

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- 82196; File No. SR-CBOE-2017-064)

December 1, 2017

Self-Regulatory Organizations; Cboe Exchange, Inc.; Order Approving a Proposed Rule Change Creating an Electronic-Only Order Type

I. Introduction

On September 29, 2017, the Cboe Exchange, Inc. (“Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to create an electronic-only order type. The proposed rule change was published for comment in the Federal Register on October 18, 2017.³ The Commission did not receive any comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Exchange proposes to create an electronic-only order type. Currently, orders that Trading Permit Holders (“TPHs”) submit to the Exchange will execute electronically and/or be handled manually on the Exchange floor.⁴ Under certain conditions specified in the Exchange’s rules, certain orders and remaining portions of orders that do not execute electronically are routed to a specified Public Automated Routing (“PAR”) workstation or an Order Management Terminal (“OMT”) on the floor of the Exchange for manual handling.⁵

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 81862 (Oct. 12, 2017), 82 FR 48550 (Oct. 18, 2017) (“Notice”).

⁴ See id. at 48550.

⁵ See id. at 48550 and Cboe Options Rules 6.12(a) and 6.12A. According to Cboe Options Rule 6.12A, once an order has been routed to a PAR, the PAR user may, among other options, submit the order for electronic processing, execute the order in open outcry,

The Exchange proposes to introduce a new electronic-only order type to allow TPHs to submit orders that will not be subject to any manual handling. Specifically, electronic-only orders will only: (i) auto-execute, (ii) route to an electronic auction, or (iii) route to the electronic book, and in all cases will cancel back to the TPH that entered the order if Exchange rules would otherwise require the order to be routed to the Exchange floor for manual handling.⁶

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act⁷ and the rules and regulations thereunder applicable to a national securities exchange.⁸ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁹ which requires, among other things, that the rules of a national securities exchange be designed 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.

The Commission believes that the proposed rule change is designed to remove impediments to and perfect the mechanism of a free and open market and national market system by providing TPHs with a more efficient means to submit to the Exchange instructions to prevent an order from routing to a PAR or OMT on the floor of the Exchange. Currently, a TPH that seeks to avoid manual handling of a specific order and obtain a solely electronic execution must

route the order to an OMT designated by the TPH, or route the order to an away exchange. See Notice, supra note 3, at 48550.

⁶ Notice, supra note 3, at 48550.

⁷ 15 U.S.C. 78f.

⁸ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78f(b)(5).

inform its OMT operator or PAR broker of this instruction. The Exchange's new electronic-only order type will avoid the need for a TPH to take this additional step and will allow the TPH to submit such order instructions directly to the Exchange when it submits its order.¹⁰ The Commission notes that Cboe Options represents that the new electronic-only order type will not materially change how orders are handled or processed on the Exchange, but rather will streamline how TPHs can indicate their instructions that a particular order avoid manual handling on the Exchange's floor.¹¹ For the reasons noted above, the Commission believes that the proposal to create an electronic-only order type is consistent with the Act.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-CBOE-2017-064) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Eduardo A. Aleman
Assistant Secretary

¹⁰ See Notice, supra note 3, at 48551.

¹¹ See id.

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(12).