floor may also receive a participation entitlement.³ In exchange for eligibility to receive a participation entitlement, LMMs must, among other things, satisfy a heightened quoting obligation.⁴ If the Exchange does not grant an electronic participation entitlement to a class, currently an LMM that operates off the floor is required to continue to satisfy the heightened electronic quoting obligation under the rules, even though it does not receive the

³ See Rule 8.15(d).

⁴ Generally, LMMs and DPMs must provide continuous electronic quotes (for 90% of the time) in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair, while Market-Makers must provide continuous electronic quotes (for 90% of the time) in at least 60% of the series in their appointed classes.

benefit of an electronic participation entitlement (although it would continue to receive an open outcry participation entitlement if it also operates on the floor).

Therefore, under current Rules, the Exchange may appoint an On-Floor LMM in a class if there is also an Off-Floor LMM or Off-Floor DPM in that class (which, as noted above, the same firm or different firms may be operating as the On-Floor LMM and Off-Floor LMM or Off-Floor DPM). Additionally, the Rules provide an On-Floor LMM does not have to satisfy heightened electronic quoting standards if there is also an Off-Floor LMM or Off-Floor DPM in that class, who must satisfy those standards. However, the Rules do not expressly contemplate the Exchange appointing an On-Floor LMM in a class if it has not appointed an Off-Floor DPM or Off-Floor LMM in that class. Additionally, current Rules do not explicitly permit the Exchange to not impose a heightened electronic quoting obligation on an On-Floor LMM if there is no Off-Floor LMM or Off-Floor DPM (in other words, if the Exchange were to appoint an On-Floor LMM who operates only on the floor, and no Off-Floor LMM or Off-Floor DPM, the On-Floor LMM would still be required to satisfy heightened quoting standards). The proposed rule change explicitly states the Exchange may appoint an On-Floor LMM in a class, under specific circumstances (as further discussed below), even if there is no Off-Floor LMM or Off-Floor DPM in that class, which On-Floor LMM must satisfy certain floor-based obligations and is eligible for an open outcry participation entitlement, but will not have to satisfy heightened electronic quoting obligations and will not be eligible for an electronic participation entitlement. The proposed rule change merely expands the Exchange's flexibility with respect to appointing On-Floor LMMs in a circumstance not currently contemplated in the Rules – in classes in

which it has not appointed an Off-Floor DPM or Off-Floor LMM – and specifies the obligations and entitlement in such a circumstance.

Specifically, the Exchange proposes to amend Rule 8.15, Interpretation and Policy .01 to permit the Exchange to appoint an On-Floor LMM to operate only on the trading floor with open-outcry obligations only in a class in which the Exchange appointed no Off-Floor LMM or Off-Floor DPM and does not grant an electronic participation entitlement pursuant to Rule 6.45(a)(ii) (in addition to classes in which the Exchange has appointed an Off-Floor DPM or LMM).⁵ The proposed rule change also amends Rule 8.15(b)(i) and (v) to provide an On-Floor LMM with open-outcry obligations only will not be obligated to comply with the continuous electronic quoting obligation in subparagraph (i) or opening quoting obligation in subparagraph (v), but must comply with the obligations of Market-Makers in Rule 8.7(d) and have a designee in the class's crowd on the trading floor for the entire trading day (except for a de minimis amount of time).⁶

The Exchange believes it is reasonable for an On-Floor LMM with open-outcry obligations only to be eligible for an open outcry entitlement, because priority customer orders in the book always receive priority over in-crowd market participants, including LMMs who may be eligible for an open outcry entitlement. Additionally, as proposed, the On-Floor LMM must satisfy the proposed heightened standard to be in the crowd for the entire trading day to be eligible for the open outcry entitlement.⁷ The Exchange believes

⁵ The Exchange may remove an On-Floor LMM in accordance with Rule 8.15 in the same manner as it may remove any other LMM appointed pursuant to Rule 8.15, including current On-Floor LMMs.

⁶ For example, a de minimis time period may be the brief time during which a designee leaves the trading floor to purchase a beverage.

⁷ See Rule 6.45(b)(i).

this standard is reasonable, as it understands On-Floor LMMs currently have designees present on the floor during the entire trading, because a designee must be present to participate in open outcry trades and receive open outcry participation entitlements on trades.⁸

If the Exchange eliminates an electronic participation entitlement from a class, the Exchange believes there is no incentive for a Market-Maker to satisfy a heightened electronic quoting standard in that class due to the allocation algorithm determined by the Exchange. The Exchange does not believe the open outcry participation entitlement is a sufficient benefit to balance the requirement to satisfy the heightened electronic quoting obligation (due to the significant electronic trading volume) if an LMM or DPM is not also receiving an electronic participation entitlement. However, the Exchange believes it will benefit price discovery in the trading crowd for an LMM to be present in that class if it is eligible to receive a participation entitlement, even though there may be no LMM streaming quotes remotely. The proposed rule change will permit the Exchange to appoint an LMM to a trading crowd in this circumstance with an appropriate balance of floor-based benefits and obligations, consistent with the LMM's on-floor role.

The proposed rule change permits the Exchange to appoint an On-Floor LMM as it already can do pursuant to current Rules, which is appoint an On-Floor LMM that must satisfy regular market-maker quoting obligations rather than heightened LMM quoting obligations and only receive an open outcry participation entitlement (with the expectation a designee of the LMM will have a presence on the trading floor for the entire trading day).

⁸ If an On-Floor LMM has no designee on the trading floor at any time during the trading day, it could not receive an entitlement, as there is no one present to participate on any trade during that time. On-Floor LMMs may have multiple designees in the trading crowd.

The proposed rule change merely provides the Exchange with discretion to make such an appointment in a different circumstance not currently contemplated in the Rules – in a class with no Off-Floor DPM or Off-Floor LMM. The Exchange may make such an appointment in the limited circumstance of classes in which it does not grant an electronic participation entitlement, and it will consider, among other factors, electronic liquidity in the class prior to making such an appointment. An On-Floor LMM in such a class will be subject to the same obligations and receive the same benefits as current On-Floor LMMs in other classes, subject to a different heightened quoting standard of maintaining a floor presence all day (subject to a de minimis exception) (which is expected of current On-Floor LMMs). Any violation of the proposed heightened quoting standard will be subject to potential discipline under Chapter XVII.⁹

The Exchange notes current On-Floor LMMs in classes in which there is a different Off-Floor DPM or Off-Floor LMM, as well as On-Floor LMMs in classes with no Off-Floor DPM or Off-Floor LMM pursuant to the proposed rule change, are not subject to the heightened electronic quoting obligation or opening quoting obligation in Rule 8.15(b), but receive the participation entitlement in Rule 8.15(d). While there is no current obligation in the rules requiring an On-Floor LMM to have a designee on the floor during the entire trading day, the Exchange expects current On-Floor LMMs to do so and may consider trading floor presence when determining whether to renew an On-Floor LMM's term.¹⁰

⁹ Exchange regulatory staff are present on the trading floor and may detect violations of this obligation. Additionally, pursuant to Rule 17.2(a), Trading Permit Holders (including those in a trading crowd) may submit complaints to the Regulatory Division alleging violations of this obligation.

¹⁰ See Rule 8.15(a)(i) (a factor to be considered by the Exchange when selecting

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.¹¹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² 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)¹³ 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 change promotes just and equitable principles of trade by creating a balance between the obligations imposed on and benefits provided to On-Floor LMMs that only operate on the trading floor and only have open-outcry obligations. The Exchange believes if an On-Floor LMM was obligated to satisfy a heightened continuous electronic quoting standard in a class in which there was no electronic participation entitlement, the obligations would outweigh the benefit of an

LMMs includes presence in the trading crowd).

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ Id.

open outcry entitlement. The proposed rule change imposes a more reasonable heightened open outcry obligation that balances the eligibility of the open outcry benefit, as the proposed rule change imposes an on-floor requirement to be eligible for the on-floor entitlement rather than an electronic quoting obligation unrelated to the corresponding potential entitlement.

The proposed rule change permits the Exchange to appoint an On-Floor LMM as it does pursuant to current Rules; it merely provides the Exchange with discretion to appoint an On-Floor LMM in a different circumstance – in a class with no Off-Floor DPM or Off-Floor LMM. Current rules do not contemplate an On-Floor LMM in a class with no Off-Floor DPM or Off-Floor LMM. An On-Floor LMM in such a class will be subject to the same obligations and receive the same benefits as current On-Floor LMMs in other classes, subject to a different heightened quoting standard of maintaining a floor presence for the entire trading day (subject to a de minimis exception), although current On-Floor LMMs are similarly expected have a designee present on the trading floor for the entire trading day. The proposed rule change removes impediments to and perfects the mechanism of a free and open market by providing flexibility to have an LMM in the trading crowd, which enhances price discovery and provides potential price improvement, in a class in which there is no incentive for a Market-Maker to satisfy a heightened electronic quoting standard due to the allocation algorithm determined by the Exchange in that class.

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

CBOE 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 believes it is appropriate to limit its ability to appoint an On-Floor LMM

with open-outcry obligations only in classes in which it determines to have no electronic participation entitlement, as it wants to incentivize firms to remain LMMs (and provide liquidity) in the trading crowd when there is no incentive for firms to satisfy heightened electronic quoting standards. The Exchange will, among other factors, consider electronic liquidity in the class prior to making such an appointment. The Exchange believes the continued presence of an LMM in the trading crowd enhances price discovery and provides potential price improvement, and such requirement creates a balance with eligibility for an open outcry participation entitlement. The Exchange believes requiring an On-Floor LMM that operates only on the trading floor to satisfy heightened electronic quoting standards would outweigh the benefit of an open outcry only entitlement. The proposed rule change has no impact on intermarket competition, as it relates solely to the presence of an LMM on CBOE's trading floor.

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

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

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

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to

Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6)¹⁵ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2017-059 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-2017-059. 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

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2017-059 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.¹⁶

Secretary

¹⁶ 17 CFR 200.30-3(a)(12).