



January 12, 2018

Mr. Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F. Street N.E.
Washington, D.C. 20549-1090

RE: Securities Exchange Act Release No. 80683 (May 16, 2017), 82 FR 23320 (May 22, 2017) (SR-BatsBZX-2017-34)

Dear Mr. Fields:

Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) appreciates the opportunity to submit this letter on the above-referenced proposed rule change in which the Exchange proposes to adopt Cboe Market Close, a closing match process for non-BZX Listed Securities¹ under new Exchange Rule 11.28 (the “Proposal”).² The Exchange submits this letter to expand upon its prior statements regarding surveillance of Cboe Market Close for potential manipulative activity. While the Exchange does not believe the Proposal would increase the potential for manipulation, the Exchange is committed to enhancing its current surveillance procedures and working with other self-regulatory organizations (“SROs”), including FINRA, the NYSE, and Nasdaq, to ensure that any potential inappropriate trading activity is detected and prevented.

BZX is registered as a national securities exchanges under Section 6 of the Securities Exchange Act of 1934. In turn, BZX has status as an SRO and, therefore, has an obligation to enforce compliance by its members with the Exchange’s rules and the applicable securities laws. As such, the Exchange surveils all trading activity occurring on its system, including surveillance to detect nefarious trading activity at the close. The Exchange intends to implement and augment existing in-house surveillance processes for the purpose of detecting potential manipulative activity in conjunction with orders entered into Cboe Market Close. This would include, but not be limited to, monitoring for possible non *bona fide* order activity. For example, the submission of orders for the purpose of gaining some informational advantage, such as the direction of closing volume interest, as opposed to receiving an execution. Such surveillance may also include monitoring the entry of large size orders on one side of the market or other types of trading activity that indicates a pattern or practice of activity geared towards manipulating the closing auction.

¹ A BZX Listed Security is a security listed on the Exchange pursuant to Chapter 14 of the Exchange’s Rules and includes both corporate listed securities and Exchange Traded Products (“ETPs”).

² The Exchange submitted three previous letter on the Proposal in response to comments. See letters from Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, Bats Global Markets, Inc. to Mr. Brent J. Fields, Secretary, Commission, dated August 2, 2017, October 11, 2017, and January 3, 2018. .

In addition to the Exchange's internal surveillance program, FINRA conducts cross market surveillances on behalf of the Exchange pursuant to a regulatory services agreement.³ Through comprehensive cross-market surveillance, FINRA is able to monitor for potential nefarious activity by a market participant on two or more markets in an attempt to avoid detection. FINRA's cross market surveillance program includes procedures that are designed to detect activity geared towards manipulating a security's closing price, and the Exchange currently provides FINRA the necessary trade data to enable it to conduct such cross market surveillance. Additionally, the Exchange is committed to working with FINRA on ways to enhance the existing cross market surveillance program FINRA conducts on behalf of BZX to supplement monitoring of potential manipulative activity by those that participate in Cboe Market Close as well as the closing auction conducted by the primary listing market.

BZX is also a member of the Intermarket Surveillance Group ("ISG"), a group established for the coordination of regulatory efforts among exchanges to address potential intermarket manipulations and trading abuses. Other members of ISG include the primary listing exchanges, Nasdaq and the NYSE. Members of ISG are required to comply with strict requirements with respect to regulatory capabilities relating to market surveillance and ability to obtain and freely share information.⁴ As such, the Exchange would share the necessary information concerning Cboe Market Close with NYSE and Nasdaq as part of their participation in ISG so that they may properly surveil for potential manipulative activity within their own closing auctions.

Again, while we don't anticipate the Proposal will create any new or novel ways to manipulate the market, the Exchange stands ready to work with FINRA and other market participants to enhance surveillance procedures to ensure that any potential inappropriate trading activity is detected and prevented. The Exchange will provide its surveillance plan to the Commission staff prior to implementing the Proposal and will implement that plan on the date that Cboe Market Close becomes available to market participants. For the reasons set forth above and expressed in its prior letters, the Exchange again strongly urges the Commission to approve the Proposal. Please feel free to contact me at [REDACTED] if you have any questions related to this matter.

Sincerely,



Joanne Moffic-Silver
Executive Vice President, General
Counsel, and Corporate Secretary

³ See <http://www.finra.org/newsroom/2014/bats-global-markets-finra-enter-regulatory-service-agreement>.

⁴ See ISG website: <https://www.isgportal.org/home.html>.

Mr. Brent J. Fields
January 12, 2018
Page 3 of 3

cc: Greg Hoogasian, Chief Regulatory Officer, Cboe Global Markets, Inc.