



Cboe C2 Exchange, Inc.

Rules of Cboe C2 Exchange, Inc.

(Updated as of October 5, 2018)

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## **CHAPTER 1**

### **Definitions and General Rules**

#### **Rule 1.1. Definitions**

##### **ABBO**

The term “ABBO” means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Section E of Chapter 6) and calculated by the Exchange based on market information the Exchange receives from OPRA.

##### **Adjusted Series**

The term “adjusted series” means a series in which, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or Units.

##### **Affiliate and Affiliated with**

The term “affiliate” of or a person “affiliated with” another person means a person who, directly or indirectly, controls, is controlled by, or is under common control with, such other person.

##### **API**

The term “Application Programming Interface” or “API” means the computer interface that allows market participants with authorized access to interface electronically with the Exchange.

##### **Associated Person or Person Associated with a Trading Permit Holder**

The term “associated person” or “person associated with a Trading Permit Holder” means any partner, officer, director, or branch manager of a Trading Permit Holder (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Trading Permit Holder, or any employee of a Trading Permit Holder.

##### **Bid**

The term “bid” means the price of a limit order or quote to buy one or more options contracts.

##### **BBO**

The term “BBO” means the best bid or offer disseminated on the Exchange.

**Board**

The term “Board” means the Board of Directors of the Exchange.

**Book or Simple Book**

The terms “Book” or “Simple Book” mean the electronic book of simple orders and quotes maintained by the System.

**Bylaws**

The term “Bylaws” means the Bylaws of the Exchange as the same may be amended from time to time.

**Call**

The term “call” means an option contract under which the holder of the option has the right, in accordance with the terms of the option and the Rules of the Clearing Corporation, to purchase from the Clearing Corporation the number of units of the underlying security or index covered by the option contract, at a price per unit equal to the exercise price, upon the timely exercise of the option.

**Capacity**

The term “Capacity” means the capacity in which a User submits an order, which the User specifies by applying the corresponding code to the order, and includes:

<u>Code</u>	<u>Capacity Type</u>
B	For the account of a broker or dealer, including a Foreign Broker-Dealer
C	For the account of a Public Customer
F	For an OCC clearing member firm proprietary account
J	For a joint back office account
L	For the account of a non-Trading Permit Holder affiliate
M	For the account of a Market-Maker
N	For the account of a market-maker on another options exchange
U	For the account of a Professional

## **Cboe Options**

The term “Cboe Options” means Cboe Exchange, Inc.

## **Cboe Options Trading Permit**

For purposes of C2’s Rules, the term “Cboe Options Trading Permit” means a “Trading Permit” as such term is defined in Cboe Options Bylaws and Rules.

## **Cboe Options Trading Permit Holder**

For purposes of C2’s Rules, the term “Cboe Options Trading Permit Holder” means a “Trading Permit Holder” as such term is defined in Cboe Options Bylaws and Rules.

## **Cboe Trading**

The term “Cboe Trading” means Cboe Trading, Inc.

## **Class**

The term “class” means all option contracts with the same unit of trading covering the same underlying security or index.

## **Clearing Corporation or OCC**

The terms “Clearing Corporation” or “OCC” mean The Options Clearing Corporation.

## **Clearing Trading Permit Holder**

The term “Clearing Trading Permit Holder” means a Trading Permit Holder that has been admitted to membership in the Clearing Corporation pursuant to the provisions of the rules of the Clearing Corporation and is self-clearing or that clears transactions for other Trading Permit Holders.

## **Commission or SEC**

The terms “Commission” or “SEC” mean the U.S. Securities and Exchange Commission.

## **Complex Order**

The term “complex order” means an order involving the concurrent execution of two or more different series in the same class (the “legs” or “components” of the complex order), for the same account, occurring at or near the same time in a ratio greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purpose of executing a particular investment strategy with no more than the applicable

number of legs (which number the Exchange determines on a class-by-class basis). The Exchange determines in which classes complex orders are eligible for processing.

### **Control**

The term “control” means the power to exercise a controlling influence over the management or policies of a person, unless such power is solely the result of an official position with such person. Any person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation, or more than 25% of the voting power in the election of directors of any other corporation which directly or through one or more affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation, is presumed to control such corporation.

### **Customer**

The term “Customer” means a Public Customer or a broker-dealer.

### **Customer Order**

The term “Customer order” means an agency order for the account of a Customer.

### **Discretion**

The term “discretion” means the authority of a broker or dealer to determine for a Customer the type of option, class or series of options, the number of contracts, or whether options are to be bought or sold.

### **EFID**

The term “EFID” means an Executing Firm ID.

### **Equity Option**

The term “equity option” means an option on an equity security or Unit.

### **Exchange or C2**

The terms “Exchange” or “C2” mean Cboe C2 Exchange, Inc.

### **Exchange Act**

The term “Exchange Act” means the Securities Exchange Act of 1934, as amended, and Rules and Regulations thereunder.



**Exercise Price**

The term “exercise price” means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an option contract.

**Expiration Date**

Unless separately defined elsewhere in the Rules, the term “expiration date” means the third Friday of the expiration month of such option contract, or if such Friday is a day on which the exchange on which such option is listed is not open for business, the preceding day on which such exchange is open for business.

**Federal Reserve Board**

The term “Federal Reserve Board” means the Board of Governors of the Federal Reserve System.

**Foreign Broker-Dealer**

The term “foreign broker-dealer” means any person or entity that is registered, authorized, or licensed by a foreign governmental agency or foreign regulatory organization (or is required to be so registered, authorized, or licensed) to perform the function of a broker or dealer in securities, or both. For the purposes of this definition, the terms “broker” and “dealer” have the same meaning as provided in Section 3(a)(4) and 3(a)(5) of the Exchange Act, except that a “broker” or “dealer” may be a bank.

**He, Him, or His**

The terms “he,” “him,” or “his” will be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

**Index Option**

The term “index option” means an option on a broad-based, narrow-based, micro narrow-based or other index of equity securities prices.

**Index Portfolio Receipts**

The term index portfolio receipts or “IPRs” means securities that (a) represent an interest in a unit investment trust (“Trust”) which holds the securities that comprise an index on which a series of IPRs is based; (b) are issued by the Trust in a specified aggregate minimum number in return for a “Portfolio Deposit” consisting of specified numbers of shares of stock plus a cash amount; (c) when aggregated in the same specified minimum number, may be redeemed from the Trust, which will pay to the redeeming holder the stock and cash then comprising the Portfolio Deposit; and (d) pay holders a periodic cash payment corresponding to the regular cash dividends or distributions declared and paid with respect

to the component securities of the stock index on which the IPRs are based, less certain expenses and other charges as set forth in the Trust prospectus. IPRs are “UIT interests” within the meaning of the Rules.

### **Index Portfolio Shares**

The term “Index Portfolio Shares” or IPSs means securities that (a) are issued by an open-end management investment company based on a portfolio of stocks or fixed income securities designed to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic stock index or fixed income securities index; (b) are issued by such an open-end management investment company in a specified aggregate minimum number in return for a deposit of specified number of shares of stock and/or a cash amount, or a specified portfolio of fixed income securities and/or a cash amount, with a value equal to the next determined net asset value; and (c) when aggregated in the same specified minimum number, may be redeemed at a holder’s request by such open-end management investment company, which will pay to the redeeming holder stock and/or cash, or a specified portfolio of fixed income securities and/or cash with a value equal to the next determined net asset value.

### **Index-Linked Exchangeable Note**

The term Index-Linked Exchangeable Note means an exchangeable debt security that is exchangeable at the option of the holder (subject to the requirement that the holder in most circumstances exchange a specified minimum amount of notes), on call by the issuer, or at maturity for a cash amount based on the reported market prices of the underlying stocks of an underlying index.

### **Limit Up-Limit Down State**

The term “limit up-limit down state” has the meaning set forth in Rule 6.39.

### **Long Position**

The term “long position” means a person’s interest as the holder of one or more option contracts.

### **Market Close**

The term “market close” means the time the Exchange specifies for the end of trading on the Exchange on that trading day.

### **Market Open**

The term “market open” means the time the Exchange specifies for the start of trading on the Exchange on that trading day.

## **Market-Maker**

The term “Market-Maker” means a Trading Permit Holder registered with the Exchange for the purpose of making markets in option contracts traded on the Exchange and that is vested with the rights and responsibilities specified in Chapter 8 of these Rules.

## **NBB, NBO, and NBBO**

The term “NBB” means the national best bid, the term “NBO” means the national best offer, and the term “NBBO” means the national best bid or offer the Exchange calculates based on market information it receives from OPRA.

## **Notional Value**

The term “notional value” means the value calculated by multiplying the number of contracts (contract size multiplied by the contract multiplier) in an order by the order’s limit price.

## **Offer**

The term “offer” means the price of a limit order or quote to sell one or more option contracts.

## **OPRA**

The term “OPRA” means the Options Price Reporting Authority.

## **Option Contract**

The term “option contract” means a put or a call issued, or subject to issuance, by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

## **Options Principal**

The term “Options Principal” means a person engaged in the management and supervision of the Trading Permit Holder’s business pertaining to option contracts that has responsibility for the overall oversight of the Trading Permit Holder’s options-related activities on the Exchange.

## **Order**

The term “order” means a firm commitment to buy or sell option contracts that the System receives from a User. Orders may be limit or market orders:

(a) A “limit order” is an order to buy or sell a stated number of option contracts at a specified price or better. A limit order to buy (sell) is marketable when, at the time it enters the System, the order is equal to or higher (lower) than the then-current offer (bid).

(b) A “market order” is an order to buy or sell a stated number of option contracts at the best price available at the time of execution.

### **Order Entry Firm or OEF**

The terms “Order Entry Firm” or “OEF” mean a Trading Permit Holder representing as agent Customer orders on the Exchange or a non-Market Maker Trading Permit Holder conducting proprietary trading.

### **Order Instruction**

The term “order instruction” means a processing instruction a User may apply to an order (multiple instructions may apply to a single order) when entering it into the System and includes:

(a) An “Attributable” order is an order a User designates for display (price and size) that includes the User’s EFID or other unique identifier.

(b) A “Book Only” order is an order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels, as applicable (in accordance with User instructions), without routing away to another exchange.

(c) A “Cancel Back” order is an order a User designates to not be subject to the Price Adjust Process pursuant to Rule 6.12 that the System cancels or rejects (immediately at the time the System receives the order or upon return to the System after being routed away) if displaying the order on the Book would create a violation of Rule 6.82, or if the order cannot otherwise be executed or displayed in the Book at its limit price. The System executes a Book Only – Cancel Back order against resting orders and quotes, and cancels or rejects a Post Only – Cancel Back order, that locks or crosses the opposite side of the BBO.

(d) An “Intermarket Sweep Order” or “ISO” is an order that has the meaning provided in Section E of Chapter 6, which may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges (*i.e.*, may trade through Protected Quotations). The Exchange relies on the marking of an order by a User as an ISO order when handling such order, and thus, it is the entering Trading Permit Holder’s responsibility, not the Exchange’s responsibility, to comply with the requirements relating to ISOs.

(e) An order marked with any “Match Trade Prevention (“MTP”) Modifier” does not execute against a resting opposite side order or quote also marked with an MTP modifier and originating from the same EFID, Trading Permit Holder identifier, trading group identifier, or Sponsored User identifier (any such identifier, a “Unique Identifier”).

Except as described in paragraph (3) below, the MTP modifier on the incoming order controls the interaction between two orders marked with MTP modifiers.

(1) MTP Cancel Newest (“MCN”). An incoming order marked with the “MCN” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects the incoming order, and the resting order remains in the Book.

(2) MTP Cancel Oldest (“MCO”). An incoming order marked with the “MCO” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects the resting order and processes the incoming order in accordance with Rule 6.12.

(3) MTP Decrement and Cancel (“MDC”). An incoming order marked with the “MDC” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders and decrements the size of the larger order by the size of the smaller order, which remaining balance remains on the Book or processes in accordance with Rule 6.12, as applicable. Notwithstanding the foregoing, unless a User instructs the Exchange not to do so, the System cancels or rejects both orders if the resting order is marked with any MTP modifier other than MDC and the incoming order is smaller in size than the resting order.

(4) MTP Cancel Both (“MCB”). An incoming order marked with the “MCB” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. The System cancels or rejects both orders.

(5) MTP Cancel Smallest (“MCS”). An incoming order marked with the “MCS” modifier does not execute against a resting order marked with any MTP modifier originating from the same Unique Identifier. If both orders are equivalent in size, the System cancels or rejects both orders. If the orders are not equivalent in size, the System cancels or rejects the smaller of the two orders, and the larger order remains on the Book or processes in accordance with Rule 6.12, as applicable.

(f) A “Minimum Quantity” order is an order that requires a specified minimum quantity of contracts to be executed or is cancelled. Minimum Quantity orders will only execute against multiple, aggregated orders if the executions would occur simultaneously. Only a Book Only order with a time-in-force designation of IOC may have a Minimum Quantity instruction (the System disregards a Minimum Quantity instruction on any other order).

(g) A “Non-Attributable” order is an order a User designates for display (price and size) on an anonymous basis or not designated as an Attributable order.

(h) A “Post Only” order is an order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or crosses a Protected Quotation of another exchange), as applicable (in accordance with User instructions), except the order may not remove liquidity from the Book or route away to another Exchange.

(i) A “Price Adjust” order is an order a User designates to be subject to the Price Adjust process pursuant to Rule 6.12 or not designated as Cancel Back.

(j) A “Reserve Order” is a limit order with both a portion of the quantity displayed (“Display Quantity”) and a reserve portion of the quantity (“Reserve Quantity”) not displayed. Both the Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. When entering a Reserve Order, a User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”). If the Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve Quantity using one of the below replenishment instructions. If the remainder of an order is less than the replenishment amount, the System will display the entire remainder of the order. The System creates a new timestamp for both the Display Quantity and Reserve Quantity of the order each time it is replenished from reserve.

(1) Random Replenishment. An instruction that a User may attach to an order with Reserve Quantity where the System randomly replenishes the Display Quantity for the order with a number of contracts not outside a replenishment range, which equals the Max Floor plus and minus a replenishment value established by the User when entering a Reserve Order with a Random Replenishment instruction.

(2) Fixed Replenishment. For any order for that a User does not select Random Replenishment, the System will replenish the Display Quantity of an order with the number of contracts equal to the Max Floor.

(k) A “Stop (Stop-Loss)” order is an order to buy (sell) that becomes a market order when the consolidated last sale price (excluding prices from complex order trades if outside of the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User.

(l) A “Stop-Limit” order is an order to buy (sell) that becomes a limit order when the consolidated last sale price (excluding prices from complex order trades if outside the NBBO) or NBB (NBO) for a particular option contract is equal to or above (below) the stop price specified by the User.

## **Outstanding**

The term “outstanding” means an option contract that has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor reached its expiration date.

## **Port**

The term “port” includes the following types of ports:

(a) A “physical port” provides a physical connection to the System. A physical port may provide access to multiple logical ports.

(b) A “logical port” or “logical session” provides Users with the ability within the System to accomplish a specific function through a connection, such as order entry, data receipt, or access to information.

(c) A “bulk order port” is a dedicated logical port that provides Users with the ability to submit single and bulk order messages to enter, modify, or cancel auction responses or orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day.

## **Primary Market**

The term “primary market” means the primary exchange on which an underlying security is listed.

## **Professional**

The term “Professional” means any person or entity that (a) is not a broker or dealer in securities, and (b) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). Interpretation and Policy .02 to this Rule 1.1 describes how certain orders should be counted for Professional order counting purposes. A Professional will be treated in the same manner as a broker or dealer in securities for purposes of Rules 6.11, 6.12, 6.13, and 6. 29. All Professional orders must be marked with the Capacity code required by this Rule 1.1.

## **Protected Quotation**

The term “Protected Quotation” means a Protected Bid or Protected Offer, as each of those terms is defined in Rule 6.80.

## **Public Customer**

The term “Public Customer” means a person that is not a broker or dealer in securities.

**Put**

The term “put” means an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the Clearing Corporation, to sell to the Clearing Corporation the number of units of the underlying security or index covered by the option contract, at a price per unit equal to the exercise price, upon the timely exercise of the option.

**Quote or Quotation**

The terms “quote” or “quotation” mean a bid or offer entered by a Market-Maker as a firm order, which updates the Market-Maker’s previous bid or offer, if any.

**Responsible Person**

The term “Responsible Person” means an individual designated by an organization that is a Trading Permit Holder to represent the organization with respect to that Trading Permit in all matters relating to the Exchange. The Responsible Person must be a U.S.-based officer, director or management-level employee of the Trading Permit Holder, who is responsible for the direct supervision and control of Associated Persons of that Trading Permit Holder.

**Rules**

The term “Rules” means the Rules of the Exchange, as they may be in effect from time to time.

**Rules of the Clearing Corporation or Rules of OCC**

The terms “Rules of the Clearing Corporation” or “Rules of OCC” mean the Certificate of Incorporation, the By-laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as they may be in effect from time to time.

**Series or Series of Options**

The terms “series” or “series of options” mean all option contracts of the same class that are the same type of option and have the same exercise price and expiration date.

**Short Position**

The term “short position” means a person’s interest as the writer of one or more option contracts.



## **Size**

The term “size” means the number of contracts up to 999,999 associated with an order or quote.

## **System**

The term “System” means the automated trading system the Exchange uses for the trading of option contracts.

## **System Securities**

The term “System Securities” means all options that currently trade on the Exchange pursuant to Chapters 5 and 24.

## **Time-in-Force**

The term “Time-in-Force” means the period of time the System holds an order for potential execution, and includes:

- (a) The term “Day” means, for an order so designated, an order that, if not executed, expires at market close.
- (b) The terms “Fill-or-Kill” or “FOK” mean, for an order so designated, an order that must execute in its entirety as soon as the System receives it and, if not so executed, is cancelled.
- (c) The terms “Good-til-Cancelled” or “GTC” mean, for an order so designated, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) unless cancelled by the entering User, or until the option expires, whichever comes first.
- (d) The terms “Good-til-Date” or “GTD” mean, for an order so designated, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) until a date and time specified by the entering User unless cancelled by the entering User.
- (e) The terms “Immediate-or-Cancel” or “IOC” mean, for an order so designated, a limit order that must execute in whole or in part as soon as the System receives it; the System cancels and does not post to the Book an IOC order (or unexecuted portion) not executed immediately on the Exchange or another options exchange.
- (f) The terms “At the Open” or “OPG” mean, for an order so designated, an order that may only participate in the Opening Process on the Exchange; the System cancels an OPG order (or unexecuted portion) that does not execute during the Opening Process.

## **Trade Desk**

The term “Trade Desk” means Exchange operations staff authorized to make certain trading determinations on behalf of the Exchange.

## **Trading Permit**

The term “Trading Permit” means a permit issued by the Exchange that confers the ability to transact on the Exchange.

## **Trading Permit Holder or TPH**

The terms “Trading Permit Holder” or “TPH” mean an Exchange-recognized holder of a Trading Permit. A Trading Permit Holder is deemed a “member” under the Exchange Act.

## **Transaction**

The term “transaction” means a transaction involving an option contract effected on or through the Exchange or its facilities or systems.

## **Trust Issued Receipt**

The term “Trust Issued Receipt” means a security that (a) is issued by a trust (“Trust”), which holds specific securities deposited with the Trust; (b) when aggregated in some specified minimum number, may be surrendered to the Trust by the beneficial owner to receive the securities; and (c) pays beneficial owners dividends and other distributions on the deposited securities, if any are declared and paid to the trustee by an issuer of the deposited securities.

## **Type of Option**

The term “type of option” means the classification of an option contract as either a put or a call.

## **Underlying Security**

The term “underlying security” means the security that the Clearing Corporation must sell (in the case of a call option contract) or purchase (in the case of a put option contract) upon the valid exercise of the option contract.

## **Unit**

The term “Unit” means shares or other securities traded on a national securities exchange and defined as an “NMS stock” under Rule 600 of Regulation NMS, and that satisfy the criteria in Rule 5.3, Interpretation and Policy .06.

## Unit of Trading

The term “unit of trading” is defined in Rule 6.2.

## User

The term “User” means any Trading Permit Holder or Sponsored User who is authorized to obtain access to the System pursuant to Rule 6.8.

### *... Interpretations and Policies:*

**.01** To the extent a term is used in any Rules incorporated by reference to Cboe Options rules and not otherwise defined in the Rules, the term has the meaning set forth in the Cboe Options rules.

**.02** Except as noted below, each order of any order type counts as one order for Professional order counting purposes.

#### (a) Complex Orders:

- (1) A complex order comprised of eight (8) legs or fewer counts as a single order.
- (2) A complex order comprised of nine (9) legs or more counts as multiple orders with each option leg counting as its own separate order.

#### (b) “Parent”/“Child” Orders:

- (1) Same Side and Same Series: A “parent” order that is placed for the beneficial account(s) of a person or entity that is not a broker or dealer in securities that is broken into multiple “child” orders on the same side (buy/sell) and series as the “parent” order by a broker or dealer, or by an algorithm housed at a broker or dealer or by an algorithm licensed from a broker or dealer, but which is housed with the customer, counts as one order even if the “child” orders are routed across multiple exchanges.
- (2) Both Sides and/or Multiple Series: A “parent” order (including a strategy order) that is broken into multiple “child” orders on both sides (buy/sell) of a series and/or multiple series counts as multiple orders, with each “child” order counting as a new and separate order.

#### (c) Cancel/Replace:

- (1) Except as provided in paragraph (c)(2) below, any order that cancels and replaces an existing order counts as a separate order (or multiple new orders in the case of a complex order comprised of nine (9) legs or more).

(2) Same Side and Same Series: An order that cancels and replaces any “child” order resulting from a “parent” order that is placed for the beneficial account(s) of a person or entity that is not a broker, or dealer in securities that is broken into multiple “child” orders on the same side (buy/sell) and series as the “parent” order by a broker or dealer, by an algorithm housed at a broker or dealer, or by an algorithm licensed from a broker or dealer, but which is housed with the customer, does not count as a new order.

(3) Both Sides and/or Multiple Series: An order that cancels and replaces any “child” order resulting from a “parent” order (including a strategy order) that generates “child” orders on both sides (buy/sell) of a series and/or in multiple series counts as a new order.

(4) Pegged Orders: Notwithstanding the provisions of paragraph (c)(2) above, an order that cancels and replaces any “child” order resulting from a “parent” order being “pegged” to the BBO or NBBO or that cancels and replaces any “child” order pursuant to an algorithm that uses BBO or NBBO in the calculation of “child” orders and attempts to move with or follow the BBO or NBBO of a series counts as a new order each time the order cancels and replaces in order to attempt to move with or follow the BBO or NBBO.

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended September 30, 2010 (SR-C2-2010-004); Amended October 22, 2010 (SR-C2-2010-005); Amended November 3, 2010 (SR-C2-2010-008); Amended October 18, 2012 (SR-C2-2012-024); Amended August 19, 2013 (SR-C2-2013-031); Amended September 26, 2013 (SR-C2-2013-034); Amended October 28, 2013 (SR-C2-2013-038); Amended June 23, 2016 (SR-C2-2016-009); Amended June 29, 2016 (SR-C2-2016-010); Amended March 6, 2017 (SR-C2-2017-010); Amended May 14, 2018 (SR-C2-2018-005); Amended October 5, 2018 (SR-C2-2018-019)]

## **Rule 1.2. Exchange Determinations**

The Exchange announces to Trading Permit Holders all determinations it makes pursuant to the Rules via (a) specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange’s website, (b) electronic message, or (c) other communication method as provided in the Rules.

[Adopted May 14, 2018 (SR-C2-2018-005)]

## **Rule 1.3. Time**

Unless otherwise specified, all times in the Rules are Eastern time, except for times in Rules incorporated by reference to Cboe Options rules, which are times as set forth in the applicable Cboe Options rules.

[Adopted May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 2 Fees and Other Charges**

### **Rule 2.1. Trading Permit Holder Fees**

The Exchange fixes, from time to time, fees payable by Trading Permit Holders, which are payable in full on the first day of each month on a nonrefundable basis and applied to the month beginning on that day.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 2.2. Exchange's Costs of Defending Legal Proceedings**

Any Trading Permit Holder or person associated with a Trading Permit Holder who fails to prevail in a lawsuit or other legal proceeding instituted by such person against the Exchange or any of its directors, officers, committee members, other officials, employees, contractors, or agents, or any subsidiaries or affiliates of the Exchange or any of their directors, officers, committee members, other officials, employees, contractors, or agents, and related to the business of the Exchange, must pay to the Exchange all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed Fifty Thousand Dollars (\$50,000.00). This provision does not apply to disciplinary actions by the Exchange, to administrative appeals of Exchange actions, or in any specific instance where the Board has granted a waiver of this provision.

[Adopted December 10, 2009; Amended June 4, 2015 (SR-C2-2015-010); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 2.3 Regulatory Revenues**

The Exchange may not use any revenues it receives from fees derived from its regulatory function or regulatory fines for non-regulatory purposes, but rather must use them to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities), or, as the case may be, to pay restitution and disgorgement of funds intended for customers.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

## CHAPTER 3 Trading Permit Holders

### Rule 3.1. Trading Permits

(a) *Issuance.* The Exchange issues Trading Permits to Trading Permit Holders. There is no limit on the number of Trading Permits the Exchange may issue, however, the Exchange may limit or decrease the number of Trading Permits it has determined to issue. The Exchange will announce in advance any limitation or decrease it plans to impose pursuant to this Rule. In the event the Exchange imposes a limitation or decrease pursuant to this Rule, the Exchange may not eliminate the ability of an existing Trading Permit Holder or Cboe Options Trading Permit Holder to trade on C2 unless the Exchange is permitted to do so pursuant to a rule filing submitted to the Commission under Section 19(b) of the Exchange Act. In addition, in no event will the Exchange act in a manner under this subparagraph that does not comply with the provisions of Section 6(c)(4) of the Exchange Act.

(b) *Qualification Requirements.* A Trading Permit Holder must be registered as a broker-dealer pursuant to Section 15 of the Exchange Act. If a Trading Permit Holder intends to transact business with the public, it must obtain approval to transact business with the public pursuant to Rule 9.1 or be approved to transact business with the public by another national securities exchange.

(c) *Application Process.*

(1) *Cboe Options Trading Permit Holders.* A Cboe Options Trading Permit Holder in good standing is eligible to receive one Trading Permit (regardless of the number of Cboe Options Trading Permits held by that Cboe Options Trading Permit Holder). Cboe Options Trading Permit Holder applicants are not required to complete and submit an Exchange application. Instead, only Exchange forms concerning electing to trade on the Exchange, submitting to Exchange jurisdiction, and operational matters need be completed and tendered.

(2) *Non-Cboe Options Trading Permit Holders.* All non-Cboe Options Trading Permit Holders seeking to hold a Trading Permit (“Applicant”) must submit an application to the Exchange in accordance with the procedures established by the Exchange, including submission deadlines and payment of any applicable application fees. In addition:

(A) Each Applicant must promptly update the application materials submitted to the Exchange if any of the information provided in these materials becomes inaccurate or incomplete after the date of submission of the application to the Exchange and prior to any approval of the application.

(B) The Exchange will investigate each Applicant applying to be a Trading Permit Holder (with the exception of any Applicant that was a Trading

Permit Holder within 9 months prior to the date of receipt of that Applicant's application by the Exchange, and any Applicant that was investigated by the Exchange within 9 months prior to the date of receipt of that Applicant's application by the Exchange). The Exchange may investigate any Applicant that is not required to be investigated pursuant to this paragraph. In connection with an investigation conducted pursuant to this paragraph, the Exchange may (i) conduct a fingerprint based criminal records check of the Applicant and its Responsible Person; or (ii) utilize the results of a fingerprint based criminal records check of the Applicant and its Responsible Person conducted by the Exchange or another self-regulatory organization within the prior year.

(C) The Exchange may approve an application submitted pursuant to this Rule only if any investigation pursuant to paragraph (B) above has been completed, and any applicable orientation and/or exam requirements established by the Exchange have been satisfied.

(D) Each Applicant that submits an application pursuant to paragraph (c)(2) of this Rule must submit to the Exchange any additional information requested by the Exchange in connection with the Exchange's review of the application and may be required to appear before the Exchange for an in-person interview or interviews.

(E) Upon completion of the application process, the Exchange determines whether to approve or disapprove the application, unless there is just cause for delay. One such just cause for delay is when an Applicant is the subject of an inquiry, investigation, or proceeding conducted by a self-regulatory organization or governmental authority that involves the Applicant's fitness to be a Trading Permit Holder. In such an instance, the Exchange need not act on any application submitted by that Applicant until the matter has been resolved.

(F) The Exchange provides to the Applicant written notice of the action regarding an application to become a Trading Permit Holder, specifying in the case of disapproval of an application the grounds thereof.

(G) Every Applicant must have and maintain membership in another options exchange registered under the Exchange Act and that is not registered solely under Section 6(g) of the Exchange Act.

(d) *Rights of Permit Holder.* No rights are conferred upon a Trading Permit Holder except those set forth in the Bylaws or Rules as amended from time to time. A Trading Permit conveys no ownership interest in the Exchange. Trading Permits may not be leased and are not transferable except in the event of a change in control or corporate reorganization involving a Trading Permit Holder. In such a case, Trading Permit Holder status may be transferred to a qualified affiliate or successor upon written notice to the Exchange.

(e) *Fees and Charges for Trading Permits.* Trading Permits are subject to the fees and charges the Exchange establishes from time to time pursuant to Rule 2.1 and the Exchange Fee Schedule. The entire fee for a Trading Permit is due and payable in accordance with the Exchange Fee Schedule. An organization holding a Trading Permit in its name is responsible for paying all fees and charges for that Trading Permit. An individual holding a Trading Permit in his or her name is responsible for paying all fees and charges for that Trading Permit.

(f) *Exchange Jurisdiction over Trading Permit Holders.* Every Trading Permit Holder is subject to the regulatory jurisdiction of the Exchange under the Exchange Act, the Bylaws, and the Rules, including without limitation the Exchange's disciplinary jurisdiction under Chapter 17 of the Rules.

(g) *Types and Terms of Trading Permits.* The Exchange may issue different types of Trading Permits that allow holders to trade one or more products authorized for trading on the Exchange, and to act in one or more trading functions authorized by the Rules. Trading Permits are for terms determined by the Exchange from time to time. The Exchange will announce the types and terms of the Trading Permits it has determined to issue.

(h) *Limiting or Reducing the Number of Types of Trading Permits.* The Exchange may limit or reduce the number of any type of Trading Permit it has determined to issue. The Exchange will announce any limitation or reduction it imposes pursuant to this paragraph. In the event the Exchange imposes such a limitation or reduction, the Exchange may not eliminate or reduce the ability to trade one or more product(s) of a person currently trading such product(s), and may not eliminate or reduce the ability to act in one or more trading function(s) of a person currently acting in such trading function(s), unless the Exchange is permitted to do so pursuant to a rule filing submitted to Commission under Section 19(b) of the Exchange Act. In no event will the Exchange act in a manner under this paragraph that does not comply with the provisions of Section 6(c)(4) of the Exchange Act.

(i) *Increasing the Number of Types of Trading Permits.* The Exchange may increase the number of any type of Trading Permit it has determined to issue by issuing additional Trading Permits of that type. The Exchange will announce any increase it implements pursuant to this paragraph.

(j) *Objective Standards for Trading Permits.* The Exchange may, pursuant to a rule filing submitted to the Commission under Section 19(b) of the Exchange Act, establish objective standards that must be met to be issued, or to have renewed, a Trading Permit.

(k) *Preservation of Exchange's Authority.* Notwithstanding any other provision in this Rule 3.1, this Rule does not eliminate or restrict the Exchange's authority to delist any product or to take any action (remedial or otherwise) under the Exchange Act, the Bylaws, and the Rules, including without limitation the Exchange's authority to take disciplinary or market performance actions against a person with respect to which the Exchange has jurisdiction under the Exchange Act, the Bylaws, and the Rules.



[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended September 30, 2010 (SR-C2-2010-004); Amended January 3, 2011 (SR-C2-2011-02); Amended May 14, 2018 (SR-C2-2018-005)]

**Rule 3.2. Denial of and Conditions to Being a Trading Permit Holder or an Associated Person**

(a) The Exchange may deny or condition an Applicant (as defined in Rule 3.1(c)(2)) from becoming a Trading Permit Holder or a person from becoming associated with a Trading Permit Holder for the same reasons that the Commission may deny or revoke a broker-dealer registration and for those reasons required or allowed under the Exchange Act.

(b) The Exchange also may deny or condition an Applicant from becoming a Trading Permit Holder or a person from becoming associated with a Trading Permit Holder when the Applicant:

(1) is a broker-dealer and (A) has a net worth (excluding personal assets) below \$25,000 if the Applicant is an individual, (B) has a net worth (excluding personal assets) below \$50,000 if the Applicant is an organization, (C) has financial difficulties involving an amount that is more than 5% of the Applicant's net worth, or (D) has a pattern of failure to pay just debts;

(2) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Exchange, Commission, Clearing Corporation, and Federal Reserve Board policies, rules, and regulations, including those concerning record-keeping, reporting, finance, and trading procedures;

(3) would bring the Exchange into disrepute; or

(4) for such other cause as the Exchange reasonably may decide, including failure of any required qualification examinations.

(c) The Exchange may determine not to permit a Trading Permit Holder or a person associated with a Trading Permit Holder to continue being a Trading Permit Holder (or associated person) or may condition such continuance as a Trading Permit Holder (or association) if the Trading Permit Holder or associated person:

(1) fails to meet any of the qualification requirements for being a Trading Permit Holder or associated person after approval;

(2) fails to meet any condition placed by the Exchange on being a Trading Permit Holder or associated person; or

(3) violates any agreement with the Exchange.

(d) Any decision made by the Exchange pursuant to this Rule must be consistent with both the provisions of this Rule and the provisions of the Exchange Act.

(e) Any Applicant who has been denied from becoming a Trading Permit Holder (associated person) or has condition(s) imposed on becoming a Trading Permit Holder (associated person) pursuant to paragraph (a) or (b) of this Rule, and any Trading Permit Holder (associated person) who is not permitted to continue being a Trading Permit Holder (associated person) or whose continuance as a Trading Permit Holder (associated person) is conditioned pursuant to paragraph (c) of this Rule, may appeal the Exchange's decision under Chapter 19. No determination of the Exchange to discontinue or condition a Trading Permit Holder (associated person) pursuant to paragraph (c) of this Rule will take effect until the review procedures under Chapter 19 have been exhausted or the time for review has expired.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.3. Persons Associated with Trading Permit Holder**

(a) Persons associated with Trading Permit Holders are bound by the Bylaws and Rules of the Exchange and of the Clearing Corporation. The Exchange may bar a person from becoming or continuing to be associated with a Trading Permit Holder if such person does not agree in writing, in a manner and form prescribed by the Exchange, to furnish the Exchange with information with respect to such person's relationship and dealings with the Trading Permit Holder, and information reasonably related to such person's other securities business, as may be required by the Exchange, and to permit the examination of its books and records by the Exchange to verify the accuracy of any information so supplied.

(b) Each associated person of a Trading Permit Holder that is required to be disclosed on Exchange Act Form BD as a direct owner or executive officer is required to submit to the Exchange an application for approval to become associated with the Trading Permit Holder in that capacity. No person may become associated with a Trading Permit Holder in the capacity of a direct owner or executive officer that is required to be disclosed on Form BD unless and until the Exchange approves that association.

(c) A claim of any associated person required to be approved by the Exchange pursuant to paragraph (b) of this Rule against the Trading Permit Holder with which that person is associated will be subordinate in right of payment to customers and other Trading Permit Holders.

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.4. Qualification and Registration**

#### *(a) Registration of Trading Permit Holders and Associated Persons Engaged in the Securities Business.*

(1) Trading Permit Holders that are individuals and associated persons of Trading Permit Holders engaged or to be engaged in the securities business of a Trading Permit Holder must register with the Exchange in the category of registration appropriate to the function to be performed in a form and manner prescribed by the Exchange. Before the registration can become effective, the individual Trading Permit Holder (associated person) must pass a qualification examination appropriate to the category of registration in a form and manner prescribed by the Exchange and submit any required registration and examination fees. A Trading Permit Holder may not maintain a registration with the Exchange for any person (A) who is no longer active in the Trading Permit Holder's securities business; (B) who is no longer functioning in the registered capacity; or (C) where the sole purpose is to avoid an examination requirement. A Trading Permit Holder may not apply for the registration of any person where there is no intent to employ that person in the Trading Permit Holder's securities business. A Trading Permit Holder may, however, maintain or apply for the registration of an individual who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the Trading Permit Holder, or a person who performs administrative support functions for registered personnel, or a person engaged in the securities business of a foreign securities affiliate or subsidiary of the Trading Permit Holder.

(2) *Persons Exempt from Registration.* The following individual Trading Permit Holders (associated persons) are exempt from the registration requirements set forth in subparagraph (1) above:

(A) individual associated persons whose functions are solely and exclusively clerical or ministerial;

(B) individual Trading Permit Holders (associated persons) who are not actively engaged in the securities business;

(C) individual associated persons whose functions are related solely and exclusively to the Trading Permit Holder's need for nominal corporate officers or for capital participation;

(D) individual associated persons that are restricted from accessing the Exchange and that do not engage in the securities business of the Trading Permit Holder relating to activity that occurs on the Exchange; or

(E) individual associated persons whose functions are related solely and exclusively to:

- (i) transactions in commodities;
- (ii) transactions in security futures; and/or
- (iii) effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange.

(b) *Financial/Operations Principal*. Each Trading Permit Holder subject to Exchange Act Rule 15c3-1 must designate a Financial/Operations Principal. The duties of a Financial/Operations Principal [shall] include taking appropriate actions to assure that the Trading Permit Holder complies with applicable financial and operational requirements under the Rules and the Exchange Act, including but not limited to those requirements relating to the submission of financial reports and the maintenance of books and records. Each Financial/Operations Principal is required to have successfully completed the Financial and Operations Principal Examination (Series 27 Exam). Each Financial/Operations Principal designated by a Trading Permit Holder must register in that capacity with the Exchange in a form and manner prescribed by the Exchange. A Financial/Operations Principal of a Trading Permit Holder may be a full-time employee, a part-time employee or independent contractor of the Trading Permit Holder. Trading Permit Holders for which the Exchange is the Designated Examining Authority (“DEA”) must provide prompt written notice to the Exchange for each person designated as a Financial/Operations Principal reporting whether such person is a full-time employee, part-time employee, independent contractor or has any outside business affiliations.

(c) *Chief Compliance Officer*. Each Trading Permit Holder must designate a Chief Compliance Officer on Schedule A of Form BD. An individual designated as a Chief Compliance Officer is required to register with the Exchange and pass the appropriate heightened qualification examination(s) as prescribed by the Exchange. A person who has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act; a suspension; or the imposition of a fine of \$5,000 or more for a violation of any provision of any securities law or regulation, or any agreement with, rule, or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding must register in the category of registration appropriate to the function to be performed as prescribed by the Exchange, but will be exempt from the requirement to pass the heightened qualification examination as prescribed by the Exchange.

(d) *Registration Required Under Chapter 9*. Individual associated persons of a Trading Permit Holder that conducts a public customer business must also comply with the registration requirements set forth in Chapter 9. These additional registration categories include: (1) Registered Options Principal; and (2) Registered Representative.

(e) *Requirement for Examination on Lapse of Registration.* Any person whose registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration has been terminated for two or more years immediately preceding the date of receipt of the Exchange of a new application must pass a qualification examination appropriate to the category of registration as prescribed by the Exchange. Any person who last passed the Securities Industry Essentials Examination (“SIE”) or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration.

***... Interpretations and Policies:***

**.01** Each individual required to register under this rule must electronically submit to FINRA’s Web Central Registration Depository (“CRD”) System a Uniform Application for Securities Industry Registration (“Form U4”) and any required amendments to Form U-4.

**.02** Any Trading Permit Holder that discharges or terminates the employment or retention of an individual required to register under this Rule must comply with the termination filing requirements set forth in Rule 9.3(b) and (c).

**.03** Each individual required to register under this Rule is required to satisfy the continuing education requirements set forth in Rule 9.3A and any other applicable continuing education requirements [as prescribed by] the Exchange prescribes.

**.04** The Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination and accept other standards as evidence of an Applicant’s qualifications for registration. Advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the securities business may constitute sufficient grounds to waive a qualification examination.

**.05** For purposes of subparagraph (a)(1) of Rule 3.4, the Exchange will consider an individual Trading Permit Holder or an individual associated person to be engaged in the securities business of a Trading Permit Holder if:

(a) the individual Trading Permit Holder or individual associated person engages in one or more of the following activities in the capacity of a Trading Permit Holder or on behalf of the associated Trading Permit Holder:

- (1) proprietary trading;
- (2) market-making;
- (3) effecting transactions on behalf of a broker-dealer;

(4) supervision or monitoring of proprietary trading, market-making, or brokerage activities;

(5) supervision or training of those engaged in proprietary trading, market-making, or brokerage activities with respect to those activities; or

(b) the individual Trading Permit Holder or individual associated person engages in the management of one or more of the activities enumerated in subparagraphs (1) through (5) above as an officer, partner, or a director.

**.06** Each Trading Permit Holder must register with the Exchange in a heightened capacity each individual acting in any of the following capacities: (a) officer; (b) partner; (c) director; (d) supervisor of proprietary trading, market-making, or brokerage activities; and/or (e) supervisor of those engaged in proprietary trading, market-making, or brokerage activities with respect to those activities. Each Trading Permit Holder must register with the Exchange at least two individuals acting in one or more of the capacities described in (a) through (e) above. The Exchange may waive this requirement if a Trading Permit Holder demonstrates conclusively that only one individual acting in one or more of the capacities described in (a) through (e) above should be required to register. In addition, a Trading Permit Holder that conducts proprietary trading only and has 25 or fewer registered persons must instead have a minimum of one officer or partner who is registered in this capacity.

For purposes of this Interpretation and Policy .06 to Rule 3.4, a Trading Permit Holder will be considered to conduct only proprietary trading if the Trading Permit Holder has the following characteristics:

(a) The Trading Permit Holder is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act;

(b) All funds used or proposed to be used by the Trading Permit Holder are the Trading Permit Holder's own capital, traded through the Trading Permit Holder's own accounts;

(c) The Trading Permit Holder does not, and will not, have customers; and

(d) All persons registered on behalf of the Trading Permit Holder acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Trading Permit Holder.

**.07** (a) An individual Trading Permit Holder or individual associated person who:

(1) is engaged in proprietary trading, market-making, and/or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Securities Trader (TD) in WebCRD and pass the SIE;

(2) (A) supervises or monitors proprietary trading, market-making, and/or brokerage activities for broker-dealers; (B) supervises or trains those engaged in proprietary trading, market-making, and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or (C) is an officer, partner, or director of a Trading Permit Holder is required to register and qualify as a Securities Trader Principal (TP) in WebCRD and satisfy the prerequisite registration and qualification requirements; and

(3) is a Chief Compliance Officer (or performs similar functions) for a Trading Permit Holder that engages in proprietary trading, market-making or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Securities Trader Compliance Officer (CT) in WebCRD and satisfy the prerequisite registration and qualification requirements.

(b) The following sets forth the qualification requirements for each of the required registration categories described in paragraph (a) to Interpretation and Policy .07:

CATEGORY OF REGISTRATION	QUALIFICATION EXAMINATION(S)	ALTERNATIVE ACCEPTABLE QUALIFICATIONS
Securities Trader (TD)	Series 57 and SIE	
Securities Trader Principal (TP)**	Series 24	General Securities Sales Supervisor Registration and General Securities Principal - Sales Supervisor Module Registration (Series 9/10 and Series 23)*
Securities Trader Compliance Officer (CT)	Series 14	General Securities Principal Registration (GP) or Securities Trader Principal (TP) (Series 24)

\* Because the Series 23 is not available in WebCRD, each applicant must provide documentation of a valid Series 23 license upon request for the Series 24 registration in WebCRD.

\*\* Securities Trader Principals' (TP) supervisory authority is limited to supervision of the securities trading functions of TPHs, as described in subparagraph (a)(2) of Interpretation and Policy .07 to Rule 3.4 and officers, partners, and directors of a Trading Permit Holder.

**.08** Any person who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

**.09** An individual Trading Permit Holder or individual associated person who is required to register pursuant to Rule 3.4 must satisfy all registration and qualification requirements in WebCRD prior to acting in such registered capacity on behalf of a Trading Permit Holder.

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended April 21, 2014 (SR-C2-2014-002); Amended November 2, 2015 (SR-C2-2015-027); Amended May 14, 2018 (SR-C2-2018-005); Amended October 1, 2018 (SR-C2-2018-020)]

**Rule 3.5. Trading Permit Holders and Persons Associated with a Trading Permit Holder Who Are or Become Subject to a Statutory Disqualification**

(a) The Exchange may determine in accordance with the provisions of this Rule not to allow a Trading Permit Holder or associated person of a Trading Permit Holder to continue being a Trading Permit Holder or associated with a Trading Permit Holder, or to condition such continuance as a Trading Permit Holder or associated person, if the Trading Permit Holder or associated person is or becomes subject to a statutory disqualification under the Exchange Act.

(b) If a Trading Permit Holder or associated person of a Trading Permit Holder who is or becomes subject to a statutory disqualification under the Exchange Act wants to continue being a Trading Permit Holder or associated with a Trading Permit Holder, the Trading Permit Holder or associated person must, within 10 days of becoming subject to a statutory disqualification, submit an application to the Exchange, in a form and manner prescribed by the Exchange, seeking to continue being a Trading Permit Holder or associated with a Trading Permit Holder notwithstanding the statutory disqualification. The application must be accompanied by copies of all documents that are contained in the record of the underlying proceeding that triggered the statutory disqualification.

(c) Following the receipt of an application submitted pursuant to paragraph (b) of this Rule, or in the event the Exchange becomes aware that a Trading Permit Holder or associated person of a Trading Permit Holder is subject to a statutory disqualification and has failed to submit an application pursuant to paragraph (b) of this Rule within the required time period, the Exchange will appoint a panel composed of three Trading Permit Holders or persons associated with Trading Permit Holders to conduct a hearing concerning the matter pursuant to paragraph (f) of this Rule.

(d) Any person who is the subject of a proceeding under this Rule is entitled to be accompanied, represented, and advised by counsel at all stages of the proceeding.

(e) Any person who is the subject of a proceeding under this Rule and any Trading Permit Holder or associated person of a Trading Permit Holder must promptly submit any information requested by the Exchange or hearing panel in connection with the proceeding.



(f) The hearing panel will hold a hearing to determine whether to permit the Trading Permit Holder or associated person of a Trading Permit Holder who is the subject of a proceeding under this Rule to continue being a Trading Permit Holder or associated with a Trading Permit Holder, and if so, whether to condition such continuance as a Trading Permit Holder or associated person. The hearing must be held 14 or more days following the receipt of an application, or the initiation of a proceeding, pursuant to paragraph (c) of this Rule. The Exchange will notify the subject of the proceeding in writing of the date, time, and location of the hearing. Both the subject of the proceeding and Exchange staff will be afforded an opportunity to present relevant information, arguments, and witnesses during the hearing. The hearing panel regulates the conduct of the hearing, and formal rules of evidence do not apply. The subject of the proceeding must attend the hearing, and the Exchange or hearing panel may require any Trading Permit Holder or associated person of a Trading Permit Holder to testify at the hearing. A verbatim record of the hearing will be kept.

(g) Following the hearing, the hearing panel prepares a decision. Failure to timely file an application pursuant to paragraph (b) of this Rule is a factor that may be taken into consideration in rendering the decision. The decision will be in writing and set forth the basis for the decision. The decision must be promptly provided to the subject of the proceeding under this Rule and to the Board. The Board or its designee may determine within 7 days after the issuance of the hearing panel's decision to order review of the decision. If the Board or its designee does not order review of the hearing panel's decision, the hearing panel's decision becomes the final decision of the Exchange.

(h) If the Board or its designee orders review of the hearing panel's decision, the review will be conducted by the Board or its designee or a panel thereof composed of at least 3 members of the Board. Unless the Board or its designee decides to open the record for the introduction of additional information or argument, any determination to order review of the hearing panel's decision and any review of the decision will be based solely on the record of the proceeding. The decision of the Board or its designee will be in writing, promptly provided to the subject of the proceeding, and the final decision of the Exchange.

(i) No determination to discontinue or condition a person as a Trading Permit Holder or associated person pursuant to this Rule may take effect until the review procedures under paragraph (h) of this Rule have been exhausted or the time for review has expired.

*... Interpretations and Policies:*

**.01** The Exchange may waive the provisions of this Rule when a proceeding is pending before another self-regulatory organization to determine whether to permit a Trading Permit Holder or an associated person of a Trading Permit Holder to continue being a Trading Permit Holder or associated with the Trading Permit Holder notwithstanding a statutory disqualification. In the event the Exchange determines to waive the provisions of this Rule with respect to a Trading Permit Holder or associated person, the Exchange determines whether it will concur in any Exchange Act Rule 19h-1 filing made by another self-regulatory organization with respect to the Trading Permit Holder or associated person.

.02 If a Trading Permit Holder or an associated person of a Trading Permit Holder is or becomes subject to a statutory disqualification under the Exchange Act, the Trading Permit Holder must immediately provide written notice to the Exchange of the name of the Trading Permit Holder or associated person, the associated person's capacity with the Trading Permit Holder, and the nature of the statutory disqualification.

.03 The Exchange may waive the hearing provisions of Rule 3.5 with respect to an associated person or Trading Permit Holder if the Exchange intends to grant the associated person's application for continued association or the Trading Permit Holder's application to continue holding a Trading Permit and either:

(a) Exchange Act Rule 19h-1(a)(2) or (3) does not require the Exchange to make a notice filing with the Commission to permit the associated person to continue in association with a Trading Permit Holder or to permit the Trading Permit Holder to continue holding a Trading Permit; or

(b) the Exchange determines that it is otherwise appropriate to waive the hearing provisions of Rule 3.5 under the circumstances.

[Adopted December 10, 2009; Amended September 30, 2010 (SR-C2-2010-004); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.6. Dissolution and Liquidation of Trading Permit Holders**

Every Trading Permit Holder must promptly provide written notice to the Exchange of any adoption of a plan of liquidation or dissolution of the Trading Permit Holder and of any actual liquidation or dissolution of the Trading Permit Holder. Upon receipt of such a notice, the Exchange may suspend the Trading Permit Holder in accordance with Chapter 16 of the Rules.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.7. Obligations of Terminating Trading Permit Holders**

Each terminating Trading Permit Holder must promptly (a) make any outstanding filings required under the Rules, and (b) pay any outstanding fees, assessments, charges, fines, or other amounts due to the Exchange, the Commission, or the Securities Investor Protection Corporation.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.8. Responsible Person**

Each organization that is a Trading Permit Holder must designate an individual as the Responsible Person (as defined in Rule 1.1) for the Trading Permit Holder. The Responsible Person must be affiliated with the Trading Permit Holder.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.9. Integrated Billing System**

Every Trading Permit Holder must designate a Clearing Trading Permit Holder for the payment of the Trading Permit Holder's Exchange invoices and vendor invoices for Exchange-related services designated by the Exchange by means of the Exchange's integrated billing system ("IBS"). The designated Clearing Trading Permit Holder must pay to the Exchange on a timely basis any amount that is not disputed pursuant to IBS procedures by the Trading Permit Holder who is directly involved. Such payments will be drafted by the Exchange against the designated Clearing Trading Permit Holder's account at the Clearing Corporation. The Clearing Corporation has no liability in connection with its forwarding to the Exchange each month a check representing the total amount that the Exchange advises the Clearing Corporation is owed to the Exchange.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.10. Letters of Guarantee and Authorization**

(a) Each Trading Permit Holder must provide a letter of guarantee or authorization for the Trading Permit Holder's trading activities on the Exchange from a Clearing Trading Permit Holder in a form and manner prescribed by the Exchange.

(b) A Trading Permit Holder may not engage in any trading activities on the Exchange if an effective letter of guarantee or authorization required to engage in those activities is not on file with the Exchange. If a Trading Permit Holder does not have an effective letter of guarantee or authorization on file with the Exchange, the Exchange may prevent access and connectivity to the Exchange by that Trading Permit Holder.

(c) Letters of guarantee and authorization filed with the Exchange remain in effect until a written notice of revocation has been filed with the Membership Services Department and the revocation becomes effective or until such time that the letter of guarantee or authorization otherwise becomes invalid pursuant to the Rules. A written notice of revocation becomes effective as soon as the Exchange is able to process the revocation. A revocation in no way relieves a Clearing Trading Permit Holder of responsibility for transactions guaranteed prior to the effectiveness of the revocation.

(d) If the Clearing Corporation restricts the activities of a Clearing Trading Permit Holder or suspends a Clearing Trading Permit Holder as a Clearing Member of the Clearing Corporation, the Exchange may take action as necessary to give effect to the restriction or

suspension. For example, if the Clearing Corporation restricts transactions cleared by a Clearing Trading Permit Holder to “closing only” transactions, the Exchange may similarly restrict transactions on the Exchange for clearance by that Clearing Trading Permit Holder as a Clearing Member of the Clearing Corporation to “closing only” transactions. Similarly, if the Clearing Corporation suspends a Clearing Trading Permit Holder, the Exchange may prevent access and connectivity to the Exchange by the suspended Clearing Trading Permit Holder.

(e) If a Clearing Trading Permit Holder’s status as a Clearing Member of the Clearing Corporation or as a Trading Permit Holder is terminated, all letters of guarantee and authorization on file with the Exchange from that Clearing Trading Permit Holder will no longer be valid, effective as soon as the Exchange is able to process the invalidation of these letters of guarantee and authorization.

(f) If a Clearing Trading Permit Holder has been suspended as a Clearing Member of the Clearing Corporation or as a Trading Permit Holder, all existing letters of guarantee and authorization from that Clearing Trading Permit Holder will be invalid during the period of the suspension, effective as soon as the Exchange is able to process the invalidation of those letters of guarantee and authorization.

(g) The invalidation of a letter of guarantee or authorization in no way relieves the Clearing Trading Permit Holder that issued the letter of guarantee or authorization of responsibility from transactions guaranteed prior to the effectiveness of the invalidation.

(h) If a Trading Permit Holder does not have a required letter of guarantee or authorization for period of ninety consecutive days, the Trading Permit Holder’s trading permit(s) and status as a Trading Permit Holder will automatically be terminated.

[Adopted December 10, 2009; Amended April 19, 2013 (SR-C2-2013-018); Amended May 14, 2018 (SR-C2-2018-005); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.11. C2 Pledge**

In a manner and form prescribed by the Exchange, each Applicant, Trading Permit Holder, and associated person required to be approved by the Exchange pursuant to Rule 3.3(b) must pledge to abide by the Rules, as from time to time amended, and by all circulars, notices, directives, or decisions adopted pursuant to or made in accordance with the Rules.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.12. Maintaining Current Address**

Each Trading Permit Holder must maintain with the Exchange its current (a) business address and (b) address where notices may be served.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.13. Educational Classes**

Trading Permit Holders and persons associated with Trading Permit Holders are required to attend such educational classes as the Exchange may require from time to time. Failure to attend Exchange-mandated continuing educational classes may subject Trading Permit Holders and persons associated with Trading Permit Holders to sanctions pursuant to the Exchange's Minor Rule Violation Plan provided in Rule 17.50. Any action taken hereunder does not preclude further disciplinary action under Chapter 17 of the Rules.

[Adopted November 3, 2010 (SR-C2-2010-008); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.14. Effectiveness of a Trading Permit Holder**

(a) Each Applicant must become effective as a Trading Permit Holder within 90 days of the date of the Applicant's approval for that status.

(b) An Applicant will become an effective Trading Permit Holder upon (1) satisfying the applicable requirements to obtain a Trading Permit and (2) release of a Trading Permit to that Trading Permit Holder by the Membership Services Department.

[Adopted June 4, 2015 (SR-C2-2015-011); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 3.15. Sponsored Users**

(a) *General.* This Rule governs electronic access for the entry and execution of orders by Sponsored Users with authorized access to the System and the applicable requirements that Sponsored Users and Sponsoring Trading Permit Holders are required to satisfy in order to engage in a Sponsoring Trading Permit Holder/Sponsored User relationship. For purposes of this Rule, a "Sponsored User" is a person or entity that has entered into a sponsorship arrangement with a Sponsoring Trading Permit Holder for purposes of receiving access to the System.

(b) *Sponsored User.* A Sponsored User may obtain and maintain authorized access to the System, only if such access is authorized in advance by one or more Sponsoring Trading Permit Holders as follows:

- (1) Sponsored Users must enter into a sponsorship arrangement with a "Sponsoring Trading Permit Holder," which is defined as a Trading Permit Holder that agrees to

sponsor the Sponsored User's access to the System. The sponsorship arrangement consists of three separate components:

(A) The Sponsored User must enter into and maintain a customer agreement(s) with its Sponsoring Trading Permit Holder(s), establishing a proper relationship(s) and account(s) through which the Sponsored User will be permitted to trade on the System.

(B) For a Sponsored User to obtain and maintain authorized access to the System, the Sponsored User and its Sponsoring Trading Permit Holder must enter into a written agreement that incorporates the following sponsorship provisions:

(i) The Sponsored User and its Sponsoring Trading Permit Holder must have entered into and maintained a Sponsored User Agreement with the Exchange.

(ii) The Sponsoring Trading Permit Holder acknowledges and agrees that:

(a) all orders entered by its Sponsored User, any person acting on behalf of such Sponsored User (*e.g.*, employees or agents of the Sponsored User), or any person acting in the name of such Sponsored User (*e.g.*, customers of the Sponsored User) and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Trading Permit Holder; and

(b) the Sponsoring Trading Permit Holder is responsible for any and all actions taken by such Sponsored User and any person acting on behalf of or in the name of such Sponsored User.

(iii) The Sponsoring Trading Permit Holder and Sponsored User (as if it were a Trading Permit Holder) each agrees that it will be bound by and comply with the Exchange's Certificate of Incorporation, Bylaws, Rules and procedures, as well as any other equivalent documents pertaining to the System.

(iv) The Sponsored User agrees that it will maintain, keep current and provide to the Sponsoring Trading Permit Holder a list of persons who have been granted access to the System on behalf of the Sponsored User ("Authorized Traders").

(v) The Sponsored User agrees that it will familiarize its Authorized Traders with all of the Sponsored User's obligations under this Rule

and will assure that they receive appropriate training prior to any use of or access to the System.

(vi) The Sponsored User agrees that it will not permit anyone other than Authorized Traders to use or obtain access to the System.

(vii) The Sponsored User agrees that it will take reasonable security precautions to prevent unauthorized use of or access to the System, including unauthorized entry of information into the System, or the information and data made available therein. The Sponsored User understands and agrees that it is responsible for any and all orders, trades, and other messages and instructions entered, transmitted, or received under identifiers, passwords, and security codes of the Sponsored User and any person acting on behalf of or in the name of such Sponsored User, and for the trading and other consequences thereof.

(viii) The Sponsored User acknowledges its responsibility for establishing adequate procedures and controls that permit it to effectively monitor use of and access to the System by any person acting on behalf of or in the name of Sponsored User for compliance with the terms of these sponsorship provisions.

(ix) The Sponsored User agrees that it will pay when due all amounts, if any, payable to the Sponsoring Trading Permit Holder, the Exchange or any other third parties that arise from the Sponsored User's use of or access to the System. Such amounts include, but are not limited to, applicable Exchange and regulatory fees.

(C) The Sponsored User and Sponsoring Trading Permit Holder must provide the Exchange with a Sponsored User Agreement acknowledging and agreeing to the requirements of this Rule, including an acknowledgement by the Sponsoring Trading Permit Holder of its responsibility for the orders, executions and actions of its Sponsored User. To the extent the Sponsoring Trading Permit Holder is not a clearing firm, the Sponsoring Trading Permit Holder's clearing firm must provide the Exchange with a Letter of Authorization, which specifically accepts responsibility for the clearance of the Sponsored User's transactions. Upon approval by the Clearing Corporation, if applicable, and filing with the Exchange, an existing Letter of Authorization may be amended to include the Sponsoring Trading Permit Holder/Sponsored User relationship. Sponsored User Agreements and Letters of Authorization filed with the Exchange will remain in effect until a written notice of revocation has been filed with the Exchange. If such a written notice of revocation has not been filed with the Exchange at least one hour prior to the opening of trading on the particular business day, such revocation will not become effective until the close of trading on such day. A

revocation in no way relieves the Sponsoring Trading Permit Holder or, if applicable, the Sponsored Trading Permit Holder's clearing firm of responsibility for transactions guaranteed prior to the effective date of the revocation.

(2) Each Sponsoring Trading Permit Holder must maintain an up-to-date list of persons who may obtain access to the System on behalf of its Sponsored Users (*i.e.*, Authorized Traders) and must provide that list to the Exchange upon request. In addition, each Sponsoring Trading Permit Holder must have reasonable procedures to ensure that Sponsored User and all of its Sponsored Users' Authorized Traders:

(A) maintain the physical security of the Exchange and the System, which includes, but is not limited to, the equipment for accessing the facilities of the Exchange and the System, to prevent the unauthorized use or access to the Exchange or the System, including the unauthorized entry of information into the Exchange or the System, or the information and data made available therein; and

(B) otherwise comply with the Rules.

If the Exchange determines that a Sponsored User or an Authorized Trader has caused a Sponsoring Trading Permit Holder to violate the Rules, the Exchange may direct the Sponsoring Trading Permit Holder to suspend or withdraw the Sponsored User's status as a Sponsored User or the person's status as an Authorized Trader and, if so directed, the Sponsoring Trading Permit Holder must suspend or withdraw such status.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **3.16. Affiliation Between the Exchange and a Trading Permit Holder**

Without prior Commission approval, the Exchange or any entity with which it is affiliated may not, directly or indirectly, acquire or maintain an ownership interest in a Trading Permit Holder. In addition, without prior Commission approval, a Trading Permit Holder may not be or become affiliated with the Exchange or any affiliate of the Exchange. The term affiliate has the meaning specified in Rule 12b-2 under the Exchange Act. Nothing in this Rule 3.16 prohibits:

(a) a Trading Permit Holder from acquiring or holding an equity interest in Cboe Global Markets, Inc. that is permitted by the ownership and voting limitations contained in the Certificate of Incorporation and Bylaws of Cboe Global Markets, Inc.;

(b) a Trading Permit Holder from being or becoming an affiliate of the Exchange or any affiliate of the Exchange, solely by reason of the Trading Permit Holder or any officer, director, manager, managing member, partner or affiliate of the Trading Permit Holder



being or becoming either (1) a Director pursuant to the Bylaws of the Exchange, or (2) a Director serving on the Board of Directors of Cboe Global Markets, Inc.;

(c) the Exchange from being an affiliate of its routing broker/dealer Cboe Trading or of Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe Exchange, Inc., or Cboe Futures Exchange, LLC (each, a “Cboe Exchange”); or

(d) a Trading Permit Holder from (1) acquiring or holding an equity interest in CBSX LLC or (2) being affiliated with OneChicago, LLC, provided the Exchange’s or any Exchange affiliate’s proportionate share of OneChicago, LLC’s gross revenues does not exceed 5% of the Exchange (or the relevant affiliate’s) gross revenue.

[Adopted May 14, 2018 (SR-C2-2018-005)]

### **3.17. Cboe Trading as Outbound Router**

(a) For so long as Cboe Trading is affiliated with the Exchange and is providing outbound routing of orders from the Exchange to other securities exchanges, facilities of securities exchanges, automated trading systems, electronic communications networks, or other brokers or dealers (collectively, “Trading Centers”) (such function of Cboe Trading is referred to as the “Outbound Router”), each of the Exchange and Cboe Trading undertakes as follows:

(1) The Exchange will regulate the Outbound Router function of Cboe Trading as a facility (as defined in Section 3(a)(2) of the Exchange Act), subject to Section 6 of the Exchange Act. In particular, and without limitation, under the Exchange Act, the Exchange will be responsible for filing with the Commission rule changes and fees relating to the Cboe Trading Outbound Router function, and Cboe Trading will be subject to exchange non-discrimination requirements.

(2) FINRA, a self-regulatory organization unaffiliated with the Exchange or any of its affiliates, will carry out oversight and enforcement responsibilities as the designated examining authority designated by the Commission pursuant to Rule 17d-1 of the Exchange Act with the responsibility for examining Cboe Trading for compliance with applicable financial responsibility rules.

(3) A Trading Permit Holder’s use of Cboe Trading to route orders to another Trading Center will be optional. Any Trading Permit Holder that does not want to use Cboe Trading may use other routers to route orders to other Trading Centers.

(4) Cboe Trading will not engage in any business other than (a) its Outbound Router function, (b) its Inbound Router function as described in Rule 3.18, (c) its usage of an error account in compliance with paragraph (a)(7) below, and (d) any other activities it may engage in as approved by the Commission.

(5) The Exchange will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and its facilities (including Cboe Trading), and any other entity, including any affiliate of Cboe Trading, and, if Cboe Trading or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of Cboe Trading or its affiliate that provides the other business activities and the routing services.

(6) The Exchange or Cboe Trading may cancel orders as either deems necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, Cboe Trading, or a routing destination. The Exchange or Cboe Trading will provide notice of the cancellation to affected Trading Permit Holders as soon as practicable.

(7) Cboe Trading will maintain an error account for the purpose of addressing positions that are the result of an execution or executions that are not clearly erroneous under Rule 6.29 and result from a technical or systems issue at Cboe Trading, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders (“Error Positions”).

(A) For purposes of subparagraph (a)(7), an Error Position does not include any position that results from an order submitted by a Trading Permit Holder to the Exchange that is executed on the Exchange and automatically processed for clearance and settlement on a locked-in basis.

(B) Except as provided in subparagraph (7)(C) below, Cboe Trading does not (i) accept any positions in its error account from an account of a Trading Permit Holder, or (ii) permit any Trading Permit Holder to transfer any positions from the Trading Permit Holder’s account to Cboe Trading’s error account.

(C) If a technical or systems issue results in the Exchange not having valid clearing instructions for a Trading Permit Holder to a trade, Cboe Trading may assume the Trading Permit Holder’s side of the trade so that the trade can be automatically processed for clearance and settlement on a locked-in basis.

(D) In connection with a particular technical or systems issue, Cboe Trading or the Exchange will either (i) assign all resulting Error Positions to Trading Permit Holders in accordance with subparagraph (D)(i) below, or (ii) have all resulting Error Positions liquidated in accordance with subparagraph (D)(ii) below. Any determination to assign or liquidate Error Positions, as well as any resulting assignments, will be made in a nondiscriminatory fashion.

(i) Cboe Trading or the Exchange will assign all Error Positions resulting from a particular technical or systems issue to the Trading Permit Holders affected by that technical or systems issue if Cboe Trading or the Exchange:

(a) determines it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the Trading Permit Holders affected by that technical or systems issue;

(b) determines it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the Trading Permit Holders affected by that technical or systems issue; and

(c) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (a)(6) above.

(ii) If Cboe Trading or the Exchange is unable to assign all Error Positions resulting from a particular technical or systems issue to all of the affected Trading Permit Holders in accordance with subparagraph (D) above, or if Cboe Trading or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (a)(6) above, then Cboe Trading will liquidate any applicable Error Positions as soon as practicable. In liquidating such Error Positions, Cboe Trading will:

(a) provide complete time and price discretion for the trading to liquidate the Error Positions to a third-party broker-dealer and not attempt to exercise any influence or control over the timing or methods of such trading; and

(b) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and Cboe Trading/the Exchange associated with the liquidation of the Error Positions.

(E) Cboe Trading and the Exchange will make and keep records to document all determinations to treat positions as Error Positions and all determinations for the assignment of Error Positions to Trading Permit Holders or the liquidation of Error Positions, as well as records associated with the liquidation of Error Positions through the third-party broker-dealer.

(b) The books, records, premises, officers, agents, directors, and employees of Cboe Trading as a facility of the Exchange are deemed to be the books, records, premises, officers, agents, directors, and employees of the Exchange for purposes of, and subject to oversight pursuant to, the Exchange Act. The books and records of Cboe Trading as a facility of the Exchange are subject at all times to inspection and copying by the Exchange and the Commission. Nothing in these Rules precludes officers, agents, directors, or employees of the Exchange from also serving as officers, agents, directors, and employees of Cboe Trading.

[Adopted May 14, 2018 (SR-C2-2018-005)]

**Rule 3.18. Cboe Trading as Inbound Router**

(a) For so long as the Exchange is affiliated with the Cboe Exchanges, and Cboe Trading in its capacity as a facility of each Cboe Exchange is utilized for the routing of orders from a Cboe Exchange to the Exchange, the Exchange undertakes as follows:

(1) The Exchange will: (A) enter into a plan pursuant to Rule 17d-2 under the Exchange Act with a non-affiliated self-regulatory organization (“SRO”) to relieve the Exchange of regulatory responsibilities for Cboe Trading with respect to rules that are common rules between the Exchange and the non-affiliated SRO, and (B) enter into a regulatory services contract with a non-affiliated SRO to perform regulatory responsibilities for Cboe Trading for unique Exchange rules.

(2) The regulatory services contract in subparagraph (1) must require the Exchange to provide the non-affiliated SRO with information, in an easily accessible manner, regarding all exception reports, alerts, complaints, trading errors, cancellations, investigations, and enforcement matters (collectively, “Exceptions”) in which Cboe Trading is identified as a participant that has potentially violated Exchange or SEC rules, and must require that the non-affiliated SRO provide a report to the Exchange quantifying all Exceptions on not less than a quarterly basis.

(3) The Exchange, on behalf of the holding company indirectly owning the Exchange and Cboe Trading, will establish and maintain procedures and internal controls reasonably designed to ensure that Cboe Trading does not develop or implement changes to its systems on the basis of nonpublic information obtained as a result of its affiliation with the Exchange until the information is available generally to similarly situated Trading Permit Holders of the Exchange in connection with the provision of inbound order routing to the Exchange.

(b) Provided the above conditions are complied with, and provided further that Cboe Trading operates as an Outbound Router on behalf of each Cboe Exchange in accordance with the rules of each Cboe Exchange, Cboe Trading may provide inbound routing services to the Exchange from each Cboe Exchange.

[Adopted March 27, 2018 (SR-C2-2018-004); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 4 Business Conduct**

The rules contained in Cboe Options Chapter IV, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. Trading Permit Holders must comply with Cboe Options Chapter IV as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter IV have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); “trading crowd” means “Exchange”; and “Clearing Firms” means “Clearing Trading Permit Holders.”

Notwithstanding the above paragraph, Cboe Options Rule 4.11, Interpretation and Policy .06 does not apply to C2.

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended February 16, 2011 (SR-C2-2011-005); Amended September 4, 2012 (SR-C2-2012-031); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 5 Securities Dealt In**

The rules contained in Cboe Options Chapter V, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. Trading Permit Holders must comply with Cboe Options Chapter V as if those rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter V have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean C2; and “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder (*i.e.*, C2 Trading Permit Holder).”

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 6 Trading on the Exchange**

## **Section A. General**

### **Rule 6.1. Days and Hours of Business**

(a) The System accepts orders and quotes at the times set forth in Rule 6.9. Transactions may be made on the Exchange from 9:30 a.m. to 4:00 p.m., except for option contracts on Index Options, Units, Index-Linked Exchangeable Notes, Index Portfolio Shares, Index Portfolio Receipts, and Trust Issued Receipts the Exchange designates to remain open for trading beyond 4:00 p.m. but no later than 4:15 p.m.

(b) Except as set forth in paragraph (a) above or under unusual conditions as may be determined by the Exchange, hours during which transactions in options on individual stocks may be made on the Exchange correspond to the normal business days and hours set forth in the rules of the primary market currently trading the stocks underlying Exchange options.

(c) The Exchange is not open for business on New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day or Christmas Day. When any holiday observed by the Exchange falls on a Saturday, the Exchange is not open for business on the preceding Friday, and when any holiday observed by the Exchange falls on a Sunday, the Exchange is not open for business on the following Monday, unless unusual business conditions exist at the time.

[Adopted December 10, 2009; Amended July 30, 2013 (SR-C2-2013-027); Amended May 9, 2015 (SR-C2-2015-008); Amended August 17, 2017 (SR-C2-2017-022); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.2. Unit of Trading**

The unit of trading in each series of options traded on the Exchange is the unit of trading established for that series by the Clearing Corporation pursuant to the Rules of the Clearing Corporation and the agreements of the Exchange with the Clearing Corporation.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.3. Meaning of Premium Bids and Offers**

(a) *General.* Except as provided in paragraph (b), bids and offers must be expressed in terms of dollars per unit of the underlying security. For example, a bid of "7" represents a bid of \$700 for an option contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of \$770 for an option contract having a unit of trading consisting of 110 shares of an underlying security.

(b) *Special cases.* Bids and offers for an option contract for which the Clearing Corporation has established an adjusted unit of trading in accordance with Rule 5.7 must be expressed in terms of dollars per 1/100th part of the total securities and/or other property constituting such adjusted unit of trading. For example, an offer of “6” represents an offer of \$600 on an option contract having a unit of trading consisting of 100 shares of an underlying security plus 10 rights.

(c) *Mini-options.* Bids and offers for an option contract overlying 10 shares must be expressed in terms of dollars per 1/10th part of the total value of the contract. For example, an offer of “0.50” represents an offer of \$5.00 for an option contract having a unit of trading consisting of 10 shares.

[Adopted December 10, 2009; Amended March 18, 2013 (SR-C2-2013-014); Amended May 14, 2018 (SR-C2-2018-005)]

**Rule 6.4. Minimum Increments for Bids and Offers**

(a) Simple Orders. The minimum increments for bids and offers on simple orders for options traded on the Exchange are as follows:

Class	Minimum Increment	Series Quoting Price
Class Not Participating in Penny Pilot Program	\$0.05	Lower than \$3.00
	\$0.10	\$3.00 and higher
Class Participating in Penny Pilot Program	\$0.01	Lower than \$3.00
	\$0.05	\$3.00 and higher
QQQs, IWM, and SPY	\$0.01	All prices
Mini-SPX Index Options (XSP), as long as SPDR options (SPY) participate in the Penny Pilot Program)	\$0.01	All prices
Options on the Dow Jones Industrial Average (DJX), as long as Diamonds options (DIA) participate in the Penny Pilot Program	\$0.01	Lower than \$3.00
	\$0.05	\$3.00 and higher
Mini-Options	Same as permitted for standard options on the same security	

(b) Complex Orders. The minimum increment for bids and offers on complex orders is set forth in Rule 6.13.

### *Interpretations and Policies . . .*

**.01** When the Exchange determines to change the minimum increment for a class, the Exchange will designate such change as a stated policy, practice, or interpretation with respect to the administration of Rule 6.42 within the meaning of subparagraph (3)(A) of subsection 19(b) of the Exchange Act and will file a rule change for effectiveness upon filing with the Commission.

**.02** The Exchange may replace any option class participating in the Penny Pilot Program that has been delisted with the next most actively traded, multiply listed option class, based on national average daily volume in the preceding six calendar months, that is not yet included in the Pilot Program. Any replacement class would be added on the second trading day following July 1, 2018. The Penny Pilot will expire on December 31, 2018.

[Adopted December 10, 2009; Amended December 3, 2010 (SR-C2-2010-009); Amended December 20, 2011 (SR-C2-2011-040); Amended June 28, 2012 (SR-C2-2012-020); Amended December 31, 2012 (SR-C2-2012-045); Amended June 11, 2013 (SR-C2-2013-021); Amended December 12, 2013 (SR-C2-2013-041); Amended June 22, 2014 (SR-C2-2014-010); Amended December 12, 2014 (SR-C2-2014-026); Amended June 17, 2015 (SR-C2-2015-015); Amended June 1, 2016 (SR-C2-2016-007); Amended November 23, 2016 (SR-C2-2016-023); Amended June 30, 2017 (SR-C2-2017-020); Amended December 14, 2017 (SR-C2-2017-032); Amended May 14, 2018 (SR-C2-2018-005); Amended June 26, 2018 (SR-C2-2018-015)]

## **Section B. Trading**

### **Rule 6.8. System Access and Connectivity**

(a) *Access and Connections.* Only authorized Users and associated persons of Users may establish connectivity to and access the Exchange to submit orders and quotes and enter auction responses in accordance with the Exchange's System access procedures, technical specifications, and requirements.

(b) *EFIDs.* A Trading Permit Holder may obtain one or more EFIDs from the Exchange (in a form and manner determined by the Exchange). The Exchange assigns an EFID to a Trading Permit Holder, which the System uses to identify the Trading Permit Holder and the clearing number for the execution of orders and quotes submitted to the System with that EFID.

(1) Each EFID corresponds to a single Trading Permit Holder and a single clearing number of a Clearing Trading Permit Holder with the Clearing Corporation.

(2) A Trading Permit Holder may obtain multiple EFIDs, which may be for the same or different clearing numbers. A Trading Permit Holder may only identify for any of



its EFIDs the clearing number of a Clearing Trading Permit Holder that is a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in Rule 6.30.

(3) A Trading Permit Holder is able (in a form and manner determined by the Exchange) to designate which of its EFIDs may be used for each of its ports. If a User submits an order or quote through a port with an EFID not enabled for that port, the System cancels or rejects the order or quote.

(c) *Ports.* A User may connect to the Exchange using a logical port available through an API, such as the industry-standard Financial Information eXchange (“FIX”) protocol or Binary Order Entry (“BOE”) protocol. Users may use multiple logical ports.

[Adopted May 14, 2018 (SR-C2-2018-005)]

#### **Rule 6.9. Entry of Orders**

Users can enter orders into the System, or cancel previously entered orders, from 7:30 a.m. until market close, subject to the following requirements and conditions:

(a) Users may transmit to the System multiple orders at a single price level or multiple price levels.

(b) Each order a User submits to the Exchange must contain the minimum information identified in the Exchange’s order entry specifications.

(c) The System timestamps an order upon receipt, which determines the time ranking of the order for purposes of processing the order.

(d) For each System Security, the System transmits to OPRA for display the aggregate size of all orders in the System eligible for display at the best price to buy and sell.

(e) After market close, Users may cancel orders with Time-in-Force of GTC or GTD that remain on the book until 4:45 p.m.

[Adopted May 14, 2018 (SR-C2-2018-005)]

#### **Rule 6.10. Availability of Orders**

The Exchange may determine to make certain order types, Order Instructions, and Times in Force not available for all Exchange systems or classes.

[Adopted December 10, 2009; Amended September 30, 2010 (SR-C2-2010-004); Amended February 4, 2011 (SR-C2-2011-006); Amended September 22, 2011 (SR-C2-2011-017); Amended April 8, 2013 (SR-C2-2013-013); Amended January 5, 2017 (SR-C2-2016-021); Amended May 14, 2018 (SR-C2-2018-005)]

## **Rule 6.11. Opening Process**

### *(a) Opening Process.*

(1) *Order Entry Period.* The System accepts orders and quotes (including GTC and GTD orders remaining on the Book from the previous trading day) for inclusion in the opening process (the “Opening Process”) beginning at 7:30 a.m. and continues to accept market and limit orders and quotes until the time when the System initiates the Opening Process in that option series (the “Order Entry Period”). The System does not accept IOC or FOK orders prior to the completion of the Opening Process. The System accepts but does not enforce MTP Modifiers during the Opening Process. Complex orders do not participate in the Opening Process described in this Rule 6.11 and instead may participate in the COB Opening Process pursuant to Rule 6.13(c). The System converts all ISOs received prior to the completion of the Opening Process into non-ISOs. Orders entered during the Order Entry Period are not eligible for execution until the opening trade occurs pursuant to subparagraph (4) below. After a time period (which the Exchange determines for all classes):

(A) following the first transaction in the securities underlying the options on the primary market that is disseminated (“First Listing Market Transaction”) after 9:30 a.m. with respect to equity options, or

(B) following 9:30 a.m. with respect to index options,

the related option series open automatically in a random order, staggered over regular intervals of time (the Exchange determines the length and number of these intervals for all classes) pursuant to subparagraphs (2) through (5).

### *(2) Opening Price.*

(A) *Equity Options.* The System determines a single price at which a particular equity option series will be opened (the “Opening Price”) within 30 seconds of the First Listing Market Transaction. If there are no contracts in a series that would execute at any price, the System opens the series for trading without determining an Opening Price. The Opening Price, if valid pursuant to subparagraph (3), of a series will be:

(i) if there is both an NBB and an NBO, the midpoint of the NBBO (if the midpoint is a half increment, the System rounds down to the nearest minimum increment) (the “NBBO Midpoint”);

(ii) if the NBBO Midpoint is not a valid price, the last disseminated transaction price in the series after 9:30 a.m. (the “Last Print”); or

(iii) if the NBBO Midpoint and the Last Print are not valid prices, the last disseminated transaction in the series from the previous trading day (the “Previous Close”).

If the NBBO Midpoint, Last Print, and Previous Close are not valid, the Exchange in its discretion may extend the Order Entry Period by up to 30 seconds or open the series for trading.

(B) *Index Options.* The System determines the Opening Price within 30 seconds of an away options exchange(s) disseminating a quote in a series. Following an away options exchange’s dissemination of a quote in a series, if there are no contracts in a series that would execute at any price, the System opens the series for trading without determining an Opening Price. The Opening Price, if valid pursuant to subparagraph (3), of a series will be the NBBO Midpoint. If the NBBO Midpoint is not valid, the Exchange in its discretion may extend the Order Entry Period by up to 30 seconds or open the series for trading.

(3) *Validating the Opening Price.* For purposes of subparagraph (a)(2):

(A) the NBBO Midpoint and, for equity options, the Last Print or the Previous Close, is a valid price if it is not outside the NBB, and the price is no more than the following Minimum Amount away from the NBB or NBO for the series:

<b>NBB</b>	<b>Minimum Amount</b>
Below \$2.00	\$0.25
\$2.00 to \$5.00	\$0.40
Above \$5.00 to \$10.00	\$0.50
Above \$10.00 to \$20.00	\$0.80
Above \$20.00 to \$50.00	\$1.00
Above \$50.00 to \$100.00	\$1.50
Above \$100.00	\$2.00

and

(B) for equity options, the Last Print or Previous Close is a valid price if there is no NBB and no NBO, or there is a NBB (NBO) and no NBO (NBB) and the price is equal to or greater (less) than the NBB (NBO).

(4) *Opening Trades.* After establishing a valid Opening Price, the System matches (in accordance with the priority applicable to the class pursuant to Rule 6.12(a)) orders and quotes in the System that are priced equal to or more aggressively than the Opening Price. Matches occur until there is no remaining volume or an imbalance of orders. All orders and quotes (or unexecuted portions) matched during the Opening Process execute at the Opening Price. The System enters any non-executed orders and quotes (or unexecuted portions) into the Book in time sequence, where they may be processed in accordance with Rule 6.12. The System cancels any OPG orders (or unexecuted portions) that do not execute during the Opening Process.

(5) *Contingent Open.* If the Exchange opens a series for trading when the NBBO Midpoint, Last Print, and Previous Close are not valid pursuant to subparagraph (2) above, the System enters non-executed orders and quotes (or unexecuted portions) into the Book in time sequence, where they may be processed in accordance with Rule 6.12.

(b) *Opening Process Following Trading Halts.* The Exchange opens series using the same Opening Process described in paragraph (a) above following a trading halt, except:

(1) *Pre-Opening Period.* If the primary market for the applicable underlying security declares a regulatory trading halt, suspension, or pause with respect to such security (a “Regulatory Halt”), the Order Entry Period begins immediately when the Exchange halts trading in the series. If the Exchange halts trading in a series pursuant to Rule 6.32 but not due to a Regulatory Halt, there is no Order Entry Period.

(2) *Open Orders.* The System queues a User’s open orders upon a Regulatory Halt, unless the User entered instructions to cancel its open orders upon a Regulatory Halt, for participation in the Opening Process following the Regulatory Halt. The System cancels a User’s open orders upon a halt that is not a Regulatory Halt.

(3) *Opening Time.* Following a trading halt, the System opens a series once the primary market lifts the Regulatory Halt or upon the Exchange’s determination that the conditions that led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

(4) *Opening Price.* The System determines the Opening Price within 30 seconds of the Regulatory Halt or other trading halt being lifted.

(c) *Deviation from Standard Opening Process.* The Exchange may deviate from the standard manner of the Opening Process described in this Rule 6.11, including adjusting the timing of the Opening Process in any class, when it believes it is necessary in the interests of a fair and orderly market. The Exchange makes and maintains records to document all determinations to deviate from the standard manner of the Opening Process, and

periodically reviews these determinations for consistency with the interests of a fair and orderly market.

(d) *Limit Up-Limit Down States*. If the underlying security for a class is in a limit up-limit down state when the Opening Process begins for that class, then the System cancels or rejects all market orders. In addition, if the Opening Process has already begun for a class when a limit up-limit down state initiates for the underlying security of that class, market and limit orders will continue through the end of the Opening Process.

[Adopted December 10, 2009; Amended February 4, 2011 (SR-C2-2011-006); Amended September 9, 2011 (SR-C2-2011-018); Amended February 18, 2013 (SR-C2-2013-002); Amended April 8, 2013 (SR-C2-2013-013); Amended August 2, 2013 (SR-C2-2013-028); Amended May 2, 2015 (SR-C2-2015-006); Amended December 14, 2016 (SR-C2-2016-020); Amended January 5, 2017 (SR-C2-2016-021); Amended May 14, 2018 (SR-C2-2018-005); Amended May 14, 2018 (SR-C2-2018-009)]

**Rule 6.12. Order and Quote Book Processing, Display, Priority, and Execution**

(a) *Priority*. The System prioritizes resting orders and quotes on the Book as follows:

(1) *Resting Orders and Quotes at Best Price*. Resting orders and quotes on the Book with the highest bid and lowest offer have priority.

(2) *Resting Orders and Quotes at Same Price*. If there are two or more resting orders or quotes at the same price, the Exchange determines for each class which of the following allocations applies:

(A) *Time*. The System prioritizes orders and quotes at the same price in the order in which the System received them (*i.e.*, in time priority).

(B) *Pro-Rata*. The System allocates orders and quotes proportionally according to size (*i.e.*, on a pro-rata basis). The System allocates executable quantity to the nearest whole number, with fractions  $\frac{1}{2}$  or greater rounded up (in size-time priority) and fractions less than  $\frac{1}{2}$  rounded down. If the executable quantity cannot be evenly allocated, the System distributes remaining contracts one at a time in size-time priority to orders that were rounded down.

(3) Displayed orders have priority over nondisplayed orders.

(b) *Price Adjust*. Unless a User enters instructions for an order to not be subject to the Price Adjust process in this paragraph (b), the System ranks and displays a buy (sell) order that, at the time of entry, would lock or cross a Protected Quotation of the Exchange or another Exchange at one minimum price increment below (above) the current NBO (NBB) (“Price Adjust”).

(1) If the NBBO changes so that an order subject to Price Adjust would not lock or cross a Protected Quotation, the System gives the order a new timestamp and displays the order at the price that locked the Protected Quotation at the time of entry. All orders the System re-ranked and re-displayed pursuant to Price Adjust retain their priority as compared to other orders subject to Price Adjust based upon the time the System initially received the orders. Following the initial ranking and display of an order subject to Price Adjust, the System will only re-rank and re-display an order to the extent it achieves a more aggressive price.

(2) The System adjusts the ranked and displayed price of an order subject to Price Adjust once or multiple times depending upon the User's instructions and changes to the prevailing NBBO.

(3) A limit order subject to the Price Adjust process will not be displayed at any price worse than its limit price.

(c) *Additional Order Handling.*

(1) *Trade-Through Prevention.* Subject to the exceptions contained in Rule 6.82(b), the System does not execute an order at a price that trades through a Protected Quotation of another options exchange. The System routes an order a User designates as routable in compliance with applicable Trade-Through restrictions. The System cancels or rejects any order not eligible for routing or the Price Adjust process that is entered with a price that locks or crosses a Protected Quotation of another options exchange.

(2) *Stop and Stop-Limit Orders.* The System cancels or rejects a buy (sell) Stop or Stop-Limit order if the NBB (NBO) at the time the System receives the order is equal to or above (below) the stop price. The System accepts a buy (sell) Stop or Stop-Limit order if the consolidated last sale price at the time the System receives the order is equal to or above (below) the stop price.

(3) *GTC and GTD Orders.* The System cancels or rejects a GTC or GTD order in an adjusted series.

(4) *MTP Modifiers.* The System does not execute an order with an MTP Modifier entered into the System against an order entered with an MTP Modifier and the same Unique Identifier, and instead handles them in accordance with Rule 1.1, as discussed above.

(5) *Market and Stop Orders During Limit Up-Limit Down State.*

(A) The System cancels or rejects a market order to buy or sell an option traded on the Exchange if the System receives it when the underlying security is in a limit up-limit down state.

(B) A stop order is not triggered if the underlying security is in a limit up-limit down state, and instead is held until the end of the limit up-limit down state, at which point the order becomes eligible to be triggered if the market for the particular option contract reaches the specified contract price.

(d) *Decrementation*. Upon execution, the System decrements an order/quote by an amount equal to the size of that execution.

(e) *Cancel/Replace*. Depending on how a quote or order is modified, the quote or order may change priority position as follows:

(1) If the price of an order/quote is changed, the order/quote loses position and is placed in a priority position as if the System received the order/quote at the time the order/quote was changed.

(2) If the quantity of an order/quote is decreased, it retains its priority position.

(3) If the quantity of an order/quote is increased, it loses its priority position and is placed in a priority position as if the System received the order/quote at the time the quantity of the order/quote is increased.

(f) *Price Improvement*. Unless expressly stated otherwise, any potential price improvement resulting from an execution in the System accrues to the incoming order or quote that removes liquidity previously posted in the Book.

(g) *Trading Following Halts*. Options subject to a trading halt initiated pursuant to Rule 6.32 open for trading following the halt at the time specified in Rule 6.11. When trading resumes, the System places orders and quotes that do not execute during the Opening Process in the Book in time priority and processes or executes them as described in this Rule 6.12.

[Adopted December 10, 2009; Amended April 27, 2010 (SR-C2-2010-001); Amended October 22, 2010 (SR-C2-2010-005); August 2, 2012 (SR-C2-2012-026); Amended October 18, 2012 (SR-C2-2012-024); Amended November 21, 2014 (SR-C2-2014-020); Amended June 29, 2016 (SR-C2-2016-010); Amended January 26, 2018 (SR-C2-2017-033); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.13. Complex Orders**

Trading of complex orders is subject to all other Rules applicable to trading of orders, unless otherwise provided in this Rule 6.13.

(a) *Definitions*. For purposes of this Rule, the following terms have the meanings below. A term defined elsewhere in the Rules has the same meaning with respect to this Rule 6.13, unless otherwise defined below.

## **Complex Order**

The term “complex order” is defined in Rule 1.1.

## **Complex Order Auction or COA**

The terms “Complex Order Auction” or “COA” mean an auction of a complex order as set forth in paragraph (d) below.

## **Complex Order Book or COB**

The terms “Complex Order Book” or “COB” mean the Exchange’s electronic book of complex orders.

## **Complex Strategy**

The term “complex strategy” means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange may limit the number of new complex strategies that may be in the System or entered for any EFID (which EFID limit would be the same for all Users) at a particular time.

## **Legging**

The term “Legging” is defined in Rule 6.13(g).

## **Regular Trading**

The term “regular trading” means trading of complex orders that occurs during a trading session other than (a) at the opening of the COB or re-opening of the COB for trading following a halt (described in paragraph (c) below) or (b) during the COA process (described in paragraph (d) below).

## **Synthetic Best Bid or Offer or SBBO**

The terms “Synthetic Best Bid or Offer” or “SBBO” mean the best bid and offer on the Exchange for a complex strategy calculated using the BBO for each component (or the NBBO for a component if the BBO for that component is not available) of a complex strategy from the Simple Book.

## **Synthetic National Best Bid or Offer or SNBBO**

The terms “Synthetic National Best Bid or Offer” or “SNBBO” mean the national best bid and offer for a complex strategy calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex strategy.



(b) *Types of Complex Orders.* The Exchange determines which Times-in-Force of Day, GTC, GTD, IOC, or OPG are available for complex orders (including for eligibility to enter the COB and initiate a COA). The Exchange determines which Capacities (*i.e.*, non-broker-dealer customers, broker-dealers that are not Market-Makers on an options exchange, or Market-Makers on an options exchange) are eligible for entry onto the COB. Complex orders are Book Only and may be market or limit orders. Users may designate complex orders as Attributable or Non-Attributable. The System also accepts the following instructions for complex orders:

(1) *Complex Only Orders.* A Market-Maker may designate a Day or IOC order as “Complex Only,” which may execute only against complex orders in the COB and may not Leg into the Simple Book. Unless designated as Complex Only, and for all other Times-in-Force and Capacities, a complex order may execute against complex orders in the COB and may Leg into the Simple Book.

(2) *COA-Eligible and Do-Not-COA Orders.* Upon receipt of an IOC complex order, the System does not initiate a COA unless a User marked the order to initiate a COA, in which case the System cancels any unexecuted portion at the end of the COA. Upon receipt of a complex order with any other Time-in-Force (except OPG), the System initiates a COA unless a User marked the order to not initiate a COA. Buy (sell) complex orders with User instructions to (or which default to) initiate a COA that are priced higher (lower) than the SBB (SBO) and higher (lower) than the price of complex orders resting at the top of the COB are “COA-eligible orders,” while buy (sell) complex orders with User instructions not to (or which default to not) initiate a COA or that are priced equal to or lower (higher) than the SBB (SBO) or equal to or lower (higher) than the price of complex orders resting at the top of the COB are “do-not-COA orders.”

(3) *Complex Orders with MTP Modifiers.* Users may apply the following MTP Modifiers to complex orders: MTP Cancel Newest, MTP Cancel Oldest, and MTP Cancel Both. If a complex order would execute against a complex order in the COB with an MTP Modifier and the same Unique Identifier, the System handles the complex orders with these MTP Modifiers as described in Rule 1.1. If a complex order with an MTP Modifier would Leg into the Simple Book and execute against any leg on the Simple Book with an MTP Modifier and the same Unique Identifier, the System cancels the complex order.

(c) *COB Opening Process (Including After a Trading Halt).* The COB Opening Process occurs at the beginning of each trading day and after a trading halt.

(1) *Complex Order Entry Period.* The System accepts complex orders for inclusion in the COB Opening Process at the times and in the manner set forth in Rule 6.11(a), except the Order Entry Period for complex orders ends when the complex strategy opens. Complex orders entered during the Order Entry Period are not eligible for execution until the COB Opening Process occurs. Beginning at 7:30 a.m. and

updated every five seconds thereafter until the initiation of the COB Opening Process, the Exchange disseminates indicative prices and order imbalance information based on complex orders queued in the System for the COB Opening Process.

(2) *Initiation of COB Opening Process.* The System initiates the COB Opening Process for a complex strategy after a number of seconds (which number the Exchange determines) after all legs of the strategy in the Simple Book are open for trading. All complex orders the System receives prior to opening a complex strategy as set forth in this subparagraph (2) (including any delay applied by the Exchange pursuant to this subparagraph (2) and subparagraph (C) below) are eligible to be matched in the Opening Process pursuant to this subparagraph (2) and not during the Opening Process described in Rule 6.11.

(A) *COB Opening Price.* If there are matching complex orders in a complex strategy, the System determines the COB opening price, which is the price at which the most complex orders can trade. If there are multiple prices that would result in the same number of complex orders executed, the System chooses the price that would result in the smallest remaining imbalance as the COB opening price. If there are multiple prices that would result in the same number of complex orders executed and the same “smallest” imbalance, the System chooses the price closest to the midpoint of the (i) SNBBO or (ii) if there is no SNBBO available, the highest and lowest potential opening prices as the COB opening price. If the midpoint price would result in an invalid increment, the System rounds the COB opening price up to the nearest permissible increment. If the COB opening price equals the SBBO, the System adjusts the COB opening price to a price that is better than the corresponding bid or offer in the Simple Book by \$0.01.

(B) *Transition to Regular Trading.* After the System determines a COB opening price, the Exchange executes matching complex orders in accordance with the priority in Rule 6.12(a) applicable to the class at the COB opening price. The System enters any remaining complex orders (or unexecuted portions) into the COB, subject to a User’s instructions.

(C) *No Matching Complex Orders or No Valid COB Opening Price.* If there are no matching complex orders in a complex strategy, the System opens the complex strategy without a trade. If after an Exchange-established period of time that may not exceed 30 seconds, the System cannot match orders because (i) the System cannot determine a COB opening price (*i.e.*, all queued orders are market orders) or (ii) the COB opening price is outside the SNBBO, the System opens the complex strategy without a trade. In both cases, the System enters any orders in the complex strategy in the COB (in time priority), except it Legs any complex orders it can into the Simple Book (as described below).

(d) *Complex Order Auctions (COAs).*

(1) *Commencement of COA.* Upon receipt of a COA-eligible order, the System initiates the COA process by sending a COA auction message to all subscribers to the Exchange's data feeds that deliver COA auction messages. A COA auction message identifies the COA auction ID, instrument ID (*i.e.*, complex strategy), Capacity, quantity, and side of the market of the COA-eligible order. The Exchange may also determine to include the price in COA auction messages, which will be the limit order price or the SBO (SBB) (if initiated by a buy (sell) market complex order), or the drill-through price if the order is subject to the drill-through protection in Rule 6.14(b).

(2) *Concurrent COAs.* The System may initiate a COA in a complex strategy even though another COA in that complex strategy is ongoing.

(A) If there are multiple COAs ongoing for a specific complex strategy, each COA concludes sequentially based on the time each COA commenced, unless terminated early pursuant to paragraph (d)(3) below. At the time each COA concludes, the System allocates the COA-eligible order pursuant to this Rule and takes into account all COA Responses for that COA, orders in the Simple Book, and unrelated complex orders on the COB at the time the COA concludes.

(B) If there are multiple COAs ongoing for a specific complex strategy that are each terminated early pursuant to paragraph (d)(3) below, the System processes the COAs sequentially based on the order in which they commenced.

(C) If a COA Response is not fully executed at the end of the identified COA to which the COA Response was submitted, the System cancels or rejects the COA Response (or unexecuted portion) at the conclusion of the specified COA.

(3) *Response Time Interval.* The "Response Time Interval" means the period of time during which Users may submit responses to the COA auction message ("COA Responses"). The Exchange determines the duration of the Response Time Interval, which may not exceed 500 milliseconds. However, the Response Time Interval terminates prior to the end of that time duration:

(A) when the System receives a non-COA-eligible order on the same side as the COA-eligible order that initiated the COA but with a price better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to subparagraph (5) below and posts the new order to the COB; or

(B) when the System receives an order in a leg of the complex order that would improve the SBBO on the same side as the COA-eligible order that

initiated the COA to a price equal to or better than the COA price, in which case the System terminates the COA and processes the COA-eligible order pursuant to subparagraph (5) below, posts the new order to the Simple Book, and updates the SBBO.

(4) *COA Responses.* The System accepts a COA Response(s) with any Capacity in \$0.01 increments during the Response Time Interval.

(A) A COA Response must specify the price, size, side of the market (*i.e.*, a response to a buy COA as a sell or a response to a sell COA as a buy) and COA auction ID for the COA to which the User is submitting the COA Response.

(B) The System aggregates the size of COA Responses submitted at the same price for an EFID, and caps the size of the aggregated COA Responses at the size of the COA-eligible order.

(C) During the Response Time Interval, COA Responses are not firm, and Users can modify or withdraw them at any time prior to the end of the Response Time Interval, although the System applies a new timestamp to any modified COA Response (unless the modification was to decrease its size), which will result in loss of priority. The Exchange does not display COA Responses. At the end of the Response Time Interval, COA Responses are firm (*i.e.*, guaranteed at their price and size).

(D) A COA Response may only execute against the COA-eligible order for the COA to which a User submitted the COA Response. The System cancels or rejects any unexecuted COA Responses (or unexecuted portions) at the conclusion of the COA.

(5) *Processing of COA-Eligible Orders.*

(A) At the end of the Response Time Interval, the System executes a COA-eligible order (in whole or in part) against contra side interest in price priority. If there is contra side interest at the same price, the System allocates the contra side interest as follows:

(i) Orders and quotes in the Simple Book for the individual leg components of the complex order through Legging (subject to paragraph (g)), which the System allocates in accordance with the priority in Rule 6.12(a) applicable to the class.

(ii) COA Responses and unrelated orders posted to the COB, which the System allocates in accordance with the priority in Rule 6.12(a) applicable to the class.

(B) The System enters any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA into the COB (if eligible for entry), and applies a timestamp based on the time it enters the COB. The System cancels or rejects any COA-eligible order (or unexecuted portion) that does not execute at the end of the COA if not eligible for entry into the COB or in accordance with the User's instructions. Complex orders resting on the COB may execute pursuant to paragraph (e) following evaluation pursuant to paragraph (i) and remain on the COB until they execute or are cancelled or rejected.

(e) *Processing of Do-Not-COA Orders/Orders Resting on the COB.* Upon receipt of a do-not-COA order, or if the System determines an order resting on the COB is eligible for execution following evaluation pursuant to paragraph (i), the System executes it (in whole or in part) against contra side interest in price priority. If there is contra side interest at the same price, the System allocates the contra side interest as follows:

- (1) Orders and quotes in the Simple Book for the individual leg components of the complex order through Legging (subject to paragraph (g)), which the System allocates in accordance with the priority in Rule 6.12(a) applicable to the class.
- (2) Complex orders resting on the COB, which the System allocates in accordance with the priority in Rule 6.12(a) applicable to the class.

The System enters any do-not-COA order (or unexecuted portion) that does not execute against the individual leg markets or complex orders into the COB (if eligible for entry), and applies a timestamp based on the time it enters the COB. The System cancels or rejects any complex order (or unexecuted portion) that would execute at a price outside of the SBBO, that is not eligible for entry into the COB, or in accordance with the User's instructions. Complex orders resting on the COB may execute pursuant to this paragraph (e) following evaluation pursuant to paragraph (i) and remain on the COB until they execute or are cancelled or rejected.

(f) *Minimum Increments and Execution Prices.*

- (1) The minimum increment for bids and offers on a complex order is \$0.01, and the components of a complex order may be executed in \$0.01 increments, regardless of the minimum increments otherwise applicable to the individual components of the complex order.
- (2) The System does not execute a complex order pursuant to this Rule 6.13 at a net price (1) that would cause any component of the complex strategy to be executed at a price of zero; (2) worse than the SBBO; (3) that would cause any component of the complex strategy to be executed at a price worse than the individual component price on the Simple Book; (4) worse than the price that would be available if the complex order Legged into the Simple Book; or (5) ahead of orders on the Simple Book without improving the BBO on at least one component of the complex

strategy by at least \$0.01. The System executes complex orders without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy; provided, however, that such complex order price may be subject to the drill-through price protection described in Rule 6.14(b).

(g) *Legging Restrictions.* A complex order may execute against orders and quotes in the Simple Book pursuant to subparagraphs (d)(5)(A)(i) and (e)(1) if it can execute in full or in a permissible ratio and if it has no more than a maximum number of legs (which the Exchange determines on a class-by-class basis and may be two, three or four) (“Legging”), subject to the following restrictions:

(1) All two leg COA-eligible Customer complex orders may Leg into the Simple Book without restriction.

(2) Complex orders for any other Capacity with two option legs that are both buy or both sell and that are both calls or both puts may not Leg into the Simple Book. These orders may execute against other complex orders in the COB.

(3) All complex orders with three or four option legs that are all buy or all sell (regardless of whether the option legs are calls or puts) may not Leg into the Simple Book. These orders may execute against other complex orders in the COB.

(h) *Additional Complex Order Handling.* Processing and execution of complex orders pursuant to this Rule 6.13 (including pursuant to paragraphs (d) and (e), and following evaluation pursuant to paragraph (i)) are subject to the following:

(1) A complex market order or a limit order with a price that locks or crosses the then-current opposite side SBBO and does not execute because the SBBO is the best price but not available for execution (because it does not satisfy the complex order ratio or the complex order cannot Leg into the Simple Book) enters the COB with a book and display price that improves the then-current opposite side SBBO by \$0.01. If the SBBO changes, the System continuously reprices the book and display price of the complex order (or unexecuted portion) based on the new SBBO (up to the limit price, if it is a limit order), subject to the drill-through price protection described in Rule 6.14(b), until:

(A) the complex order has been executed in its entirety; or

(B) the complex order (or unexecuted portion) of the complex order is cancelled or rejected.

(2) If there is a zero NBO for any leg, the System replaces the zero with a price \$0.01 above the NBB to calculate the SNBBO, and complex orders with any buy legs do not Leg into the Simple Book. If there is a zero NBB, the System replaces the zero with a price of \$0.01, and complex orders with any sell legs do not Leg into

the Simple Book. If there is a zero NBB and zero NBO, the System replaces the zero NBB with a price of \$0.01 and replaces the zero NBO with a price of \$0.02, and complex orders do not Leg into the Simple Book.

(i) *Evaluation.* The System evaluates an incoming complex order upon receipt after the open of trading to determine whether it is a COA-eligible order or a do-not-COA order and thus whether it should be processed pursuant to paragraph (d) or (e), respectively. The System re-evaluates a complex order resting on the COB (including an order (or unexecuted portion) that did not execute pursuant to paragraph (d) or (e) upon initial receipt):

(1) at time the COB opens;

(2) following a halt; and

(3) during the trading day when the leg market price or quantity changes to determine whether the complex order:

(A) can execute (pursuant to paragraph (e));

(B) should be repriced (pursuant to paragraph (h));

(C) should remain resting on the COB; or

(D) should be cancelled.

(j) *Limit Up-Limit Down State.* The System cancels or rejects a complex market order it receives when the underlying security is subject to a limit up-limit down state. If during a COA of a COA-eligible market order, the underlying security enters a limit up-limit down state, the System terminates the COA without trading and cancels or rejects all COA Responses.

(k) *Trading Halts.*

(1) *Halts During Regular Trading.* If a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy is suspended. The System queues a Trading Permit Holder's open orders during a Regulatory Halt, unless the Trading Permit Holder entered instructions to cancel its open complex orders upon a Regulatory Halt, for participation in the re-opening of the COB as set forth in subparagraph (3) below. A Trading Permit Holder's complex orders are cancelled unless the Trading Permit Holder instructed the Exchange not to cancel its orders. The System cancels a Trading Permit Holder's open complex orders upon a halt that is not a Regulatory Halt. The COB remains available for Users to enter and manage complex orders that are not cancelled. The System enters incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt in the COB. The System cancels or rejects incoming complex orders with a Time-in-Force of IOC.

(2) *Halts During a COA.* If, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA ends early without trading, and the System cancels or rejects all COA Responses. The System enters remaining complex orders on the COB (if eligible for entry) or cancels complex orders that are not eligible to enter the COB.

(3) *Resumption of Trading Following a Halt.* When trading in the halted component(s) and/or underlying security of the complex order resumes, the System re-opens the COB pursuant to subparagraph (c) above. The System queues any complex orders designated for a re-opening following a halt until the halt has ended, at which time they are eligible for execution in the Opening Process.

**. . . Interpretations and Policies:**

**.01 Market-Maker Quoting.** Market-Makers are not required to quote on the COB. Complex strategies are not subject to any quoting requirements that apply to Market-Makers in the simple market. The Exchange does not take into account Market-Makers' volume executed in complex strategies when determining whether Market-Makers meet their quoting obligations in the simple market.

**.02 Dissemination of COA Information.** A Trading Permit Holder's dissemination of information related to COA-eligible orders to third parties or a pattern or practice of submitting orders that cause a COA to conclude early will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1.

[Adopted December 10, 2009; Amended September 9, 2011 (SR-C2-2011-018); Amended September 20, 2011 (SR-C2-2011-022); Amended December 12, 2011 (SR-C2-2011-039); Amended January 20, 2012 (SR-C2-2012-003); Amended April 6, 2012 (SR-C2-2012-004); Amended October 24, 2012 (SR-C2-2012-030); Amended February 27, 2013 (SR-C2-2013-003); Amended April 8, 2013 (SR-C2-2013-013); Amended November 14, 2014 (SR-C2-2014-024); Amended July 17, 2015 (SR-C2-2015-021); Amended December 11, 2015 (SR-C2-2015-025); Amended January 21, 2016 (SR-C2-2015-033); Amended July 27, 2016 (SR-C2-2016-014); Amended December 9, 2016 (SR-C2-2016-024); Amended March 6, 2017 (SR-C2-2017-010); Amended April 5, 2017 (SR-C2-2017-013); Amended April 25, 2017 (SR-C2-2017-016); Amended May 14, 2018 (SR-C2-2018-005)]



## **Rule 6.14. Order and Quote Price Protection Mechanisms and Risk Controls**

The System's acceptance and execution of orders and quotes pursuant to the Rules, including Rules 6.11 through 6.13, are subject to the following price protection mechanisms and risk controls, as applicable.

### *(a) Simple Orders.*

(1) *Market Orders in No-Bid (Offer) Series.* If a User submits a sell (buy) market order to the System after a series is open when there is no NBB (NBO), the System cancels or rejects the market order.

(2) *Market Order NBBO Width Protection.* If a User submits a market order to the System when the NBBO width is greater than x% of the midpoint of the NBBO, subject to a minimum and maximum dollar value (the Exchange determines "x" and the minimum and maximum dollar values on a class-by-class basis), the System cancels or rejects the market order.

(3) *Buy Order Put Check.* If a User enters a buy limit order for a put with, or if a buy market order (or unexecuted portion) for a put would execute at, a price higher than or equal to the strike price of the option, the System cancels or rejects the order (or unexecuted portion) or quote. This check does not apply to adjusted series.

### *(4) Drill-Through Protection.*

(A) If a User enters a buy (sell) order into the System (including an order that enters the Book following the Opening Process and a GTC or GTD order that reenters the Book from the prior trading day), the System executes the order up to a buffer amount (the Exchange determines the amount on a class and premium basis) above (below) the NBO (NBB) that existed at the time of order entry or time it reenters the Book from the prior trading day, as applicable ("the drill-through price").

(B) The System cancels or rejects any limit order or market order with a Time-in-Force of IOC or FOK (or unexecuted portion) not executed pursuant to subparagraph (A).

(C) The System enters a market order with Time-in-Force of Day, GTC, or GTD (or unexecuted portion) not executed pursuant to subparagraph (A) in the Book with a price equal to the drill-through price (with a timestamp based on the time it enters the Book for priority purposes) for a time period in milliseconds (the Exchange determines the length of the time period, which may not exceed three seconds). The System cancels or rejects the order (or unexecuted portion) not executed during that time period.

(b) *Complex Orders.*

(1) *Definitions.* For purposes of this subparagraph (b):

(A) *Vertical Spread.* A “vertical” spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

(B) *Butterfly Spread.* A “butterfly” spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a “true” butterfly; otherwise, it is a “skewed” butterfly.

(C) *Box Spread.* A “box” spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

(2) *Credit-to-Debit Parameters.* The System cancels or rejects a market order that would execute at a net debit price after receiving a partial execution at a net credit price.

(3) *Debit/Credit Price Reasonability Checks.*

(A) The Exchange cancels or rejects a complex order (or unexecuted portion) that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order (or unexecuted portion) for a credit strategy with a net debit price that exceeds a pre-set buffer, or a market order (or unexecuted portion) for a credit strategy that would execute at a net debit price that exceeds a pre-set buffer (the pre-set buffers are determined by the Exchange).

(B) The System defines a complex order as a debit or credit as follows:

(i) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit);

(ii) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the

sum of the exercise prices of the buy (sell) legs is a debit (credit); and

(iii) an order for which all pairs and loners are debits (credits) is a debit (credit). For purposes of this check, a “pair” is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and the legs have the same expiration date but different exercise prices or the same exercise price but different expiration dates. A “loner” is any leg in an order that the System cannot pair with another leg in the order.

(a) The System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price.

(b) The System then pairs legs to the extent possible with the same exercise prices across expiration dates, pairing one leg with the leg that has the next nearest expiration date.

(c) A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(d) A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price).

(e) A loner to buy is a debit, and a loner to sell is a credit.

(C) The System does not apply this check to an order it cannot define as a debit or credit.

(D) This check applies to COA Responses in the same manner as it does to orders.

(4) *Buy Strategy Parameters*. The System cancels or rejects a limit complex order where all the components of the strategy are to buy and the order has (A) a price of zero, (B) a net credit price that exceeds a pre-set buffer (which the Exchange

determines), or (C) a net debit price that is less than the number of individual legs in the strategy (or applicable ratio) multiplied by \$0.01.

(5) *Maximum Value Acceptable Price Range.* The System cancels or rejects an order that is a vertical, true butterfly, or box spread and is a limit order with, or a market order that would execute at, a price that is outside of an acceptable price range, set by the minimum and maximum possible value of the spread, subject to an additional buffer amount (which the Exchange determines).

(A) The maximum possible value of a vertical, true butterfly, and box spread is the difference between the exercise prices of (1) the two legs; (2) the middle leg and the legs on either side; and (3) each pair of legs, respectively.

(B) The minimum possible value of the spread is zero.

(C) This check applies to COA Responses in the same manner as it does to orders.

(6) *Drill-Through Protection.* If a User enters a buy (sell) complex order into the System, the System executes the order pursuant to Rule 6.13(e) up to a buffer amount above (below) the SNBO (SNBB) that existed at the time of order entry (the “drill-through price”), or initiates a COA at the drill-through price if the order would initiate a COA pursuant to Rule 6.13(d). The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default amount.

(A) If a buy (sell) complex order (or unexecuted portion) would execute or enter the COB at a price higher (lower) than the drill-through price, the System enters the order in the COB at the drill-through price (receiving a timestamp based on the time it enters the COB for priority purposes), unless the terms of the order instruct otherwise.

(B) Any unexecuted order (or unexecuted portion) with a displayed price equal to the drill-through price (unless the drill-through price equals the order’s limit price) will rest in the COB for a time period in milliseconds (the Exchange determines the time period, which may not exceed three seconds). If the order (or unexecuted portion) does not execute during that time period, the System cancels or rejects it. However, if the SBBO changes prior to the end of the time period but the complex order cannot Leg, and the new SBO (SBB) crosses the drill-through price, the System changes the displayed price of the complex order to the new SBO (SBB) minus (plus) \$0.01, and the order is not cancelled at the end of the time period.

(c) *All Orders.*

(1) *Limit Order Fat Finger Check.* If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders, the System cancels or rejects the order. The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default.

(A) For simple orders, the Exchange may determine to apply this check on a class-by-class basis and not apply it to limit orders entered prior to the conclusion of the Opening Process. If the check applies prior to the conclusion of the Opening Process, it uses the midpoint of the prior trading day's closing NBBO (prior to 9:30 a.m.) or the last disseminated NBBO (if there is one, after 9:30 a.m.). The Exchange or User, as applicable, may establish a different default amount prior to the conclusion of the Opening Process than it does after trading is open. If the check applies prior to the conclusion of the Opening Process, it does not apply (i) if there is a corporate action impacting the corporate stock price, (ii) if there is no NBBO from the prior trading day, (iii) to orders with origin code M or N, or (iv) to GTC and GTD orders that reenter the Book from the prior trading day.

(B) The check does not apply to complex orders prior to the conclusion of the Opening Process.

(C) The check does not apply when no NBBO or SNBBO, as applicable, is available.

(2) *Maximum Contract Size.* The System cancels or rejects an incoming order or quote with a size that exceeds the maximum contract size (which the Exchange determines). The size of a complex order for purposes of this check is the size of the largest leg of the order.

(3) *Maximum Notional Value.* If a User enables this functionality, the System cancels or rejects an incoming order or quote with a notional value that exceeds the maximum notional value a User establishes for each of its ports.

(4) *Daily Risk Limits.* If a User enables this functionality:

(A) A User may establish one or more of the following values for each of its ports, which the System aggregates (for simple and complex orders) across all of a User's ports (*i.e.*, applies on a firm basis):

(i) cumulative notional booked bid value ("CBB");

(ii) cumulative notional booked offer value ("CBO");

(iii) cumulative notional executed bid value ("CEB"); and

(iv) cumulative notional executed offer value (“CEO”).

(B) The User may then establish a limit order notional cutoff, a market order notional cutoff, or both, each of which it may establish on a net basis, gross basis, or both. If a User exceeds a cutoff value, the System cancels or rejects all incoming limit orders or market orders, respectively. If a User establishes a limit order notional cutoff but does not establish (or sets as zero) the market order notional cutoff, the System cancels or rejects all market orders.

(i) The System calculates a notional cutoff on a gross basis by summing CBB, CBO, CEB, and CEO.

(ii) The System calculates a notional cutoff on a net basis by summing CEO and CBO, then subtracting the sum of CEB and CBB, and then taking the absolute value of the resulting amount.

(5) *Risk Monitor Mechanism.* If a User enables this functionality:

(A) Each User may establish limits for the following parameters in the Exchange’s counting program. The System counts each of the following within a class (“class limit”) and across all classes for an EFID (“firm limit”) over a User-established time period (“interval”) on a rolling basis up to five minutes (except as set forth in subparagraph (iv) below) and on an absolute basis for a trading day (“absolute limits”):

(i) number of contracts executed (“volume”);

(ii) notional value of executions (“notional”);

(iii) number of executions (“count”); and

(iv) number of contracts executed as a percentage of number of contracts outstanding within an Exchange-designated time period or during the trading day, as applicable (“percentage”), which the System determines by calculating the percentage of a User’s outstanding contracts that executed on each side of the market during the time period or trading day, as applicable, and then summing the series percentages on each side in the class.

(B) When the System determines that the volume, notional, count, or percentage exceeds:

(i) a User’s class limit within the interval or the absolute limit for the class, the Risk Monitor Mechanism cancels or rejects such User’s orders or quotes in all series of the class and cancels or rejects any

additional orders or quotes from the User in the class until the counting program resets (as described below).

(ii) a User's firm limit within the interval or the absolute limit for the firm, the Risk Monitor Mechanism cancels or rejects such User's orders or quotes in all classes and cancels or rejects any additional orders or quotes from the User in all classes until the counting program resets (as described below).

The Risk Monitor Mechanism will also attempt to cancel or reject any orders routed away to other exchanges.

(C) The System will execute any marketable orders or quotes that are executable against a User's order or quote and received prior to the time the Risk Monitor Mechanism is triggered at the price up to the size of the User's order or quote, even if such execution results in executions in excess of the User's parameters.

(D) *Counting Program Reset.*

(i) *Class Limit.* The System will not accept new orders or quotes from a User after a class limit is reached until the User submits an electronic instruction System to reset the counting program for the class.

(ii) *Firm Limit Exceeded.* The System will not accept new orders or quotes from a User after a firm limit is reached until the User manually notifies the Trade Desk to reset the counting program for the firm, unless the User instructs the Exchange to permit it to reset the counting program by submitting an electronic message to the System.

(iii) *Reset Limit.* The Exchange may restrict the number of User class and firm resets per second.

(E) *Complex Orders.* The System counts individual trades executed as part of a complex order (or COA response) when determining whether the volume, notional, or count limit has been reached. The System counts the percentage executed of a complex order (or COA response) when determining whether the percentage limit has been reached.

(6) *Cancel on Reject.* If a User enables this functionality for a port, the System cancels a resting order or quote if the System rejects (pursuant to the Rules) a cancel or modification instruction for that resting order or quote.

(7) *Kill Switch*. If a User enables this functionality, the User may instruct the System to simultaneously cancel or reject all (or all orders except GTCs and GTDs if the User requests) or a subset of resting orders and quotes for an EFID. A User may also request the Exchange block all (or all orders except GTC and GTD orders if the User requests) or a subset of its new incoming bids, offers, and orders for an EFID, which block will remain in effect until the User contacts the Trade Desk to request it remove the block. The User may continue to submit cancel requests for resting orders while the block is in effect.

(8) *Cancel on Disconnect*. If a User enables this functionality, the User may instruct the System to cancel or reject all resting orders and quotes (or all orders except GTC and GTD orders if the User requests) for a port, when the System receives no response from a port within two “heartbeat intervals” (the length of which interval the Exchange determines). If the User does not provide this instruction for a port, the System cancels or rejects all incoming M and N orders and quotes for the port when the System receives no response from a port within two heartbeat intervals.

(9) *Block New Orders*. If a User enables this functionality, the User may instruct the System to block all of the User’s inbound orders and quotes. The User may continue to submit cancel requests for resting orders while its incoming orders and quotes are blocked.

(10) *Duplicate Order Protection*. If a User enables this functionality for a port, after the System receives a specified number of duplicate orders with the same EFID, side, price, quantity, and class within a specified time period (the User determines the number and length of the time period), the System will (A) reject additional duplicate orders until it receives instructions from the User to reset this control or (B) reject all incoming orders submitted through that port for that EFID until the User contacts the Trade Desk to request it reset this control. The User may continue to submit cancel requests prior to reset.

**... Interpretations and Policies:**

**.01** An Exchange official may grant intraday relief by modifying or inactivating one or more of the applicable parameter settings applicable to this Rule in the interest of a fair and orderly market, which the Exchange will announce via electronic message to Users. Such intra-day relief will not extend beyond the trade day on which it is granted, unless the Exchange determines to extend such relief. The Exchange makes and keeps records to document all determinations to grant intraday relief under this Rule, and maintains those records in accordance with Rule 17a-1 under the Exchange Act. The Exchange periodically reviews determinations to grant intraday relief for consistency with the interest of a fair and orderly market.

**.02** The Exchange may share any User-designated risk settings in the System with a Clearing Trading Permit Holder that clears Exchange transactions on behalf of the User.



## 6.15. Order Routing

(a) *General.* For System Securities, the order routing process is available to Users from 9:30 a.m. until market close. Users can designate orders as either available or not available for routing. Orders designated as not available for routing are processed pursuant to Rule 6.12.

(1) *Routing to Away Options Exchanges.* For an order designated as available for routing, the System first checks the Book for available contracts for execution against the order pursuant to Rule 6.12. Unless otherwise instructed by the User, the System then designates the order (or unexecuted portion) as IOC and routes it to one or more options exchanges for potential execution, per the entering User's instructions. After the System receives responses to the order, to the extent it was not executed in full through the routing process, the System processes the order (or unexecuted portion) as follows, depending on parameters set by the User when the incoming order was originally entered:

(A) cancels the order (or unexecuted portion) back to the User;

(B) posts the unfilled balance of the order to the Book, subject to the Price Adjust process described in Rule 6.12(b), if applicable;

(C) repeats the process described above by executing against the Book and/or routing to other options exchanges until the original, incoming order is executed in its entirety;

(D) repeats the process described above by executing against the Book and/or routing to other options exchanges until the original, incoming order is executed in its entirety, or, if not executed in its entirety and a limit order, posts the unfilled balance of the order on the Book if the order's limit price is reached; or

(E) to the extent the System is unable to access a Protected Quotation and there are no other accessible Protected Quotations at the NBBO, cancels or rejects the order back to the User, provided, however, that this provision does not apply to Protected Quotations published by an options exchange against which the Exchange has declared self-help.

(2) *Routing Options.* Routing options may be combined with all available Order Instructions and Times-in-Force, with the exception of Order Instructions and Times-in-Force whose terms are inconsistent with the terms of a particular routing option. The System considers the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific options exchanges to which the System routes orders and the order in

which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are:

(A) *ROUT*. *ROUT* is a routing option under which the System checks the Book for available contracts to execute against an order and then sends it to destinations on the System routing table. A User may select either Route To Improve (“RTI”) or Route To Fill (“RTF”) for the *ROUT* routing option. RTI may route to multiple destinations at a single price level simultaneously while RTF may route to multiple destinations and at multiple price levels simultaneously.

(B) *SWPA*. *SWPA* is a routing option (which is the default routing option) under which the System checks the Book for available contracts to execute against an order and then sends it to only Protected Quotations and only for displayed size. Any unexecuted portion of the routed order is posted to the Book at the order’s limit price, unless otherwise instructed by the User.

(C) *Destination Specific*. *Destination Specific* is a routing option under which the System checks the Book for available contracts to execute against an order and then sends it to a specified away options exchange.

(D) *Directed ISO*. *Directed ISO* is a routing option under which the System does not check the Book for available contracts and sends the order to another options exchange specified by the User. It is the entering Trading Permit Holder’s responsibility, not the Exchange’s responsibility, to comply with the requirements relating to Intermarket Sweep Orders.

(3) *Re-Route Instructions*. Unless otherwise specified, the Re-Route instructions set forth below may be combined with any of the System routing options specified in subparagraph (a)(2) above.

(A) *Aggressive*. If the unexecuted portion of a routable order has been posted to the Book pursuant to subparagraph (a)(1) above, if the order’s price is subsequently crossed by the quote of another accessible options exchange, the System routes the order to the crossing options exchange if the User has selected the *Aggressive Re-Route* instruction.

(B) *Super Aggressive*. If the unexecuted portion of a routable order has been posted to the Book pursuant to subparagraph (a)(1) above, if the order’s price is subsequently locked or crossed by the quote of another accessible options exchange, the System routes the order to the locking or crossing options exchange if the User has selected the *Super Aggressive Re-Route* instruction.

(b) *Priority of Routed Orders.* The System does not rank or maintain in the Book pursuant to Rule 6.12 orders it has routed to other options exchanges, and therefore those orders are not available to execute against incoming orders. Once routed by the System, an order becomes subject to the rules and procedures of the destination options exchange, including, but not limited to, order cancellation. If a routed order (or unexecuted portion) is subsequently returned to the Exchange, the order (or unexecuted portion) receives a new time stamp reflecting the time the System receives the returned order.

(c) *Honoring Executions of Routed Orders.* Users whose orders are routed to other options exchanges must honor trades of those orders executed on other options exchanges to the same extent they would be required to honor trades of those orders if they had executed on the Exchange.

(d) *Cboe Trading as Outbound Router.* The Exchange routes orders via Cboe Trading, which serves as the Outbound Router of the Exchange, pursuant to Rule 3.17. The Outbound Router routes orders in options listed and open for trading on C2 to other options exchanges pursuant to the Rules solely on behalf of C2. The Outbound Router is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Exchange Act. Use of Cboe Trading or Routing Services described in paragraph (e) below to route orders to other market centers is optional. Parties that do not desire to use Cboe Trading for routing or other Routing Services provided by the Exchange must designate orders as not available for routing.

(e) *Back-Up Order Routing Services.* In the event the Exchange is not able to provide Routing Services through Cboe Trading pursuant paragraph (d) above, the Exchange routes orders to other options exchanges in conjunction with one or more routing brokers that are not affiliated with the Exchange (“Routing Services”). In connection with Routing Services, the following apply:

(1) For each routing broker the Exchange uses, an agreement will be in place between the Exchange and the routing broker that, among other things, restricts the use of any confidential and proprietary information the routing broker receives to legitimate business purposes necessary for routing orders at the direction of the Exchange.

(2) The Exchange will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the routing broker, and any other entity, including any affiliate of the routing broker, and, if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services.

(3) The Exchange may not use a routing broker for which the Exchange or any affiliate of the Exchange is the designated examining authority.

- (4) The Exchange will provide its Routing Services in compliance with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Exchange Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.
- (5) For all Routing Services, the Exchange will determine the logic that provides when, how, and where orders are routed away to other options exchanges.
- (6) The routing broker will receive routing instructions from the Exchange, to route orders to other options exchanges and report such executions back to the Exchange. The routing broker cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.
- (7) Any bid or offer entered on the Exchange routed to another options exchange via a routing broker that results in an execution is binding on the Trading Permit Holder that entered the bid/offer.
- (f) *Market Access.* In addition to Rules regarding routing to away options exchanges, Cboe Trading has, pursuant to Rule 15c3-5 under the Exchange Act, implemented certain tests designed to mitigate the financial and regulatory risks associated with providing Trading Permit Holders with access to away options exchanges. Pursuant to the policies and procedures developed by Cboe Trading to comply with Rule 15c3-5, if an order or series of orders are deemed to be erroneous or duplicative, would cause the entering Trading Permit Holder's credit exposure to exceed a preset credit threshold, or are noncompliant with applicable pre-trade regulatory requirements (as defined in Rule 15c3-5), Cboe Trading will reject the orders prior to routing and/or seek to cancel any orders that have been routed.

[Adopted May 14, 2018 (SR-C2-2018-005)]

## **Section C. Operational and Liability Matters**

### **Rule 6.26. Binding Transactions**

- (a) All executions of bids and offers submitted to and accepted by the System in accordance with the Rules constitute binding contracts, subject to the Bylaws, the Rules, and the Rules of the Clearing Corporation.

(b) The price at which an order or quote is executed is binding even if the System sent an erroneous report, or no report, regarding the execution. A report is not be binding if an order or quote did not execute but the System erroneously reported it as executed.

*[formerly Rule 6.16 – Adopted December 10, 2009; Amended June 29, 2016 (SR-C2-2016-010)]*

### **Rule 6.27. Reporting of Matched Trades to Clearing Corporation**

On each business day at or prior to a time prescribed by the Clearing Corporation, the Exchange submits to the Clearing Corporation a report of each Clearing Trading Permit Holder's trades matched in accordance with the Rules. The Exchange assumes no responsibility with respect to any unmatched trade nor for any delays or errors in the reporting to it of trade information. The Exchange may delegate its responsibility in respect of trade matching to the Clearing Corporation or other facility, in which case Clearing Trading Permit Holders must abide by the procedures established by the Clearing Corporation or other facility in the filing of trade information, the reconciliation of unmatched trades, and other actions pertinent to trade comparison.

*[formerly Rule 6.31 – Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]*

### **Rule 6.28. Transaction Reports; Users' Identities**

(a) The System sends to a User aggregated and individual transaction reports for the User's transactions, which reports include transaction details; the contra party's EFID, clearing Trading Permit Holder account number, and Capacity; and the name of any away exchange if an order was routed for execution.

(b) The Exchange reveals a User's identity (1) when a registered clearing agency ceases to act for a participant, or the User's Clearing Trading Permit Holder, and the registered clearing agency determines not to guarantee the settlement of the User's trades, or (2) for regulatory purposes or to comply with an order of an arbitrator or court.

*[Adopted May 14, 2018 (SR-C2-2018-005)]*

### **Rule 6.29. Nullification and Adjustment of Options Transactions Including Obvious Errors**

The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. However, the determination as to whether a trade was executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust

must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 8:30 a.m. on the first trading day following execution. It is considered conduct inconsistent with just and equitable principles of trade for any participant to use the mutual adjustment process to circumvent any applicable Rule or the Exchange Act.

(a) *Definitions.*

(1) *Customer.* For purposes of this Rule, a Customer will not include any broker-dealer, Professional Customer, or Voluntary Professional Customer.

(2) *Erroneous Sell/Buy Transactions.* For purposes of this Rule, an “erroneous sell transaction” is one in which the price received by the person selling the option is erroneously low, and an “erroneous buy transaction” is one in which the price paid by the person purchasing the option is erroneously high.

(3) *Official.* For purposes of this Rule, an Official is an Officer of the Exchange or another employee designee of the Exchange that is trained in the application of this Rule.

(4) *Size Adjustment Modifier.* For purposes of this Rule, the Size Adjustment Modifier will be applied to individual transactions as follows:

<b>Number of Contracts per Execution</b>	<b>Adjustment – TP Plus/Minus</b>
1 – 50	N/A
51 – 250	2 times adjustment amount
251 – 1000	2.5 times adjustment amount
1001 or more	3 times adjustment amount

(b) *Theoretical Price.* Upon receipt of a request for review and prior to any review of a transaction execution price, the “Theoretical Price” for the option must be determined. For purposes of this Rule, if the applicable option series is traded on at least one other options exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in question with respect to an erroneous sell transaction or the last NBO just prior to the trade in question with respect to an erroneous buy transaction unless one of the exceptions in subparagraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior to the trade in question would be the last NBB and last NBO just prior to the Exchange’s receipt of the order. The Exchange will rely on this paragraph (b) and Interpretation and Policy .08 of this Rule when determining Theoretical Price.

(1) *Transactions at the Open.* For a transaction occurring as part of the Opening Process (as defined in Rule 6.11), the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in subparagraph (b)(3) below. If the bid/ask differential is less

than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

(2) *No Valid Quotes*. The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are:

(A) all quotes in the applicable option series published at a time where the last NBB is higher than the last NBO in such series (a “crossed market”);

(B) quotes published by the Exchange that were submitted by either party to the transaction in question;

(C) quotes published by another options exchange if either party to the transaction in question submitted the quotes in the series representing such options exchange’s best bid or offer, provided that the Exchange will only consider quotes invalid on other options exchanges in up to twenty-five (25) total options series that the party identifies to the Exchange the quotes which were submitted by such party and published by other options exchanges; and

(D) quotes published by another options exchange against which the Exchange has declared self-help.

(3) *Wide Quotes*. The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction, then the Theoretical Price of an option series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

<b>Bid Price at Time of Trade</b>	<b>Minimum Amount</b>
Below \$2.00	\$0.75
\$2.00 to \$5.00	\$1.25
Above \$5.00 to \$10.00	\$1.50
Above \$10.00 to \$20.00	\$2.50
Above \$20.00 to \$50.00	\$3.00
Above \$50.00 to \$100.00	\$4.50
Above \$100.00	\$6.00

(c) *Obvious Errors*.

(1) *Definition*. For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

<b>Theoretical Price</b>	<b>Minimum Amount</b>
Below \$2.00	\$0.25
\$2.00 to \$5.00	\$0.40
Above \$5.00 to \$10.00	\$0.50
Above \$10.00 to \$20.00	\$0.80
Above \$20.00 to \$50.00	\$1.00
Above \$50.00 to \$100.00	\$1.50
Above \$100.00	\$2.00

(2) *Time Deadline.* A party that believes that it participated in a transaction that was the result of an Obvious Error must notify the Trade Desk in the manner specified from time to time by the Exchange in a circular distributed to Trading Permit Holders. This notification must be received by the Trade Desk within the timeframes specified below:

(A) *Customer Orders.* For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to subparagraph (C) below.

(B) *“Non-Customer” Orders.* For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to subparagraph (C) below.

(C) *Linkage Trades.* Any other options exchange will have a total of forty-five (45) minutes for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange (“linkage trades”). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades will only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (*i.e.*, within 30 minutes if a Customer order or 15 minutes if a non-Customer order).

(3) *Official Acting on Own Motion.* An Official may review a transaction believed to be erroneous on his/her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Official that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of subparagraph (c)(2) above do not apply. The Official will



act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event will the Official act later than 8:30 a.m. on the next trading day following the date of the transaction in question. Transactions adjusted or nullified under this provision cannot be reviewed by an Obvious Error Panel under paragraph (k) but can be appealed in accordance with paragraph (m) below; however, a determination by an Official not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Official's own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.

(4) *Adjust or Bust.* If it is determined that an Obvious Error has occurred, the Exchange will take one of the actions listed below. Upon taking final action, the Exchange will promptly notify both parties to the trade electronically or via telephone.

(A) *Non-Customer Transactions.* Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in subparagraph (a)(4) above.

<b>Theoretical Price (TP)</b>	<b>Buy Transaction Adjustment – TP Plus</b>	<b>Sell Transaction Adjustment – TP Minus</b>
Below \$3.00	\$0.15	\$0.15
At or above \$3.00	\$0.30	\$0.30

(B) *Customer Transactions.* Where at least one party to the Obvious Error is a Customer, the trade will be nullified, subject to subparagraph (C) below.

(C) If any Trading Permit Holder submits requests to the Exchange for review of transactions pursuant to this Rule, and in aggregate that Trading Permit Holder has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria set forth in subparagraph (A) above to such transactions.

(d) *Catastrophic Errors.*

(1) *Definition.* For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

<b>Theoretical Price</b>	<b>Minimum Amount</b>
Below \$2.00	\$0.50
\$2.00 to \$5.00	\$1.00
Above \$5.00 to \$10.00	\$1.50
Above \$10.00 to \$20.00	\$2.00
Above \$20.00 to \$50.00	\$2.50
Above \$50.00 to \$100.00	\$3.00
Above \$100.00	\$4.00

(2) *Time Deadline.* A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify the Trade Desk in the manner specified from time to time by the Exchange. Such notification must be received by the Trade Desk by 8:30 a.m. on the first trading day following the execution. For transactions in an expiring options series that take place on an expiration day, a party must notify the Trade Desk within 45 minutes after the close of trading that same day. Relief will not be granted under paragraph (d) if an Obvious Error Panel has previously rendered a decision with respect to the transaction(s) in question.

(3) *Adjust or Bust.* If an Official determines that a Catastrophic Error has not occurred, the Trading Permit Holder will be subject to a charge of \$5,000. If it is determined that a Catastrophic Error has occurred, the Exchange will take action as set forth below. Upon taking final action, the Exchange will promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this subparagraph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer's limit price.

<b>Theoretical Price (TP)</b>	<b>Buy Transaction Adjustment – TP Plus</b>	<b>Sell Transaction Adjustment – TP Minus</b>
Below \$2.00	\$0.50	\$0.50
\$2.00 to \$5.00	\$1.00	\$1.00
Above \$5.00 to \$10.00	\$1.50	\$1.50
Above \$10.00 to \$20.00	\$2.00	\$2.00
Above \$20.00 to \$50.00	\$2.50	\$2.50
Above \$50.00 to \$100.00	\$3.00	\$3.00
Above \$100.00	\$4.00	\$4.00

(e) *Significant Market Events.*

(1) *Definition.* For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal to 150% and 75% or more of at least one category is reached, provided that no single category can contribute more than 100% to the sum and any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

(A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of \$30,000,000, where the Worst-Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:

(i) \$0.30 (*i.e.*, the largest Transaction Adjustment value listed in subparagraph (e)(3)(A) below); times

(ii) the contract multiplier for each traded contract; times

(iii) the number of contracts of each trades; times

(iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in subparagraph (e)(3)(A) below.

(B) Transactions involving 500,000 options contracts are potentially erroneous;

(C) Transactions with a notional value (*i.e.*, number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of \$100,000,000 are potentially erroneous; and

(D) 10,000 transactions are potentially erroneous.

(2) *Coordination with Other Options Exchanges.* To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange will initiate a coordinated review of potentially erroneous transactions with all other affected options exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.

(3) *Adjust or Bust*. If it is determined that a Significant Market Event has occurred, then, using the parameters agreed as set forth in subparagraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange will take one of the actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to subparagraph (c)(1) above. Upon taking final action, the Exchange will promptly notify both parties to the trade electronically or via telephone.

(A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in subparagraph (a)(4) above.

<b>Theoretical Price (TP)</b>	<b>Buy Transaction Adjustment – TP Plus</b>	<b>Sell Transaction Adjustment – TP Minus</b>
Below \$3.00	\$0.15	\$0.15
At or above \$3.00	\$0.30	\$0.30

(B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price.

(4) *Nullification of Transactions*. If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those transactions subject to nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(5) *Final Rulings*. With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.

(f) *Trading Halts*. The Exchange will nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Rule 6.32.

(g) *Erroneous Print in Underlying*. A trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market will be adjusted or busted as set forth in subparagraph (c)(4) above, provided a party notifies the

Trade Desk in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) means any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify the Trade Desk within the timeframes set forth in subparagraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market's notification.

(h) *Erroneous Quote in Underlying.* A trade resulting from an erroneous quote(s) in the underlying security will be adjusted or busted as set forth in subparagraph (c)(4) of this Rule, provided a party notifies the Trade Desk in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least \$1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width will be determined by adding the quote widths of sample quotations at regular 15-second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph, it must notify the Trade Desk in accordance with subparagraph (c)(2) above.

(i) *Stop (and Stop-Limit) Order Trades Triggered by Erroneous Trades.* Transactions resulting from the triggering of a Stop or Stop-Limit order by an erroneous trade in an option contract will be nullified by the Exchange, provided a party notifies the Trade Desk in a timely manner as set forth below. If a party believes that it participated in an erroneous transaction pursuant to this paragraph, it must notify the Trade Desk within the timeframes set forth in subparagraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification of the nullification of transaction(s) that triggered the Stop or Stop-Limit order.

(j) *Linkage Trades.* If the Exchange routes an order pursuant to the Intermarket Options Linkage Plan that results in a transaction on another options exchange (a "Linkage Trade") and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.

(k) *Obvious Error Panel.*

(1) *Composition.* An Obvious Error Panel will be comprised of representatives from four (4) Trading Permit Holders. Two (2) of the representatives must be directly engaged in market-making activity and two (2) of the representatives must be employed by non-Market-Maker Trading Permit Holders.

(2) *Scope of Review.* If a party affected by a determination made under paragraph (c) above so requests within the time permitted in subparagraph (k)(3) below, an Obvious Error Panel will review decisions made under this Rule, including whether an obvious error occurred, whether the correct Theoretical Price was used, and whether the correct adjustment was made at the correct price. A party may also request that the Obvious Error Panel provide relief as required in this Rule in cases where the party failed to provide the notification required in subparagraph (c)(2) above and an extension was not granted, but unusual circumstances must merit special consideration. A party cannot request review by an Obvious Error Panel of determinations by a C2 Official made pursuant to subparagraph (c)(3) above.

(3) *Procedure for Requesting Review.* A request for review must be made in writing within thirty (30) minutes after a party receives notification of a determination under paragraph (c) above, except that if notification is made after 3:30 p.m., either party has until 9:30 a.m. the next trading day to request review. The Obvious Error Panel will review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made the next trade day.

(4) *Panel Decision.* The Obvious Error Panel may overturn or modify an action taken under this Rule upon agreement by a majority of the Panel representatives. All determinations by the Obvious Error Panel may be appealed in accordance with paragraph (m) below.

(1) *Catastrophic Error Panel.*

(1) *Composition.* A Catastrophic Error Panel will be comprised of representatives from four (4) Trading Permit Holders. Two (2) of the representatives must be directly engaged in market-making activity and two (2) of the representatives must be employed by non-Market-Maker Trading Permit Holders.

(2) *Scope of Review.* If a party affected by a determination made under paragraph (d) above so requests within the time permitted in subparagraph (l)(3) below, a Catastrophic Error Panel will review decisions made under this Rule, including whether a catastrophic error occurred, whether the correct Theoretical Price was used, and whether the correct adjustment was made at the correct price.

(3) *Procedure for Requesting Review.* A request for review must be made in writing within thirty (30) minutes after a party receives notification of a determination under paragraph (d) above, except that if notification is made after 3:30 p.m., either party has until 9:30 a.m. the next trading day to request review. The Catastrophic Error Panel will review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made the next trade day.

(4) *Panel Decision.* The Catastrophic Error Panel may overturn or modify an action taken under this Rule upon agreement by a majority of the Panel representatives. All

determinations by the Catastrophic Error Panel may be appealed in accordance with paragraph (m) below.

(m) *Review.* Subject to the limitations contained in subparagraph (c)(3) above, a Trading Permit Holder affected by a determination made under this Rule may appeal such determination, in accordance with Chapter 19 of the Exchange's rules. For purposes of this Rule, a Trading Permit Holder must be aggrieved as described in Rule 19.1. Notwithstanding any provision in Rule 19.2 to the contrary, a request for review must be made in writing (in a form and manner prescribed by the Exchange) no later than the close of trading on the next trade date after the Trading Permit Holder receives notification of such determination from the Exchange.

***...Interpretations and Policies:***

**.01** Limit Up-Limit Down State. The following policy (Rule 6.29.01) will be in effect during a pilot period to coincide with the pilot period for the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 if Regulation NMS under the Act (the "Plan"), including any extensions to the pilot period for the Plan. An execution will not be subject to review as an Obvious Error or Catastrophic Error pursuant to paragraph (c) or (d) of this Rule if it occurred while the underlying security was in a "Limit State" or "Straddle State," as defined in the Plan. Nothing in this provision will prevent such execution from being reviewed on an Official's own motion pursuant to subparagraph (c)(3) of this Rule, or a bust or adjust pursuant to paragraphs (e) through (j) and Interpretation .06 of this Rule.

**.02** For the purposes of Rule 6.29, to the extent the provisions of Rule 6.29 would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

**.03** To qualify as a representative of a non-Market-Maker Trading Permit Holder on an Obvious Error Panel or Catastrophic Error Panel, a person must (a) be employed by a Trading Permit Holder whose revenues from options market making activity do not exceed ten percent (10%) of its total revenues; or (b) have as his or her primary responsibility the handling of Public Customer orders or supervisory responsibility over persons with such responsibility, and not have any responsibilities with respect to market making activities.

**.04** The Exchange will designate at least ten (10) Market-Maker representatives and at least ten (10) non-Market-Maker representatives to be called upon to serve on Obvious Error Panels and Catastrophic Error Panels as needed. In no case will an Obvious Error Panel or Catastrophic Error Panel include a person related to a party to the trade in question. To the extent reasonably possible, the Exchange will call upon the designated representatives to participate on an Obvious Error Panel on an equally frequent basis.

**.05** Any determination made by an Official, an Obvious Error Panel, or a Catastrophic Error Panel under this Rule will be rendered without prejudice as to the rights of the parties to the transaction to submit a dispute to arbitration.

**.06** Verifiable Disruptions or Malfunctions of Exchange Systems. Electronic transactions arising out of a “verifiable disruption or malfunction” in the use of operation of any Exchange automated quotation, dissemination, execution, or communication system will either be nullified or adjusted by an Official. Transactions that qualify for price adjustment will be adjusted to the Theoretical Price, as defined in paragraph (b) of Rule 6.29.

**.07** Complex Orders

(a) If a complex order executes against individual legs and at least one of the legs qualifies as an Obvious Error under subparagraph (c)(1) of Rule 6.29 or a Catastrophic Error under subparagraph (d)(1) of Rule 6.29, then the leg(s) that is an Obvious or Catastrophic Error will be adjusted in accordance with subparagraph (c)(4)(A) or (d)(3) of Rule 6.29, respectively, regardless of whether one of the parties is a Customer. However, any Customer order subject to this paragraph (a) will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price on the complex order or individual leg(s). If any leg of a complex order is nullified, the entire transaction is nullified.

(b) If a complex order executes against another complex order and at least one of the legs qualifies as an Obvious Error under subparagraph (c)(1) of Rule 6.29 or a Catastrophic Error under subparagraph (d)(1) of Rule 6.29, then the leg(s) that is an Obvious or Catastrophic Error will be adjusted or busted in accordance with subparagraph (c)(4) or (d)(3) of Rule 6.29, respectively, so long as either: (1) the width of the National Spread Market for the complex order strategy just prior to the erroneous transaction was equal to or greater than the amount set forth in the wide quote table of subparagraph (b)(3) of Rule 6.29 or (2) the net execution price of the complex order is higher (lower) than the offer (bid) of the National Spread Market for the complex order strategy just prior to the erroneous transaction by an amount equal to at least the amount shown in the table in subparagraph (c)(1) of Rule 6.29. If any leg of a complex order is nullified, the entire transaction is nullified. For purposes of Rule 6.29, the National Spread Market for a complex order strategy is determined by the National Best Bid/Offer of the individual legs of the strategy.

**.08** Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine the Theoretical Price pursuant to subparagraphs (b)(1) through (3) of Rule 6.29 (*i.e.*, at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine the Theoretical Price as follows.

(a) The Exchange will request the Theoretical Price from the third-party vendor defined in paragraph (d) below (“TP Provider”) to which the Exchange and all other options exchanges have subscribed. The Exchange will apply the Theoretical Price provided by the TP Provider, except as otherwise described below.



(b) To the extent an Official of the Exchange believes that the Theoretical Price provided by the TP Provider is fundamentally incorrect and cannot be used consistent with the maintenance of a fair and orderly market, the Official will contact the TP Provider to notify the TP Provider of the reason the Official believes such Theoretical Price is inaccurate and to request a review and correction of the calculated Theoretical Price. The Exchange will also promptly provide electronic notice to other options exchanges that the TP Provider has been contacted consistent with this paragraph and include a brief explanation of the reason for the request.

(c) An Official of the Exchange may determine the Theoretical Price if the TP Provider has experienced a systems issue that has rendered its services unavailable to accurately calculate Theoretical Price and such issue cannot be corrected in a timely manner.

(d) The current TP Provider to which the Exchange and all other options exchanges have subscribed is: Cboe Livevol, LLC. Neither the Exchange, the TP Provider, nor any affiliate of the TP Provider (the TP Provider and its affiliates are referred to collectively as the “TP Provider”), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of the TP Provider pursuant to this Interpretation .08. The TP Provider does not guarantee the accuracy or completeness of the calculated Theoretical Price. The TP Provider disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such Theoretical Price. Neither the Exchange nor the TP Provider will have any liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the use of such Theoretical Price or arising out of any errors or delays in calculating such Theoretical Price.

*[formerly Rule 6.15 – Adopted December 10, 2009; Amended April 8, 2013 (SR-C2-2013-013); Amended July 3, 2013 (SR-C2-2013-024); Amended October 28, 2013 (SR-C2-2013-038); Amended April 1, 2014 (SR-C2-2014-008); Amended February 19, 2015 (SR-C2-2015-003); Amended May 7, 2015 (SR-C2-2015-012); Amended August 14, 2015 (SR-C2-2015-018); Amended October 22, 2015 (SR-C2-2015-029); Amended March 15, 2017 (SR-C2-2017-011); Amended September 30, 2017 (SR-C2-2017-024); Amended May 14, 2018 (SR-C2-2018-005)]*

### **Rule 6.30. Give Up of a Clearing Trading Permit Holder**

(a) *General.* For each transaction in which a Trading Permit Holder participates, a Trading Permit Holder must immediately give up the name of the Clearing Trading Permit Holder through which the transaction will be cleared (“give up”). The Clearing Trading Permit Holder that is given up must be a Designated Give Up or Guarantor of the Trading Permit Holder as set forth in paragraph (b) below. If a Designated Give Up determines to reject a trade in accordance with this Rule, the Guarantor for the executing Trading Permit Holder

becomes the give up on the trade, unless another Clearing Trading Permit Holder agrees to accept the trade, in accordance with paragraph (f) below.

(b) *Designated Give Ups.*

(1) *Definition of Designated Give Up.* For purposes of this Rule, a “Designated Give Up” of a Trading Permit Holder refers to a Clearing Trading Permit Holder that the Trading Permit Holder identified to the Exchange as a Clearing Trading Permit Holder that the Trading Permit Holder would like the ability to give up and that the Exchange processed as a Designated Give Up.

(2) *Definition of Guarantor.* For purposes of this Rule, a “Guarantor” of an executing Trading Permit Holder refers to a Clearing Trading Permit Holder that has issued a Letter of Guarantee or Letter of Authorization for the executing Trading Permit Holder under the Rules that is in effect at the time of the execution of the applicable trade.

(3) *Identification of Designated Give Up.* Every Trading Permit Holder (other than a Market-Maker) must identify, in a form and manner prescribed by the Exchange and in advance of giving up any Clearing Trading Permit Holder that is not a Guarantor for the Trading Permit Holder, any Designated Give Ups. A Trading Permit Holder may only give up a Clearing Trading Permit Holder that the Exchange has previously identified and processed as a Designated Give Up for that Trading Permit Holder, a Guarantor for that Trading Permit Holder, or another Clearing Trading Permit Holder that agrees to accept a trade in accordance with paragraph (f) below.

(4) *Non Market-Makers.* Any Trading Permit Holder (other than a Market-Maker) may designate, pursuant to subparagraph (b)(3) above, any Clearing Trading Permit Holder other than its Guarantor, as a Designated Give Up. The Exchange does not accept any instructions or give effect to any previous instructions from a Clearing Trading Permit Holder not to permit a Trading Permit Holder to designate the Clearing Trading Permit Holder as a Designated Give Up.

(5) *Market-Makers.* For each transaction in which a Market-Maker participates, a Guarantor of the Market-Maker must be the Clearing Trading Permit Holder through which the transaction will be cleared.

(6) *Guarantors.* A Trading Permit Holder may give up its Guarantor without any further action.

(7) *Removal of Designated Give Up.* If a Trading Permit Holder (other than a Market-Maker) no longer wants the ability to give up a particular Designated Give Up, the Trading Permit Holder must notify the Exchange, in a form and manner prescribed by the Exchange.

(c) *System*. The System only accepts orders that identify an effective Designated Give Up or a Guarantor. The System cancels or rejects any order entered by a Trading Permit Holder that designates a give up that is not at the time a Designated Give Up or Guarantor of the Trading Permit Holder.

(d) *Notice to Clearing Trading Permit Holder*. The Exchange notifies a Clearing Trading Permit Holder, in writing and as soon as practicable, of each Trading Permit Holder that has identified the Clearing Trading Permit Holder as a Designated Give Up pursuant to subparagraph (b)(3) above.

(e) *Acceptance of a Trade*.

(1) *Designated Give Ups*. A Designated Give Up may determine in accordance with the provisions of this Rule not to accept a trade for which its name was given up if it believes in good faith that it has a valid reason not to accept the trade and follows the procedures set forth in paragraph (f) below.

(2) *Guarantors*. A Guarantor must accept a trade for which its name was given up in relation to a Trading Permit Holder (other than a Market-Maker) for which it is a Guarantor unless (A) another Clearing Trading Permit Holder agrees to be the give up on the subject trade, (B) the Clearing Trading Permit Holder has first notified the Exchange and the executing Trading Permit Holder in writing of its intent to accept the trade, and (C) the give up is changed to the Clearing Trading Permit Holder that has agreed to accept the trade in accordance with the procedures in paragraph (f) below. A Guarantor for a Trading Permit Holder that is a Market-Maker must accept a trade for which its name was given up in relation to a Market-Maker trade by that Trading Permit Holder.

(f) *Procedures to Reject a Trade*. In the event a Designated Give Up determines to reject a trade, the following procedures apply:

(1) *Notification to Trading Permit Holder*. If a Designated Give Up decides to reject a trade, it must notify the executing Trading Permit Holder or its designated agent as soon as possible and should attempt to resolve the disputed give up. The notification must be in writing. A Designated Give Up may contact the Exchange and request the identity and contact information of the executing Trading Permit Holder or its designated agent for any trade it intends to reject.

(2) *Change of Give Up Made On Trade Date*. A Designated Give Up may, following notification to the Trading Permit Holder pursuant to subparagraph (f)(1), contact the Exchange and request the ability to change the give up on the trade. Upon such a request and so long as the Exchange is able to process the request prior to the trade input cutoff time established by the Clearing Corporation (or fifteen minutes thereafter if the Exchange receives and is able to process a request to extend its time of final trade submission to the Clearing Corporation) (“Trade Date Cutoff Time”), the Exchange will provide the Designated Give Up the ability to change the

give up on the trade. The Designated Give Up can only change the give up to either (A) another Clearing Trading Permit Holder that has agreed to be the give up on the subject trade, so long as that Clearing Trading Permit Holder has first notified the Exchange and the executing Trading Permit Holder in writing of its intent to accept the trade or (B) a Guarantor for the executing Trading Permit Holder, so long as the Designated Give Up has first notified the Guarantor in writing that the Designated Give Up is changing the give up on the trade to the Guarantor. The ability to make such a change ends at the Trade Date Cutoff Time.

(3) *Change of Give Up Made On T+1.* A Designated Give Up may, following notification to the Trading Permit Holder pursuant to subparagraph (f)(1), contact the Exchange and request the ability to reject the trade on the next trading day (“T+1”). Upon such a request and so long as the Exchange is able to process the request prior to 1:00 p.m. on T+1 (“T+1 Cutoff Time”), the Exchange will provide the Designated Give Up the ability to enter trade records into the Exchange’s systems that would effect a transfer of the trade to another Clearing Trading Permit Holder. The Designated Give Up can only transfer the trade to either (A) another Clearing Trading Permit Holder that has agreed to be the give up on the subject trade so long as that Clearing Trading Permit Holder has first notified the Exchange and executing Trading Permit Holder in writing of its intent to accept the trade or (B) a Guarantor for the executing Trading Permit Holder, so long as the Designated Give Up has first notified the Guarantor in writing that the Designated Give Up is transferring the give up on the trade to the Guarantor. The ability to make such a change ends at the T+1 Cutoff Time.

(4) *Expiring Options Series.* For transactions in an expiring options series that take place on the last trading day prior to its expiration, no changes can be made to the give up on T+1. A Designated Give Up may only reject these transactions on the trade date until the Trade Date Cutoff Time in accordance with subparagraph (f)(2) above.

(5) *Notification of Change.* A Designated Give Up that changes the give up on a trade must immediately thereafter notify, in writing, the Exchange, the Clearing Trading Permit Holder given up, and all parties to the trade of the change.

(g) *Other Give Up Changes.*

(1) *Give Up Changes Made by Executing Trading Permit Holders.* If the executing Trading Permit Holder has the ability through an Exchange system to do so, the Trading Permit Holder may change the give up on the trade to another Designated Give Up or to its Guarantor. The ability of an executing Trading Permit Holder to make any give up change ends at the Trade Date Cutoff Time.

(2) *Give Up Changes Made by Designated Give Ups to Affiliates and Back Office Agents.* If a Designated Give Up has the ability through an Exchange system to do so, the Designated Give Up may change the give up on a trade to (A) another

Clearing Trading Permit Holder affiliated with the Designated Give Up or (B) a Clearing Trading Permit Holder that is a back office agent for the Designated Give Up. The ability to make such a change ends at the Trade Date Cutoff Time. The procedures in paragraph (f) above do not apply to give up changes made pursuant to this subparagraph (g)(2).

(3) *Give Up Changes Made by Designated Give Ups or Guarantors and Clearing Trading Permit Holders on T+1.* If a Designated Give Up (or Guarantor) and a Clearing Trading Permit Holder have the ability through an Exchange system to do so, the Designated Give Up (or Guarantor) and Clearing Trading Permit Holder may each enter trade records into the Exchange's systems on T+1 that would effect a transfer of the trade in a non-expired option series from that Designated Give Up (or Guarantor) to that Clearing Trading Permit Holder. The ability to make such a change ends at the T+1 Cutoff Time. The Designated Give Up (or Guarantor) must notify the Exchange and all the parties to the trade, in writing, of any such change. The procedures in paragraph (f) above do not apply to give up changes made pursuant to this subparagraph (g)(3).

(h) *Responsibility.* For purposes of the Rules, a Clearing Trading Permit Holder is financially responsible for all trades for which it is the give up at the Applicable Cutoff Time. Nothing in this Rule precludes a different party from being responsible for the trade outside of the Rules pursuant to the Rules of the Clearing Corporation, any agreement between the applicable parties, other applicable rules and regulations, arbitration, court proceedings, or otherwise. In processing the request to provide a Designated Give Up the ability to change the give up or to reject a trade pursuant to this Rule, the Exchange will not, and has no obligation to, consider whether the Designated Give Up or any other party has satisfied the requirements of this Rule or any other Rule, including in relation to having a good faith belief that the Designated Give Up has a valid reason not to accept a trade or having notified the executing Trading Permit Holder and attempted to resolve the disputed give up prior to changing the give up or rejecting the trade. This Rule does not preclude these factors from being considered in a different forum such as is noted in the preceding sentence or by the Exchange for regulatory and disciplinary purposes. The Exchange's action to process a request to provide a Designated Give Up or Guarantor the ability to change the give up pursuant to this Rule will not be subject to review, but a Clearing Trading Permit Holder that violates the provisions of this Rule in taking such an action will be subject to discipline in accordance with the Rules. For purposes of this Rule, the "Applicable Cutoff Time" refers to the T+1 Cutoff Time for non-expiring option series and to the Trade Date Cutoff Time for expiring option series.

**... Interpretations and Policies:**

**.01** Nothing in Rule 6.30 precludes the clearance of Exchange transactions by a non-Trading Permit Holder pursuant to the Rules of the Clearing Corporation so long as a Clearing Trading Permit Holder is also designated as having responsibility under these Rules for the clearance and comparison of such transactions.

[Adopted December 10, 2009; Amended January 9, 2017 (SR-C2-2017-004); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.31. Clearing Editor**

(a) The Clearing Editor allows Trading Permit Holders to update executed trades on their trading date and revise them for clearing. The Clearing Editor may be used to correct certain bona fide errors.

(b) Trading Permit Holders may change the following fields through the Clearing Editor: (1) Executing Firm and Contra Firm; (2) Executing Broker and Contra Broker; (3) CMTA; (4) Account and Sub Account; (5) Customer ID; (6) Position Effect (open/close); or (7) Capacity.

(c) Changes related to the Designated Give Up through the use of Clearing Editor are governed by Rule 6.30.

#### ***... Interpretations and Policies:***

.01 Any actions the Exchange takes pursuant to this Rule 6.31 do not constitute a determination by the Exchange that a transaction was effected in conformity with the requirements of the Rules. Any improper change a Trading Permit Holder makes through Clearing Editor will be processed and given effect, but would be subject to appropriate disciplinary action in accordance with the Rules. In addition, nothing in this Rule is intended to define or limit the Exchange's ability to sanction or take other remedial action against a Trading Permit Holder pursuant to other Rules for rule violations or other activity for which the Exchange may impose remedial measures.

[Adopted May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.32. Trading Halts**

(a) The Exchange may halt trading in any class in the interests of a fair and orderly market. The Trade Desk, in consultation with a designated senior executive officer of the Exchange, may halt trading in any security in the interests of a fair and orderly market for a period exceeding two consecutive business days. Any trading halt that lasts more than two consecutive business days is reviewed by the President or his/her designee, who may determine whether, in the interests of a fair and orderly market, to terminate or modify any such trading halt that is then still in effect. When considering whether to halt trading in a class, the Exchange considers the following factors, among others:

- (1) in the case of an option on a security, trading in the underlying security has been halted or suspended in one or more of the markets trading the underlying security;

generally, trading will be halted when a Regulatory Halt in the underlying security has occurred in the primary market for that security;

(2) in the case of an option on a security, the opening of the underlying security has been delayed because of unusual circumstances;

(3) occurrence of an act of God or other event outside the Exchange's control;

(4) occurrence of a System technical failure or failures including, but not limited to, the failure of a part of the central processing system, a number of Trading Permit Holder trading applications, or the electrical power supply to the System itself or any related system; or

(5) other unusual conditions or circumstances are present.

(b) If the Exchange determines to halt trading, all trading in the effected class(es) is halted. For non-Regulatory Halts, the System cancels all orders in the class(es). For Regulatory Halts, the System queues a User's open orders pursuant to Rule 6.11(b) unless a User entered instructions to cancel its orders. C2 disseminates through its trading facilities and over OPRA a symbol with respect to the class(es) indicating that trading in the class(es) has been halted. The Exchange makes available to vendors a record of the time and duration of the halt.

(c) No Trading Permit Holder or person associated with a Trading Permit Holder may effect a trade on the Exchange in any class during the time in which a halt is in effect for the class. The Exchange will nullify any transaction in a class that occurs during a trading halt of that class or, with respect to equity options (including options overlying ETFs), during a Regulatory Halt as declared by the primary listing market for the underlying security.

(d) The Exchange may determine to resume trading in a class that has been the subject of a halt pursuant to this Rule if the interests of a fair and orderly market are best served by a resumption of trading. When considering whether to resume trading in a class, the Exchange will consider, among other factors, whether the conditions which led to the halt are no longer present.

***... Interpretations and Policies:***

**.01** The Exchange will halt trading in all stock options whenever a market-wide trading halt commonly known as a circuit breaker is initiated in response to extraordinary market conditions. This Rule will be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility. If the pilot is not either extended or approved permanently at the end of the pilot period, the prior version of Rule 6.32 will be in effect.

(a) The Exchange will halt trading in all stock options and not reopen for the time periods specified in this Rule if there is a Level 1, 2, or 3 Market Decline. For purposes of this Rule:

(1) A “Market Decline” means a decline in price of the S&P 500 Index between 9:30 a.m. and 4:00 p.m. on a trading day as compared to the closing price of the S&P 500 Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 9:30 a.m.

(2) A “Level 1 Market Decline” means a Market Decline of 7%.

(3) A “Level 2 Market Decline” means a Market Decline of 13%.

(4) A “Level 3 Market Decline” means a Market Decline of 20%.

*(b) Halts in Trading.*

(1) If a Level 1 or Level 2 Market Decline occurs after 9:30 a.m. and up to and including 3:25 p.m. or, in the case of an early scheduled close, 12:25 p.m., the Exchange will halt trading in all stock options for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange will halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 or Level 2 Market Decline occurs after 3:25 p.m. or, in the case of an early scheduled close, 12:25 p.m.

(2) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange will halt trading in all stock options until the next trading day.

*(c) Reopening of Trading.*

(1) Following a trading halt, a class will reopen for trading in accordance with Rule 6.11.

(2) If a circuit breaker is initiated in all stocks due to a Level 1 or Level 2 Market Decline:

(A) The Exchange will halt trading in each class of options on those stocks until trading has resumed on the primary listing market for the stocks or notice has been received from the primary listing market that trading may resume. If, however, trading has not resumed on the primary listing market for a stock within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in the options if at least one market has resumed trading in the stock.

(B) The Exchange will halt trading in all other stock options not specified in subparagraph (1) above. The Exchange may resume trading in such other stock options anytime after the 15-minute halt period.



(d) Nothing in this Rule will be construed to limit the ability of the Exchange to halt or suspend trading in any class traded on the Exchange pursuant to any other Exchange Rule or policy.

.02 If a primary listing market issues an individual stock trading pause in an underlying eligible NMS stock, as defined in this Rule, the Exchange will halt trading in options on that stock until trading has resumed on the primary listing market for the stock, which generally will occur after a period of five minutes. If, however, trading has not resumed on the primary listing market for the stock after ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in the options if at least one market has resumed trading in the stock.

(a) Upon receipt of a trading pause message from the single plan processor responsible for consolidation of information for the stock, the Exchange will automatically implement a trading halt in the overlying options traded on the Exchange.

(b) During the halt, the Exchange will maintain existing orders in the Book, accept orders, and process cancels.

(c) Following a trading halt, a class will reopen for trading in accordance with Rule 6.1.

(d) Nothing in this Rule will be construed to limit the ability of the Exchange to halt or suspend trading in any class traded on the Exchange pursuant to any other Exchange Rule or policy.

(e) The provisions of this Rule will be in effect for options on eligible NMS stocks. The term “eligible NMS stocks” means NMS stocks, other than rights and warrants.

[Adopted December 10, 2009; Amended September 30, 2010 (SR-C2-2010-004); Amended August 31, 2011 (SR-C2-2011-019); Amended November 23, 2011 (SR-C2-2011-036); Amended May 31, 2012 (SR-C2-2011-024); Amended July 30, 2013 (SR-C2-2013-027); Amended May 7, 2015 (SR-C2-2015-012); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.33. Authority to Take Action Under Emergency Conditions**

The Chief Executive Officer, the President (or his or her senior-level designee) has the power to halt or suspend trading in some or all securities traded on the Exchange, to close some or all Exchange facilities, to determine the duration of any such halt, suspension, or closing, to take one or more of the actions permitted to be taken by any person or body of the Exchange under the Rules, or to take any other action deemed to be necessary or appropriate for the maintenance of a fair and orderly market or the protection of investors, or otherwise in the public interest, due to emergency conditions or extraordinary circumstances, such as (a) actual or threatened physical danger, severe climatic conditions,

natural disaster, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by the Exchange, (b) a request by a governmental agency or official, or (c) a period of mourning or recognition for a person or event.

[Adopted December 10, 2009; Amended July 12, 2016 (SR-C2-2016-005); Amended May 14, 2018 (SR-C2-2018-005)]

#### **Rule 6.34. Disaster Recovery**

(a) The Exchange maintains business continuity and disaster recovery plans, including backup systems, it may activate to maintain fair and orderly markets in the event of a systems failure, disaster, or other unusual circumstance that may threaten the ability to conduct business on the Exchange.

(b) Trading Permit Holders that contribute a meaningful percentage of the Exchange's overall volume must connect to the Exchange's backup systems and participate in functional and performance testing as announced by the Exchange, which occurs at least once every 12 months. The Exchange has established the following standards to identify Trading Permit Holders that account for a meaningful percentage of the Exchange's overall volume and, taken as a whole, that constitute the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of business continuity and disaster recovery plans:

(1) The Exchange determines the percentage of volume it considers to be meaningful for purposes of this Rule.

(2) The Exchange measures volume executed on the Exchange on a quarterly basis. The Exchange also individually notifies all Trading Permit Holders quarterly that are subject to this paragraph (b) based on the prior calendar quarter's volume.

(3) If a Trading Permit Holder has not previously been subject to the requirements of this paragraph (b), such Trading Permit Holder has until the next calendar quarter before such requirements are applicable.

(c) All Trading Permit Holders may connect to the Exchange's backup systems and participate in testing of such systems.

[*formerly Rule 6.45* – Adopted July 5, 2012 (SR-C2-2012-011); Amended October 28, 2015 (SR-C2-2015-030); Amended October 20, 2017 (SR-C2-2017-025)]

#### **Rule 6.35. Message Traffic Mitigation**

To mitigate message traffic, based on C2's traffic with respect to target traffic levels and in accordance with C2's overall objective of reducing both peak and overall traffic:

(a) *Replace on Queue*. The System does not send an outbound message in a series that has not been but is about to be sent if a more current quote message for the same series is available for sending, but does not delay the sending of any messages.

(b) *Price/Size Updates*. C2 prioritizes price update messages over size update messages in all series and in conjunction with the replace on queue functionality described in paragraph (a).

[Adopted May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.39. Equity Market Plan to Address Extraordinary Market Volatility**

This Rule will be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility (the “Limit Up-Limit Down Plan” or the “Plan”).

The Exchange will modify option order processing during a limit up-limit down state. For purposes of this rule, a “limit up-limit down state” means the period of time when the underlying security of an option enters a limit or straddle state as defined in the Plan.

(a) *Exchange Order Types*. The following order types will be handled specially during a limit up-limit down state: market orders and stop orders. Refer to Rule 6.12 for a description of how these orders will be handled during a limit up-limit down state.

(b) *Order Handling*. The following order handling features will operate differently during a limit up-limit down state:

(1) *Openings*. Refer to Rule 6.11 for a description of how the Opening Process will operate during a limit up-limit down state.

(2) *Complex Order Request for Responses Auction*. Refer to Rule 6.13 for a description of how a COA will operate during a limit up-limit down state.

(3) *Canceling/Replacing Orders*. If a request to replace a limit order with a market order is received while the underlying security is in a limit up-limit down state, then the market order and the original limit order will be returned.

(c) *Obvious Error*. Refer to Rule 6.36 for a description of how the Exchange will handle potential obvious error executions during a limit up-limit down state.

(d) *Market-Maker Quoting Obligations*. Subject to certain limitations specified in Rule 8.6, the Exchange will not require Market-Makers to quote in series of options when the underlying security is in a limit up-limit down state.

[Adopted April 8, 2013 (SR-C2-2013-013); Amended May 14, 2018 (SR-C2-2018-005)]

## **Rule 6.42. Disclaimers and Limitations**

(a) Neither the Exchange nor any of its directors, officers, committee members, other officials, employees, contractors, or agents, nor any subsidiaries or affiliates of the Exchange or any of their directors, officers, committee members, other officials, employees, contractors, or agents (“Covered Persons”) will be liable to Trading Permit Holders or to persons associated therewith for any loss, expense, damages, or claims that arise out of the use or enjoyment of the facilities afforded by the Exchange, any interruption in or failure or unavailability of any such facilities, or any action taken or omitted to be taken in respect to the business of the Exchange except to the extent such loss, expense, damages, or claims are attributable to the willful misconduct, gross negligence, bad faith, or fraudulent or criminal acts of the Exchange or its officers, employees, or agents acting within the scope of their authority. Without limiting the generality of the foregoing, and subject to the same exception, no Covered Person will have any liability to any person or entity for any loss, expense, damages, or claims that result from any error, omission, or delay in calculating or disseminating any current or closing index value, any current or closing value of interest rate options, or any reports of transactions in or quotations for options or other securities, including underlying securities. The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use or enjoyment of the facilities afforded by the Exchange, including without limitation, of any data transmitted or disseminated by or on behalf of the Exchange or any reporting authority designated by the Exchange, including but not limited to any data described in the preceding sentence, and the Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data. The foregoing limitations of liability and disclaimers are in addition to, and not in limitation of, the provisions of Article Eighth of the Exchange’s Certificate of Incorporation or any limitations otherwise available under law.

(b) Whenever custody of an unexecuted order or quote is transmitted by a Trading Permit Holder to or through the System or to any other facility of the Exchange whereby the Exchange assumes responsibility for the transmission or execution of the order or quote, provided that the Exchange has acknowledged receipt of such order or quote, the Exchange may, in its sole discretion, compensate one or more Trading Permit Holders for their losses alleged to have resulted from the failure to process an order or quote correctly due to the acts or omissions of the Exchange or due to the failure of its systems or facilities (each, a “Loss Event”), subject to the following limits:

(1) As to any one or more requests for compensation made by a single Trading Permit Holder that arose out of one or more Loss Events occurring on a single trading day, the Exchange may compensate the Trading Permit Holder up to but not exceeding the larger of \$100,000 or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;

(2) As to the aggregate of all requests for compensation made by all Trading Permit Holders that arose out of one or more Loss Events occurring on a single trading day, the Exchange may compensate the Trading Permit Holders, in the aggregate, up to but not exceeding the larger of \$250,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;

(3) As to the aggregate of all requests for compensation made by all Trading Permit Holders that arose out of one or more Loss Events occurring during a single calendar month, the Exchange may compensate the Trading Permit Holders, in the aggregate, up to but not exceeding the larger of \$500,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

A Trading Permit Holder may not make a request for compensation under this Rule for less than \$100. Losses incurred on the same trading day and arising out of the same underlying act or omission of the Exchange or failure of the Exchange's systems or facilities may be aggregated to meet the \$100 minimum. Nothing in this Rule will obligate the Exchange to seek recovery under any applicable insurance policy.

(c) Notice of all requests for compensation pursuant to this Rule must be in writing and must be submitted no later than 1:00 p.m. on the next business day following the Loss Event giving rise to such requests. All requests must be in writing and must be submitted along with supporting documentation by 6:00 p.m. on the third business day following the Loss Event giving rise to each such request. Additional information related to the request as demanded by the Exchange is also required to be provided. The Exchange will not consider requests for which timely notice and submission have not been provided as required under this paragraph (c).

(d) If all of the timely requests submitted pursuant to paragraph (c) above that are granted cannot be fully satisfied because in the aggregate they exceed the applicable maximum amount of payments authorized in paragraph (b) above, then such maximum amount will be allocated among all such requests arising on a single trading day or during a single calendar month, as applicable, based upon the proportion that each such request bears to the sum of all such requests.

(e) In determining whether to make payment of a request pursuant to paragraph (b) above, the Exchange may determine whether the amount requested should be reduced based on the actions or inactions of the requesting Trading Permit Holder, including, without limitation, whether the actions or inactions of the Trading Permit Holder contributed to the Loss Event; whether the Trading Permit Holder made appropriate efforts to mitigate its loss; whether the Trading Permit Holder realized any gains as a result of a Loss Event; whether the losses of the Trading Permit Holder, if any, were offset by hedges of positions either on the Exchange or on another affiliated or unaffiliated market; and whether the Trading Permit Holder provided sufficient information to document the request and as demanded by the Exchange.

(f) All determinations made pursuant to this Rule by the Exchange are final and not subject to appeal under Chapter 19 of the Rules or otherwise. Nothing in this Rule, nor any payment pursuant to this Rule, will in any way limit, waive, or proscribe any defenses a Covered Person may have to any claim, demand, liability, action, or cause of action, whether such defense arises in law or equity, or whether such defense is asserted in a judicial, administrative, or other proceeding.

(g) This Rule is effective as of July 1, 2015 (the “Effective Date”). No claim for liability under any previous version of this Rule will be valid if brought with respect to any acts, omissions or transactions occurring more than one year prior to the Effective Date of this Rule, or if brought more than one month after the Effective Date of this Rule.

[Adopted December 10, 2009; Amended June 4, 2015 (SR-C2-2015-010); Amended May 14, 2018 (SR-C2-2018-005)]

#### **Rule 6.43. Limitation on the Liability of Index Licensors for Options on Units**

(a) The term “index licensor” as used in this Rule refers to any entity that grants the Exchange a license to use one or more indexes or portfolios in connection with the trading of options on Units (as defined in Rule 5.3.06).

(b) No index licensor with respect to any index pertaining to Units underlying an option traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index, any opening, intraday, or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Units based thereon or for any other purpose. The index licensor will obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the index licensor does not guarantee the accuracy or completeness of such index, any opening, intraday, or closing value therefor, or any data included therein or related thereto. The index licensor hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any such index, any opening, intraday, or closing value therefor, any data included therein or relating thereto, or any option contract on Units based thereon. The index licensor will have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person’s use of such index, any opening, intraday, or closing value therefor, any data included therein or relating thereto, or any option contract on Units based thereon, or arising out of any errors or delays in calculating or disseminating such index.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

#### **Rule 6.44. Legal Proceedings Against the Exchange**

No Trading Permit Holder or person associated with a Trading Permit Holder may institute a lawsuit or other legal proceeding against the Exchange or any of its directors, officers, committee members, other officials, employees, contractors, or agents, or any subsidiaries or affiliates of the Exchange or any of their directors, officers, committee members, other officials, employees, contractors, or agents, for actions taken or omitted to be taken in connection with the official business of the Exchange or any subsidiary or affiliate, except to the extent such actions or omissions constitute violations of the federal securities laws for which a private right of action exists. This provision does not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.

[Adopted December 10, 2009; Amended June 4, 2015 (SR-C2-2015-010); Amended May 14, 2018 (SR-C2-2018-005)]

## **Section D. Crossing**

### **Rule 6.50. Order Exposure Requirement**

(a) *Principal Transactions.* A Trading Permit Holder may not execute as principal against orders it represents as agent unless: (1) agency orders are first exposed on the System for at least one (1) second, or (2) the Trading Permit Holder has been bidding or offering for at least one (1) second prior to receiving an agency order that is executable against such bid or offer.

(b) *Solicitation Orders.* A Trading Permit Holder must expose orders it represents as agent for at least one (1) second before the orders may be executed on the System, in whole or in part, against orders solicited from Trading Permit Holders and non-Trading Permit Holder broker-dealers to transact with the orders.

#### ***... Interpretations and Policies:***

**.01** This Rule prevents a Trading Permit Holder from executing agency orders to increase its economic gain from trading against the order without first giving other trading interest on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Trading Permit Holder was already bidding or offering on the Book. However, the Exchange recognizes that it may be possible for a Trading Permit Holder to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It is a violation of this Rule for a Trading Permit Holder to be a party to any arrangement designed to circumvent this Rule by providing an opportunity for a customer to regularly execute against agency orders handled by the Trading Permit Holder immediately upon their entry into the System.

**.02** It is a violation of this Rule for a Trading Permit Holder to cause the execution of an order it represents as agent on C2 against orders it solicited from Trading Permit Holders

and non-Trading Permit Holder broker-dealers, whether such solicited orders are entered into C2 directly by the Trading Permit Holder or by the solicited party (either directly or through another Trading Permit Holder), if the Trading Permit Holder fails to expose orders on C2 as required by this Rule.

**.03** With respect to nondisplayed portions of Reserve orders, the exposure requirement of this Rule is satisfied if the displayed portion of the order is displayed at its displayable price for one second.

**.04** Prior to or after submitting an order to the System, a Trading Permit Holder cannot inform another Trading Permit Holder or any other third party of any of the terms of the order.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 6.51. Trading on Knowledge of Imminent Undisclosed Solicited Transaction**

It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 for any Trading Permit Holder or person associated with a Trading Permit Holder, who has knowledge of all material terms and conditions of an original order and a solicited order, including a facilitation order, that matches the original order's limit, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option of the same class as an option that is the subject of the original order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until either (a) all the terms and conditions of the original order and any changes in the terms and conditions of the original order of which that Trading Permit Holder or associated person has knowledge are disclosed to the trading crowd or (b) the solicited trade can no longer reasonably be considered imminent in view of the passage of time since the solicitation. For purposes of this Rule, an order to buy or sell a "related instrument" means, in reference to an index option, an order to buy or sell securities comprising ten percent or more of the component securities in the index or an order to buy or sell a futures contract on any economically equivalent index. With respect to an SPX option, an OEX option is a related instrument, and vice versa.

[*formerly Rule 6.55* – Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

### **Section E. Intermarket Linkage**

The rules contained in Section E of Cboe Options Chapter VI relating to the Options Order Protection and Locked/Crossed Market Plan, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. The terms "Exchange" and "Cboe Options" in Section E of Cboe Options Chapter VI mean "C2" for purposes of this Section.



[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Section F. Consolidated Audit Trail (CAT) Compliance Rule**

The rules contained in Section F of Cboe Options Chapter VI relating to the Consolidated Audit Trail (CAT) Compliance Rule, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. The terms “Exchange” and “Cboe Options” in Section F of Cboe Options Chapter VI mean “C2” for purposes of this Section.

[Adopted March 15, 2017 (SR-C2-2017-007); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 7 [Reserved]**

## **CHAPTER 8 Market-Makers**

### **Rule 8.1. Initial Market-Maker Registration**

Trading Permit Holders registered as Market-Makers have certain rights and bear certain responsibilities beyond those of other Trading Permit Holders. All Market-Makers are designated as specialists on the Exchange for all purposes under the Exchange Act.

(a) To register as a Market-Maker, a Trading Permit Holder must file an application in writing on such forms as the Exchange may prescribe. The Exchange reviews applications and considers an applicant’s market-making ability and such other factors as the Exchange deems appropriate in determining whether to approve an applicant’s registration as a Market-Maker.

(b) The registration of any Trading Permit Holder as a Market-Maker may be suspended or terminated by the Exchange upon a determination that such Trading Permit Holder has failed to properly perform as a Market-Maker.

(c) There is no limit on the number of Trading Permit Holders that may become Market-Makers unless the Exchange determines to impose a limit based on system constraints, capacity restrictions, or other factors relevant to protecting the integrity of the System. The Exchange will not impose any such limitations until it has submitted objective standards for imposing the limits to the SEC for its review and approval.

(d) A Trading Permit Holder or prospective Trading Permit Holder adversely affected by an Exchange determination under this Chapter 8, including the Exchange’s termination or suspension of a Trading Permit Holder’s registration as a Market-Maker or a Market-Maker’s appointment to a class, may obtain a review of such determination in accordance with the provisions of Chapter 19.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 8.2. Market-Maker Class Appointments**

(a) A registered Market-Maker may select class appointments to make markets in those classes.

(b) A Market-Maker may enter an appointment request via an Exchange-approved electronic interface with the Exchange’s systems by 9:00 a.m., which appointment becomes effective on the day the Market-Maker enters the appointment request.

(c) A Market-Maker’s appointment in a class confers the right of the Market-Maker to quote (using order functionality) in that class.

(d) The Exchange may limit the number of appointments a Market-Maker may have, or the number of Market-Makers that may have appointments in a class, pursuant to Rule 8.1(b).

[Adopted December 10, 2009; Amended September 30, 2010 (SR-C2-2010-004); Amended September 30, 2011 (SR-C2-2011-023); Amended June 28, 2012 (SR-C2-2012-019); Amended January 29, 2015 (SR-C2-2014-028); Amended February 10, 2016 (SR-C2-2016-002); Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 8.3. Market-Maker Class Appointment Costs**

Each Trading Permit held by a Market-Maker has an appointment credit of 1.0. A Market-Maker may select for each of its Trading Permits any combination of class appointments, whose aggregate appointment cost does not exceed 1.0, based on the class “appointment costs” set forth below:

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<b>Class</b>	<b>Appointment Cost</b>
All [options]classes	.0001

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[Adopted May 14, 2018 (SR-C2-2018-005)]

#### **Rule 8.4. Good Standing for Market-Makers**

(a) To remain in good standing as a Market-Maker, the Market-Maker must:

(1) continue to meet the requirements established in Exchange Act Rule 15c3-1(a)(6)(i), the general requirements for Trading Permit Holders set forth in Chapter 3 of the Rules, and the Market-Maker requirements set forth in Chapter 8 of the Rules.

(2) comply with the Rules as well as the Rules of the Clearing Corporation and the Federal Reserve Board; and

(3) pay on a timely basis such participation, transaction, and other fees as the Exchange prescribes.

(b) The Exchange may suspend or terminate a Trading Permit Holder's registration as a Market-Maker or a Market-Maker's appointment to a class, or otherwise withdraw the good standing of a Market-Maker as provided in the Rules, if the Market-Maker ceases to maintain any of these conditions for approval or violates any of its agreements with the Exchange or any of the provisions of the Rules.

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

#### **Rule 8.5. Obligations of Market-Makers**

(a) In registering as a Market-Maker, a Trading Permit Holder commits itself to various obligations. Transactions of a Market-Maker in its market-making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market-Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. Ordinarily, a Market-Maker must:

(1) during trading hours, maintain a continuous two-sided market in each of its appointed classes, pursuant to Rule 8.6(d);

(2) engage, to a reasonable degree under the existing circumstances, in dealings for its own accounts when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of (or demand for) a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class;

(3) compete with other Market-Makers in its appointed classes;

(4) update quotations in response to changed market conditions in its appointed classes;

(5) maintain active markets in its appointed classes; and

(6) make markets that will be honored for the number of contracts entered into the System in its appointed classes.

(b) Market-Makers should only effect purchases or sales on the Exchange in a reasonable and orderly manner.

(c) If the Exchange finds any substantial or continued failure by a Market-Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, the Market-Maker will be subject to disciplinary action or suspension or revocation of its registration as a Market-Maker or its appointment in one or more of its appointed classes. Nothing in this Rule will limit any other power of the Exchange under the Rules, or procedures of the Exchange with respect to the registration or appointment of a Market-Maker or in respect of any violation by a Market-Maker of the provisions of this Rule.

[Adopted December 10, 2009; Amended November 28, 2011 (SR-C2-2011-033); Amended July 11, 2012 (SR-C2-2012-022); Amended April 8, 2013 (SR-C2-2013-013); Amended April 9, 2013 (SR-C2-2013-008); Amended August 21, 2014 (SR-C2-2014-015); Amended May 14, 2018 (SR-C2-2018-005)]

#### **Rule 8.6. Market-Maker Quotes**

(a) *Firm Quotes.* Market-Maker bids and offers are firm for all orders under this Rule and Rule 602 of Regulation NMS under the Exchange Act (“Rule 602”) for the number of contracts specified in the bid or offer, except if:

(1) a system malfunction or other circumstance impairs the Exchange’s ability to disseminate or update market bids and offers in a timely and accurate manner;

(2) the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for the option in a manner that accurately reflects the current state of the market on the Exchange;

(3) prior to the conclusion of the Opening Process; or

(4) any of the circumstances provided in paragraph (c)(4) of Rule 602 exist.

(b) *Size.* A Market-Maker’s bid (offer) for a series must be accompanied by the number of contracts at the price of the bid (offer) the Market-Maker is willing to buy (sell). The best bid and best offer entered by a Market-Maker must have a size of at least one contract.

(c) *Two-Sided Quotes.* A Market-Maker that enters a bid (offer) on the Exchange in a series in an appointed class must enter an offer (bid).

(d) *Continuous Quotes.* A Market-Maker must enter continuous bids and offers (in accordance with the requirements in Rules 8.5 and 8.6) in series in its appointed classes on a daily basis in 60% of the series of each appointed class for 90% of the trading day.

(1) If a technical failure or limitation of the System prevents a Market-Maker from maintaining, or from communicating to the Exchange, timely and accurate quotes in a series, the Exchange does not consider the duration of such failure when determining whether that Market-Maker has satisfied the 90% quoting standard with respect to that series.

(2) This quoting obligation applies to all of a Market-Maker's appointed classes collectively. The Exchange determines compliance by a Market-Maker with the quoting obligations in this paragraph (d) 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.

(3) This obligation does not apply to adjusted series, intra-day add-on series on the day during which such series are added for trading, or series with an expiration of nine months or more. The Exchange may consider other exceptions to this obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

(4) The continuous quoting obligations set forth in this paragraph (d) (A) will be suspended during a trading halt, suspension, or pause in the underlying security, and will not recommence until after the first regular way transaction on the primary listing market in the underlying security following such halt, suspension, or pause in the underlying security, as reported by the responsible single plan processor, and (B) will be suspended for the duration that an underlying NMS stock is in a limit up-limit down state.

Market-Maker continuous quoting obligations in this paragraph (d) apply collectively to Market-Makers associated with the same Trading Permit Holder firm.

(e) The Exchange may call on a Market-Maker to submit a single quote or maintain continuous quotes in one or more series of a Market-Maker's appointed class whenever, in the judgment of the Exchange, it is necessary to do so in the interest of maintaining a fair and orderly market.

(f) A Market-Maker is considered an OEF under the Rules in all classes in which the Market-Maker has no appointment. The total number of contracts a Market-Maker may execute in classes in which it has no appointment may not exceed 25% of the total number of all contracts the Market-Maker executes on the Exchange in any calendar quarter.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

### **Rule 8.7. Securities Accounts and Orders of Market-Makers**

(a) *Identification of Accounts.* In a manner prescribed by the Exchange, each Market-Maker must file with the Exchange and keep current a list identifying all accounts for stock, options, and related securities trading in which the Market-Maker may, directly or indirectly, engage in trading activities or over which it exercises investment discretion. No Market-Maker may engage in stock, options, or related securities trading in an account that has not been reported pursuant to this Rule.

(b) *Reports of Orders.* Each Market-Maker must, upon the request of the Exchange and in the prescribed form, report to the Exchange every order entered by the Market-Maker for the purchase or sale of (1) a security underlying options traded on the Exchange, or (2) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Rule. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received, and, if all or part of the order was executed, the quantity and execution price.

(c) *Joint Accounts.* No Market-Maker may, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is a Trading Permit Holder and unless such account is reported to, and not disapproved by, the Exchange. Such reports in a form prescribed by the Exchange must be filed with the Exchange before any transaction is effected on the Exchange for such joint account. A participant in a joint account must:

- (1) Be either a Market-Maker or a Clearing Trading Permit Holder that carries the joint account.
- (2) File and keep current a completed application on the form prescribed by the Exchange.
- (3) Be jointly and severally responsible for assuring that the account complies with all the Rules.
- (4) Not be a Market-Maker with an appointment in the same option classes to which the joint account holder also has an appointment a Market-Maker.

[Adopted December 10, 2009; Amended May 15, 2017 (SR-C2-2017-019); Amended May 14, 2018 (SR-C2-2018-005)]

## **Rule 8.8. Financial Requirements and Arrangements for Market-Makers**

(a) Each Market-Maker must maintain net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each Market-Maker that is a Clearing Trading Permit Holder must also maintain net capital sufficient to comply with the requirements of the Clearing Corporation.

(b) Each Market-Maker who makes an arrangement to finance its transactions as a Market-Maker must identify to the Exchange the source of the financing and its terms. The Exchange must be informed immediately of the intention of any party to terminate or change any such arrangement.

[Adopted December 10, 2009; Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 9 Doing Business with the Public**

The rules contained in Cboe Options Chapter IX, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter IX as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter IX have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Floor” means “System”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder).

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 10 Closing Transactions**

The rules contained in Cboe Options Chapter X, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter X as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter X have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder); and “floor of the Exchange” means “System.”

Notwithstanding the above paragraph, Cboe Options Chapter X Part B – Stocks Warrants, and Other Securities (Rules 10.10 – 10.22) does not apply to C2.

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 11**

### **Exercises and Deliveries**

The rules contained in Cboe Options Chapter XI, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XI as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XI have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder).

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 12**

### **Margins**

The rules contained in Cboe Options Chapter XII, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XII as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XII have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder).

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 13**

### **Net Capital Requirements**



The rules contained in Cboe Options Chapter XIII, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XIII as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XIII have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “Clearing Trading Permit Holder” means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder).

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 14**

[Reserved]

## **CHAPTER 15**

### **Records, Reports, and Audits**

The rules contained in Cboe Options Chapter XV, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XV as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XV have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder); “Department of Compliance” means “Exchange”; “Department of Financial and Sales Practice Compliance” means “Exchange”; “Department of Member Firm Regulation” means “Exchange”; and “trading floor” means “System.”

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 16**

### **Summary Suspension**

The rules contained in Cboe Options Chapter XVI, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XVI as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XVI have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “Trading Permit” (*i.e.*, Cboe Options Trading Permit) means “Trading Permit” (*i.e.*, C2 Trading Permit).

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 17, 2011 (SR-C2-2011-003); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 17**

### **Discipline**

The rules contained in Cboe Options Chapter XVII, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XVII as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XVII have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder). Any references in Cboe Options Rule 17.50 to Rule 3.23 are deemed to refer to C2 Rule 3.9.

Notwithstanding the above paragraph, Cboe Options Rules 17.50(g)(4), 17.50(g)(5) and 17.50(g)(7) do not apply to C2.

Notwithstanding the above paragraphs, with respect to C2, the following replaces Cboe Options Rule 17.50(g)(6) – Violations of Trading Conduct and Decorum Policies in its entirety:

#### **(6) Failure to Attend Exchange-Mandated Educational Training**

A fine may be imposed upon a Trading Permit Holder or persons associated with Trading Permit Holders in accordance with the fine schedule set forth below for failure to attend Exchange-mandated educational training (per Rule 3.13).

<b><i>Number of Offenses in Any Rolling Twenty-Four Month Period</i></b>	<b><i>Fine Amount</i></b>
1st Offense	\$1,000
2nd Offense	\$2,500
Subsequent Offenses	\$5,000

Notwithstanding the above paragraph, with respect to C2, the following replaces Cboe Options Rule 17.50(g)(14) and (19) in their entirety:

**(14) Failure to Meet C2 Quoting Obligations**

A fine will be imposed upon a Market-Maker in accordance with the fine schedule set forth below for failure to meet its continuous quoting obligations (Rule 8.6(d)).

<i>Number of Offenses in Any Rolling Twenty-Four Month Period</i>	<i>Fine Amount</i>
1st Offense	\$2,000 to \$4,000
2nd Offense	\$4,000 to \$5,000
Subsequent Offenses	\$5,000 or Referral to Business Conduct Committee

**(19) Failure to Conduct or Participate in Mandatory Systems Testing (Rule 6.34(b))**

A fine will be imposed upon a Trading Permit Holder who fails to conduct or participate in mandatory systems testing (Rule 6.34(b)). Such fines are imposed on the basis of the following schedule:

<i>Number of Offenses in One Calendar Year</i>	<i>Fine Amount</i>
1st Offense	\$250
2nd Offense	\$500
3rd Offense	\$1,000
4th Offense	\$2,000
Subsequent Offenses	Referral to Business Conduct Committee

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended January 26, 2012 (SR-C2-2012-005); Amended September 4, 2012 (SR-C2-2012-031); Amended September 4, 2012 (SR-C2-2012-032); Amended October 18, 2012 (SR-C2-2012-024); Amended November 22, 2012 (SR-C2-2012-036); Amended May 14, 2018 (SR-C2-2018-005)]

**CHAPTER 18  
Arbitration**

The rules contained in Cboe Options Chapter XVIII, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XVIII as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XVIII have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe

Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder).

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTER 19** **Hearings and Review**

The rules contained in Cboe Options Chapter XIX, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 must comply with Cboe Options Chapter XIX as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XIX have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Constitution” means “Bylaws”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); and “membership” means “access”.

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended May 14, 2018 (SR-C2-2018-005)]

## **CHAPTERS 20-23** **[Reserved]**

## **CHAPTER 24** **Index Options**

The rules contained in Cboe Options Chapter XXIV, as such rules may be in effect from time to time, apply to C2 and are incorporated into this Chapter. C2 Trading Permit Holders must comply with Cboe Options Chapter XXIV as if such rules were part of the Rules. Unless the context dictates otherwise, the following terms, or any variations of these terms, from Cboe Options Chapter XXIV have the following meanings for purposes of this Chapter: “Exchange” and “Cboe Options” mean “C2”; “Trading Permit Holder” (*i.e.*, Cboe Options Trading Permit Holder) means “Trading Permit Holder” (*i.e.*, C2 Trading Permit Holder); “Clearing Trading Permit Holder” (*i.e.*, Cboe Options Clearing Trading Permit Holder) means “Clearing Trading Permit Holder” (*i.e.*, C2 Clearing Trading Permit Holder); “trading crowd” means “Exchange”; and “floor of the Exchange” means “System.”

Notwithstanding the above paragraph, the following rules from Cboe Options Chapter XXIV do not apply to C2: Rules 24.6 (Days and Hours of Business); 24.7 (Trading Halts, Suspensions, or Primary Market Closure); 24.13 (Trading Rotations); 24.15 (Automatic Execution of Index Options); 24.19 (Multi-Class Broad-Based Index Option Spread

Orders); 24.20 (SPX Combination Orders); and 24.21 (Index Crowd Space Dispute Resolution Procedures).

[Adopted December 10, 2009; Amended June 17, 2010 (SR-C2-2010-002); Amended September 30, 2010 (SR-C2-2010-004); Amended November 3, 2010 (SR-C2-2010-008); Amended September 2, 2011 (SR-C2-2011-008); Amended October 7, 2011 (SR-C2-2011-029); Amended October 17, 2011 (SR-C2-2011-030); Amended September 19, 2012 (SR-C2-2012-033); Amended May 14, 2018 (SR-C2-2018-005)]