

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86920; File No. SR-CBOE-2019-056)

September 10, 2019

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Cboe Trade Match System

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 September 5, 2019, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) 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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to update the Exchange’s Rules regarding the Cboe Trade Match System (“CTM”) and move those Rules from the currently effective Rulebook (“current Rulebook”) to the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s trading platform to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

the same system used by the Cboe Affiliated Exchanges (as defined below) (“shell Rulebook”). 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://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

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) (“Cboe Global”), which is also the parent company of Cboe C2 Exchange, Inc. (“C2”), acquired Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX” or “EDGX Options”), Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the “Cboe Affiliated Exchanges”). Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

The Exchange proposes to harmonize current Rule 6.67 in connection with the Cboe Trade Match System (“CTM”), which allows authorized Trading Permit Holders (“TPHs”) to add and/or update trade records, to C2 Rule 6.31, which provides for the “Clearing Editor” and is functionally equivalent to CTM. The Exchange now proposes Rule 6.6 in the shell Rulebook, which will govern the Exchange’s Clearing Editor upon migration, and to delete Rule 6.67 from the current Rulebook, also upon migration. The Exchange proposes to amend the rule to conform to the Clearing Editor functionality and rule language of that of C2 to the extent necessary to retain intended differences unique to Cboe Options market-model, functionality, and/or rule text, which are identified below. The Exchange also proposes to make non-substantive changes by updating cross-references to rules in the shell Rulebook and rules not yet in the shell Rulebook but that in the Exchange intends to move to the shell Rulebook and, as a result of consolidating and conforming the proposed rule to the corresponding C2 rule, make non-substantive changes that simplify and update the rule text to read in plain English and reformat the paragraph lettering and/or numbering.

Specifically, the Clearing Editor under proposed Rule 6.6, like CTM, allows TPHs to update executed trades on their trading date and revise them for clearing. Proposed Rule 6.6(a) is substantively the same as the current general language under Rule 6.67 and is consistent with corresponding C2 Rule 6.31(a). The Exchange maintains that along with using Clearing Editor to correct certain bona fide errors, TPHs may use it to update information entered pursuant to Rule 6.1 in the shell Rulebook (current Rule 6.51).⁵ The proposed rule maintains this difference between it and C2 Rule 6.31 as it relates to the systemization or report of an order executed in open outcry which is unique to Cboe Options. Proposed Rule 6.6(b) is also substantially similar

⁵ The Exchange notes that in anticipation of migration it intends to move Rule 6.51 to Rule 6.1 without making substantive changes to the rule.

to current 6.67(a). The proposed rule change makes minor updates to conform the rule to corresponding C2 Rule 6.31(b), including allowing a TPH to change the account and subaccount field, as opposed to only the market-maker account and subaccount currently allowed, and updating the term origin code to capacity code which is both consistent with the current C2 term, as well as currently defined in the shell Rulebook and to be used in the Exchange Rules upon migration.⁶ The proposed rule retains language that provides that a change to capacity code may not be made from a customer code to any other code. The proposed rule maintains this difference between it and the corresponding C2 Rule because Cboe Options will continue to provide for customer priority upon migration,⁷ unlike C2 which does not account for customer priority. The proposed rule change deletes current Rule 6.67(b), which lists fields TPHs may change only if they provide notice to the Exchange. Upon migration, Clearing Editor will not permit TPHs to change these fields, which is consistent with C2 Rule 6.31. If a TPH must change the series, quantity, buy or sell, or premium price, it must contact the Exchange pursuant to Rule 6.5 in the shell Rulebook (current Rule 6.25) regarding obvious errors. In light of the proposed deletion of Rule 6.67(b), the proposed rules change also removes the provision under Rule 6.67 which states that the Exchange will announce documentation requirements related to changes made through the use of CTM via a Regulatory Circular. This provision is currently in place in order for a TPH to provide to the Exchange notice and document of the any changes made pursuant to pursuant to Rule 6.67(b). Because the proposed rule change removes Rule 6.67(b), this provision is no longer applicable.⁸ The proposed rule change also does not make any substantive changes to

⁶ See Rule 1.1 in the shell Rulebook.

⁷ See Rule 5.32 in the shell Rulebook.

⁸ The Exchange notes that change made in the Clearing Editor will continue to be documented in the Exchange's audit trail.

current paragraph (c) regarding changes made related to give ups, but merely moves the provision to proposed paragraph (c) and updates the language to be consistent with C2 Rule 6.31(c). The Exchange notes that the term “Designated Give Up” is also consistent with current Rule 6.21 (shell Rulebook Rule 5.10), which was recently amended to reflect such term. Finally, the proposed rule change moves current Rule 6.67.01 to proposed Rule 6.6.01 and makes only minor updates to the language to conform to C2 Rule 6.31.01. It does not make any substantive changes to this rule.

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.⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁰ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ Id.

The proposed rule change is intended to align the Exchange's current CTM rule and system functionality with one of the Cboe Affiliated Exchanges, C2, in order to provide a consistent technology offering across the affiliated exchanges upon the technology migration on October 7, 2019. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by TPHs of the Exchange that are also participants on C2. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission, found to be consistent with the Act, or is not available on Cboe Affiliated Exchanges. As a result of a consistent Clearing Editor rule and system functionality between the Exchange and C2, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and remove impediment to and perfect the mechanism of a free and open market and national market system by simplifying the regulatory requirements and increasing the understanding of the Exchange's operations for TPHs that are also participants on C2. The Exchange notes that the proposed rule only makes the above-mentioned minor updates in order to conform to the corresponding C2 rule; including allowing a TPH to change the account and subaccount field (as opposed to only the market-maker account and subaccount currently allowed), updating the term origin code to capacity code (which is both consistent with the C2 rule and the definition in the shell Rulebook), and removing the provision that only allows TPHs to change certain fields if they provide notice to the Exchange. The Exchange believes that these updates will provide harmonization between the functionality and rules across the affiliated exchanges, and, in turn, foster greater uniformity and less burdensome and more efficient regulatory compliance. As stated above, the proposed rule is different only to the extent that it maintains intended differences unique to Cboe Options market-model, functionality, and/or rule text, thereby

protecting investors by providing rules that clearly and properly reflect nuances between the Exchange and C2. The Exchange also notes that the proposed rule is substantially the same as the current rule. The proposed rule change makes other various non-substantive changes to the rule, largely in part to make it consistent with C2's rule. The proposed non-substantive changes will protect investors and benefit market participants by simplifying the rules, using plain English throughout the rules, and updating cross-references and paragraph lettering/numbering.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of a technology migration of the Cboe Affiliated Exchanges. As stated, the proposed changes to the rules that reflect functionality that will be in place come October 7, 2019 provide clear rules that accurately reflect post-migration functionality upon the completion of migration. The Exchange believes the proposed rule change will benefit Exchange participants in that it will provide a consistent technology offering for TPHs by the Cboe Affiliated Exchanges. The Exchange does not believe the proposed rule change will impose any burden on intramarket competition because the proposed Clearing Editor will be available to all TPHs, both on the floor and electronically, to update executed trades on their trading date and revise them for clearing in the same manner. The Exchange also does not believe that the proposed rule change will impose any burden on intermarket competition because the basis for the proposed rule change are the rules of C2, which have previously been filed with the Commission.

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 Act¹² and Rule 19b-4(f)(6)¹³ thereunder. 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 will 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:

- 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-2019-056 on the subject line.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 240.19b-4(f)(6).

Paper Comments:

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

All submissions should refer to File Number SR-CBOE-2019-056. 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, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying

information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2019-056 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.¹⁴

Jill M. Peterson
Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12).