

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-91804; File No. SR-CboeBYX-2021-012)

May 10, 2021

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing of a Proposed Rule Change Relating to the Exchange's Process for Re-Opening Securities Listed on Other National Securities Exchanges Following the Resumption of Trading After a Halt, Suspension, or Pause During the Early Trading Session, Pre-Opening Session, or After Hours Trading Session

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 26, 2021, Cboe BYX Exchange, Inc. ("Exchange" or "BYX") filed with the Securities and Exchange Commission ("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 rule change to amend the Exchange's process for re-opening securities listed on other national securities exchanges following the resumption of trading after a halt, suspension, or pause during the Early Trading Session, Pre-Opening Session, or After Hours Trading Session.

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/equities/regulation/rule_filings/byx/), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to amend the Exchange’s process for re-opening securities listed on other national securities exchanges following the resumption of trading after a halt, suspension, or pause during the Early Trading Session,³ Pre-Opening Session,⁴ or After Hours Trading Session.⁵ BYX Rule 11.23 describes the Exchange’s opening process for securities listed on other national securities exchanges, including the process for re-opening such securities following the resumption of trading after a halt, suspension, or pause. On November 5, 2020, the Exchange filed a proposed rule change to amend its re-opening process pursuant to BYX Rule 11.23 for securities listed on the New York Stock Exchange LLC (“NYSE”) following the resumption of trading after a halt, suspension, or pause during the Early

³ The term “Early Trading Session” means the time between 7:00 a.m. and 8:00 a.m. Eastern Time. See BYX Rule 1.5(ee).

⁴ The term “Pre-Opening Session” means the time between 8:00 a.m. and 9:30 a.m. Eastern Time. See BYX Rule 1.5(r).

⁵ The term “After Hours Trading Session” means the time between 4:00 p.m. and 8:00 p.m. Eastern Time. See BYX Rule 1.5(c).

Trading Session, Pre-Opening Session, or After Hours Trading Session.⁶ That filing was approved by the Commission on December 28, 2020.⁷ The Exchange now proposes to further amend BYX Rule 11.23 to adopt a harmonized re-opening process for securities listed on NYSE (“Tape A”), securities listed on exchanges other than The Nasdaq Stock Market LLC (“Nasdaq”) and NYSE (“Tape B”); and securities listed on Nasdaq (“Tape C”) following the resumption of trading after a halt, suspension, or pause during the Early Trading Session, Pre-Opening Session, or After Hours Trading Session. The Exchange believes that the proposed harmonized process for Tape A, B, and C securities would simplify its procedures and provide a more effective re-opening process for securities that resume trading outside of Regular Trading Hours.⁸

As amended pursuant to SR-CboeBYX-2020-032, BYX Rule 11.23(e)(3) provides that during the Early Trading Session, Pre-Opening Session, or After Hours Trading Session, Tape A securities that resume trading after a halt, suspension, or pause will be automatically re-opened pursuant to the Exchange’s contingent open procedures, as described in BYX Rule 11.23(d), after one second has passed following the Exchange’s receipt of the first NBBO following such resumption of trading. This rule was adopted to automate the prior manual process that would otherwise be used to initiate the re-opening of Tape A securities when NYSE was not open for trading. Consistent with that intent, the Exchange proposed to continue to re-open Tape A securities using the same contingent open procedures that would apply when the Exchange manually initiated its re-opening process pursuant to BYX Rule 11.23(e)(2). As a result, when

⁶ See Securities Exchange Act Release No. 90421 (November 13, 2020), 85 FR 73826 (November 19, 2020) (SR-CboeBYX-2020-032).

⁷ See Securities Exchange Act Release No. 90804 (December 28, 2020), 86 FR 158 (January 4, 2021) (Approval Order).

⁸ The term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time. See BYX Rule 1.5(w).

the Exchange re-opens Tape A securities during pre- and post-market trading sessions today, orders are handled in time sequence and placed on the BYX Book, routed, cancelled, or executed in accordance with the terms of the order. This differs from the standard process used by the Exchange during Regular Trading Hours, where the Exchange seeks to execute queued orders at the midpoint of the national best bid or offer (“NBBO”).⁹ After additional consideration, the Exchange believes that market participants and investors would be better served by utilizing its standard midpoint re-opening in these circumstances as doing so would promote greater consistency with the process used by the Exchange in other circumstances and may generally provide executions that better reflect the applicable market for the security.

The Exchange therefore proposes to amend BYX Rule 11.23(e) such that the process for re-opening Tape A securities after the Exchange has determined to initiate a re-opening would generally mirror the standard process described in BYX Rule 11.23(e)(1), which as discussed is designed to provide an execution at the midpoint of the NBBO. The determination of whether to re-open such Tape A securities would, however, continue to follow the process discussed in SR-CboeBYX-2020-032. Thus, during the Early Trading Session, Pre-Opening Session, or After Hours Trading Session, the re-opening process for Tape A securities would occur at the midpoint of the NBBO after one second has passed following the Exchange’s receipt of the first NBBO following the resumption of trading after a halt, suspension, or pause. Although the Exchange has determined to use a midpoint re-opening process similar to that currently described in BYX Rule 11.23(e)(1), for the reasons discussed in SR-CboeBYX-2020-032, it remains important that the trigger for initiating this process outside of Regular Trading Hours not be tied to the

⁹ See BYX Rule 11.23(e)(1).

resumption of trading on the primary listing market as NYSE does not trade its listed securities at times when the Exchange is open for pre- and post- market trading.

In addition, the Exchange proposes to amend the process for re-opening Tape B and C securities to mirror the proposed process for Tape A securities, except that the Exchange would require the primary listing market to have begun quoting the security before it initiates its own re-opening process. As explained in SR-CboeBYX-2020-032, the Exchange amended BYX Rule 11.23 to permit Tape A securities listed on NYSE to re-open based on quoting activity on other national securities exchanges during pre- and post-market trading when NYSE does not trade its listed securities. However, this limitation does not exist for Tape B or C securities as the applicable primary listing markets for those securities each offer pre- and post-market trading sessions where market participants can trade their listed securities.¹⁰ As a result, the Exchange believes that it is desirable for Tape B and C securities to be opened on the Exchange only after the primary listing exchange has begun trading its listed securities, consistent with the current BYX Rule 11.23(e), which would continue to be applied during Regular Trading Hours.

However, similar to the proposed process for re-opening Tape A securities, the Exchange would simplify the triggers for re-opening trading pursuant to BYX Rule 11.23(e)(1) such that its re-opening process for Tape B and C securities during the Early Trading Session, Pre-Opening Session, and After Hours Trading Session would occur at the midpoint of the NBBO after one second has passed following the publication of the first two-sided quotation by the listing exchange following the resumption of trading after a halt, suspension, or pause. In its effort to simplify the re-opening process employed during these timeframes, the Exchange would not

¹⁰ See Nasdaq Rules, Equity 1, Section 1(a)(9); NYSE Arca, Inc. Rule 7.34-E(a); NYSE American LLC Rule 7.34E(a).

retain a separate trigger to allow the re-opening process to be initiated immediately when the Exchange receives both a two-sided quotation and a trade from the listing exchange.

Finally, the Exchange proposes to make a number of structural changes to BYX Rule 11.23(e) to facilitate the amendments described above. First, the Exchange proposes to structure BYX Rule 11.23(e)(1) such that it would contain subparagraphs (A), (B), and (C), which each would describe applicable differences between the Exchange's opening process at the beginning of the Regular Trading Session, as described in BYX Rule 11.23(a)(2) and (b), and the re-opening process employed by the Exchange after a halt. As amended, (1) BYX Rule 11.23(e)(1)(A) would describe the types of orders that are eligible for participation in the re-opening process; (2) BYX Rule 11.23(e)(2)(B) would describe the Exchange's current re-opening process, which the Exchange now proposes to limit to Regular Trading Hours; and (3) BYX Rule 11.23(e)(2)(C) would contain language discussed above that describes the Exchange's re-opening process during the Early Trading Session, Pre-Opening Session, or After Hour Trading Session, i.e., for Tape A, B, and C securities.¹¹ Second, the Exchange proposes to amend BYX Rule 11.23(e)(2) to reflect the changes discussed above. As amended, the lead in to BYX Rule 11.23(e)(2) would state that this section applies where the conditions required to establish the price of the re-opening process in the now restructured BYX Rule 11.23(e)(1)(B) or (C) have not occurred, which reflects the now renumbered sections of the rule, including language that is in current BYX Rule 11.23(e)(1) and BYX Rule 11.23(e)(3).¹²

¹¹ The Exchange would also eliminate BYX Rule 11.23(e)(3), which currently addresses the re-opening of Tape A securities listed on NYSE during pre- and post-market trading. As discussed, the Exchange is proposing to harmonize the process for re-opening Tape A, B, and C securities outside of Regular Trading Hours, and the harmonized process discussed in this proposed rule change would be described in BYX Rule 11.23(e)(2)(C).

¹² The Exchange would also eliminate language that states that this section applies when the security has not otherwise been re-opened for trading on the Exchange pursuant to BYX

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b) of the Act,¹³ in general, and Section 6(b)(5) of the Act,¹⁴ in particular, in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and not to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it would implement a streamlined process for re-opening Tape A, B, and C securities during the Early Trading Session, Pre-Opening Session, or After Hours Trading Session.

The Exchange currently employs different processes for re-opening Tape A, B, and C securities during pre- and post-market trading. The Exchange believes, however, that market participants would be better served by a harmonized process that: (1) ensures that the Exchange's automated re-opening process executes orders at the midpoint of the NBBO; and (2) eliminates unnecessary distinctions between the process utilized for Tape A, B, and C securities. Executing the Exchange's re-opening process during pre- and post-market trading at the midpoint of the NBBO is beneficial to market participants as the NBBO midpoint may more closely reflect market prices and conditions for the security being re-opened. As a result, the Exchange believes that using the NBBO midpoint to price its re-opening process for all securities would help to promote a fair and orderly market. In addition, using generally consistent triggers for initiating

Rule 11.23(e)(3). As discussed, the content of BYX Rule 11.23(e)(3) would be moved to BYX Rule 11.23(e)(1)(C) with further amendments as discussed herein.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

the Exchange's re-opening process in Tape A, B, and C securities that resume trading during pre- and post-market trading sessions would reduce the overall complexity of the re-opening process employed during these timeframes. The Exchange notes, however, that it would nevertheless require the primary listing market to begin trading its own securities prior to re-opening trading on the Exchange in Tape B and C securities. This limitation would not apply to Tape A securities that NYSE does not trade outside of its regular trading session as doing so would require unnecessary and inefficient manual intervention by the Exchange to manually initiate trading, as was the case prior to the filing and Commission approval of SR-CboeBYX-2020-032. The Exchange believes that this distinction continues to be appropriate as it is based on applicable differences between each primary listing market's hours of operation and would continue to promote a more streamlined automated process for initiating the re-opening process in Tape A securities at times when NYSE does not trade its own listed securities.

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

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is designed to facilitate a more efficient and harmonized re-opening process for all securities that resume trading outside of Regular Trading Hours, and is not designed to address any competitive issues. All members would have their orders handled in the same manner based on the proposed changes to the Exchange's re-opening process, and other national securities exchanges are free to adopt the same or similar processes if they believe that the proposed process is beneficial for their own members. The Exchange therefore does not believe that the proposed rule change would have any significant impact on competition.

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

No written comments were solicited or received on the proposed rule change.

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.

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-CboeBYX-2021-012 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-CboeBYX-2021-012. 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-CboeBYX-2021-012 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.¹⁵

J. Matthew DeLesDernier
Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).