

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87587; File No. SR-CboeBZX-2019-100)

November 22, 2019

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Remove its Partial Post Only at Limit Order Type

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 21, 2019, Cboe BZX Exchange, Inc. filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to remove its Partial Post Only at Limit Order type. 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/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), 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

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

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

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 Exchange proposes to remove its Partial Post Only at Limit Order functionality and amend its rules in connection with the removal of this functionality. Currently, Rule 21.1(d)(9) provides that Partial Post Only at Limit Orders are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another options exchange except that the order will only remove liquidity from the BZX Options Book under the circumstances contemplated in subparagraphs (9)(A) and (9)(B). Specifically, subparagraph (9)(A) provides that a Partial Post Only at Limit Order will remove liquidity from the BZX Options Book up to the full size of the order if, at the time of receipt, it can be executed at prices better than its limit price (i.e., price improvement). Subparagraph (9)(B) provides that, regardless of any liquidity removed from the BZX Options Book under the circumstances described in subparagraph (9)(A), a User may enter a Partial Post Only at Limit Order instructing the Exchange to also remove liquidity from the BZX Options Book at the order's limit price up to a designated percentage of the remaining size of the order after any execution pursuant to subparagraph (9)(A) ("Maximum Remove Percentage") if, after removing such liquidity at the order's limit price, the remainder of such order can then post to the BZX Options Book. If no Maximum Remove Percentage is entered, such order will only remove liquidity to the extent such order will obtain price improvement as described in subparagraph (9)(A). Rule 21.1(h)(4) and (i)(4) also provide for display-price slide

functionality and price adjust functionality, respectively, specific to Partial Post Only at Limit Orders.

The Exchange proposes to remove the Partial Post Only at Limit Order type in Rule 21.1(d)(9), and the relevant provisions (in Rules 21.1(h)(4) and 21.1(i)(4)) in connection with the order type.<sup>3</sup> User submission of this order type is infrequent. To illustrate, only one User submitted Partial Post Only at Limit Orders in the last month. Because so few Users submit Partial Post Only at Limit Orders, the Exchange believes the current demand does not warrant the Exchange resources necessary for ongoing System support of the order type (e.g., the System must maintain and apply a more complex matching algorithm for Partial Post Only at Limit orders than for most other order types). Finally, the Exchange notes that the use of Partial Post Only at Limit Orders is voluntary and that Price Improving Order types,<sup>4</sup> as well as functionality that allows Post Only Orders subject to the display-price sliding process to execute against resting orders at improved prices,<sup>5</sup> will continue to be available to Users.

## 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>6</sup> Specifically, the

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<sup>3</sup> As a result, the proposed change also updates the subsequent paragraph numbering.

<sup>4</sup> See Rule 21.1(d)(6), which provides that Price Improving Orders are orders to buy or sell an option at a specified price at an increment smaller than the minimum price variation in the security. Price Improving Orders may be entered in increments as small as (1) one cent. Price Improving Orders shall be displayed at the minimum price variation in that security and shall be rounded up for sell orders and rounded down for buy orders.

<sup>5</sup> See Rule 21.1(d)(8).

<sup>6</sup> 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>7</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 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>8</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system and benefit investors, because it would delete from the Rules an order type the Exchange will no longer offer. Rule 21.1(d), which was previously filed with the Commission, permits the Exchange to determine which order types, including the Partial Post Only at Limit Order, are available. Therefore, it is consistent with Act to not offer this order type. The Exchange believes it will promote transparency in its Rules to delete order types that the Exchange does not make available, and will not make available, in any class. The Exchange notes other options exchanges do not offer this order type.<sup>9</sup> Moreover, the Exchange does not believe that the proposed rule change will affect the protection of investors or the maintenance of a fair and orderly market because this order type is so infrequently implemented. In addition to this, the Exchange notes that use of this

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<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> Id.

<sup>9</sup> See Cboe C2 Exchange, Inc. Rule 6.10(b); Cboe EDGX Exchange, Inc. Rule 21.1(d); Cboe BZX Exchange, Inc. Rule 21.1(d); and Nasdaq BX, Inc. Options 3, Sec. 7(a).

order type is voluntary and the Exchange will continue to offer other price improving functionality. Also, the Exchange believes the low usage rate for Partial Post Only at Limit Orders does not warrant the continued resources necessary for System support of such orders (including the application of a particularly complex matching algorithm required for Partial Post Only at Limit Orders). As a result, the Exchange believes the proposed rule change will also remove impediments to and perfect the mechanism of a free and open market and national market system by allowing the Exchange to reallocate System capacity and resources to more frequently elected functionality.

In addition to this, the Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>10</sup> which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and to enforce compliance by the Exchange's Members and persons associated with its Members with the Act, the rules and regulations thereunder, and the rules of the Exchange. The Exchange believes that removing a rarely used order type, and in turn, reallocating system capacity and resources would allow for the Exchange to be better organized and able to carry out the purposes of the Act and enforce compliance.

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 to remove Partial Post Only at Limit Order types is not designed to address any competitive issues but rather to remove an order type rarely used on the Exchange, which is also consistent with the availability of order types in the rules of other option exchanges, which

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<sup>10</sup> 15 U.S.C. 78f(b)(1).

have been previously filed with the Commission. Additionally, the current Rule permits the Exchange to not make this order type available, which Rule was previously filed with the Commission. As noted above, the use of this order type is voluntary and the Exchange will continue to offer other price improving functionality.

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>11</sup> and Rule 19b-4(f)(6) thereunder.<sup>12</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>13</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>14</sup> 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 asked the Commission to waive the 30-day operative delay. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the order type being

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</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>13</sup> 17 CFR 240.19b-4(f)(6).

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

eliminated is infrequently employed,<sup>15</sup> and the Exchange will continue to offer other price improving functionality.<sup>16</sup> Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.<sup>17</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:

- 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-CboeBZX-2019-100 on the subject line.

##### Paper Comments:

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<sup>15</sup> According to the Exchange, only one User submitted Partial Post Only at Limit Orders in the last month.

<sup>16</sup> See supra notes 4 and 5 and accompanying text.

<sup>17</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).

- 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-CboeBZX-2019-100. 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-CboeBZX-2019-100 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>18</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).