

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 8	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 072 Amendment No. (req. for Amendments *) 1
---------------	--	--

Filing by Cboe Exchange, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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

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

Description

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

Contact Information

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

First Name * Corinne Last Name * Klott

Title * Assistant General Counsel

E-mail * cklott@cboe.com

Telephone * (312) 786-7793 Fax

Signature

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

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

(Title *)

Date 10/09/2020 VP, Associate General Counsel

By Laura G. Dickman

(Name *)

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

ldickman@cboe.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

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

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

Add Remove View

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

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

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

PARTIAL AMENDMENT

Cboe Exchange, Inc. (“Cboe Options” or the “Exchange”) submits this Amendment, constituting Amendment No. 1, to rule filing SR-CBOE-2020-072 (the “Proposal”), in which the Exchange proposes to adopt a separate message queue to process auction response messages. Amendment No. 1 proposes to provide additional justification and detail in support of the Proposal.

Representation Regarding Fees

Amendment No. 1 provides clarification via a new footnote at the bottom of page 3 of the Form 19b-4 and page 17 of the Exhibit 1, appended to the sentence that begins “Specifically, the Exchange proposes to amend Rule 5.25 (Message Traffic Mitigation) ...”. The proposed footnote language is as follows: “The Exchange notes that it does not intend to assess a fee to Trading Permit Holders to use the proposed new message queue.”

Clarification Regarding Auction Responses

Amendment No. 1 provides clarification via a new footnote at the top of page 6 of the Form 19b-4 and page 19 of the Exhibit 1, appended to the sentence “The Exchange proposes to adopt a separate “priority queue”, which queue would consist solely of auction response messages”. The proposed footnote language is as follows: “The Exchange notes that messages that modify or cancel an auction response would not be processed through the priority queue.”

Additional Justification and Detail

Amendment No. 1 provides additional discussion to the bottom of page 7 of the Form 19b-4 and page 21 of the Exhibit 1, just after the sentence that begins “For example, priority customer orders in the Book will continue to have first priority...” The proposed verbiage is as follows: “Additionally, all market participants are permitted to submit

auction responses to any of the Exchange’s auction mechanisms, and all auction responses, to any auction mechanism, from any user, would be processed through the priority queue.”

Amendment No. 1 also provides clarification and additional data to the top of page 8 of the Form 19b-4 and page 21 of the Exhibit 1, just after the sentence that begins “Particularly, 47% of SPXW auction responses”. The proposed verbiage is as follows: “The Exchange notes that effective March 9, 2020, the Exchange increased the auction response period for COA in classes SPX/SPXW from 100 milliseconds to 1,000 milliseconds, in light of the extreme volatility in the market at that time.¹ Additionally, on March 16, 2020, the Exchange activated AIM for classes SPX/SPXW and set the auction response period for classes SPX/SPXW to 1,000 milliseconds, which the Exchange similarly believed was appropriate in light of the extreme market volatility at that time.² As such, during the period of March 30 – April 3, 2020, the auction response period for AIM and COA in classes SPX/SPXW was 1,000 milliseconds. The Exchange also notes that during the period of September 1 – September 21, 2020, approximately 3% of all auction responses, and 8% of auctions responses in SPXW, had no opportunity to execute in their respective auctions, notwithstanding being submitted within the auction response period.³ While the percentage of missed auction responses during this time period was less than it was during the week of March 30, 2020, the Exchange believes it is important to have the

¹ See Cboe Options Exchange Notice, Reference ID C2020030603, “Update to Complex Auction Response Time Intervals for SPX and SPXW on Cboe Options Exchange”.

² See Cboe Options Exchange Notice, Reference ID C2020031204, “Novel Coronavirus Update, Trading Floor Closure”.

³ The AIM and COA auction response period during this time period was also set at 1,000 milliseconds for SPX/SPXW.

number of responses that miss the auction as close to zero as possible, which benefits both market participants submitting response messages and market participants (including customers) whose orders were initially submitted into the auction mechanism. Indeed, each time an auction response message is unable to participate in an auction, there is the potential for the original auctioned order (which may be a customer order) to miss an opportunity for price improvement that may otherwise have been available had the auction response message been processed in time. Moreover, absent the proposed rule change, the percentage of missed auction responses could drastically increase during periods of increased volatility, such as the volatility experienced during the week of March 30, 2020. This is because there is increased message traffic during periods of volatility, which could result in a deep queue of messages that need to be processed, and as already discussed, may result in an auction response not being processed by the System in sufficient time because the System is busy processing the deep queue of pending message traffic that was received prior to the auction response. Additionally, absent the proposed rule change, the Exchange believes the percentage of missed auction responses would likely increase should the Exchange reduce the auction response period back to 100 milliseconds.⁴”

⁴ The Exchange believes a shorter auction response period, such as 100 milliseconds, allows the Exchange to provide investors and other TPHs with more timely executions, thereby reducing their market risk. For example, TPHs who initiate auction orders in AIM are required to guarantee an execution at the National Best Bid/Offer (“NBBO”) or a better price and are subject to market risk while the order is exposed during the auction response period. While responding TPHs are also subject to market risk, the initiating TPH is the most exposed because the market can move against them during the entire auction period and they have guaranteed the customer an execution at the NBBO or better based on market prices prior to the commencement of the auction. In today’s fast paced markets, large price changes can occur in 1 second or less, leaving initiating TPHs

Amendment No. 1 provides further discussion in the middle of page 11 of the Form 19b-4 and page 25 of the Exhibit 1, just after the sentence that begins “The Exchange further believes the proposal will continue to allow the Exchange to set an auction response period to an amount of time that provides TPHs with sufficient time to respond to....” The proposed verbiage is as follows: “Additionally, as discussed already, the Exchange believes it is incredibly unlikely any order, including customer orders, will be disadvantaged by the proposed rule change. Indeed, the Exchange notes this proposal does not amend any of the auction rules, including the rules regarding priority allocations (i.e., the rules regarding allocations at the conclusion of an auction will continue to apply and remain the same). Accordingly, priority customer orders in the Book will continue to have first priority at each price level at the conclusion of a paired auction, even when an auction response is processed via a priority queue and processed ahead of a priority customer order processed via the general queue. The Exchange also believes the likelihood of the proposed rule change causing a customer order to not be posted to the Book in time to receive priority allocation (i.e., due to System being busy processing the priority queue before the customer order could be posted to the Book by the conclusion of the auction) is incredibly low. As discussed, only 0.0007% of all message traffic are customer orders and only 0.002% of message traffic are auction responses. Therefore, it’s

vulnerable to trading losses as a result of their choice to seek price improvement for their customer. The initiating TPH acts in a critical role in the price improvement process, and its willingness to guarantee the customer an execution at the NBBO or better price is essential to the customer order gaining the opportunity for price improvement. Accordingly, the Exchange believes that an auction time as low as 100 milliseconds would better provide TPHs with sufficient time to respond to, compete for, and provide price improvement for orders, and would provide investors and other market participants with more timely executions, and reduce their market risk.

unlikely that just before the auction was to conclude, the System would be preoccupied processing one of the relatively few auction responses at the exact moment one of the even fewer customer orders would have otherwise been processed absent the proposed rule change. Further, to the extent a customer order is impacted, the Exchange still believes the benefits of the proposed functionality outweighs the potential disadvantages, which as discussed, are unlikely and de minimis. Indeed, the Exchange believes not adopting the proposed functionality results in greater harm to market participants, including customers, who based on the data provided, are more likely missing out on additional opportunities for price improvements due the auction response period ending before queued auction response messages are processed because of message traffic. Moreover, as discussed, every market participant has the opportunity to submit a response message to any of the Exchange's auction mechanisms and all auction response messages will be processed through the priority queue. The Exchange therefore believes the proposed rule change does not disadvantage market participants, but rather potentially benefits all market participants including those that submit auction responses, and those whose orders are submitted into auction mechanisms (including customers), as such orders may have more opportunities for price improvement as a result of the proposed rule change."

Amendment No. 1 provides further discussion in the middle of page 12 of the Form 19b-4 and page 26 of the Exhibit 1, just after the sentence that begins "For example, Miami International Securities Exchange LLC ("MIAX") makes clear in its current technical specifications that it offers priority mass cancel ports...." The proposed verbiage is as follows: "Similarly, MIAX Emerald, LLC and MIAX Pearl, LLC make clear in their

respective technical specifications, updated subsequent to this rule filing and as recently as August 12, 2020 and July 10, 2020, respectively, that they too offer priority mass cancel ports which use similar functionality as is being proposed in this rule filing.”⁵

The Exchange requests accelerated approval of Amendment No. 1. The substance of the Proposal is substantively the same. Amendment No. 1 merely (i) represents that no fees are being adopted in connection with the proposed rule change, (ii) clarifies that messages that modify or cancel auction responses would not be processed via the priority queue, (iii) provides updated data, and (iv) adds further discussion to further support its proposal to adopt a priority queue, which is generally already included throughout the Proposal. The Exchange continues to believe adopting a priority queue for auction responses would better provide customers with additional opportunities for price improvements with very little impact to non-auction response message traffic.

Additionally, Amendment No. 1 does not change the substance of the Proposal or the primary reasoning for the proposed proposal. As such, Amendment No. 1 makes no material changes to the substance of the proposed rule change. Therefore, the Exchange does not believe a full notice and comment period is necessary, and thus believes accelerated approval is appropriate.

⁵ See e.g., MIAX Express Interface for Quoting and Trading Options, MEI Interface Specification, Appendix E, Priority Mass Cancel Ports, at: https://www.miaxoptions.com/sites/default/files/page-files/MIAX_Emerald_MIAX_Express_Interface_MEI_v2.1.pdf and MIAX Express Orders Binary Orders for Trading Options MEO Interface Specification, Appendix C, Priority Mass Cancel Ports, at: https://www.miaxoptions.com/sites/default/files/page-files/MIAX_Express_Orders_MEO_v2.0a.pdf