

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86094; File No. SR-CboeEDGX-2019-037)

June 12, 2019

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Fat Finger Check With Respect to Limit Orders in Rule 21.17

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 June 10, 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 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 EDGX Exchange, Inc. (the “Exchange” or “EDGX”) proposes to amend the fat finger check with respect to limit orders in Rule 21.17. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

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Rules of Cboe EDGX Exchange, Inc.

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).

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Rule 21.17. Additional Price Protection Mechanisms and Risk Controls

The System's acceptance and execution of orders, quotes, and bulk messages, as applicable, are subject to the price protection mechanisms and risk controls in Rule 21.16, this Rule 21.17 (related to all orders other than complex orders), Rule 21.20 (related to complex orders) and as otherwise set forth in the Rules. All numeric values established by the Exchange pursuant to this Rule will be maintained by the Exchange in publicly available specifications and/or published in a Regulatory Circular. Unless otherwise specified the price protections set forth in this Rule, including the numeric values established by the Exchange, may not be disabled or adjusted. The Exchange may share any of a User's risk settings with the Clearing Member that clears transactions on behalf of the User.

- (a) No change.
- (b) **Limit Order Fat Finger Check.** If a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to [9:30 a.m.]the conclusion of the RTH opening auction process, [above (below) the midpoint of the NBBO at the close of the market on the previous trading day](i) the last disseminated NBBO on that trading day, or (ii) the midpoint of the prior trading day's closing NBBO, if no NBBO has been disseminated on that trading day, the System will reject or cancel back to the User the limit order. This check does not apply to bulk messages.

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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/), 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

The proposed rule change amends the fat finger check with respect to limit orders in Rule 21.17. Current Rule 21.17(b) states if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount established by the Exchange above (below) the NBO (NBB), or, in the case of an order received prior to 9:30 a.m., above (below) the midpoint of the NBBO at the close of the market on the previous trading day, the System will reject or cancel back to the User the limit order.

The Exchange recently adopted a global trading hours ("GTH") trading session, which will occur from 8:30 to 9:15 a.m. Eastern Time, which the Exchange intends to implement on June 24, 2019.⁵ For classes that trade during the GTH trading session, there may be an NBBO disseminated prior to 9:30 a.m. Therefore, the Exchange proposes to update the fat finger check for limit orders to reflect a GTH trading session. Specifically, the Exchange proposes that in the case of an order received prior to the conclusion of the RTH opening auction process then the fat finger check amount will be the last disseminated NBBO on that trading day, or the midpoint of the prior trading day's NBBO, if no NBBO has been disseminated on that trading day.

First, the Exchange notes that it is updating the fat finger check amount to be the last disseminated NBBO on that trading day (which accounts for NBBOs disseminated during

⁵ See Securities Exchange Act Release No. 85797 (May 7, 2019), 84 FR 20920 (May 13, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend the Exchange's Opening Process and Add a Global Trading Hours Session for XSP Options) (SR-CboeEDGX-2019-027). The changes in SR-CboeEDGX-2019-027 are currently effective but not yet operative; however, the proposed rule changes assume operativeness of those effective changes.

GTH)⁶, or the midpoint of the prior trading day's closing NBBO, if no NBBO has been disseminated on that trading day in order to accommodate the new GTH trading session and the fact that there may be an NBBO disseminated prior to 9:30 a.m. for classes that will trade during the GTH session. For example, if it is 9:25 a.m. the check would use the last disseminated NBBO from the GTH session (i.e. on that trading day), and, if no NBBO has been disseminated on that trading day then the System would pull the midpoint of the prior trading day's closing NBBO, as it currently does today. The Exchange also notes that this proposed language is substantively identical to that of the corresponding limit order fat finger rule under its affiliated exchange, Cboe C2 Exchange, Inc. ("C2"), recently filed with the Commission.⁷

Second, the Exchange notes that it is also updating the language that refers to an order received prior to 9:30 a.m. to refer to an order received prior to the conclusion of the RTH opening auction process. The Exchange notes that the conclusion of the RTH opening auction process occurs within the 9:30 a.m. minute and that the System currently applies the limit order fat finger check to orders received prior to the conclusion of the RTH opening auction process within this minute. Moreover, upon the implementation of the GTH trading session, this proposed timeframe will serve to encompass orders received from the beginning of the GTH opening process⁸ through the RTH opening process. As such, the Exchange is amending this language to more accurately reflect the timeframe in which the System already applies the fat

⁶ See Rule 16.1 which states that a trading day includes both trading sessions on that day.

⁷ See Securities Exchange Act Release No. 86066 (June 7, 2019) (SR-C2-2019-015). The changes in SR-C2-2019-015 are currently effective but not yet operative; however, the proposed rule changes assume operativeness of those effective changes.

⁸ The Exchange notes this includes the queuing period as defined under Rule 21.7 which provides for the opening auction process.

finger check, and will continue to apply the fat finger check upon the implementation of the GTH trading session.

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.

In particular, the Exchange believes that by updating the fat finger check for limit orders to account for the recently adopted GTH trading session, the proposed rule change serves to remove impediments to and perfect the mechanism of a free and open market and a national market system. As described above, the check will function as it does today and the proposed change merely provides an added step that the System will take in order to account for the fact that there will be two trading sessions on the Exchange, one before 9:30 a.m. in which an NBBO

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ Id.

may be disseminated. In addition to this, the proposed change updates language regarding the timeframe in which the System currently applies the fat finger check amounts under Rule 21.17(b). Therefore, the Exchange believes that by amending rule language to reflect the earlier GTH session time and potential NBBO dissemination during that session in connection with the fat finger check and by updating language to reflect the timeframe in which the System currently applies (and will apply with the implementation of GTH) the fat finger check to orders it receives, it will remove impediments to and perfect the mechanism of a free and open market, thereby protecting investors, by increasing transparency of the Exchange's fat finger price protection mechanism as it relates to the earlier GTH trading session and current System functionality. The Exchange also notes that this proposed change is substantively the same as the limit order fat finger check rule of its affiliated exchange, C2, recently filed with the Commission. As a result, the Exchange believes that the proposed rule change will serve to protect investors by providing similar price protection mechanisms between the 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 is not intended to address competitive issues, but rather to update a current price protection mechanism in connection with the addition of a GTH trading session. The Exchange does not believe that the proposed rule change to update the fat finger check as it relates to the GTH trading session will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it will apply in the same manner to all Users' limit orders prior to the conclusion of the RTH opening auction

process. Furthermore, the Exchange does not believe that the proposed change will impose any burden on intermarket competition that that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed change merely updates a price protection mechanism already in place on the Exchange and applicable only to trading on the Exchange.

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 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 if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(6) thereunder.¹³

A proposed rule change filed under Rule 19b-4(f)(6)¹⁴ normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii)¹⁵ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 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 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.

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ 17 CFR 240.19b-4(f)(6)(iii).

The Exchange has asked the Commission to waive the 30-day operative delay. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposed rule change is substantively similar to the limit order fat finger check rule of its affiliated exchange, C2, recently filed with the Commission.¹⁶ Thus, as represented by the Exchange, the proposed rule change does not introduce any new or novel issues. For this reason, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.¹⁷

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:

¹⁶ See supra note 7.

¹⁷ 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).

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-CboeEDGX-2019-037 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-2019-037. 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-CboeEDGX-2019-037 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.¹⁸

Eduardo A. Aleman
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).