

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeEDGX-2018-049, and should be submitted on or before December 18, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Brent J. Fields,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84643; File No. SR-C2-2018-022]

### Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing of a Proposed Rule Change Relating To Adopt Complex Reserve Order Functionality

November 21, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 8, 2018, Cboe C2 Exchange, Inc. (the "Exchange" or "C2") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (the "Exchange" or "C2") proposes to adopt Complex Reserve Order functionality.

(additions are *italic*; deletions are [bracketed])

\* \* \* \* \*

#### Rules of Cboe C2 Exchange, Inc.

\* \* \* \* \*

##### 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) No change.

(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)–(3) No change.

(4) *(Reserved)*

(5) *(Reserved)*

(6) *Complex Reserve Orders.* A

*"Complex Reserve Order" is a complex 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 Complex Reserve Order are available for potential execution pursuant to paragraphs (c) through (e) below. When entering a Complex Reserve Order, a User must instruct the Exchange as to the quantity of the Complex Reserve Order to be initially displayed by the System ("Max Floor"). If the Display Quantity of a Complex 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 a Complex Reserve Order is less than the replenishment amount, the System will display the entire remainder of the Complex Reserve Order. The System*

*creates a new timestamp for both the Display Quantity and Reserve Quantity of the Complex Reserve Order each time it is replenished from reserve.*

(A) *Random Replenishment.* An instruction that a User may attach to a Complex Reserve Order where the System randomly replenishes the Display Quantity for the Complex Reserve 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 Complex Reserve Order with a Random Replenishment instruction.

(B) *Fixed Replenishment.* For any Complex Reserve Order for which a User does not select Random Replenishment, the System will replenish the Display Quantity of the Complex Reserve Order with the number of contracts equal to the Max Floor (or the entire remainder of the Complex Reserve Order if it is less than the replenishment amount).

(c) No change.

(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. *If the COA-eligible order is a Complex Reserve Order, the COA auction message only identifies the Display Quantity; however, the entire quantity (both the Display Quantity and Reserve Quantity) may execute following the COA pursuant to subparagraph (5) below.* 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)–(3) No change.

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

(A) No change.

(B) *COA Responses may be larger than the COA-eligible order.* 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 (*including Display Quantity and Reserve Quantity if the COA-eligible order is a Complex Reserve Order*).

(C)–(D) No change.

<sup>20</sup> 17 CFR 200.30-3(a)(12).

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

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

(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 (*both displayed and nondisplayed orders*) 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) No change.

(B) No change.

(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 (*both displayed and nondisplayed orders*) 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) No change.

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) No change.

(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)–(3) No change.

(4) Reserved

(5) The entire quantity of a Complex Reserve Order (both the Display Quantity and Reserve Quantity) Legs into the Simple Book at the same time, and any quantity that does not execute pursuant to paragraph (d) or (e) after Legging will rest in the COB in accordance with the Complex Reserve Order instruction.

(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) *Order Locks/Crosses Opposite Side of SBBO.* 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)–(B) No change.

(2) *Zero NBB, NBO, or NBBO.* 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.

(3) (Reserved)

(4) *Nondisplayed Orders.* Displayed complex orders resting on the COB have priority over nondisplayed portions of Complex Reserve Orders resting on the COB.

\* \* \* \* \*

The text of the proposed rule change is also available on the Exchange's website (<http://www.c2exchange.com/Legal/>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

#### 1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) ("Cboe Global"), which is also the parent company of Cboe Exchange, Inc. ("Cboe Options"), acquired Cboe EDGX Exchange, Inc. ("EDGX"), Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, EDGX, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of the technology migration of Cboe Options to the same trading platform as the Exchange. Thus, the proposed rule change is intended to add certain functionality to the Exchange's System that is currently offered by Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

Currently, the Exchange offers Reserve Order functionality for simple orders.<sup>3</sup> Reserve Orders permit Users to enter orders with both displayed and nondisplayed amounts. Reserve Orders provide Users with additional flexibility to manage and display their orders and

<sup>3</sup> See Rule 1.1, paragraph (j) in Order Instruction definition.

additional control over their executions on the Exchange.

The Exchange proposes to adopt Complex Reserve Order functionality.<sup>4</sup> Complex Reserve Orders would generally function in the same manner as simple Reserve Orders, as currently described in the definition of Reserve Orders in Rule 1.1(j) (under the definition of “Order Instruction”). Specifically, a “Complex Reserve Order” is a complex 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 a Complex Reserve Order are available for execution pursuant to Rule 6.13(c) through (e).<sup>5</sup> When entering a Complex Reserve Order, a User must instruct the Exchange as to the quantity of the Complex Reserve Order to be initially displayed by the System (“Max Floor”). If the Display Quantity of a Complex 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 a Complex Reserve Order is less than the replenishment amount, the System will display the entire remainder of the Complex Reserve Order. The System creates a new timestamp for both the Display Quantity and Reserve Quantity of the Complex Reserve Order each time it is replenished from reserve.

A User may determine that a Complex Reserve Order it submits should be subject to “Random Replenishment” or “Fixed Replenishment.” If a Complex Reserve Order has a Random Replenishment instruction, the System randomly replenishes the Display Quantity for the Complex Reserve 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 Complex Reserve Order with a Random Replenishment instruction. For any Complex Reserve Order for which a User does not select Random Replenishment, the System will replenish the Display Quantity of the Complex Reserve Order with the number of contracts equal to the Max Floor (or the entire remainder of the Complex Reserve Order if it is less than the replenishment amount).

Current Rule 6.13(d)(1) provides that upon receipt of a COA-eligible order,<sup>6</sup> the System initiates the complex order auction (“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 proposed rule change provides that if the COA-eligible order is a Complex Reserve Order, the COA auction message only identifies the Display Quantity; however, the entire quantity (both the Display Quantity and Reserve Quantity) may execute following the COA pursuant to Rule 6.13(d)(5).<sup>7</sup> The Exchange believes this is consistent with the purpose of a Reserve Order. If a User submits a Reserve Order (simple or complex), the User does so to only have a certain specified size publicly displayed. If the entire quantity of a Complex Reserve Order was auctioned in a COA, the entire size of the Complex Reserve Order would be publicly displayed,<sup>8</sup> rather than the Display Quantity the User indicated it wanted publicly visible. Therefore, the Exchange believes it is appropriate to include only the Display Quantity of a Complex Reserve Order in a COA message.<sup>9</sup>

Proposed Rule 6.13(g)(5) states the entire quantity of a Complex Reserve Order (both the Display Quantity and Reserve Quantity) will Leg into the

Simple Book at the same time, and any quantity that does not execute pursuant to Rule 6.13(d) or (e) after Legging will rest in the COB in accordance with the proposed Complex Reserve Order instruction.<sup>10</sup> As stated in the definition of a Reserve Order and proposed definition of a Complex Reserve Order,<sup>11</sup> both the Displayed Quantity and Reserve Quantity are eligible for execution against incoming orders. The Exchange believes it is appropriate to similarly make both the Displayed Quantity and Reserve Quantity eligible for execution against orders and quotes in the Simple Book as well. This will maximize the size of resting orders and quotes on the Simple Book that may execute when these orders Leg into the Simple Book, as well as provide the entire quantity of a Complex Reserve Order with an opportunity to execute against orders in the Simple Book. A Complex Reserve Order may Leg into the Simple Book after a COA, following submission to the System (if not COA-eligible), or following evaluation when resting in the COB.<sup>12</sup> If any portion of a Complex Reserve Order does not execute in those circumstances, the remaining quantity will enter the COB with a Display Quantity and Reserve Quantity with amounts determined in accordance with proposed Rule 6.13(b)(6).

The proposed rule change also amends Rule 6.13(d)(4)(B) to clarify that COA Responses may be larger than the COA-eligible order (in response to which the COA Response is submitted), and that when the System caps the size of aggregated COA Responses at the size of the COA-eligible order, the size of the COA-eligible order includes the Display Quantity and Reserve Quantity if the COA-eligible order is a Complex Reserve Order. Neither the System nor the Rules limit the initial size of COA Responses to the size of the COA-eligible order, and the Exchange believes this proposed change will provide Users with additional clarity. Because COA Responses are not limited to the size of COA-eligible orders, if a Complex Reserve Order initiates a COA, COA Responses with size larger than the

<sup>4</sup> See proposed Rule 6.13(b)(6). The Exchange recently proposed to amend its Rules to adopt Post Only complex order functionality. See Securities Exchange Act Release No. 34–84399 (October 10, 2018) (SR–C2–2018–021). The proposed rule text is based on the currently effective rule text (proposed reserved subparagraphs (b)(4) and (5), (g)(4), and (h)(3) accommodate proposed rule text the Exchange intends to include in an amendment to that rule filing). If SR–C2–2018–021 is approved by the Securities and Exchange Commission (the “Commission”) prior to the date the Commission acts on this rule filing, the Exchange will amend this rule filing to update the proposed rule text to reflect the rule text as amended by that filing.

<sup>5</sup> Pursuant to Rule 6.13(c) through (e), complex orders (including the Display and Reserve Quantities of Complex Reserve Orders) may execute during the COB opening process, against incoming complex orders, simple orders in the Simple Book (via Legging), or following a COA (if the complex order is COA-eligible pursuant to Rule 21.20(b)(2)). Complex Reserve Orders will be COA-eligible, subject to a User’s instructions.

<sup>6</sup> See Rule 6.13(b)(2) for the definition of a COA-eligible order.

<sup>7</sup> See proposed Rule 6.13(d)(1).

<sup>8</sup> See current Rule 6.13(d)(1) (COA auction messages identify, among other things, the quantity of the COA-eligible order).

<sup>9</sup> Making both the Display Quantity and Reserve Quantity available for execution at the end of a COA is consistent with the definition of the Reserve Order instruction for simple orders, which provides that both portions are available for potential execution against incoming orders. See Rule 1.1, paragraph (j) in Order Instruction definition. The proposed rule change provides the entire quantity of a Complex Reserve Order that initiates a COA with an opportunity to execute following a COA.

<sup>10</sup> The proposed rule change also amends the heading name and introductory paragraph language of paragraph (g), as that paragraph does not necessarily describe restrictions on Legging, but rather describes additional handling for certain orders when they Leg into the Simple Book.

<sup>11</sup> See Rule 1.1, paragraph (j) in Order Instruction definition and proposed Rule 6.13(b)(6).

<sup>12</sup> See Rule 6.13(d)(5) (describing the processing of COA-Eligible Orders following a COA), (e) (describing the processing of orders that do not initiate COA upon submission to the System or after resting on the COB), and (i) (describing the evaluation process).

Display Quantity of the Complex Reserve Order (which the System will cap at the entire size of the Complex Reserve Order in the same manner that the System caps COA Responses at the size of another type of COA-eligible order) will have the opportunity to execute against the entire size of the Complex Reserve Order.

Processing and execution of Complex Reserve Orders will generally occur in the same manner as other complex orders in accordance with current Rule 6.13(c) through (e), subject to the current handling provisions in Rule 6.13(h).<sup>13</sup> Proposed Rule 6.13(h)(4) states that displayed complex orders resting on the COB have priority over nondisplayed portions of Complex Reserve Orders resting on the COB. This is consistent with the current handling of simple Reserve Orders.<sup>14</sup> The proposed rule change also clarifies in Rule 6.13(d)(5)(A)(i) and (e)(1) that both displayed and nondisplayed orders and quotes in the Simple Book for the individual leg components of the complex order trade before complex orders (both displayed and nondisplayed orders) resting on the COB and COA Responses, if applicable, at the same price when a complex order Legs into the Simple Book. This is consistent with current functionality and current Rules. Specifically, Rule 6.13(d)(5)(A)(i) and (e)(1) states that the System executes a complex order against orders and quotes in the Simple Book for the individual leg components of the complex order through Legging, which the System allocates in accordance with the priority in Rule 6.12(a). Rule 6.12(a) provides that resting orders and quotes are prioritized according to price and there [sic] are allocated in time priority or on a pro-rata basis, and that displayed orders have priority over nondisplayed orders. Therefore, if a complex order Legs in to the Simple Book, it would execute against displayed and then nondisplayed resting interest in the Simple Book at the applicable price before executing against other complex orders. The proposed rule change adds clarity to the priority of resting orders when a complex order Legs into the Simple Book, as well as describes how complex reserve orders will be prioritized.

If a complex order Legs into the Simple Book, the execution priority of contra-side interest will be as follows:

- Displayed simple orders

- Nondisplayed portions of simple orders
- Displayed complex orders and COA Responses, if applicable
- Nondisplayed portions of Complex Reserve Orders

The Exchange believes this is reasonable, as it ensures protection of the leg markets while ensuring system stability. This priority order results in nondisplayed orders on the Simple Book ahead of displayed complex orders on the COB. While the Exchange generally prioritizes displayed orders over nondisplayed orders to encourage Users to submit displayed liquidity, executing complex orders first against displayed simple orders, second against displayed complex orders and COA responses, third against nondisplayed portions of simple orders, and fourth against nondisplayed portions of Complex Reserve Orders would significantly increase the complexity of the proposed functionality. The Simple Book and COB are entirely separate functioning books, and moving a complex order back and forth between the two books increases systematic risk related to Legging. Additionally, this would increase the execution time for complex orders that are able to Leg, which may harm Users. The Exchange believes the need to ensure system stability and efficient executions in connection with offering the proposed functionality to Users outweighs any potential benefits of prioritizing all displayed interest ahead of nondisplayed interest in this context.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>15</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>16</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the

proposed rule change is consistent with the Section 6(b)(5)<sup>17</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will remove impediments to and perfect the mechanism of a free and open national market system, as well as benefit investors, by providing Users with additional flexibility to manage and display their complex orders and additional control over their executions on the Exchange. This may encourage market participants to bring additional liquidity to the market, which benefits all investors.

The Exchange notes that Reserve Order functionality is not new or unique and is already available in a similar capacity for simple orders. While the Reserve Order functionality is not currently available for complex orders, the Exchange has Reserve Order functionality for simple orders, which functions substantially in the same manner as the proposed Complex Reserve Order functionality. The purpose of a Complex Reserve Order is the same as the purpose of a simple Reserve Order.

The proposed rule change to only include the Displayed Quantity of a Complex Reserve Order in a COA message protects investors, as it is consistent with the purpose of a Complex Reserve Order and the intention of a User that submits a Complex Reserve Order, which is to only have a certain specified size publicly displayed. This provides Complex Reserve Orders with the potential for price improvement in a manner consistent with the objective of a Reserve Order. Therefore, the Exchange believes it is appropriate to only include the Display Quantity of a Complex Reserve Order in a COA message.

The Exchange believes the proposed rule change regarding how Complex Reserve Orders Leg into the Simple Book will benefit investors. The proposed rule change is consistent with the definition of a Reserve Order, which states that the entire quantity is eligible for potential execution against incoming orders, and thus provides the entire quantity of a Reserve Order with an opportunity to execute against orders and quotes in the Simple Book. Additionally, this will maximize the size of resting orders and quotes on the Simple Book that may execute when Complex Reserve Orders Leg into the Simple Book. Therefore, the Exchange believes the proposed rule change may

<sup>13</sup> The proposed rule change also adds headings to the current subparagraphs in paragraph (h).

<sup>14</sup> See Rule 6.12(a)(3).

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

<sup>16</sup> 15 U.S.C. 78f(b)(5).

<sup>17</sup> *Id.*

increase execution opportunities for both Complex Reserve Orders and simple orders and quotes resting on the Simple Book.

The Exchange believes the proposed rule change related to the priority of Complex Reserve Orders promotes just and equitable principles of trade, as it is consistent with current priority in the Simple Book that provides displayed orders have priority over nondisplayed orders. The proposed rule change that displayed portions of complex orders resting on the COB have priority over nondisplayed portions of Complex Reserve Orders resting on the COB is reasonable, because it is consistent with the current handling of simple Reserve Orders, as discussed above.

Additionally, the proposed rule change to clarify that displayed and nondisplayed orders and quotes resting on the Simple Book have priority over all displayed and nondisplayed orders resting on the COB when a complex order Legs into the Simple Book is consistent with current functionality and current Rules describing how complex orders Leg into the Simple Book. This additional clarity regarding the order in which resting orders and quotes on the Simple Book will trade when a complex order Legs into the Simple Book benefits investors, as it provides more detail regarding the priority of executions on the Exchange. The Exchange also believes the proposed priority ensures system stability and efficient executions outweighs [sic]. The Exchange notes it is not novel for nondisplayed interest to trade ahead of displayed interest.<sup>18</sup>

The proposed rule change is generally intended to add certain system functionality to the Exchange's System in order to provide a consistent technology offering for the Cboe Affiliated Exchanges, as Cboe Options currently offers (and intends to offer following its migration to the same technology platform as the Exchange) complex reserve order functionality. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The proposed rule change will provide Users with additional flexibility to manage and display their orders and control their executions on the Exchange. This may encourage market participants to bring additional liquidity to the market, which benefits all investors. Additionally, this will provide Users with greater harmonization between the

order handling instructions available among the Cboe Affiliated Exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes the proposed rule change will not burden intramarket competition because the Reserve Order instruction on complex orders will be available to all market participants. Additionally, use of the Reserve Order instruction on complex orders is voluntary. The Exchange also believes the proposed rule change will not impose any burden on intermarket competition because this relates to an instruction on orders that are submitted to the Exchange and how the Exchange's System will handle and execute them. Additionally, nothing prevents other options exchanges that offer complex orders from adopting a Reserve Order functionality for complex orders. The Exchange also believes the proposed rule change will promote competition, as Complex Reserve Orders will provide Users with additional flexibility to manage and display their complex orders and additional control over their executions on the Exchange. This may encourage market participants to bring additional liquidity to the market, which benefits all investors.

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

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

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

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

Interested persons are invited to submit written data, views, and arguments concerning the foregoing,

including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-C2-2018-022 on the subject line.

#### *Paper Comments*

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

All submissions should refer to File Number SR-C2-2018-022. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-C2-2018-022, and should be submitted on or before December 18, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Brent J. Fields,**  
*Secretary.*

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<sup>19</sup> 17 CFR 200.30-3(a)(12).

<sup>18</sup> See *supra* note 15 [sic].