

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83112; File No. SR-CBOE-2018-030)

April 26, 2018

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 24.6, Days and Hours of Business

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 13, 2018, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) 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

The Exchange proposes to amend Rule 24.6.

(additions are underlined; deletions are [bracketed])

* * * * *

Cboe Exchange, Inc.
Rules

* * * * *

CHAPTER XXIV. INDEX OPTIONS

* * * * *

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).

Rule 24.6. Days and Hours of Business

(a) (No change).

(b) Transactions in the following index options may be effected on the Exchange during the Regular Trading Hours of 8:30 a.m. Chicago time to 3:00 p.m. Chicago time:

(i) – (xli) (No change).

(xlii) S&P Financial Select Sector Index (SIXM)

(xliii) S&P Energy Select Sector Index (SIXE)

(xliv) S&P Technology Select Sector Index (SIXT)

(xlv) S&P Health Care Select Sector Index (SIXV)

(xlvi) S&P Utilities Select Sector Index (SIXU)

(xlvii) S&P Consumer Staples Select Sector Index (SIXR)

(xlviii) S&P Industrials Select Sector Index (SIXI)

(xlix) S&P Consumer Discretionary Select Sector Index (SIXY)

(xlx) S&P Materials Select Sector Index (SIXB)

(xlixi) S&P Real Estate Select Sector Index (SIXRE)

. . . Interpretations and Policies:

.01 – .06 (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

Recently, the Exchange proposed to amend certain rules in connection with the Exchange’s plans to list and trade ten S&P Select Sector Index options. Each S&P Select Sector Index (“Sector Index”)⁵ represents the performance of stocks that are components of the Standard & Poor’s 500 Index (“S&P 500”) within one of the following sectors (each of which is referred to as a “Sector Index”):

<u>Sector</u>	<u>Symbol⁶</u>	<u>Number of Components</u>
Financial	IXM	66
Energy	IXE	32
Technology	IXT	72
Health Care	IXV	61
Utilities	IXU	28
Consumer Staples	IXR	35

⁵ Each Sector Index is a narrow-based index as defined in Rule 24.1(i)(2).

⁶ These symbols represent the index. The corresponding option symbols are SIXM, SIXE, SIXT, SIXV, SIXU, SIXR, SIXI, SIXY, SIXB, and SIXRE, respectively.

Industrials	IXI	68
Consumer Discretionary	IXY	85
Materials	IXB	26
Real Estate	IXRE	32

Currently, pursuant to Rule 24.6(a), options on the Sector Indexes may trade on the Exchange from 8:30 a.m. until 3:15 p.m. Chicago time. In connection with the listing of options on the Sector Indexes,⁷ the Exchange proposes to amend Rule 24.6(b) to add options on the Sector Indexes to the list of index options that may trade on the Exchange from 8:30 a.m. until 3:00 p.m. Chicago time. The Exchange understands that investors who plan to trade options on Sector Indexes would often use the prices of the stock components of Sector Indexes to price options rather than futures on the Sector Indexes (which are often used to price index options, such as options on the S&P 500). Investors similarly use pricing of underlying stocks to price shares of exchange-traded funds (“ETFs”) derived from the Sector Indexes (e.g., Select Sector SPDR ETFs), the components of which are stocks that are components of the Sector Indexes. The underlying stocks end regular trading at 3:00 p.m. Chicago time each day. Closing trading in the Select Sector Index options at the same time the stocks end regular trading⁸ will ensure investors have access to robust pricing of the underlying stock components they use to price the

⁷ The Exchange has not yet begun listing options on the Sector Indexes, but expects to begin listing them as early as April 2018.

⁸ While the stocks may continue to trade in an aftermarket trading session on the listing exchanges, there is less liquidity in aftermarket trading, which generally leads to wider spreads and more volatile pricing.

options, thus reducing investors' price risk. Various other index options, including narrow-based index options, may trade from 8:30 a.m. to 3:00 p.m. Chicago time.⁹

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, closing trading in the Select Sector Index options at the same time the stocks end regular trading will ensure investors have access to robust pricing of the underlying stock components they use to price the options, which protects investors by reducing their price

⁹ See Rule 24.6(b) (for example, options on the S&P transportation, retail, health care, banking, insurance, and chemical indices, and the Cboe PowerPacks SM bank, biotechnology, gold, internet, iron & steel, oil, oil services, pharmaceuticals, retail, semiconductor, technology, and telecom indices)

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² Id.

risk. Various other index options, including narrow-based index options, may trade from 8:30 a.m. to 3:00 p.m. Chicago time.¹³

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. All market participants will be able to trade options on the Sector Indexes during the same trading hours. Various other index options, including narrow-based index options, may trade from 8:30 a.m. to 3:00 p.m. Chicago time.¹⁴ The Exchange believes the proposed rule change will promote competition, as it brings the trading hours for Sector Index options in line with competitive products trading on other exchanges. Additionally, Sector Index options trade exclusively on Cboe Options. To the extent that the proposed changes make Cboe Options a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become Cboe Options market participants.

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

¹³ See supra note 9.

¹⁴ Id.

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁵ and subparagraph (f)(6) Rule 19b-4 thereunder.¹⁶

A proposed rule change filed under Rule 19b-4(f)(6)¹⁷ normally does not become operative for 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)¹⁸ 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 requested that the Commission waive the 30-day operative delay to permit the proposed rule change to be operative at the time the Exchange begins listing Sector Index options for trading. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal to add ten new S&P Select Sector Index options to the existing list of similar index options, including narrow-based index options, that trade until 3:00 p.m. Chicago time does not raise any new or novel issues. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.¹⁹

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

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of 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.

¹⁷ 17 CFR 240.19b-4(f)(6).

¹⁸ 17 CFR 240.19b-4(f)(6)(iii).

¹⁹ 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).

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will 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:

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-2018-030 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-2018-030. 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, D.C. 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2018-030 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.²⁰

Eduardo A. Aleman
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).