

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 40 SECURITIES AND EXCHANGE COMMISSION File No.* SR - 2017 - * 041
 WASHINGTON, D.C. 20549 Form 19b-4 Amendment No. (req. for Amendments *)

Filing by Chicago Board Options Exchange
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input 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 Exhibit 3 Sent As Paper Document

Description
 Provide a brief description of the action (limit 250 characters, required when Initial is checked *).
 The Exchange proposes to modify requirements for the collection of information that is duplicative of information intended to be collected for the consolidated audit trail adopted pursuant to the National Market System Plan Governing the Consolidated Audit Trail.

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 * Laura Last Name * Dickman
 Title * Lead Counsel
 E-mail * dickman@cboe.com
 Telephone * (312) 786-7572 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 05/15/2017 SVP, Associate general Counsel
 By Anders Franzon (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.
 afranzon@bats.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 *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

Item 1. Text of the Proposed Rule Change

(a) Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),¹ and Rule 19b-4 thereunder,² Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to modify requirements for the collection of information that is duplicative of information intended to be collected for the consolidated audit trail (“CAT”) adopted pursuant to the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”).³ The Exchange will announce the implementation date of the proposed rule change and effective date of the retirement of any related systems by Regulatory Circular that will be published once the options exchanges determine the thresholds for accuracy and reliability described below have been met and that the Plan Processor for CAT is sufficiently meeting all of its obligations under the CAT NMS Plan. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s Chief Regulatory Officer pursuant to delegated authority approved the proposed rule change on May 15, 2017.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth herein, or in the CAT Compliance Rule Series or in the CAT NMS Plan.

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

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

(a) Purpose

Bats BYX Exchange, Inc., Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., Financial Industry Regulatory Authority, Inc. (“FINRA”), Investors’ Exchange LLC, Miami International Securities Exchange, LLC, MIAX PEARL, LLC, NASDAQ BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC,⁴ NASDAQ PHLX LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE MKT LLC, NYSE Arca, Inc. and NYSE National, Inc.⁵ (collectively, the “Participants”) filed with the Commission, pursuant to Section 11A of the Exchange Act⁶ and Rule 608

⁴ ISE Gemini, LLC, ISE Mercury, LLC and International Securities Exchange, LLC have been renamed Nasdaq GEMX, LLC, Nasdaq MRX, LLC, and Nasdaq ISE, LLC, respectively. See Securities Exchange Act Rel. No. 80248 (Mar. 15, 2017), 82 Fed. Reg. 14547 (Mar. 21, 2017); Securities Exchange Act Rel. No. 80326 (Mar. 29, 2017), 82 Fed. Reg. 16460 (Apr. 4, 2017); and Securities Exchange Act Rel. No. 80325 (Mar. 29, 2017), 82 Fed. Reg. 16445 (Apr. 4, 2017).

⁵ National Stock Exchange, Inc. has been renamed NYSE National, Inc. See Securities Exchange Act Rel. No. 79902 (Jan. 30, 2017), 82 Fed. Reg. 9258 (Feb. 3, 2017).

⁶ 15 U.S.C. 78k-1.

of Regulation NMS thereunder,⁷ the CAT NMS Plan.⁸ The Participants filed the Plan to comply with Rule 613 of Regulation NMS under the Exchange Act. The Plan was published for comment in the Federal Register on May 17, 2016,⁹ and approved by the Commission, as modified, on November 15, 2016.¹⁰ The Plan is designed to create, implement and maintain a CAT that would capture customer and order event information for orders in NMS Securities and OTC Equity Securities, across all markets, from the time of order inception through routing, cancellation, modification, or execution in a single consolidated data source. Pursuant to Appendix C of the CAT NMS Plan, each Participant is required to conduct analyses of which of its existing trade and order data rules and systems require the collection of information that is duplicative of information collected for the CAT.¹¹ In addition, among other things, Section C.9 of Appendix C to the Plan, as modified by the Commission, requires each Participant to “file with the SEC the relevant rule change filing to eliminate or modify its duplicative rules within six (6) months of the SEC’s approval of the CAT NMS Plan.”¹² The Plan notes that “the

⁷ 17 CFR 242.608.

⁸ See Letter from the Participants to Brent J. Fields, Secretary, Commission, dated September 30, 2014; and Letter from Participants to Brent J. Fields, Secretary, Commission, dated February 27, 2015. On December 24, 2015, the Participants submitted an amendment to the CAT NMS Plan. See Letter from Participants to Brent J. Fields, Secretary, Commission, dated December 23, 2015.

⁹ Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 Fed. Reg. 30614 (May 17, 2016).

¹⁰ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 Fed. Reg. 84696 (Nov. 23, 2016) (“Approval Order”).

¹¹ Appendix C of CAT NMS Plan, Approval Order at 85010.

¹² Id.

elimination of such rules and the retirement of such systems [will] be effective at such time as CAT Data meets minimum standards of accuracy and reliability.”¹³

After conducting its analysis of its rules in accordance with the CAT NMS Plan, the Exchange determined Rule 6.24 includes references to COATS, which will be retired in accordance with the proposed timeline discussed below, and Rules 6.24(c), 8.9(b) and 15.7 require the reporting of information intended to be collected by the CAT. Therefore, the Exchange believes those provisions will no longer be necessary once the CAT is operational and proposes to modify those Rules as described below. Additionally, the Exchange describes below additional reporting requirements that it may reduce for which no rule changes are necessary. These changes will be implemented in accordance with the timeline described below.

(1) COATS

The options exchanges utilize consolidated options audit trail system (“COATS”) to collect and review data regarding options orders, quotes and transactions. The Participants have provided COATS technical specifications to the Plan Processor for the CAT for use in developing the Technical Specifications for the CAT, and the Participants are working with the Plan Processor to include the necessary COATS data elements in the CAT Technical Specifications. Accordingly, although the Technical Specifications for the CAT have not yet been finalized, the Exchange and the other options exchanges propose to eliminate COATS in accordance with the proposed timeline discussed below.

The Exchange adopted certain provisions of Rule 6.24 to implement certain reporting requirements related to COATS.¹⁴ Rule 6.24(a) states the Exchange has

¹³ Id.

undertaken with the options exchanges to develop COATS to provide an accurate, time-sequenced record of electronic and other orders, quotations, and transactions in certain option classes listed on the Exchange. CBOE proposes to delete this provision.

Rule 6.24(c) requires a Trading Permit Holder transmitting from the floor a report of the execution of an order to record the time at which a report of such execution is received by such Trading Permit Holder. CAT will require Trading Permit Holders to record the time at which they report an execution.¹⁵ Therefore, this rule provision is duplicative of CAT requirements, and the Exchange proposes to delete it.

Interpretations and Policies .01 and .03 through .06 state certain forms and functionality must comply with the requirements of COATS, and that the Exchange will maintain data for orders exempt from systematization requirements of Rule 6.24 in the same format as COATS data is maintained. As COATS will be retired, and data will be

¹⁴ COATS was developed to comply with an order of the Commission requiring CBOE, in coordination with other exchanges, to “design and implement” a consolidated audit trail to “enable the options exchanges to reconstruct markets promptly, effectively surveil them and enforce order handling, firm quote, trade reporting and other rules.” See Section IV.B.e.(v) of the Commission’s Order Instituting Public Administrative Proceedings Pursuant to Sections 19(h)(1) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions (the “Order”). See Securities Exchange Act Release No. 43268 (September 11, 2000) and Administrative Proceeding File No. 3-10282. As noted, the Plan is designed to create, implement and maintain a CAT that would capture customer and order event information for orders in NMS Securities and OTC Equity Securities, across all markets, from the time of order inception through routing, cancellation, modification, or execution in a single consolidated data source. CBOE has already adopted rules to enforce compliance by its Industry Members, as applicable, with the provisions of the Plan. See CBOE Chapter VI, Section F. Once the CAT is fully operational, it will be appropriate to delete certain provisions of CBOE rules implemented to comply with the Order as duplicative of the CAT. Accordingly, the Exchange believes that it would continue to be in compliance with the requirements of the Order once the CAT is fully operational and the COATS rule is modified.

¹⁵ See Chapter VI, Section F.

collected in a format that complies with the requirements of CAT, the proposed rule change replaces the references to COATS with references to CAT, as well as makes other nonsubstantive changes to conform the language throughout.

(2) Market-Maker Equity Order Reports

Rule 8.9(b)¹⁶ requires Market-Makers, upon 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 (i) a security underlying options traded on the Exchange, or (ii) 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 Rule 8.9(a). 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. CAT will require Market-Makers to report order information for such securities. Therefore, this rule provision as it relates to order reports is duplicative of CAT requirements, and the Exchange proposes to delete it. CAT does not require reporting of positions, so the Exchange will maintain the position reporting requirement in Rule 8.9(b). The Exchange also proposes a conforming change to the rule name and Interpretation and Policy .07.

(3) EBS

Rule 15.7 is the Exchange's rule regarding the automated submission of specific trading data to the Exchange upon request using the Electronic Blue Sheet ("EBS")

¹⁶ The Exchange recently submitted a rule filing to amend Rule 8.9(b), which was filed for immediate effectiveness. See SR-CBOE-2017-042. This proposed rule change reflects the amended rule text in that filing.

system. Rule 15.7 requires a Trading Permit Holder to submit the trade data elements specified in the Rule in such automated format as may be prescribed by the Exchange from time to time, in regard to such transaction or transactions that are the subject of a particular request for information made by the Exchange. The Rule sets forth in paragraphs (a) and (b) the data elements required if the transaction was a proprietary transaction or if it was effected for a customer account, respectively. Paragraph (c) provides a Trading Permit Holder must submit such other information as may from time to time be required. Paragraph (d) permits the Exchange to grant exceptions from these requirements in such cases and for such time periods as it deems appropriate.

The Exchange proposes to amend Rule 15.7 to state it will request information under the Rule only if the information is not available in the CAT because, for example, the transactions in question occurred before the firm was reporting information to the CAT or involved securities that are not reportable to the CAT. In essence, under the proposed rule change, the Exchange will make requests under Rule 15.7 if and only if the information is not otherwise available through the CAT.¹⁷

Once broker-dealer reporting to the CAT has begun, the CAT will contain the data the Participants would otherwise have requested via the EBS system for purposes of NMS Securities and OTC Equity Securities. Consequently, the Exchange will not need to use the EBS system or request information pursuant to Rule 15.7 for NMS Securities or OTC Equity Securities for time periods after CAT reporting has begun if the appropriate accuracy and reliability thresholds are achieved, including an acceptable accuracy rate for customer and account information. However, Rule 15.7 cannot be

¹⁷ The proposed rule change also capitalizes the first word of paragraph (a).

completely eliminated immediately upon the CAT achieving the appropriate thresholds because Exchange staff may still need to request information pursuant to Rule 15.7 for trading activity occurring before a member was reporting to the CAT.¹⁸ In addition, Rule 15.7 applies to information regarding transactions involving securities that will not be reportable to the CAT, such as fixed-income securities; thus, the rule must remain in effect with respect to those transactions indefinitely or until those transactions are captured in the CAT.

(4) Other Reports

Various other CBOE Rules require Trading Permit Holders to report information to the Exchange upon request.¹⁹ While the Exchange believes it is necessary to retain these Rules to ensure it has access to the necessary data to perform its regulatory duties and meet its surveillance obligations, it expects it will need to make fewer information requests pursuant to these Rule once Trading Permit Holders begin reporting to the CAT and accuracy and reliability standards are met.

In connection with these Rules requiring Trading Permit Holders to report information to the Exchange upon request, Trading Permit Holders must currently submit to the Exchange stock transaction information for each Qualified Contingent Cross order executed at CBOE. CAT will require Trading Permit Holders to report stock transaction information. Therefore, the Exchange intends to eliminate this reporting requirement in accordance with the proposed timeline below.

¹⁸ Firms are required to maintain the trade information for pre-CAT transactions in equities and options pursuant to applicable rules, such as books and records retention requirements, for the relevant time period, which is generally three or six years depending upon the record. See 17 CFR 240.17a-3(a), 240.17a-4.

¹⁹ See, e.g., Rule 17.2, Interpretation and Policy .04.

(5) Timeline for Elimination of Duplicative Rules

The CAT NMS Plan states that the elimination of rules that are duplicative of the requirements of the CAT and the retirement of the related systems should be effective at such time as CAT Data meets minimum standards of accuracy and reliability.²⁰ As discussed in more detail below, the Exchange believes the Rule provisions and related systems described above may be retired at a date after all Industry Members are reporting to the CAT when the proposed error rate thresholds have been met, and the Exchange has determined that its usage of the CAT Data has not revealed material issues that have not been corrected, confirmed that the CAT includes all data necessary to allow the Exchange to continue to meet its surveillance obligations, and confirmed that the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan.

The Exchange believes the proposed rule changes should not be effective until all Participants and Industry Members that report data pursuant to the Rules described above are reporting comparable data to the CAT. In this way, the Exchange will continue to have access to the necessary data to perform its regulatory duties.

The CAT NMS Plan requires that a rule filing to eliminate a duplicative rule address whether “the availability of certain data from Small Industry Members two years after the Effective Date would facilitate a more expeditious retirement of duplicative systems.”²¹ The Exchange believes COATS should not be retired until all Participants and Industry Members that report data to COATS are reporting comparable data to the CAT. While the early submission of options data to the CAT by Small Industry Members could expedite the retirement of COATS, the Exchange believes that it

²⁰ Id.

²¹ Id.

premature to consider such a change and that additional analysis would be necessary to determine whether such early reporting by Small Industry Members would be feasible.

The CAT NMS Plan requires that this rule filing address “whether individual Industry Members can be exempted from reporting to duplicative systems once their CAT reporting meets specified accuracy and reliability standards, including, but not limited to, ways in which establishing cross-system regulatory functionality or integrating data from existing systems and the CAT would facilitate such Individual Industry Member exemptions.”²² The Exchange believes that a single cut-over from the reporting requirements described above to CAT is highly preferable to a firm-by-firm approach and is not proposing to exempt members from such reporting requirements on a firm-by-firm basis. The Exchange believes that providing such individual exemptions to Industry Members would be inefficient, more costly, and less reliable than the single cut-over. Providing individual exemptions would require the options exchanges to create, for a brief temporary period, a cross-system regulatory function and to integrate data from reports received pursuant to the above requirements and the CAT to avoid creating any regulatory gaps as a result of such exemptions. Such a function would be costly to create and would give rise to a greater likelihood of data errors or other issues. Given the limited time in which such exemptions would be necessary, the Exchange does not believe that such exemptions would be an appropriate use of limited resources.

The CAT NMS Plan also requires that a rule filing to eliminate a duplicative rule to provide “specific accuracy and reliability standards that will determine when duplicative systems will be retired, including, but not limited to, whether the attainment

²² Id.

of a certain Error Rate should determine when a system duplicative of the CAT can be retired.”²³ The Exchange believes that it is critical that the CAT Data be sufficiently accurate and reliable for the Exchange to perform the regulatory functions that it now performs using the information it receives pursuant to the reporting requirements described above. Accordingly, the Exchange believes that the CAT Data should meet specific quantitative error rates, as well as certain qualitative requirements.

The Exchange believes (and the other options exchanges with respect to COATS and EBS) believe that, before reporting requirements may be modified or eliminated, as applicable, and related systems may be retired, the CAT would need to achieve a sustained error rate for a period of at least 180 days of 5% or lower measured on a pre-correction or as-submitted basis, and 2% or lower on a post-correction basis (measured at T+5).²⁴ The Exchange proposes to measure the 5% pre-correction and 2% post-correction thresholds by averaging the error rate across the period, not require a 5% pre-correction and 2% post-correction maximum each day for 180 consecutive days. The Exchange believes that measuring each of the thresholds over the course of 180 days will ensure that the CAT consistently meets minimum accuracy and reliability thresholds while also ensuring that single-day measurements do not unduly affect the overall measurements. The Exchange proposes to measure the appropriate error rates in the aggregate, rather than firm-by-firm. In addition, with respect to COATS, the Exchange proposes to measure the error rates for options only, not equity securities, as only options

²³ Id.

²⁴ The Plan requires that the Plan Processor must ensure that regulators have access to corrected and linked order and Customer data by 8:00 a.m. Eastern Time on T+5. See CAT NMS Plan, at C-15.

are subject to COATS. The 2% and 5% error rates are in line with the proposed retirement threshold for FINRA's Order Audit Trail System ("OATS").

In addition to these minimum error rates before reporting requirements may be modified or eliminated, as applicable, and related systems may be retired, the Exchange believes that during the minimum 180-day period during which the thresholds are calculated, the Exchange's use of the data in the CAT must confirm that (i) usage over that time period has not revealed material issues that have not been corrected, (ii) the CAT includes all data necessary to allow the Exchange to continue to meet its surveillance obligations, and (iii) the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan. The Exchange believes this time period to use the CAT Data is necessary to reveal any errors that may manifest themselves only after surveillance patterns and other queries have been run and to confirm that the Plan Processor is meeting its obligations and performing its functions adequately.

If the Commission approves the proposed rule change, the Exchange will announce the date for modification or elimination, as applicable, of reporting requirements and retirement of related systems and the implementation date of the proposed rule change via Regulatory Circular that will be published once the Exchange (and other options exchanges with respect to COATS and EBS) determines that the thresholds for accuracy and reliability described above have been met and that the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b)(5) of the Exchange Act²⁵, which requires, among other things, that Exchange Rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealer. The Exchange believes that this proposal is consistent with the Exchange Act because it fulfills the obligation in the CAT NMS Plan for the Exchange to submit a proposed rule change to eliminate or modify duplicative rules. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”²⁶ As this proposal implements the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

Moreover, the purpose of the proposed rule change is to amend rules that require the submission of duplicative data to the Exchange. The elimination of such duplicative requirements will reduce unnecessary costs and other compliance burdens for the Exchange and its Trading Permit Holders, and therefore, will enhance the efficiency of the securities markets. Furthermore, the Exchange believes that the approach set forth in the proposed rule change strikes the appropriate balance between ensuring that the

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ Approval Order at 84697.

Exchange is able to continue to fulfill its statutory obligation to protect investors and the public interest by ensuring its surveillance of market activity remains accurate and effective while also establishing a reasonable timeframe for elimination or modification of its rules that will be rendered duplicative after implementation of the CAT.

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

Section 6(b)(8) of the Exchange Act²⁷ requires that Exchange Rules not impose any burden on competition that is not necessary or appropriate. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange notes that the proposed rule change implements the requirements of the CAT NMS Plan approved by the Commission regarding the elimination of rules and systems that are duplicative the CAT, and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan. Similarly, all exchanges and FINRA are proposing the elimination of reporting requirements related to COATS and EBS, as well as other duplicative rules, to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive rule filing and, therefore, it does not raise competition issues between and among the self-regulatory organizations and/or their members.

Item 5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Although written comments on the proposed rule change were not solicited, the Exchange received comments from two commenters, the Financial Information Forum (“FIF”) and the Securities Industry and Financial Markets Association (“SIFMA”),

²⁷ 15 U.S.C. 78f(b)(8).

regarding the retirement of systems related to the CAT.²⁸ In its comment letters, with regard to the retirement of duplicative systems more generally, FIF recommended that the Participants continue the effort to incorporate current reporting obligations into the CAT in order to replace existing reportable systems with the CAT. In addition, FIF further recommended that, once a CAT Reporter achieved satisfactory reporting data quality, the CAT Reporter should be exempt from reporting to any duplicative reporting systems. FIF believed that these recommendations “would serve both an underlying regulatory objective of more immediate and accurate access to data as well as an industry objective of reduced costs and burdens of regulatory oversight.”²⁹ In its comments about EBS specifically, FIF stated that the retirement of the EBS requirements should be a high priority, and that the CAT should be designed to include the requisite data elements to permit the rapid retirement of EBS.³⁰ Similarly, SIFMA stated that “the establishment of the CAT must be accompanied by the prompt elimination of duplicative systems,” and “recommend[ed] that the initial technical specifications be designed to facilitate the immediate retirement of . . . duplicative reporting systems.”³¹

As discussed above, the Exchange agrees with the commenters that the reporting requirements proposed to be modified or eliminated should be replaced by the CAT

²⁸ Letter from William H. Hebert, FIF, to Participants re: Milestone for Participants’ rule change filings to eliminate/modify duplicative rules (Apr. 12, 2017) (“FIF Letter”); Letter from William H. Hebert, FIF, to Brent J. Fields, SEC re: Milestone for Participants’ rule change filings to eliminate/modify duplicative rules (Apr. 12, 2017); and Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017) (“SIFMA Letter”) at 2.

²⁹ FIF Letter at 2.

³⁰ FIF Letter at 2.

³¹ SIFMA Letter at 2.

reporting requirements as soon as accurate and reliable CAT Data is available. To this end, the Exchange anticipates that the CAT will be designed to collect the data necessary to permit the modification or elimination, as applicable, of these reporting requirements and the retirement of related systems. However, as discussed above, the Exchange disagrees with the recommendation to provide individual exemptions to those CAT Reporters who obtain satisfactory data reporting quality.

Item 6. Extension of Time Period for Commission Action

CBOE does not consent to an extension of the time period for Commission action on the proposed rule change specified in Section 19(b)(2) of the Act.³²

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

Not applicable.

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

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

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

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

³² 15 U.S.C. 78s(b)(2).

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CBOE-2017-041]

[Insert Date]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change Relating to Rules and Systems That Require the Collection of Information That Is Duplicative of Information Collected for the CAT

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [Insert Date], Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to modify requirements for the collection of information that is duplicative of information intended to be collected for the consolidated audit trail (“CAT”) adopted pursuant to the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”).³ The Exchange will announce the implementation date of the proposed rule change and effective date of the retirement of any related systems by Regulatory Circular that will be published once the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth herein, or in the CAT Compliance Rule Series or in the CAT NMS Plan.

options exchanges determine the thresholds for accuracy and reliability described below have been met and that the Plan Processor for CAT is sufficiently meeting all of its obligations under the CAT NMS Plan.

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

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

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

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

1. Purpose

Bats BYX Exchange, Inc., Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., Financial Industry Regulatory Authority, Inc. ("FINRA"), Investors' Exchange LLC, Miami International Securities Exchange, LLC, MIAX PEARL, LLC, NASDAQ BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC,⁴ NASDAQ

⁴ ISE Gemini, LLC, ISE Mercury, LLC and International Securities Exchange, LLC have been renamed Nasdaq GEMX, LLC, Nasdaq MRX, LLC, and Nasdaq ISE, LLC, respectively. See Securities Exchange Act Rel. No. 80248 (Mar. 15, 2017), 82 Fed. Reg. 14547 (Mar. 21, 2017); Securities Exchange Act Rel. No.

PHLX LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE MKT LLC, NYSE Arca, Inc. and NYSE National, Inc.⁵ (collectively, the “Participants”) filed with the Commission, pursuant to Section 11A of the Exchange Act⁶ and Rule 608 of Regulation NMS thereunder,⁷ the CAT NMS Plan.⁸ The Participants filed the Plan to comply with Rule 613 of Regulation NMS under the Exchange Act. The Plan was published for comment in the Federal Register on May 17, 2016,⁹ and approved by the Commission, as modified, on November 15, 2016.¹⁰ The Plan is designed to create, implement and maintain a CAT that would capture customer and order event information for orders in NMS Securities and OTC Equity Securities, across all markets, from the time of order inception through routing, cancellation, modification, or execution in a single consolidated data source. Pursuant to Appendix C of the CAT NMS Plan, each Participant is required to conduct analyses of which of its existing trade and order data rules and systems require the collection of information that is duplicative of information

80326 (Mar. 29, 2017), 82 Fed. Reg. 16460 (Apr. 4, 2017); and Securities Exchange Act Rel. No. 80325 (Mar. 29, 2017), 82 Fed. Reg. 16445 (Apr. 4, 2017).

⁵ National Stock Exchange, Inc. has been renamed NYSE National, Inc. See Securities Exchange Act Rel. No. 79902 (Jan. 30, 2017), 82 Fed. Reg. 9258 (Feb. 3, 2017).

⁶ 15 U.S.C. 78k-1.

⁷ 17 CFR 242.608.

⁸ See Letter from the Participants to Brent J. Fields, Secretary, Commission, dated September 30, 2014; and Letter from Participants to Brent J. Fields, Secretary, Commission, dated February 27, 2015. On December 24, 2015, the Participants submitted an amendment to the CAT NMS Plan. See Letter from Participants to Brent J. Fields, Secretary, Commission, dated December 23, 2015.

⁹ Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 Fed. Reg. 30614 (May 17, 2016).

¹⁰ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 Fed. Reg. 84696 (Nov. 23, 2016) (“Approval Order”).

collected for the CAT.¹¹ In addition, among other things, Section C.9 of Appendix C to the Plan, as modified by the Commission, requires each Participant to “file with the SEC the relevant rule change filing to eliminate or modify its duplicative rules within six (6) months of the SEC’s approval of the CAT NMS Plan.”¹² The Plan notes that “the elimination of such rules and the retirement of such systems [will] be effective at such time as CAT Data meets minimum standards of accuracy and reliability.”¹³

After conducting its analysis of its rules in accordance with the CAT NMS Plan, the Exchange determined Rule 6.24 includes references to COATS, which will be retired in accordance with the proposed timeline discussed below, and Rules 6.24(c), 8.9(b) and 15.7 require the reporting of information intended to be collected by the CAT. Therefore, the Exchange believes those provisions will no longer be necessary once the CAT is operational and proposes to modify those Rules as described below. Additionally, the Exchange describes below additional reporting requirements that it may reduce for which no rule changes are necessary. These changes will be implemented in accordance with the timeline described below.

(1) COATS

The options exchanges utilize consolidated options audit trail system (“COATS”) to collect and review data regarding options orders, quotes and transactions. The Participants have provided COATS technical specifications to the Plan Processor for the CAT for use in developing the Technical Specifications for the CAT, and the Participants are working with the Plan Processor to include the necessary COATS data elements in

¹¹ Appendix C of CAT NMS Plan, Approval Order at 85010.

¹² Id.

¹³ Id.

the CAT Technical Specifications. Accordingly, although the Technical Specifications for the CAT have not yet been finalized, the Exchange and the other options exchanges propose to eliminate COATS in accordance with the proposed timeline discussed below.

The Exchange adopted certain provisions of Rule 6.24 to implement certain reporting requirements related to COATS.¹⁴ Rule 6.24(a) states the Exchange has undertaken with the options exchanges to develop COATS to provide an accurate, time-sequenced record of electronic and other orders, quotations, and transactions in certain option classes listed on the Exchange. CBOE proposes to delete this provision.

Rule 6.24(c) requires a Trading Permit Holder transmitting from the floor a report of the execution of an order to record the time at which a report of such execution is received by such Trading Permit Holder. CAT will require Trading Permit Holders to

¹⁴ COATS was developed to comply with an order of the Commission requiring CBOE, in coordination with other exchanges, to “design and implement” a consolidated audit trail to “enable the options exchanges to reconstruct markets promptly, effectively surveil them and enforce order handling, firm quote, trade reporting and other rules.” See Section IV.B.e.(v) of the Commission’s Order Instituting Public Administrative Proceedings Pursuant to Sections 19(h)(1) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions (the “Order”). See Securities Exchange Act Release No. 43268 (September 11, 2000) and Administrative Proceeding File No. 3-10282. As noted, the Plan is designed to create, implement and maintain a CAT that would capture customer and order event information for orders in NMS Securities and OTC Equity Securities, across all markets, from the time of order inception through routing, cancellation, modification, or execution in a single consolidated data source. CBOE has already adopted rules to enforce compliance by its Industry Members, as applicable, with the provisions of the Plan. See CBOE Chapter VI, Section F. Once the CAT is fully operational, it will be appropriate to delete certain provisions of CBOE rules implemented to comply with the Order as duplicative of the CAT. Accordingly, the Exchange believes that it would continue to be in compliance with the requirements of the Order once the CAT is fully operational and the COATS rule is modified.

record the time at which they report an execution.¹⁵ Therefore, this rule provision is duplicative of CAT requirements, and the Exchange proposes to delete it.

Interpretations and Policies .01 and .03 through .06 state certain forms and functionality must comply with the requirements of COATS, and that the Exchange will maintain data for orders exempt from systematization requirements of Rule 6.24 in the same format as COATS data is maintained. As COATS will be retired, and data will be collected in a format that complies with the requirements of CAT, the proposed rule change replaces the references to COATS with references to CAT, as well as makes other nonsubstantive changes to conform the language throughout.

(2) Market-Maker Equity Order Reports

Rule 8.9(b)¹⁶ requires Market-Makers, upon 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 (i) a security underlying options traded on the Exchange, or (ii) 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 Rule 8.9(a). 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. CAT will require Market-Makers to report order information for such securities. Therefore, this rule provision as it relates to order reports is duplicative of CAT requirements, and the Exchange proposes to delete

¹⁵ See Chapter VI, Section F.

¹⁶ The Exchange recently submitted a rule filing to amend Rule 8.9(b), which was filed for immediate effectiveness. See SR-CBOE-2017-042. This proposed rule change reflects the amended rule text in that filing.

it. CAT does not require reporting of positions, so the Exchange will maintain the position reporting requirement in Rule 8.9(b). The Exchange also proposes a conforming change to the rule name and Interpretation and Policy .07.

(3) EBS

Rule 15.7 is the Exchange's rule regarding the automated submission of specific trading data to the Exchange upon request using the Electronic Blue Sheet ("EBS") system. Rule 15.7 requires a Trading Permit Holder to submit the trade data elements specified in the Rule in such automated format as may be prescribed by the Exchange from time to time, in regard to such transaction or transactions that are the subject of a particular request for information made by the Exchange. The Rule sets forth in paragraphs (a) and (b) the data elements required if the transaction was a proprietary transaction or if it was effected for a customer account, respectively. Paragraph (c) provides a Trading Permit Holder must submit such other information as may from time to time be required. Paragraph (d) permits the Exchange to grant exceptions from these requirements in such cases and for such time periods as it deems appropriate.

The Exchange proposes to amend Rule 15.7 to state it will request information under the Rule only if the information is not available in the CAT because, for example, the transactions in question occurred before the firm was reporting information to the CAT or involved securities that are not reportable to the CAT. In essence, under the proposed rule change, the Exchange will make requests under Rule 15.7 if and only if the information is not otherwise available through the CAT.¹⁷

¹⁷ The proposed rule change also capitalizes the first word of paragraph (a).

Once broker-dealer reporting to the CAT has begun, the CAT will contain the data the Participants would otherwise have requested via the EBS system for purposes of NMS Securities and OTC Equity Securities. Consequently, the Exchange will not need to use the EBS system or request information pursuant to Rule 15.7 for NMS Securities or OTC Equity Securities for time periods after CAT reporting has begun if the appropriate accuracy and reliability thresholds are achieved, including an acceptable accuracy rate for customer and account information. However, Rule 15.7 cannot be completely eliminated immediately upon the CAT achieving the appropriate thresholds because Exchange staff may still need to request information pursuant to Rule 15.7 for trading activity occurring before a member was reporting to the CAT.¹⁸ In addition, Rule 15.7 applies to information regarding transactions involving securities that will not be reportable to the CAT, such as fixed-income securities; thus, the rule must remain in effect with respect to those transactions indefinitely or until those transactions are captured in the CAT.

(4) Other Reports

Various other CBOE Rules require Trading Permit Holders to report information to the Exchange upon request.¹⁹ While the Exchange believes it is necessary to retain these Rules to ensure it has access to the necessary data to perform its regulatory duties and meet its surveillance obligations, it expects it will need to make fewer information

¹⁸ Firms are required to maintain the trade information for pre-CAT transactions in equities and options pursuant to applicable rules, such as books and records retention requirements, for the relevant time period, which is generally three or six years depending upon the record. See 17 CFR 240.17a-3(a), 240.17a-4.

¹⁹ See, e.g., Rule 17.2, Interpretation and Policy .04.

requests pursuant to these Rule once Trading Permit Holders begin reporting to the CAT and accuracy and reliability standards are met.

In connection with these Rules requiring Trading Permit Holders to report information to the Exchange upon request, Trading Permit Holders must currently submit to the Exchange stock transaction information for each Qualified Contingent Cross order executed at CBOE. CAT will require Trading Permit Holders to report stock transaction information. Therefore, the Exchange intends to eliminate this reporting requirement in accordance with the proposed timeline below.

(5) Timeline for Elimination of Duplicative Rules

The CAT NMS Plan states that the elimination of rules that are duplicative of the requirements of the CAT and the retirement of the related systems should be effective at such time as CAT Data meets minimum standards of accuracy and reliability.²⁰ As discussed in more detail below, the Exchange believes the Rule provisions and related systems described above may be retired at a date after all Industry Members are reporting to the CAT when the proposed error rate thresholds have been met, and the Exchange has determined that its usage of the CAT Data has not revealed material issues that have not been corrected, confirmed that the CAT includes all data necessary to allow the Exchange to continue to meet its surveillance obligations, and confirmed that the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan.

The Exchange believes the proposed rule changes should not be effective until all Participants and Industry Members that report data pursuant to the Rules described above

²⁰ Id.

are reporting comparable data to the CAT. In this way, the Exchange will continue to have access to the necessary data to perform its regulatory duties.

The CAT NMS Plan requires that a rule filing to eliminate a duplicative rule address whether “the availability of certain data from Small Industry Members two years after the Effective Date would facilitate a more expeditious retirement of duplicative systems.”²¹ The Exchange believes COATS should not be retired until all Participants and Industry Members that report data to COATS are reporting comparable data to the CAT. While the early submission of options data to the CAT by Small Industry Members could expedite the retirement of COATS, the Exchange believes that it premature to consider such a change and that additional analysis would be necessary to determine whether such early reporting by Small Industry Members would be feasible.

The CAT NMS Plan requires that this rule filing address “whether individual Industry Members can be exempted from reporting to duplicative systems once their CAT reporting meets specified accuracy and reliability standards, including, but not limited to, ways in which establishing cross-system regulatory functionality or integrating data from existing systems and the CAT would facilitate such Individual Industry Member exemptions.”²² The Exchange believes that a single cut-over from the reporting requirements described above to CAT is highly preferable to a firm-by-firm approach and is not proposing to exempt members from such reporting requirements on a firm-by-firm basis. The Exchange believes that providing such individual exemptions to Industry Members would be inefficient, more costly, and less reliable than the single cut-over. Providing individual exemptions would require the options exchanges to create, for a

²¹ Id.

²² Id.

brief temporary period, a cross-system regulatory function and to integrate data from reports received pursuant to the above requirements and the CAT to avoid creating any regulatory gaps as a result of such exemptions. Such a function would be costly to create and would give rise to a greater likelihood of data errors or other issues. Given the limited time in which such exemptions would be necessary, the Exchange does not believe that such exemptions would be an appropriate use of limited resources.

The CAT NMS Plan also requires that a rule filing to eliminate a duplicative rule to provide “specific accuracy and reliability standards that will determine when duplicative systems will be retired, including, but not limited to, whether the attainment of a certain Error Rate should determine when a system duplicative of the CAT can be retired.”²³ The Exchange believes that it is critical that the CAT Data be sufficiently accurate and reliable for the Exchange to perform the regulatory functions that it now performs using the information it receives pursuant to the reporting requirements described above. Accordingly, the Exchange believes that the CAT Data should meet specific quantitative error rates, as well as certain qualitative requirements.

The Exchange believes (and the other options exchanges with respect to COATS and EBS) believe that, before reporting requirements may be modified or eliminated, as applicable, and related systems may be retired, the CAT would need to achieve a sustained error rate for a period of at least 180 days of 5% or lower measured on a pre-correction or as-submitted basis, and 2% or lower on a post-correction basis (measured at T+5).²⁴ The Exchange proposes to measure the 5% pre-correction and 2% post-

²³ Id.

²⁴ The Plan requires that the Plan Processor must ensure that regulators have access to corrected and linked order and Customer data by 8:00 a.m. Eastern Time on

correction thresholds by averaging the error rate across the period, not require a 5% pre-correction and 2% post-correction maximum each day for 180 consecutive days. The Exchange believes that measuring each of the thresholds over the course of 180 days will ensure that the CAT consistently meets minimum accuracy and reliability thresholds while also ensuring that single-day measurements do not unduly affect the overall measurements. The Exchange proposes to measure the appropriate error rates in the aggregate, rather than firm-by-firm. In addition, with respect to COATS, the Exchange proposes to measure the error rates for options only, not equity securities, as only options are subject to COATS. The 2% and 5% error rates are in line with the proposed retirement threshold for FINRA's Order Audit Trail System ("OATS").

In addition to these minimum error rates before reporting requirements may be modified or eliminated, as applicable, and related systems may be retired, the Exchange believes that during the minimum 180-day period during which the thresholds are calculated, the Exchange's use of the data in the CAT must confirm that (i) usage over that time period has not revealed material issues that have not been corrected, (ii) the CAT includes all data necessary to allow the Exchange to continue to meet its surveillance obligations, and (iii) the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan. The Exchange believes this time period to use the CAT Data is necessary to reveal any errors that may manifest themselves only after surveillance patterns and other queries have been run and to confirm that the Plan Processor is meeting its obligations and performing its functions adequately.

T+5. See CAT NMS Plan, at C-15.

If the Commission approves the proposed rule change, the Exchange will announce the date for modification or elimination, as applicable, of reporting requirements and retirement of related systems and the implementation date of the proposed rule change via Regulatory Circular that will be published once the Exchange (and other options exchanges with respect to COATS and EBS) determines that the thresholds for accuracy and reliability described above have been met and that the Plan Processor is sufficiently meeting all of its obligations under the CAT NMS Plan.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b)(5) of the Exchange Act²⁵, which requires, among other things, that Exchange Rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealer. The Exchange believes that this proposal is consistent with the Exchange Act because it fulfills the obligation in the CAT NMS Plan for the Exchange to submit a proposed rule change to eliminate or modify duplicative rules. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”²⁶ As this proposal implements the Plan, the Exchange believes that this proposal furthers the

²⁵ 15 U.S.C. 78f(b)(5).

²⁶ Approval Order at 84697.

objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

Moreover, the purpose of the proposed rule change is to amend rules that require the submission of duplicative data to the Exchange. The elimination of such duplicative requirements will reduce unnecessary costs and other compliance burdens for the Exchange and its Trading Permit Holders, and therefore, will enhance the efficiency of the securities markets. Furthermore, the Exchange believes that the approach set forth in the proposed rule change strikes the appropriate balance between ensuring that the Exchange is able to continue to fulfill its statutory obligation to protect investors and the public interest by ensuring its surveillance of market activity remains accurate and effective while also establishing a reasonable timeframe for elimination or modification of its rules that will be rendered duplicative after implementation of the CAT.

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

Section 6(b)(8) of the Exchange Act²⁷ requires that Exchange Rules not impose any burden on competition that is not necessary or appropriate. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Exchange notes that the proposed rule change implements the requirements of the CAT NMS Plan approved by the Commission regarding the elimination of rules and systems that are duplicative the CAT, and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan. Similarly, all exchanges and FINRA are proposing the elimination of reporting requirements related to COATS and EBS, as well

²⁷ 15 U.S.C. 78f(b)(8).

as other duplicative rules, to implement the requirements of the CAT NMS Plan.

Therefore, this is not a competitive rule filing and, therefore, it does not raise competition issues between and among the self-regulatory organizations and/or their members.

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

Although written comments on the proposed rule change were not solicited, the Exchange received comments from two commenters, the Financial Information Forum ("FIF") and the Securities Industry and Financial Markets Association ("SIFMA"), regarding the retirement of systems related to the CAT.²⁸ In its comment letters, with regard to the retirement of duplicative systems more generally, FIF recommended that the Participants continue the effort to incorporate current reporting obligations into the CAT in order to replace existing reportable systems with the CAT. In addition, FIF further recommended that, once a CAT Reporter achieved satisfactory reporting data quality, the CAT Reporter should be exempt from reporting to any duplicative reporting systems. FIF believed that these recommendations "would serve both an underlying regulatory objective of more immediate and accurate access to data as well as an industry objective of reduced costs and burdens of regulatory oversight."²⁹ In its comments about EBS specifically, FIF stated that the retirement of the EBS requirements should be a high priority, and that the CAT should be designed to include the requisite data elements to

²⁸ Letter from William H. Hebert, FIF, to Participants re: Milestone for Participants' rule change filings to eliminate/modify duplicative rules (Apr. 12, 2017) ("FIF Letter"); Letter from William H. Hebert, FIF, to Brent J. Fields, SEC re: Milestone for Participants' rule change filings to eliminate/modify duplicative rules (Apr. 12, 2017); and Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017) ("SIFMA Letter") at 2.

²⁹ FIF Letter at 2.

permit the rapid retirement of EBS.³⁰ Similarly, SIFMA stated that “the establishment of the CAT must be accompanied by the prompt elimination of duplicative systems,” and “recommend[ed] that the initial technical specifications be designed to facilitate the immediate retirement of . . . duplicative reporting systems.”³¹

As discussed above, the Exchange agrees with the commenters that the reporting requirements proposed to be modified or eliminated should be replaced by the CAT reporting requirements as soon as accurate and reliable CAT Data is available. To this end, the Exchange anticipates that the CAT will be designed to collect the data necessary to permit the modification or elimination, as applicable, of these reporting requirements and the retirement of related systems. However, as discussed above, the Exchange disagrees with the recommendation to provide individual exemptions to those CAT Reporters who obtain satisfactory data reporting quality.

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.

³⁰ FIF Letter at 2.

³¹ SIFMA Letter at 2.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2017-041 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CBOE-2017-041. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2017-041 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³²

Secretary

³² 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

**Chicago Board Options Exchange, Incorporated
Rules**

* * * * *

Rule 6.24. Required Order Information

(a) Orders Must Be Systematized. [The Exchange has undertaken with the other options exchanges to develop a Consolidated Options Audit Trail System (“COATS”), which when fully developed and implemented, will provide an accurate, time-sequenced record of electronic and other orders, quotations, and transactions in certain option classes listed on the Exchange. Unless otherwise provided, the requirements of this Rule shall commence on January 10, 2005. In connection with the implementation of COATS:]

(1) – (4) No change.

(b) No change.

[(c) *Executions*. A Trading Permit Holder transmitting from the floor a report of the execution of an order must record the time at which a report of such execution is received by such Trading Permit Holder.]

. . . Interpretations and Policies:

.01 Any Trading Permit Holder desiring to use an order form other than those provided by the Exchange must submit such form to the Exchange and obtain its approval prior to using such form on the Floor. [When approving a]An order form other than those provided by the Exchange[, the Exchange shall ensure that the form complies] must at a minimum comply with the requirements of CAT[COATS].

.02 [(a)]The use of hand signal communications on the floor of the Exchange may be used to initiate an order, to increase or decrease the size of an order, to change an order’s limit, to cancel an order, or to activate a market order. Any initiation, cancellation, or change of an order relayed to a floor broker through the use of hand signals also must be systematized in accordance with paragraph (a) of this Rule. All other rules applicable to order preparation and retention, and reporting duties are applicable to orders under this Interpretation, except that the record-keeping obligation lies with the Trading Permit Holder signaling the order where a hand signal is used. All cancellations and changes of orders held by the Order Book Official must be provided in written form or electronically, and also must be systematized in accordance with paragraph (a) of this Rule.

.03 The Exchange will from time to time prescribe the form of Telephone and Terminal Order Formats in a Manual and the contents of this Manual are hereby incorporated in these Rules and will have full force and effect as if fully set forth herein. The Telephone and Terminal Order Formats in the Manual [shall]will at a minimum comply with the requirements of [COATS]CAT.

.04 Accommodation liquidations as described in Rule 6.54 are exempt from the requirements of this Rule. However, the Exchange maintains quotation, order and transaction information for accommodation liquidations in the same format as the [COATS]CAT data is maintained, and will make such information available to the SEC upon request.

.05 FLEX Options, as described in Chapters XXIVA and XXIVB of the Rules, are exempt from the requirements of this Rule. However, the Exchange will maintain as part of its audit trail quotation, order and transaction information for FLEX Options in a form and manner that is substantially similar to the form and manner as the [COATS]CAT data is maintained, and will make such information available to the SEC upon request.

.06 Any proprietary system approved by the Exchange on the Exchange's trading floor which receives orders will be considered an Exchange system for purposes of paragraph (a)(1) of this Rule. Any proprietary system approved by the Exchange [shall]must at a minimum have the functionality to comply with the requirements of [COATS]CAT.

.07 No change.

* * * * *

Rule 8.9. Securities Accounts [and Orders]of Market-Makers

(a) No change.

(b) *Reports of [Orders]Positions.* Each Market-Maker shall, 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 (i) a security underlying options traded on the Exchange, or (ii) a security convertible into or exchangeable for such underlying security, as well as] opening and closing positions in [all such securities]securities underlying options traded on the Exchange or securities convertible into or exchangeable for such underlying 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) No change.

. . . Interpretations and Policies:

.01 – .06 No change.

.07 Reports of accounts and [orders]positions required to be filed pursuant to paragraphs (a) and (b) of Rule 8.9 relate only to accounts in which a Market-Maker, individually, directly or indirectly, controls trading activities or has a direct interest in the profits or losses of such accounts. Thus, reports would be required for accounts over which a Market-Maker exercises investment discretion as well as for his proprietary accounts. For purposes of Rule 8.9, related securities include securities convertible into or exchangeable for underlying securities.

.08 No change.

* * * * *

Rule 15.7. Automated Submission of Trading Data

A Trading Permit Holder or TPH organization shall submit the trade data elements specified below in such automated format as may be prescribed by the Exchange from time to time, in regard to such transaction or transactions that are the subject of a particular request for information made by the Exchange[:]. The Exchange will request information under this Rule only if the information is not available in the CAT because, for example, the transactions in question occurred before the firm was reporting information to the CAT or involved securities that are not reportable to the CAT.

(a) [i]If the transaction was a proprietary transaction effected or caused to be effected by the Trading Permit Holder or TPH organization for any account in which such Trading Permit Holder or TPH organization, or any member, allied member, approved person, partner, officer, director, or employee thereof, is directly or indirectly interested, such Trading Permit Holder or TPH organization shall submit or cause to be submitted the following information:

1. – 8. No change.

(b) No change.

* * * * *