

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82735; File No. SR-CboeBZX-2018-012)

February 16, 2018

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Expand the Short Term Options Series Program to Allow Monday Expirations for SPDR S&P 500 ETF Trust Options on the Exchange's Equity Options Platform

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 February 15, 2018, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX 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 has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. 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 filed a proposal to expand the Short Term Options Series Program to allow Monday expirations for SPDR S&P 500 ETF Trust ("SPY") options.

(additions are underlined; deletions are [bracketed])

* * * * *

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

Rules of Cboe BZX Exchange, Inc.

* * * * *

Rule 16.1. Definitions

(a) With respect to the Rules contained in Chapters XVI to XXIX below, relating to the trading of options contracts on the Exchange, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Exchange Rules shall have the same meaning with respect to this Chapter XVI, unless otherwise defined below.

(1) – (56) (No change).

(57) The term “Short Term Option Series” means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Monday, Tuesday, Wednesday, Thursday or Friday that is a business day and that expires on the Monday, Wednesday or Friday of the next business week, or, in the case of a series that is listed on a Friday and expires on a Monday, is listed one business week and one business day prior to that expiration. If a Tuesday, Wednesday, Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Tuesday, Wednesday, Thursday or Friday, respectively. For a series listed pursuant to this section for Monday expiration, if a Monday is not a business day, the series shall expire on the first business day immediately following that Monday.

(58) – (63) (No change).

Interpretations and Policies

.01 (No change).

* * * * *

Rule 19.6. Series of Options Contracts Open for Trading

(a) – (g) (No change).

Interpretations and Policies

.01 – .04 (No change).

.05 After an option class has been approved for listing and trading on BZX Options, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire on each of the next five (5) Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange may have no more than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided in paragraph (g) below. If BZX Options is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day

immediately prior to that respective Thursday or Friday. Similarly, if BZX Options is not open for business on the Friday that the options are set to expire, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(a) (No change).

(b) With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Options Series on the same class.

(c) – (f) (No change).

(g) Monday and Wednesday SPY Expirations. The Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPDR S&P 500 ETF Trust (“SPY”) to expire on any Monday of the month that is a business day and is not a Monday on which Quarterly Options Series expire (“Monday SPY Expirations”), provided that any Friday on which the Exchange opens for trading a Monday SPY Expiration is one business week and one business day prior to expiration. The Exchange may also open for trading on any Tuesday or Wednesday that is a business day series of SPY options [on the SPDR S&P 500 ETF Trust (“SPY”)] to expire on any Wednesday of the month that is a business day and is not a Wednesday [i]on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange may list up to five consecutive Monday SPY Expirations and up to five consecutive Wednesday SPY Expirations at one time; the Exchange may have no more than a total of five Monday SPY Expirations and no more than a total of five Wednesday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule.

.06 – .07 (No change).

* * * * *

The text of the proposed rule change is available at the Exchange’s website at www.markets.cboe.com, at the principal office of the Exchange, 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 parts 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 expand the Short Term Options Series Program described in Rule 19.6 to allow the listing and trading of SPY options with Monday expirations. The Exchange also proposes to make corresponding changes to the definition of Short Term Options Series in Rule 16.1. This is a competitive filing based on a filing submitted by Nasdaq PHLX LLC (“Phlx”), which the Securities and Exchange Commission (“Commission”) recently approved.⁵

Currently, as set forth in Rule 16.1(a)(57), a Short Term Option Series is a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Tuesday, Wednesday, Thursday, or Friday that is a business day and that expires on the Wednesday or Friday of the next business week. The Exchange now proposes to amend Rule 16.1(a)(57) to permit the listing of options series that expire on Mondays. Specifically, the Exchange proposes that it may open for trading series of options on any Monday that is a business day and that expires on the Monday of the next business week. The Exchange also proposes to list Monday expirations series on Fridays that precede the expiration Monday by one business week plus one business day. Since Rule 16.1(a)(57) already provides for the listing of short term option series on Fridays, the Exchange is not modifying this provision to allow for Friday listing of Monday expiration series. However, the Exchange is amending Rule 16.1(a)(57) to clarify that, in the case of a series that is listed on a Friday and expires on a Monday, that series must be listed one business week and one business day prior to that expiration (i.e. two Fridays prior to expiration).

⁵ See Securities Exchange Act Release No. 82611, February 1, 2018 (order approving SR-Phlx-2017-103).

Monday expirations are not a novel proposal. Specifically, Cboe Exchange, Inc. (“Cboe Options”) is currently able to list Monday expirations for broad-based index options.⁶ Additionally, Phlx recently received Commission approval to list Monday SPY Expirations.⁷

The Exchange also proposes to amend Rule 16.1(a)(57) to address the expiration of Monday expiration series when the Monday is not a business day. In that case, the rule will provide that the series will expire on the first business day immediately following that Monday. This procedure differs from the expiration date of the Wednesday expiration series that are scheduled to expire on a holiday. In that case, the Wednesday expiration series will expire on the first business day immediately prior to that Wednesday (e.g., Tuesday of that week).⁸ However, the Exchange believes it is preferable to require Monday expiration series in this scenario to expire on the Tuesday of that week rather than the previous business day (e.g., the previous Friday), since the Tuesday is closer in time to the scheduled expiration date of the series than the previous Friday, and therefore may be more representative of anticipated market conditions. The Exchange also notes that Cboe Options uses the same procedure for options on the S&P 500 index (“SPX”) with Monday expirations that are listed pursuant to its Nonstandard Expirations Pilot Program and that are scheduled to expire on a holiday.⁹

⁶ See Cboe Options Rule 24.9(e) (describing Cboe Options nonstandard expirations pilot program). Pursuant to the nonstandard expirations pilot program, if Cboe Options is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day.

⁷ See supra note 5.

⁸ See Rule 16.1(a)(57).

⁹ See Rule 24.9(e) (describing Cboe Options’ nonstandard expirations pilot program). Pursuant to the nonstandard expirations pilot program, if Cboe Options is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day.

The Exchange also proposes to make corresponding changes to Rule 19.6, Interpretation and Policy .05, which sets forth the requirements for SPY options that are listed pursuant to the Short Term Options Series Program, to permit Monday SPY expirations (“Monday SPY Expirations”). Accordingly, the Exchange proposes to amend Interpretation and Policy .05(g) to state the Exchange may open for trading on any Friday or Monday that is a business day series of SPY options to expire on any Monday of the month that is a business day and is not a Monday on which Quarterly Options Series expire, provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration.

As with Wednesday SPY Expirations, the proposed rule change states the Exchange may list up to five consecutive Monday SPY Expirations at one time, and may have no more than a total of five Monday SPY Expirations (in addition to a maximum of five Short Term Options Series expirations for SPY options expiring on Friday and five Wednesday SPY Expirations). The Exchange proposes to clarify that the five expirations limit in the current Short Term Option Series Program would not include any Monday SPY Expirations. The five expirations limit in the current Short Term Option Series Program currently excludes any Wednesday SPY Expirations. This means, under the proposed rule change, the Exchange may list five Short Term Option Series expirations for SPY expiring on Friday, five Wednesday SPY Expirations, and five Monday SPY Expirations. The Exchange will also clarify that, as with Wednesday SPY Expirations, Monday SPY Expirations will be subject to the provisions of Rule 19.6.

The proposed rule change also amends Rule 19.6, Interpretation and Policy .05(b), which addresses the listing of Short Term Option Series that expire in the same week as monthly or quarterly options series. Currently, the rule states no Short Term Option Series may expire in the same week in which monthly option series on the same class expire (with the exception of

Wednesday SPY Expirations) or, in the case of Quarterly Option Series, on an expiration that coincides with an expiration of Quarterly Option Series on the same class. As with Wednesday SPY Expirations, the Exchange proposes to permit Monday SPY Expirations to expire in the same week as monthly option series on the same class. The Exchange believes it is reasonable to extend this exemption to Monday SPY Expirations because Monday SPY Expirations and standard monthly options will not expire on the same trading day, as standard monthly options expire on Fridays. Additionally, the Exchange believes that not listing Monday SPY Expirations for one week every month because there was a monthly SPY expiration on the Friday of that week would create investor confusion.

The interval between strike prices for the proposed Monday SPY Expirations will be the same as those for the current Short Term Option Series for Wednesday and Friday SPY Expirations, which is a \$0.50 strike interval minimum.¹⁰

Currently, for each option class eligible for participation in the Short Term Option Series Program, the Exchange is limited to opening 30 series for each expiration date for the specific class. The 30 series restriction does not include series that are opened by other securities exchanges under their respective short term option rules; the Exchange may list these additional series that are listed by other exchanges.¹¹ This 30 series restriction will apply to Monday SPY Expirations as well. In addition, the Exchange will be able to list series that are listed by other exchanges, assuming they file similar rules with the Commission to list SPY options expiring on Mondays.

¹⁰ See Rule 19.6, Interpretation and Policy .05(f) (the Exchange may open for trading Short Term Option Series at \$0.50 strike price intervals for classes that trade in \$1 dollar increments and are in the Short Term Option Series Program). Pursuant to Rule 19.4(d)(4), Interpretation and Policy .02, SPY options have \$1 strike price intervals for non-Short Term Option Program series.

¹¹ See Rule 19.6, Interpretation and Policy .05(a).

As is the case with other options series listed pursuant to the Short Term Option Series, the Monday SPY Expiration series will be p.m.-settled. The Exchange does not believe that any market disruptions will be encountered with the introduction of p.m.-settled Monday expirations. The Exchange has necessary capacity and surveillance programs in place to support and properly monitor trading in the proposed Monday expiration series, including Monday SPY Expirations. The Exchange currently trades p.m.-settled Short Term Option Series that expire almost every Wednesday and Friday, which provide market participants with a tool to hedge special events and to reduce the premium cost of buying protection. The Exchange notes it has been listing Wednesday expirations since 2016. With the exception of Monday expiration series that are scheduled to expire on a holiday, the Exchange does not believe there are any material differences between Monday SPY Expirations and Wednesday or Friday SPY Expirations.

The Exchange seeks to introduce Monday SPY Expirations to, among other things, expand hedging tools available to market participants and to continue the reduction of the premium cost of buying protection. The Exchange believes Monday SPY Expirations, similar to Wednesday and Friday SPY Expirations, will allow market participants to purchase a SPY option based on their timing as needed and allow them to tailor their investment and hedging needs more effectively.

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.¹² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹³ requirements

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

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)¹⁴ 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 the Short Term Option Series Program has been successful to date and that Monday SPY Expirations simply expand the ability of investors to hedge risk against market movements stemming from economic releases or market events that occur throughout the month in the same way the Short Term Option Series Program has expanded the landscape of hedging. Similarly, the Exchange believes Monday SPY Expirations should create greater trading and hedging opportunities and flexibility, and will provide customers with the ability to tailor their investment objectives more effectively. With the exception of Monday expiration series that are scheduled to expire on a holiday, the Exchange does not believe there are any material differences between Monday SPY Expirations and Wednesday or Friday SPY Expirations. The Exchange has been listing Wednesday SPY Expirations pursuant to Rule 19.6, Interpretation and Policy .05 since 2016. The Exchange believes it is consistent with the Act to treat Monday SPY Expirations that expire on a holiday differently than Wednesday and Friday SPY Expirations, since the proposed treatment for Monday SPY Expirations will result in an expiration date that is closer in time to the scheduled

¹⁴ Id.

expiration date of the series, and therefore may be more representative of anticipated market conditions. Cboe Options uses the same procedure for broad-based index options with Monday expirations listed pursuant the Nonstandard Expirations Pilot Program that are scheduled to expire on a holiday.¹⁵

Given the similarities between Monday SPY Expirations and Wednesday and Friday SPY Expirations, the Exchange believes applying the provisions in Rules 16.1(a)(57) and 19.6, Interpretation and Policy .05 that currently apply to Wednesday SPY Expirations to Monday SPY Expirations is justified. For example, the Exchange believes allowing Monday SPY Expirations and monthly SPY expirations in the same week will benefit investors and minimize investor confusion by providing Monday SPY Expirations in a continuous and uniform manner. Additionally, the Exchange believes it is appropriate to not permit Monday SPY Expirations to expire on the same day as an expiration of SPY Quarterly Option Series. This is consistent with treatment of Wednesday SPY Expirations, which may currently expire in the same week as a monthly SPY expiration but may not expire on the same day as an expiration of SPY Quarterly Option Series.

The Exchange represents it has an adequate surveillance program in place to detect manipulative trading in Monday SPY Expirations in the same way it monitors trading in the current Short Term Option Series. The Exchange also represents it has the necessary systems capacity to support the new options series.

¹⁵ See Cboe Options Rule 24.9(e) (describing Cboe Options' nonstandard expirations pilot program). Pursuant to the nonstandard expirations pilot program, if the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day.

The proposed rule change is consistent with current rules of another options exchange, pursuant to which Cboe Options currently lists Monday expirations for weekly broad-based index options.¹⁶ Additionally, the proposed rule change is consistent with rules of another options exchange, as Phlx recently received Commission approval to list Monday SPY Expirations.¹⁷

(B) Self-Regulatory Organization's Statement on Burden on Competition

BZX 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. Having Monday expirations is not a novel proposal, as Cboe Options currently lists weekly broad-based index options with Monday expirations pursuant to its nonstandard expirations pilot program. BZX Options does not believe the proposed rule change will impose any burden on intramarket competition, as all market participants will be treated in the same manner as they are with respect to existing Short Term Option Series. BZX Options does not believe the proposed rule change will impose any burden on intermarket competition, as Phlx recently received Commission approval to list Monday SPY Expirations.¹⁸ BZX Options believes this proposed rule change is necessary to ensure fair competition among the options exchanges. Additionally, nothing prevents other options exchange from proposing similar rules to list and trade short-term option series in SPY with Monday expirations.

(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.

¹⁶ Id.

¹⁷ See supra note 5.

¹⁸ Id.

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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁹ and Rule 19b-4(f)(6) thereunder.²⁰

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days from the date of filing. However, Rule 19b-4(f)(6)(iii)²¹ 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 immediately upon filing. The Commission notes that it recently approved Phlx's substantially similar proposal to list and trade Monday SPY Expirations.²² The Exchange has stated that waiver of the operative delay will allow the Exchange to list and trade Monday SPY Expirations as soon as possible, and therefore, promote competition among the option exchanges. For these reasons, the Commission believes that the proposed rule change presents no novel issues and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest, and will allow the Exchange to remain competitive with other exchanges. Therefore, the

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 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 intention 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.

²¹ 17 CFR 240.19b-4(f)(6)(iii).

²² See supra note 5.

Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.²³

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 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 proposal 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 No. SR-CboeBZX-2018-012 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 No. SR-CboeBZX-2018-012. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

²³ 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).

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 am and 3:00 pm. Copies of such filing will also 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 No. SR-CboeBZX-2018-012 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.²⁴

Eduardo A. Aleman
Assistant Secretary

²⁴ 17 CFR 200.30-3(a)(12).