

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="35"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="021"/>	Amendment No. (req. for Amendments *) <input type="text"/>
---	--	---	--

Filing by Cboe Exchange, Inc.  
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"/>
---	---

**Description**

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

Proposed rule change related to Market-Maker quoting obligations.

**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 * <input type="text" value="Laura"/>	Last Name * <input type="text" value="Dickman"/>
Title * <input type="text" value="VP, Associate General Counsel"/>	
E-mail * <input type="text" value="dickman@cboe.com"/>	
Telephone * <input type="text" value="(312) 786-7572"/>	Fax <input type="text"/>

**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 <input type="text" value="03/27/2018"/>	<input type="text" value="VP, Associate General Counsel"/>
By <input type="text" value="Laura G. Dickman"/>	<input type="text"/>
(Name *)	

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 \***

Add Remove View

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 \***

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, 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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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) Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend rules regarding Market-Maker quoting obligations. The text of the proposed rule change is provided below and in Exhibit 1.

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

**Cboe Exchange, Inc.  
Rules**

\* \* \* \* \*

Rule 1.1. Definitions

(a) – (bbb) (No change).

**Continuous Electronic Quotes**

(ccc) With respect to a Market-Maker who is obligated to provide continuous electronic quotes on the Hybrid Trading System (“Hybrid Market-Maker”), the Hybrid Market-Maker shall be deemed to have provided “continuous electronic quotes” if the Hybrid Market-Maker provides electronic two-sided quotes for 90% of the time that the Hybrid Market-Maker is required to provide electronic quotes in an appointed option class on a given trading day during the applicable trading session. Compliance with this quoting obligation applies to all of a Hybrid Market-Maker’s appointed classes collectively (with respect to each Market-Maker type as the Hybrid Market-Maker is approved to act). The Exchange will determine compliance by a Hybrid Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a Hybrid Market-Maker from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Hybrid Market-Maker for failing to meet this obligation each trading day. Hybrid Market-Maker continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization.

If a technical failure or limitation of a system of the Exchange prevents the Hybrid Market-Maker from maintaining, or prevents the Hybrid Market-Maker from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the Hybrid Market-Maker has satisfied the 90% quoting standard with respect to that option class. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(ddd) – (cccc) (No change).

. . . *Interpretations and Policies:*

.01 – .06 (No change).

\* \* \* \* \*

#### Rule 8.7. Obligations of Market-Makers

(a) – (c) (No change).

(d) Market-Making Obligations in Applicable Hybrid Classes

The following obligations in this paragraph (d) are only applicable to Market-Makers trading classes on the Cboe Options Hybrid System and only in those Hybrid classes. Unless otherwise provided in this Rule, Market-Makers trading classes on the Hybrid System remain subject to all obligations imposed by Cboe Options Rule 8.7. To the extent another obligation contained elsewhere in Rule 8.7 is inconsistent with an obligation contained in paragraph (d) of Rule 8.7 with respect to a class trading on Hybrid, this paragraph (d) shall govern trading in the Hybrid class.

For Regular Trading Hours, these requirements are applicable on a per class basis, except as set forth in paragraph (ii)(B) below, depending upon the percentage of volume a Market-Maker transacts in an appointed class during Regular Trading Hours electronically versus in open outcry. With respect to making this determination, the Exchange will monitor a Market-Maker's trading activity in each appointed class during Regular Trading Hours every calendar quarter to determine whether it exceeds the threshold established in paragraph (d)(i). If a Market-Maker exceeds the threshold established below, the obligations contained in (d)(ii) will be effective the next calendar quarter.

For a period of ninety (90) days commencing immediately after a class begins trading on the Hybrid system, the provisions of paragraph (d)(i) shall govern trading in that class.

(i) (No change).

(ii) Market-Maker Trades More Than 20% Contract Volume in an Appointed Class Electronically:

If a Market-Maker on the Cboe Options Hybrid System transacts more than 20% of the Market-Maker's contract volume electronically in an appointed Hybrid class during Regular Trading Hours during any calendar quarter, commencing the next calendar quarter the Market-Maker will be subject to the following quoting obligations in that class for as long as the Market-Maker maintains an appointment in that class:

(A) (No change).

(B) Continuous Electronic Quoting Obligation: A Market-Maker will be required to maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in

60% of the non-adjusted option series of the Market-Maker's appointed classes that have a time to expiration of less than nine months. Compliance with this quoting obligation applies to all of a Market-Maker's appointed classes collectively (for which it must maintain continuous electronic quotes pursuant to this paragraph (ii)(B)). The Exchange will determine compliance by a Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this quoting obligation on a monthly basis does not relieve a Market-Maker from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Market-Maker for failing to meet this obligation each trading day. The initial size of a Market-Maker's quote must be for the minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one contract. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading. Market-Maker continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization.

(C) (No change).

(iii) – (iv) (No change).

*. . . Interpretations and Policies:*

.01 – .12 (No change).

\* \* \* \* \*

#### Rule 8.13. Preferred Market-Maker Program

(a) – (c) (No change).

(d) **Quoting Obligations:** The Preferred Market-Maker must comply with the quoting obligations applicable to its Market-Maker type under Exchange rules and must provide continuous electronic quotes (as defined in Rule 1.1(ccc)) in at least the lesser of 99% of the non-adjusted option series that have a time to expiration of less than nine months or 100% of the non-adjusted option series that have a time to expiration of less than nine months 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 a Preferred Market-Maker's classes for which it receives Preferred Market-Maker orders collectively. The Exchange will determine compliance by a Preferred Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a Preferred Market-Maker from meeting this quoting obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Preferred Market-Maker for failing to meet this obligation each trading day. Preferred Market-Maker continuous electronic quoting obligations may be

satisfied by Preferred Market-Makers either individually or collectively with Preferred Market-Makers of the same TPH organization.

*. . . Interpretations and Policies:*

.01 – .03 (No change).

\* \* \* \* \*

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). Lead Market-Maker continuous electronic quoting obligations may be satisfied by Lead Market-Makers either individually or collectively with Lead Market-Makers of the same TPH organization;

(ii) – (viii) (No change).

(c) – (d) (No change).

*. . . Interpretations and Policies:*

.01 – .04 (No change).

\* \* \* \* \*

## Rule 8.85. DPM Obligations

(a) Dealer Transactions. Each DPM must fulfill all of the obligations of a Market-Maker under the Rules, and must satisfy each of the following requirements in respect of each of the securities allocated to the DPM. To the extent that there is any inconsistency between the specific obligations of a DPM set forth in subparagraphs (a)(i) through (a)(xi) of this Rule and the general obligations of a Market-Maker under the Rules, subparagraphs (a)(i) through (a)(xi) of this Rule will govern. Each DPM must:

(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, and assure that its disseminated market quotations are accurate. 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 a DPM’s allocated classes collectively. The Exchange will determine compliance by a DPM with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a DPM from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against DPM for failing to meet this obligation each trading day. DPM continuous electronic quoting obligations may be satisfied by DPM either individually or collectively with DPM Market-Makers of the same TPH organization;

(ii) – (x) (No change).

(b) – (e) (No change).

. . . *Interpretations and Policies:*

.01 – .02 (No change).

\* \* \* \* \*

(b) Not applicable.

(c) Not applicable.

**Item 2. Procedures of the Self-Regulatory Organization**

(a) The Exchange’s Chief Regulatory Officer pursuant to delegated authority approved the proposed rule change on March 1, 2018. The Exchange will announce the implementation date of the proposed rule change by circular or notice.

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Laura G. Dickman, Vice President and Associate General Counsel (312) 786-7572, Cboe Exchange, Inc., 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

Cboe Options Rules 8.7(d)(ii)(B), 8.13(d), 8.15(b)(i), and 8.85(a)(i) set forth continuous electronic quoting obligations of Market-Makers, Preferred Market-Makers (“PMMs”), Lead Market-Makers (“LMMs”), and Designated Primary Market-Makers (“DPMs”), respectively. Additionally, Rule 1.1(ccc) defines continuous electronic quotes as that term is used in those rules. Rule 8.1 defines a Market-Maker as an individual Trading Permit Holder or a TPH organization that is registered with the Exchange for the purpose of making transactions as a dealer-specialist on the Exchange in accordance with the provisions of Chapter VIII of the Rules. PMMs, LMMs, and DPMs are types of Market-Makers.

Historically, Cboe Options has interpreted the term “Market-Maker” with respect to continuous quoting obligations to apply on an individual basis. This interpretation is consistent with the previous definition of Market-Maker – Cboe Options Rule 8.1

previously defined a Market-Maker as an individual member or nominee of a member organization.<sup>1</sup>

After the Exchange amended its rules to state a Market-Maker may also be a TPH organization, it continued its interpretation of the term “Market-Maker” as referring to an individual Market-Maker with respect to continuous quoting obligations. This is implied by Rule 8.7, Interpretation and Policy .03(B)(i), which states the in-person requirements for Market-Makers in Hybrid 3.0 classes set forth in paragraph (B) may be satisfied by Market-Makers individually or collectively with the Market-Makers of the same TPH organization. In the filing in which the Exchange proposed to adopt that provision, the Exchange indicated it was proposing that provision in response to the Exchange’s expansion of the definition of Market-Maker to include TPH organizations.<sup>2</sup> This implies the Exchange previously interpreted Market-Maker consistent with the previous definition, which was an individual. Limiting that provision to the in-person requirements for Market-Makers in Hybrid 3.0 classes also indicates the Exchange’s intention to only interpret Market-Maker as an individual or TPH organization for the purposes of those in-person obligations, but not change its interpretation of the term Market-Maker with respect to other obligations. As a result, the Exchange has continued to interpret the term Market-Maker with respect to continuous quoting obligations to mean an individual, despite the change to the definition of Market-Maker.

---

<sup>1</sup> See Securities Exchange Act Release No. 57615 (April 3, 2008), 73 FR 19537 (April 10, 2008) (SR-CBOE-2008-120) (order approving proposed rule change relating to Market-Makers and Remote Market-Makers, which rule change amended the definition of Market-Maker in Rule 8.1 to include member (which are now known as Trading Permit Holders) organizations).

<sup>2</sup> See Securities Exchange Act Release No. 57996 (June 20, 2008), 73 FR 36937 (June 30, 2008) (SR-CBOE-2008-59) (proposed rule change to adopt Rule 8.7, Interpretation and Policy .03(B)(i)).

Cboe Options proposes to modify its interpretation of the term “Market-Maker” with respect to Market-Maker continuous electronic quoting obligations and instead interpret the term Market-Maker in a manner consistent with its definition, which includes both individuals and TPH organizations. Specifically, the proposed rule change amends the above-referenced rules regarding continuous electronic quoting obligations to state Market-Maker (or PMM, LMM, or DPM, as applicable) continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization. The Exchange believes it is reasonable to interpret the term Market-Maker with respect to continuous electronic quoting in this manner, as that is consistent with the current definition. The proposed interpretation is consistent with the current structure of TPH organizations registered as Market-Makers (as currently all individual Market-Makers are affiliated with a TPH organization, and thus TPH organizations are ultimately responsible for those Market-Makers) and will ensure a more consistent application of the definition of Market-Maker within the Cboe Rules.

Additionally, the proposed interpretation provides Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series. For example, the Exchange intends to convert trading of SPX options from the Hybrid 3.0 trading platform to the Hybrid trading system. There are currently over 7,000 series within the SPX option group trading on the Hybrid 3.0 platform, on which Market-Makers may not stream electronic quotes. Upon conversion of SPX to Hybrid, Market-Makers will be able to select electronic appointments in this group and stream electronic quotes, subject to continuous

electronic quoting obligations in Rule 8.7(d). Given the large number of SPX series, the Exchange understands a Market-Maker firm may decide to have individuals associated with the firm submit SPX quotes in different series using different acronyms. On an aggregate basis, the quotes submitted through those various acronyms would satisfy the firm's electronic quoting obligations. For example, a Market-Maker firm has acronyms ABC, DEF, and GHI registered for three individuals associated with that firm. The firm's plan is for these individuals to stream quotes in class XYZ as follows: ABC will quote in the near three month series (months one through three), DEF will quote in the middle three month series (months four through six), and GHI will quote in the far three month series (months seven through nine).<sup>3</sup> Assume each acronym submits electronic quotes in 300 series for 90% of the trading day, which combines for 900 series out of 1,000 total series listed for trading in class XYZ (i.e. 90% of series) for the Market-Maker firm. On an aggregate basis, this satisfies the firm's obligation to quote in at least 60% of series for 90% of the trading day.

Modifying the interpretation of the term Market-Maker to apply on a firm basis with respect to continuous electronic quoting obligations is also consistent with rules of other exchanges. For example, under the rules of Cboe-affiliated options exchanges Cboe BZX Exchange, Inc. ("BZX Options") and Cboe EDGX Exchange, Inc. ("EDGX Options"), a Market-Maker by definition may only be an entity,<sup>4</sup> and thus the rules with respect to

---

<sup>3</sup> Rule 8.7(d)(ii) requires continuous electronic quotes in the series with expirations no further than nine months.

<sup>4</sup> See BZX and EDGX Rules 16.1(a)(38) (defining "Options Member" as a firm, or organization registered with the Exchange pursuant to Chapter XVII of EDGX rules, for purposes of participating in EDGX Options as an "Options Order Entry Firm" or "Options Market-Maker") and (37) (defining "Options Market Maker" as an Options Member, which may only be a firm, registered with the Exchange

continuous electronic quoting obligations apply on a firm basis. Additionally, Cboe-affiliated options exchange Cboe C2 Exchange, Inc. has historically only had trading firms registered as Market-Makers, and thus has interpreted the term Market-Maker to mean Trading Permit Holder organization.<sup>5</sup> Cboe Options is modifying its interpretation of the term Market-Maker with respect to continuous electronic quoting obligations to mean TPH organization where applicable to provide greater harmonization between the rules of the Cboe-affiliated Exchanges and simplify the regulatory requirements of Market-Makers subject to Market-Maker continuous electronic quoting obligations across multiple Cboe-affiliated Exchanges. Additionally, as noted above, the Exchange's current in-person quoting requirements may be satisfied by Market-Makers individually or collectively with Market-Makers of the same TPH organization.

While the proposed rule change is a modification of a current interpretation to Exchange rules, the Exchange proposes to include the interpretation in the applicable rules to provide clarity to Market-Makers regarding their obligations.

(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

---

for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter XXII of the EDGX rules); see also BZX and EDGX Rules 22.2 (stating that Options Members (which may only be firms) may register as Market Makers) and 22.5 (describing obligations of Market-Makers, which may only be firms by virtue of the definitions of Market-Maker and Options Member).

<sup>5</sup> Various Trading Permit Holders have also informed the Exchange that other options exchanges similarly interpret their continuous electronic quoting rules to apply on a firm basis rather than individual basis.

the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>6</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>7</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>8</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed interpretation is consistent with the current definition of Market-Maker, which provides a Market-Maker may be an individual or a TPH organization. The proposed interpretation is also consistent with the current structure of TPH organizations registered as Market-Makers (as all individual Market-Makers are currently associated with TPH organizations) and will ensure a more consistent application of the definition of Market-Maker within the Cboe Rules.

The Exchange does not propose to modify continuous electronic quoting obligations, and does not believe the proposed modification to the interpretation of the term Market-Maker in those rules will diminish Market-Makers' obligations to provide continuous electronic quotes in a significant percentage of series for a significant part of

---

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> Id.

the trading day. Rather, the proposed interpretation provides Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series. The Exchange believes this may benefit efficiency of Market-Makers' quoting operations in those classes, as they can manage their quoting operations as they deem appropriate based on the nature of their businesses. The Exchange does not believe this proposed interpretation would reduce liquidity, because to the extent continuous quoting obligations may be satisfied collectively among Market-Makers associated with a TPH organization, the TPH organization would have to take into account the quotes of all associated Market-Makers when determining whether it is satisfying its continuous electronic quoting obligations.

The proposed interpretation removes impediments to and perfects the mechanisms of a free and open market and national market system, because other exchanges (e.g. BZX and EDGX) interpret the term Market-Maker to mean a member organization with respect to continuous quoting obligations. Cboe Options is modifying its interpretation of the term Market-Maker with respect to continuous electronic quoting obligations to mean TPH organization where applicable in order to provide greater harmonization between the rules of the Cboe-affiliated Exchanges and simplify the regulatory requirements of Market-Makers subject to Market-Maker continuous electronic quoting obligations across multiple Cboe-affiliated Exchanges. Additionally, as noted above, the proposed interpretation is consistent with the Exchange's current in-person quoting requirements, which may be satisfied by Market-Makers individually or collectively with Market-Makers of the same TPH organization.

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

Cboe Options 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 proposed rule change will not impose any burden on intramarket competition, because the modified interpretation will apply in the same manner to all Market-Makers subject to continuous electronic quoting obligations and is consistent with the current definition of Market-Maker. The Exchange does not propose to modify continuous electronic quoting obligations, and does not believe the proposed modification to the interpretation of the term Market-Maker in those rules will diminish Market-Makers' obligations to provide continuous electronic quotes in a significant percentage of series for a significant part of the trading day, and thus does not impact the balance of Market-Maker obligations and benefits. Rather, the proposed interpretation provides Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series. The Exchange believes this may benefit efficiency of Market-Makers' quoting operations, particularly in those classes, as they can manage their quoting operations as they deem appropriate based on the nature of their businesses.

The proposed rule change regarding the interpretation of the term Market-Maker will not impose any burden on intermarket competition, because the modified interpretation of the term Market-Maker to mean TPH organization where applicable is consistent with that of other options exchanges, as noted above. Cboe Options is modifying its interpretation of the term Market-Maker with respect to continuous electronic quoting obligations to mean TPH organization where applicable in order to provide greater harmonization between the rules of the Cboe-affiliated Exchanges and simplify the

regulatory requirements of Market-Makers subject to Market-Maker continuous electronic quoting obligations across multiple Cboe-affiliated Exchanges. Additionally, the proposed interpretation is consistent with the Exchange's in-person quoting requirements.

**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 Act<sup>9</sup> and Rule 19b-4(f)(6)<sup>10</sup> 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.

---

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

The proposed rule change does not significantly affect the protection of investors or the public interest, because the modified interpretation of the term Market-Maker to mean TPH organization where applicable is consistent with that of other options exchanges, as noted above. Cboe Options is modifying its interpretation of the term Market-Maker with respect to continuous electronic quoting obligations to mean TPH organization where applicable in order to provide greater harmonization between the rules of the Cboe-affiliated Exchanges and simplify the regulatory requirements of Market-Makers subject to Market-Maker continuous electronic quoting obligations across multiple Cboe-affiliated Exchanges. Therefore, the proposed rule change does not propose anything novel.

Additionally, the Exchange does not propose to modify continuous electronic quoting obligations, and does not believe the proposed modification to the interpretation of the term Market-Maker in those rules will diminish Market-Makers' obligations to provide continuous electronic quotes in a significant percentage of series for a significant part of the trading day, and thus does not impact the balance of Market-Maker obligations and benefits. Rather, the proposed interpretation provides Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series. The Exchange believes this may benefit efficiency of Market-Makers' quoting operations, particularly in those classes, as they can manage their quoting operations as they deem appropriate based on the nature of their businesses.

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 effectiveness on April 2, 2018. In addition to the reasons discussed above, the Exchange believes a partial waiver of the operative delay period is appropriate. Exchange measures continuous electronic quoting obligations on a calendar monthly basis, and thus believes it is appropriate to permit effectiveness on the first trading day of a calendar month. Additionally, as discussed above, the Exchange intends to convert trading of SPX options from the Hybrid 3.0 trading platform to the Hybrid trading system. This conversion is expected to occur in the second quarter (and thus potentially as early as April) of 2018. The Exchange currently lists of 7,000 SPX series, which is substantially more than many classes currently listed on the Exchange. Therefore, because one of the primary purposes of the proposed interpretation, as discussed above, is to provide Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series, which may enhance their quoting efficiency in those classes, the Exchange seeks to implement the proposed change prior to the SPX conversion.

(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 substantively based on rules of Cboe-affiliated exchanges BZX Options and EDGX Options,<sup>11</sup> and based on an interpretation of Cboe-affiliated exchange C2, as discussed above.

**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.

---

<sup>11</sup> See supra note 4.

EXHIBIT 1

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CBOE-2018-021]

[Insert date]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending Rules Regarding Market-Maker Quoting Obligations

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 [insert date], 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, 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 rules regarding Market-Maker quoting obligations.

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

**Cboe Exchange, Inc.  
Rules**

\* \* \* \* \*

Rule 1.1. Definitions

---

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

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

(a) – (bbb) (No change).

### **Continuous Electronic Quotes**

(ccc) With respect to a Market-Maker who is obligated to provide continuous electronic quotes on the Hybrid Trading System (“Hybrid Market-Maker”), the Hybrid Market-Maker shall be deemed to have provided “continuous electronic quotes” if the Hybrid Market-Maker provides electronic two-sided quotes for 90% of the time that the Hybrid Market-Maker is required to provide electronic quotes in an appointed option class on a given trading day during the applicable trading session. Compliance with this quoting obligation applies to all of a Hybrid Market-Maker’s appointed classes collectively (with respect to each Market-Maker type as the Hybrid Market-Maker is approved to act). The Exchange will determine compliance by a Hybrid Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a Hybrid Market-Maker from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Hybrid Market-Maker for failing to meet this obligation each trading day. Hybrid Market-Maker continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization.

If a technical failure or limitation of a system of the Exchange prevents the Hybrid Market-Maker from maintaining, or prevents the Hybrid Market-Maker from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the Hybrid Market-Maker has satisfied the 90% quoting standard with respect to that option class. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(ddd) – (cccc) (No change).

. . . *Interpretations and Policies:*

.01 – .06 (No change).

\* \* \* \* \*

### **Rule 8.7. Obligations of Market-Makers**

(a) – (c) (No change).

(d) **Market-Making Obligations in Applicable Hybrid Classes**

The following obligations in this paragraph (d) are only applicable to Market-Makers trading classes on the Cboe Options Hybrid System and only in those Hybrid classes. Unless otherwise provided in this Rule, Market-Makers trading classes on the Hybrid System remain subject to all obligations imposed by Cboe Options Rule 8.7. To the extent another obligation contained elsewhere in Rule 8.7 is inconsistent with an obligation

contained in paragraph (d) of Rule 8.7 with respect to a class trading on Hybrid, this paragraph (d) shall govern trading in the Hybrid class.

For Regular Trading Hours, these requirements are applicable on a per class basis, except as set forth in paragraph (ii)(B) below, depending upon the percentage of volume a Market-Maker transacts in an appointed class during Regular Trading Hours electronically versus in open outcry. With respect to making this determination, the Exchange will monitor a Market-Maker's trading activity in each appointed class during Regular Trading Hours every calendar quarter to determine whether it exceeds the threshold established in paragraph (d)(i). If a Market-Maker exceeds the threshold established below, the obligations contained in (d)(ii) will be effective the next calendar quarter.

For a period of ninety (90) days commencing immediately after a class begins trading on the Hybrid system, the provisions of paragraph (d)(i) shall govern trading in that class.

(i) (No change).

(ii) Market-Maker Trades More Than 20% Contract Volume in an Appointed Class Electronically:

If a Market-Maker on the Cboe Options Hybrid System transacts more than 20% of the Market-Maker's contract volume electronically in an appointed Hybrid class during Regular Trading Hours during any calendar quarter, commencing the next calendar quarter the Market-Maker will be subject to the following quoting obligations in that class for as long as the Market-Maker maintains an appointment in that class:

(A) (No change).

(B) Continuous Electronic Quoting Obligation: A Market-Maker will be required to maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in 60% of the non-adjusted option series of the Market-Maker's appointed classes that have a time to expiration of less than nine months. Compliance with this quoting obligation applies to all of a Market-Maker's appointed classes collectively (for which it must maintain continuous electronic quotes pursuant to this paragraph (ii)(B)). The Exchange will determine compliance by a Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this quoting obligation on a monthly basis does not relieve a Market-Maker from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Market-Maker for failing to meet this obligation each trading day. The initial size of a Market-Maker's quote must be for the minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one contract. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading. Market-Maker continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization.

(C) (No change).

(iii) – (iv) (No change).

... *Interpretations and Policies:*

.01 – .12 (No change).

\* \* \* \* \*

#### Rule 8.13. Preferred Market-Maker Program

(a) – (c) (No change).

(d) **Quoting Obligations:** The Preferred Market-Maker must comply with the quoting obligations applicable to its Market-Maker type under Exchange rules and must provide continuous electronic quotes (as defined in Rule 1.1(ccc)) in at least the lesser of 99% of the non-adjusted option series that have a time to expiration of less than nine months or 100% of the non-adjusted option series that have a time to expiration of less than nine months 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 a Preferred Market-Maker’s classes for which it receives Preferred Market-Maker orders collectively. The Exchange will determine compliance by a Preferred Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a Preferred Market-Maker from meeting this quoting obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Preferred Market-Maker for failing to meet this obligation each trading day. Preferred Market-Maker continuous electronic quoting obligations may be satisfied by Preferred Market-Makers either individually or collectively with Preferred Market-Makers of the same TPH organization.

... *Interpretations and Policies:*

.01 – .03 (No change).

\* \* \* \* \*

#### 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). Lead Market-Maker continuous electronic quoting obligations may be satisfied by Lead Market-Makers either individually or collectively with Lead Market-Makers of the same TPH organization;

(ii) – (viii) (No change).

(c) – (d) (No change).

*. . . Interpretations and Policies:*

.01 – .04 (No change).

\* \* \* \* \*

#### Rule 8.85. DPM Obligations

(a) Dealer Transactions. Each DPM must fulfill all of the obligations of a Market-Maker under the Rules, and must satisfy each of the following requirements in respect of each of the securities allocated to the DPM. To the extent that there is any inconsistency between the specific obligations of a DPM set forth in subparagraphs (a)(i) through (a)(xi) of this Rule and the general obligations of a Market-Maker under the Rules, subparagraphs (a)(i) through (a)(xi) of this Rule will govern. Each DPM must:

(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, and assure that its disseminated market quotations are accurate. 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 a DPM's allocated classes collectively. The Exchange will determine compliance by a DPM with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a DPM from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against DPM for failing to meet this obligation each trading day. DPM continuous electronic quoting obligations may be satisfied by DPM either individually or collectively with DPM Market-Makers of the same TPH organization;

(ii) – (x) (No change).

(b) – (e) (No change).

. . . *Interpretations and Policies:*

.01 – .02 (No change).

\* \* \* \* \*

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

Cboe Options Rules 8.7(d)(ii)(B), 8.13(d), 8.15(b)(i), and 8.85(a)(i) set forth continuous electronic quoting obligations of Market-Makers, Preferred Market-Makers ("PMMs"), Lead

Market-Makers (“LMMs”), and Designated Primary Market-Makers (“DPMs”), respectively. Additionally, Rule 1.1(ccc) defines continuous electronic quotes as that term is used in those rules. Rule 8.1 defines a Market-Maker as an individual Trading Permit Holder or a TPH organization that is registered with the Exchange for the purpose of making transactions as a dealer-specialist on the Exchange in accordance with the provisions of Chapter VIII of the Rules. PPMs, LMMs, and DPMs are types of Market-Makers.

Historically, Cboe Options has interpreted the term “Market-Maker” with respect to continuous quoting obligations to apply on an individual basis. This interpretation is consistent with the previous definition of Market-Maker – Cboe Options Rule 8.1 previously defined a Market-Maker as an individual member or nominee of a member organization.<sup>3</sup>

After the Exchange amended its rules to state a Market-Maker may also be a TPH organization, it continued its interpretation of the term “Market-Maker” as referring to an individual Market-Maker with respect to continuous quoting obligations. This is implied by Rule 8.7, Interpretation and Policy .03(B)(i), which states the in-person requirements for Market-Makers in Hybrid 3.0 classes set forth in paragraph (B) may be satisfied by Market-Makers individually or collectively with the Market-Makers of the same TPH organization. In the filing in which the Exchange proposed to adopt that provision, the Exchange indicated it was proposing that provision in response to the Exchange’s expansion of the definition of Market-Maker to include TPH organizations.<sup>4</sup> This

---

<sup>3</sup> See Securities Exchange Act Release No. 57615 (April 3, 2008), 73 FR 19537 (April 10, 2008) (SR-CBOE-2008-120) (order approving proposed rule change relating to Market-Makers and Remote Market-Makers, which rule change amended the definition of Market-Maker in Rule 8.1 to include member (which are now known as Trading Permit Holders) organizations).

<sup>4</sup> See Securities Exchange Act Release No. 57996 (June 20, 2008), 73 FR 36937

implies the Exchange previously interpreted Market-Maker consistent with the previous definition, which was an individual. Limiting that provision to the in-person requirements for Market-Makers in Hybrid 3.0 classes also indicates the Exchange's intention to only interpret Market-Maker as an individual or TPH organization for the purposes of those in-person obligations, but not change its interpretation of the term Market-Maker with respect to other obligations. As a result, the Exchange has continued to interpret the term Market-Maker with respect to continuous quoting obligations to mean an individual, despite the change to the definition of Market-Maker.

Cboe Options proposes to modify its interpretation of the term "Market-Maker" with respect to Market-Maker continuous electronic quoting obligations and instead interpret the term Market-Maker in a manner consistent with its definition, which includes both individuals and TPH organizations. Specifically, the proposed rule change amends the above-referenced rules regarding continuous electronic quoting obligations to state Market-Maker (or PMM, LMM, or DPM, as applicable) continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization. The Exchange believes it is reasonable to interpret the term Market-Maker with respect to continuous electronic quoting in this manner, as that is consistent with the current definition. The proposed interpretation is consistent with the current structure of TPH organizations registered as Market-Makers (as currently all individual Market-Makers are affiliated with a TPH organization, and thus TPH organizations are ultimately responsible for those Market-Makers) and will

---

(June 30, 2008) (SR-CBOE-2008-59) (proposed rule change to adopt Rule 8.7, Interpretation and Policy .03(B)(i)).

ensure a more consistent application of the definition of Market-Maker within the Cboe Rules.

Additionally, the proposed interpretation provides Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series. For example, the Exchange intends to convert trading of SPX options from the Hybrid 3.0 trading platform to the Hybrid trading system. There are currently over 7,000 series within the SPX option group trading on the Hybrid 3.0 platform, on which Market-Makers may not stream electronic quotes. Upon conversion of SPX to Hybrid, Market-Makers will be able to select electronic appointments in this group and stream electronic quotes, subject to continuous electronic quoting obligations in Rule 8.7(d). Given the large number of SPX series, the Exchange understands a Market-Maker firm may decide to have individuals associated with the firm submit SPX quotes in different series using different acronyms. On an aggregate basis, the quotes submitted through those various acronyms would satisfy the firm's electronic quoting obligations. For example, a Market-Maker firm has acronyms ABC, DEF, and GHI registered for three individuals associated with that firm. The firm's plan is for these individuals to stream quotes in class XYZ as follows: ABC will quote in the near three month series (months one through three), DEF will quote in the middle three month series (months four through six), and GHI will quote in the far three month series (months seven through nine).<sup>5</sup> Assume each acronym submits electronic quotes in 300 series for 90% of the trading day, which combines for 900 series out of 1,000 total series listed for trading in class XYZ (i.e. 90% of series) for the Market-

---

<sup>5</sup> Rule 8.7(d)(ii) requires continuous electronic quotes in the series with expirations no further than nine months.

Maker firm. On an aggregate basis, this satisfies the firm's obligation to quote in at least 60% of series for 90% of the trading day.

Modifying the interpretation of the term Market-Maker to apply on a firm basis with respect to continuous electronic quoting obligations is also consistent with rules of other exchanges. For example, under the rules of Cboe-affiliated options exchanges Cboe BZX Exchange, Inc. ("BZX Options") and Cboe EDGX Exchange, Inc. ("EDGX Options"), a Market-Maker by definition may only be an entity,<sup>6</sup> and thus the rules with respect to continuous electronic quoting obligations apply on a firm basis. Additionally, Cboe-affiliated options exchange Cboe C2 Exchange, Inc. has historically only had trading firms registered as Market-Makers, and thus has interpreted the term Market-Maker to mean Trading Permit Holder organization.<sup>7</sup> Cboe Options is modifying its interpretation of the term Market-Maker with respect to continuous electronic quoting obligations to mean TPH organization where applicable to provide greater harmonization between the rules of the Cboe-affiliated Exchanges and simplify the regulatory requirements of Market-Makers subject to Market-Maker continuous electronic quoting obligations across multiple Cboe-affiliated Exchanges. Additionally, as noted above, the Exchange's current in-person

---

<sup>6</sup> See BZX and EDGX Rules 16.1(a)(38) (defining "Options Member" as a firm, or organization registered with the Exchange pursuant to Chapter XVII of EDGX rules, for purposes of participating in EDGX Options as an "Options Order Entry Firm" or "Options Market-Maker") and (37) (defining "Options Market Maker" as an Options Member, which may only be a firm, registered with the Exchange for the purpose of making markets in options contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter XXII of the EDGX rules); see also BZX and EDGX Rules 22.2 (stating that Options Members (which may only be firms) may register as Market Makers) and 22.5 (describing obligations of Market-Makers, which may only be firms by virtue of the definitions of Market-Maker and Options Member).

<sup>7</sup> Various Trading Permit Holders have also informed the Exchange that other options exchanges similarly interpret their continuous electronic quoting rules to apply on a firm basis rather than individual basis.

quoting requirements may be satisfied by Market-Makers individually or collectively with Market-Makers of the same TPH organization.

While the proposed rule change is a modification of a current interpretation to Exchange rules, the Exchange proposes to include the interpretation in the applicable rules to provide clarity to Market-Makers regarding their obligations.

## 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>8</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>9</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>10</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed interpretation is consistent with the current definition of Market-Maker, which provides a Market-Maker may be an individual or a TPH

---

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> Id.

organization. The proposed interpretation is also consistent with the current structure of TPH organizations registered as Market-Makers (as all individual Market-Makers are currently associated with TPH organizations) and will ensure a more consistent application of the definition of Market-Maker within the Cboe Rules.

The Exchange does not propose to modify continuous electronic quoting obligations, and does not believe the proposed modification to the interpretation of the term Market-Maker in those rules will diminish Market-Makers' obligations to provide continuous electronic quotes in a significant percentage of series for a significant part of the trading day. Rather, the proposed interpretation provides Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series. The Exchange believes this may benefit efficiency of Market-Makers' quoting operations in those classes, as they can manage their quoting operations as they deem appropriate based on the nature of their businesses. The Exchange does not believe this proposed interpretation would reduce liquidity, because to the extent continuous quoting obligations may be satisfied collectively among Market-Makers associated with a TPH organization, the TPH organization would have to take into account the quotes of all associated Market-Makers when determining whether it is satisfying its continuous electronic quoting obligations.

The proposed interpretation removes impediments to and perfects the mechanisms of a free and open market and national market system, because other exchanges (e.g. BZX and EDGX) interpret the term Market-Maker to mean a member organization with respect to continuous quoting obligations. Cboe Options is modifying its interpretation of the term Market-Maker with respect to continuous electronic quoting obligations to mean

TPH organization where applicable in order to provide greater harmonization between the rules of the Cboe-affiliated Exchanges and simplify the regulatory requirements of Market-Makers subject to Market-Maker continuous electronic quoting obligations across multiple Cboe-affiliated Exchanges. Additionally, as noted above, the proposed interpretation is consistent with the Exchange's current in-person quoting requirements, which may be satisfied by Market-Makers individually or collectively with Market-Makers of the same TPH organization.

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

Cboe Options 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 proposed rule change will not impose any burden on intramarket competition, because the modified interpretation will apply in the same manner to all Market-Makers subject to continuous electronic quoting obligations and is consistent with the current definition of Market-Maker. The Exchange does not propose to modify continuous electronic quoting obligations, and does not believe the proposed modification to the interpretation of the term Market-Maker in those rules will diminish Market-Makers' obligations to provide continuous electronic quotes in a significant percentage of series for a significant part of the trading day, and thus does not impact the balance of Market-Maker obligations and benefits. Rather, the proposed interpretation provides Market-Makers with flexibility to quote in their appointed classes in a manner consistent with their business operations, particularly in classes with a large number of series. The Exchange believes this may benefit efficiency of Market-Makers' quoting operations, particularly in those classes, as they can manage their quoting operations as they deem appropriate based on the nature of their businesses.

The proposed rule change regarding the interpretation of the term Market-Maker will not impose any burden on intermarket competition, because the modified interpretation of the term Market-Maker to mean TPH organization where applicable is consistent with that of other options exchanges, as noted above. Cboe Options is modifying its interpretation of the term Market-Maker with respect to continuous electronic quoting obligations to mean TPH organization where applicable in order to provide greater harmonization between the rules of the Cboe-affiliated Exchanges and simplify the regulatory requirements of Market-Makers subject to Market-Maker continuous electronic quoting obligations across multiple Cboe-affiliated Exchanges. Additionally, the proposed interpretation is consistent with the Exchange's in-person quoting requirements.

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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and paragraph (f) of Rule 19b-4<sup>12</sup> 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

---

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f).

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-2018-021 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-2018-021. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for

website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of 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-2018-021 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>13</sup>

Secretary

---

<sup>13</sup> 17 CFR 200.30-3(a)(12).