

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-82398; File No. SR-CBOE-2017-070)

December 22, 2017

Self-Regulatory Organizations; Cboe Exchange, Inc.; Order Approving a Proposed Rule Change to Amend Rule 6.56 to Include Procedures for Multi-Leg Positions

I. Introduction

On November 3, 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule to amend Rule 6.56 (Compression Forums) to include procedures for multi-leg positions. The proposed rule change was published for comment in the Federal Register on November 22, 2017.<sup>3</sup> 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

As described in more detail in the Notice,<sup>4</sup> the Exchange proposes to amend its SPX Compression Forum procedures set forth in Cboe Rule 6.56, primarily to authorize the Exchange to include information on hypothetical multi-leg positions constructed from the single series voluntarily submitted by Trading Permit Holders (“TPHs”). Specifically, in addition to the information Cboe Options currently provides on single series interest, the Exchange now also will generate a list, using the individual series of SPX options submitted by TPHs, of all possible

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

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

<sup>3</sup> See Securities Exchange Act Release No. 82102 (Nov. 16, 2017), 82 FR 55667 (Nov. 22, 2017) (“Notice”).

<sup>4</sup> Id.

multi-leg positions based on the three option strategies specified in Rule 6.56 – vertical call spreads, vertical put spreads, and box spreads.<sup>5</sup>

In addition to listing hypothetical multi-leg positions with offsetting interest in the compression-list position file, the Exchange also will provide to each TPH that submitted compression-list positions, a new individualized multi-leg position file that includes: (a) a complete list of all possible combinations of offsetting multi-leg positions that are composed of series the individual TPH submitted as part of a compression-list position; (b) a unique identification number for each multi-leg position (“PID”) that would enable the TPH to identify particular multi-leg positions; (c) the series that make up the multi-leg position; and (d) the offsetting size of the multi-leg position against other TPHs on an individualized and anonymous basis.<sup>6</sup> TPHs would be able to give the Exchange permission to share their identity with the contra-party for a particular multi-leg position, and vice-versa, provided that both parties have agreed to reveal their identities.<sup>7</sup>

Finally, Exchange will extend the hours for submitting compression-list positions from 3:15pm to 4:30pm Chicago time.<sup>8</sup>

### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act<sup>9</sup> and the rules and regulations thereunder applicable to a

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<sup>5</sup> Id. at 55667. The Exchange represents that its “provision of the list does not constitute advice, guidance, a commitment to trade, an execution, or a recommendation to trade.” See id. Furthermore, the Exchange notes that TPHs determine whether to submit compression-list positions, whether to participate in the compression forum, and whether to represent orders on the trading floor.

<sup>6</sup> Id. at 55671.

<sup>7</sup> Id. at 55673. The disclosure of the TPH’s identity would be done on a multi-leg position by multi-leg position basis, as referenced by the PID.

<sup>8</sup> Id. at 55674.

national securities exchange.<sup>10</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>11</sup> 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 and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

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 a national market system by providing TPHs with information that may encourage them to close positions in series of SPX options at the end of the month, which the Exchange has stated is intended to “foster liquidity in the SPX options market in light of the bank regulatory capital requirements.”<sup>12</sup> The Commission notes the Exchange has represented that the proposed multi-leg compression-list position file provided by the Exchange is for informational purposes only and does not constitute advice, guidance, a commitment to trade, an execution, or a recommendation to trade, and that participation in the process by TPHs is entirely voluntary.<sup>13</sup> TPHs who receive the individualized multi-leg positions and wish to enter into a trade may only do so by finding a

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<sup>9</sup> 15 U.S.C. 78f.

<sup>10</sup> 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).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> See Notice, supra note 3, at 55674. The Exchange stated its belief that those capital requirements “could potentially limit the amount of capital clearing TPHs can allocate to their clients’ transactions, which in turn, may impact liquidity, particularly in the SPX market.” Id.

<sup>13</sup> See Notice, supra note 3, at 55667. The list is not ranked or weighted and contains all potential multi-leg positions with offsetting interest. Accordingly, not all the multi-leg positions on the list would be possible to trade since one series may be used to construct multiple potential multi-leg positions.

counterparty on the trading floor and executing a trade thereon, and all transactions must be effected in accordance with applicable rules.<sup>14</sup> Furthermore, all TPHs on the trading floor, whether or not they submitted compression-list positions, have the opportunity to respond to orders on the trading floor, including orders represented in compression forums. For the reasons noted above, the Commission believes that the proposal to amend Rule 6.56 to include the proposed procedures for multi-leg compression-list positions is consistent with the Act.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>15</sup> that the proposed rule change (SR-CBOE-2017-070) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>14</sup> See Notice, *supra* note 3, at 55675.

<sup>15</sup> 15 U.S.C. 78s(b)(2).

<sup>16</sup> 17 CFR 200.30-3(a)(12).