

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-86323; File No. SR-CboeEDGX-2019-041)

July 8, 2019

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Update its Rules Related to Complex Orders and Trading Halts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 24, 2019, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) proposes to update its rules related to complex orders and trading halts. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website ([http://markets.cboe.com/us/options/regulation/rule\\_filings/edgx/](http://markets.cboe.com/us/options/regulation/rule_filings/edgx/)), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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

The proposed rule change updates the Exchange's trading halt procedures as they relate to complex orders. The Exchange recently adopted a rule change (Rule 21.7) to eliminate the distinction between how the opening auction process applies to a Member's simple orders following a Regulatory Halt and a non-Regulatory Halt.<sup>5</sup> This change will be implemented on June 27, 2019<sup>6</sup> and provides that, for the opening auction process following any trading halt, the System queues a User's orders and quotes resting on the book at the time of the trading halt for

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<sup>5</sup> See Securities Exchange Act Release No. 85988 (May 31, 2019), 84 FR 26492 (June 6, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending Rule 21.7 Concerning the Opening Auction Process) (SR-CboeEDGX-2019-033). The changes in SR-CboeEDGX-2019-033 are currently effective but not yet operative; however, the proposed rule text in this rule filing assumes operativeness of those effective changes. The Exchange notes that the distinction between the two trading halts was made throughout its rules in connection with Regulatory Halts under the Regulation NMS Plan to Address Extraordinary Market Volatility (the "Plan"). During a Regulatory Halt an underlying security has halted trading across the industry, and during a non-Regulatory Halt the primary exchange has experienced a technical issue but the underlying security continues to trade on other equities platforms. However, the Exchange determined that there would be a Queuing Period following a non-Regulatory Halt, like that of a Regulatory Halt, in order eliminate potential investor confusion regarding how the System will handle orders and quotes in the event of any trading halt. This is consistent with the Plan.

<sup>6</sup> See Exchange Notice No. C2019061200 (June 21, 2019).

participation in the opening rotation following the trading halt, unless the User entered instructions to cancel its resting orders and quotes.

The Exchange now proposes to update the Complex Order Book (“COB”) re-opening process following a trading halt under Rule 21.20 to align with the proposed changes to the opening auction process following a halt for simple orders. Currently, Rule 21.20(c)(2)(A) provides that any complex orders designated for a re-opening following a halt will be queued until the halt has ended, at which time they will be eligible to be executed in the Opening Process for the COB. The Exchange now proposes to update this process to mirror that of the process for simple orders. Specifically, the Exchange proposes to amend Rule 21.20(c)(2)(A) to state that the System queues a Member’s open complex orders during a halt, unless the Member entered instructions to cancel its open complex orders upon a halt, until the halt has ended, at which time they will be eligible to be executed in the Opening Process for the COB. Additionally, the Exchange proposes to make similar changes to Interpretation and Policy .05 to Rule 21.20, which currently states that if a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended and a Member’s complex orders will be cancelled unless a Member has instructed the Exchange not to cancel its orders. The Exchange proposes to amend the language, similar to that of proposed Rule 21.20(c)(2)(A), to state that the System queues a Member’s open complex orders during a halt, unless the Member entered instructions to cancel its open complex orders upon a halt, for participation in the re-opening of the COB. The Exchange notes that the proposed change to Rule 21.20 and its Interpretation and Policy .05 will align this rule with the trading halt process to be implemented for simple orders on June 27, 2019. The Exchange further notes that the proposed change is substantially similar to the language of its affiliated exchange’s, Cboe C2 Exchange, Inc. (“C2”),

corresponding rule for trading halts in connection with complex orders.<sup>7</sup>

The Exchange believes that this proposed change will provide Members with the same ability to decide how their resting complex orders should be handled in the event of a trading halt as they will have for their simple orders in this event. The Exchange also believes this proposed update will eliminate potential investor confusion regarding how the System will handle complex orders as compared to simple orders upon implementation of the changes to the trading halt process for simple orders on June 27, 2019, as well as bolster understanding of the rules and functionality following trading halts between the Exchange and its affiliated exchange, C2, for those participating across both exchanges.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>8</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>9</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the

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<sup>7</sup> See C2 Rule 6.13(k). The Exchange notes that C2 recently proposed changes to this rule to eliminate the distinction between the re-opening process following a Regulatory and non-Regulatory Trading Halt. Therefore, following any trading halt, a complex order will be handled in the manner in which it is currently handled for a Regulatory Trading Halt: the System queues a User’s open complex orders, unless the User entered instructions to cancel its open complex orders upon a halt, for participation in the re-opening of the COB. See SR-C2-2019-016 (June 17, 2019).

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change to harmonize the process for a Member's complex orders with that of a Member's simple orders following a trading halt will protect investors by eliminating potential confusion regarding how the System will handle their complex orders as compared to their simple orders following any trading halt. The Exchange also believes that the proposed rule change will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system by providing Members with the same ability to decide how their open (i.e. resting) complex orders should be handled in the event of a trading halt, as they will have for their simple orders in this event beginning on June 27, 2019. Also, as stated above, the Exchange notes that the proposed change is substantively the same as the complex order trading halt rule of its affiliated exchange, C2.<sup>11</sup> As a result, the Exchange believes that the proposed rule change will serve to protect investors by providing similar trading halt rules for complex orders between the two affiliated exchanges, thereby bolstering understanding of the affiliated exchanges' rules and functionality for those participating across both exchanges.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. All Members will have the

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<sup>10</sup> Id.

<sup>11</sup> See supra note 7.

same flexibility regarding how the System will handle their complex orders during a trading halt. If a Member wants its complex orders to be handled in the manner they are today, that Member may instruct the Exchange to do so. The proposed rule change will not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended as a competitive change, but rather to provide Members with the same flexibility with respect to the handling of their complex orders during a trading halt as they will have for their simple orders, and to provide consistent trading halt procedures under the Exchange's rules.

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

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

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>14</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>15</sup>

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. Waiver of the operative delay would allow the Exchange to implement this proposed rule change simultaneously with the rule change to eliminate the trading halt distinctions between how the opening auction process following a halt applies to a Member's simple orders, which the Exchange intends to implement on June 27, 2019. Therefore, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>16</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

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

Electronic comments:

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<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>16</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2019-041 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-CboeEDGX-2019-041. 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.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to



make available publicly. All submissions should refer to File Number SR-CboeEDGX-2019-041 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.<sup>17</sup>

Eduardo A. Aleman  
Deputy Secretary

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