SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86066; File No. SR-C2-2019-015)

June 7, 2019

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Fat Finger Check For Simple Orders in Rule 6.14

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 6, 2019, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) 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 C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend the fat finger check for with respect to simple orders in Rule 6.14. The text of the proposed rule change is provided below.

(additions are underlined; deletions are [bracketed])

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Rules of Cboe C2 Exchange, Inc.


(a) – (b) No change.

(c) All Orders.

(1) 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 above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders, the System cancels or rejects the order. The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default.

(A) For simple buy (sell) orders, the Exchange may determine to apply this check on a class-by-class basis and not apply it to limit orders entered prior to the conclusion of the RTH opening auction process. If the check applies prior to the conclusion of the RTH opening auction process, it uses (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 Exchange or User, as applicable, may establish a different default amount prior to the conclusion of the RTH opening auction process than it does after trading is open. If the check applies prior to the conclusion of the OPRTH opening auction process, it does not apply (i) if there is a corporate action impacting the corporate stock price, (ii) if there is no NBBO from the prior trading day, (iii) to orders with origin code M or N, or (iv) to GTC and GTD orders that reenter the Book from the prior trading session.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/), 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 simple orders in Rule 6.14. Current Rule 6.14(c)(1) states if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the national best offer (“NBO”) (national best bid (“NBB”)) for simple orders, the System cancels or rejects the order.\(^5\) Under current Rule 6.14(c)(1)(A) for simple orders, the Exchange may determine to apply this check on a class-by-class basis and not apply it to limit orders entered prior to the conclusion of the opening auction process. If the check applies prior to the conclusion of the opening auction process, it uses the midpoint of the prior trading day’s closing NBBO (prior to 9:30 a.m.) or the last disseminated NBBO (if there is one, after 9:30 a.m.).\(^6\)

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 17, 2019.\(^7\) For classes that trade during the GTH trading session, there may be an NBBO

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\(^5\) The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default.

\(^6\) Current Rule 6.14(c)(1)(A) also states that the Exchange or User, as applicable, may establish a different default amount prior to the conclusion of the opening auction process than it does after trading is open. If the check applies prior to the conclusion of the Opening Process, it does not apply (i) if there is a corporate action impacting the corporate stock price, (ii) if there is no NBBO from the prior trading day, (iii) to orders with origin code M (Market-Maker) or N (away market-maker), or (iv) to good-till-cancelled (“GTC”) or good-till-day (“GTD”) orders that reenter the Book from the prior trading day.

disseminated prior to 9:30 a.m, as well as a GTH opening auction process. Therefore, the Exchange proposes to update the fat finger check for simple orders to reflect a GTH trading session. Because the GTH and regular trading hours ("RTH") trading sessions will each have an opening auction process, the Exchange now proposes to amend Rule 6.14(c)(1)(A) to specify that if the check applies prior to the conclusion of the RTH opening auction process (therefore, from the beginning of the GTH opening process through the RTH opening process), it uses the last disseminated NBBO during that trading day (which accounts for NBBOs disseminated during GTH), or the midpoint of the prior trading day’s closing NBBO, if no NBBO has been disseminated during that trading day. The Exchange notes that it is deleting the language that refers to using the prior trading day’s closing NBBO if the check applies prior to 9:30 a.m., as well as language that refers to an NBBO after 9:30 a.m., to accommodate the new 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. It also proposes to amend Rule 6.14(c)(1)(A) to state that if the check applies prior to the conclusion of the RTH opening auction process, it does not apply to good-til-cancelled ("GTC") and good-til-date ("GTD") orders that reenter the Book from the prior trading session.


8 See Rule 6.11 which provides for the opening auction processes for GTH and RTH.

9 The Exchange notes this includes the queuing period as defined under Rule 6.11 which provides for the opening auction process.

10 See Rule 1.1 which states that a trading day includes both trading sessions on that day. The Exchange also notes that it is amending the term “orders” to state “buy (sell) orders” in Rule 6.14(c)(1)(A) to mirror the same language used in Rule 6.14(c)(1), as well as the term “Opening Process” to “opening auction process” which is consistent with the verbiage used throughout Rule 6.11 (Opening Auction Process).
This proposed change accounts for a prior trading session instead of the trading day because the Exchange will use the same Book for all trading sessions, and thus any GTC or GTD orders that do not trade during GTH may become eligible for trading during RTH.

The Exchange notes that the proposed change is substantially similar to the current rule, and merely proposes to update language in connection with the implementation of the GTH trading session, specifying to which opening auction process the check under Rule 6.14(c)(1)(A) will apply, and accounting for the fact that there may be an NBBO disseminated prior to 9:30 a.m. for classes that will trade during 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.\(^\text{11}\) Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)\(^\text{12}\) 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)\textsuperscript{13} 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 simple 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 proposed change is substantially similar to the way in which the current fat finger check for simple orders functions, and merely accounts for the fact that there will be two trading sessions on the Exchange, each with an opening auction process and one of which will occur, and may disseminate an NBBO, before 9:30 a.m. Therefore, the Exchange believes that by amending rule language to specify that the fat finger check under Rule 6.14(c)(1)(A) will apply prior to the conclusion of the RTH opening auction process and by updating language to reflect the earlier GTH session time and potential NBBO dissemination during that session in connection with the fat finger check, 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.

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

\textsuperscript{13} Id.
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. The Exchange notes that a User may choose to establish a different default amount 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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A)₁⁴ of the Act and Rule 19b-4(f)(6)₁⁵ thereunder. 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act₁⁶ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)₁⁷

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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 Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it is substantially similar to the way in which the current fat finger check for simple orders functions, and merely accounts for the fact that there will be two trading sessions on the Exchange (each with an opening auction process and one of which will occur, and may disseminate an NBBO, before 9:30 a.m.), and does not raise 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.\textsuperscript{18}

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:

\textsuperscript{17} 17 CFR 240.19b-4(f)(6)(iii).

\textsuperscript{18} 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-C2-2019-015 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-C2-2019-015. 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-C2-2019-015 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.\textsuperscript{19}

Eduardo A. Aleman
Deputy Secretary

\textsuperscript{19} 17 CFR 200.30-3(a)(12).