

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82771; File No. SR-CBOE-2018-017)

February 26, 2018

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 6.56, Compression Forums, to Provide Additional Opportunities to Disclose Compression-List Positions Monthly

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 February 13, 2018, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (“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

The Exchange proposes to amend Rule 6.56, Compression Forums.

(additions are underlined; deletions are [bracketed])

* * * * *

**Cboe Exchange, Inc.
Rules**

* * * * *

Rule 6.56. Compression Forums

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).

(a)

(1) Prior to 4:30 p.m. Chicago time on the second, third, and fourth to last business day of each calendar month, in a manner and format determined by the Exchange, a Trading Permit Holder may provide the Exchange with a list of open SPX options positions that it would like to close through the compression forum for that calendar month (“compression-list positions”). Trading Permit Holders may also permit their Clearing Trading Permit Holders or the Clearing Corporation to submit a list of these positions to the Exchange on their behalf.

(2) Prior to the open of Regular Trading Hours on the last business day, second to last business day, and third to last business day of each calendar month, the Exchange will make available to all Trading Permit Holders a list including the size of the offsetting compression-list positions (including all possible combinations of offsetting multi-leg positions) in each series (and multi-leg position) for which both long and short compression-list positions have been submitted to the Exchange (“compression-list positions file”).

(3) – (6) (No change).

(b) – (c) (No change).

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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 Exchange proposes to amend rule 6.56 (Compression Forums) to modify the frequency with which Trading Permit Holders (“TPHs”) may submit compression-list positions to the Exchange.

Currently, TPHs may submit lists of existing SPX positions to the Exchange that they wish to close during a compression forum (“compression-list positions”) by submitting such positions to the Exchange prior to 4:30 p.m. Chicago time on the fourth to last business day of each calendar month.⁵ Following the submission of compression-list positions and prior to the open of Regular Trading Hours on the third to last business day of each calendar month, the Exchange makes available to all TPHs a list including the size of the offsetting compression-list positions (including all possible combinations of offsetting multi-leg positions) in each series (and multi-leg position) for which both long and short compression-list positions have been submitted to the Exchange (“compression-list positions file”).⁶ In addition to making the compression-list positions file available to all TPHs, the Exchange: 1) distributes the compress-list positions file to TPHs that

⁵ See Rule 6.56. (a)(1).

⁶ See Rule 6.56(a)(2).

submitted compression-list positions;⁷ 2) distributes an individualized list of multi-leg positions (“multi-leg positions file”) to each TPH that submitted compression-list positions;⁸ and 3) facilitates a process by which a TPH may grant the Exchange permission to share the TPH’s identity with contra-party TPHs that have offsetting multi-leg positions.⁹

As previously noted, TPH compression-list positions are due by 4:30 p.m. Chicago time on the fourth to last business day of each calendar month. Thus, compression-list positions submitted by TPHs and the subsequent files and information generated from the compression-list positions cannot account for positions that have been opened or closed on the last three business days of the month (i.e., after the current submission deadline). Therefore, the Exchange proposes to amend Rule 6.56 to allow TPHs to also submit compression-list positions to the Exchange prior to 4:30 p.m. Chicago time on the second and third to last business days of each calendar month. The Exchange believes that allowing TPHs to reassess their positions at the end of the second and third to last business day of each calendar month – and submit compression list positions by 4:30 p.m. Chicago time on those days – will allow TPHs to more efficiently and effectively close open positions during compression forums.

The Exchange notes that it is not proposing to modify the process by which the Exchange utilizes compression-list positions to generate files. The Exchange will simply perform those processes three times instead of once. For example, from the compression-list positions submitted prior to 4:30 p.m. Chicago time on the fourth to last business day, the Exchange will generate and distribute the files and information described in Rule 6.56(a)(2)-(5), and such files and information are likely to be used by TPHs in the compression forum that occurs on the third to last business day.

⁷ See Rule 6.56(a)(3).

⁸ See Rule 6.56(a)(4).

⁹ See Rule 6.56(a)(5).

From the compression-list positions submitted prior to 4:30 p.m. Chicago time on the third to last business day, the Exchange will generate and distribute the files and information described in Rule 6.56(a)(2)-(5), and such files and information are likely to be used by TPHs in the compression forum that occurs on the second to last business day. Finally, from the compression-list positions submitted prior to 4:30 p.m. Chicago time on the second to last business day, the Exchange will generate and distribute the files and information described in Rule 6.56(a)(2)-(5), and such files and information is likely to be used by TPHs in the compression forum that occurs on the last business day. The Exchange notes that if, for example, a TPH submits compression-list positions on the fourth to last business day but not on the second or third to last business day, the compression-list positions submitted on the fourth to last business day will be used in the first file generation process, not each time the Exchange generates files. In short, each time the Exchange runs its file generation process the Exchange processes only the compression-list positions specific to each deadline (i.e., all compression list positions submitted prior to 4:30 p.m. Chicago time on the fourth to last business day of the calendar month are processed together; all compression list positions submitted prior to 4:30 p.m. Chicago time on the third to last business day of the calendar month are processed together; and so on).

The proposed rule change will allow TPHs to submit to the Exchange more accurate information regarding their open positions in order to facilitate the generation of a more accurate assessment of potential offsetting interest, specifically, on the second and third to last business days of the calendar month. Giving TPHs a more accurate assessment of potential offsetting interest allows TPHs to more efficiently and effectively execute closing transactions in compression forums on the last business day and the second to last business day of the calendar month. The ability to

more efficiently and effectively execute closing transactions in compression forums helps to alleviate the adverse impact of bank capital requirements.

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.¹⁰ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹¹ 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)¹² requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will allow TPHs to submit to the Exchange more accurate information regarding their open positions in order to facilitate the generation of a more accurate assessment of potential offsetting interest, specifically, on the second and third to last business days of the calendar month. Giving TPHs a more accurate assessment of potential offsetting interest allows TPHs to more efficiently and effectively execute closing transactions in compression forums on the last business day and the second to last business day of the calendar

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² Id.

month, which, in general, helps to protect investors and the public interest because closing positions via the compression process serves to alleviate the adverse impact of bank capital requirements.

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

Cboe Options 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 change would encourage the closing of positions, which, once closed, may serve to alleviate the capital requirement constraints on TPHs and improve overall market liquidity by freeing capital currently tied up in certain SPX positions. The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed rule change applies only to the trading of SPX options, which are exclusively-listed on Cboe Options. To the extent that the proposed changes make the Exchange a more attractive marketplace for market participants at other exchanges, such market participants are eligible to participate through Cboe Options TPHs. Furthermore, participation in compression forums is completely voluntary and open to all TPHs.

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 foregoing 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)(iii) of the Act¹³ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁴

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁵ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁶ 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 so that the proposal may become operative upon filing. The Commission notes that the proposal is not modifying the procedures for collecting or distributing compression-list positions, but is only providing additional opportunities for TPHs to disclose their positions using existing procedures. The Exchange has stated that the proposed rule change, by giving a more accurate assessment of potential offsetting interest, specifically on the second and third to last business days of the calendar month, will allow TPHs to more efficiently and effectively execute closing transactions in SPX options. Therefore, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.¹⁷

¹³ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁴ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) 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.

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹⁷ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 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:

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-CBOE-2018-017 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-CBOE-2018-017. 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of CBOE. 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-CBOE-2018-017 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

Action as set forth or recommended herein
APPROVED pursuant to authority delegated by the
Commission under Public Law 87-592.

For the Division of Trading and Markets

¹⁸ 17 CFR 200.30-3(a)(12).