

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86211; File No. SR–C2–2019–016]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Update Its Rules Related to Complex Orders and Trading Halts

June 27, 2019.

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 June 17, 2019, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) 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

Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to update its rules related to complex orders and trading halts. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/), 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 proposed rule change updates the Exchange’s trading halt procedures as they relate to complex orders. The Exchange recently adopted a rule change (Rule 6.11) to eliminate the distinction between how the opening auction process applies to a User’s simple orders following a Regulatory Halt and a non-Regulatory Halt.⁵ This change will be implemented on June 17, 2019 and provides that the opening auction process following any trading halt will apply in the same manner (the manner in which Regulatory Halts functioned previously): The System will queue a User’s orders and quotes resting on the book at the time of the trading halt for participation in the opening auction process following the trading halt, unless the User entered instructions to cancel its resting orders and quotes.

The Exchange now proposes to update the Complex Order Book (“COB”) re-opening process following a trading halt under Rule 6.13 to align with the proposed changes to the opening auction process following a halt for a User’s simple orders. Currently, Rule 6.13(k)(1) provides that if a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy is suspended. The System queues a Trading Permit Holder’s open orders during a Regulatory Halt, unless the Trading Permit Holder entered instructions to cancel its open complex orders upon a Regulatory Halt, for participation in the re-opening of the COB. A Trading Permit Holder’s complex orders are cancelled unless the

Trading Permit Holder instructed the Exchange not to cancel its orders. The System cancels a Trading Permit Holder’s open complex orders upon a halt that is not a Regulatory Halt. The Exchange now proposes to update this process to mirror that of the process for simple orders. Specifically, the Exchange proposes to amend Rule 6.13(k)(1) by replacing references to “Regulatory Halts” with “halts”, as well as removing language which states that a Trading Permit Holder’s complex orders will be cancelled unless the Trading Permit Holder instructed the Exchange not to cancel its orders, and that the System cancels a Trading Permit Holder’s open complex orders upon a halt that is not a Regulatory Halt. The Exchange also believes that in addition to harmonizing the complex order halt process with that of the simple order process, removing language that states that a Trading Permit Holder’s complex orders are cancelled unless the Trading Permit Holder instructed the Exchange not to cancel its orders, serves to make its rules clearer and easier to understand. Currently, this language appears to be in conflict with the Rule language that states (as proposed) that the System will queue a User’s open complex orders during a Regulatory Halt, unless the User entered instructions to cancel its open complex orders.

In addition to this, the Exchange proposes to make the same updates to Rule 6.32, which provides for trading halts generally, thereby aligning this rule with the trading halt process to be implemented on June 17, 2019. The Exchange also proposes non-substantive rule changes. It proposes to amend an inaccurate cross reference in Rule 6.13(c)(1) (which currently references Rule 6.11(a) (Definitions)) to reference Rule 6.11, thus accurately encompassing the times and manner set forth in the opening process as stated in Rule 6.13(c)(1). The Exchange adds proposed language that refers specifically to a User’s open complex orders, as opposed to open orders, which provides additional clarity as to the type of orders covered by this Rule. The Exchange also makes reference changes from “Trading Permit Holder” to “User”, as this is consistent with the terminology used throughout Rule 6.13.

The Exchange believes that this proposed change will provide Users with the ability to decide how their resting complex orders should be handled in the event of a non-Regulatory Halt, as they are currently able to do in the event of a Regulatory Halt. The Exchange also believes elimination of this distinction will

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).

⁵ See Securities Exchange Act No. 85931 (May 23, 2019), 84 FR 25086 (May 30, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend Rule 6.11) (SR–C2–2019–011). The changes in SR–C2–2019–011 are currently effective but not yet operative; however, the proposed rule text in this rule filing assume operativeness of those effective changes. The Exchange notes that the distinction between the two trading halts was made throughout its rules in connection with Regulatory Halts under the Regulation NMS Plan to Address Extraordinary Market Volatility (the “Plan”). During a Regulatory Halt an underlying security has halted trading across the industry, and during a non-Regulatory Halt the primary exchange has experienced a technical issue but the underlying security continues to trade on other equities platforms. However, the Exchange determined that there would be a Queuing Period following a non-Regulatory Halt, like that of a Regulatory Halt, in order eliminate potential investor confusion regarding how the System will handle orders and quotes in the event of any trading halt. This is consistent with the Plan.

eliminate potential investor confusion regarding how the System will handle complex orders in the event of a trading halt, as well as potential investor confusion regarding how the System will handle complex orders as compared to simple orders upon implementation of the changes to the trading halt process for simple orders on June 17, 2019.

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.⁶ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁷ 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)⁸ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change to harmonize the process for a User's complex orders during all types of trading halts will protect investors by eliminating potential confusion regarding how the System will handle their complex orders during a non-Regulatory Halt (as they are currently handled during a Regulatory Halt). The Exchange believes that the proposed rule change will serve to remove impediments to and perfect the mechanism of a free and open market and a national market system by harmonizing its various rules regarding trading halts, thereby protecting investors by providing them with consistent rules. Furthermore, the Exchange believes the proposed change eliminates conflicting language regarding a User's order instructions during halts, thereby protecting investors by providing rules that are clear and easy to understand. In

addition to this, the proposed non-substantive changes will benefit investors by providing additional clarity to the Rules.

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

The Exchange 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 rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. All Users will have the same flexibility regarding how the System will handle their complex orders during non-Regulatory Halts, which is the same flexibility currently available to Users during Regulatory Halts. If a User wants its complex orders to be handled during a non-Regulatory Halt in the manner they are today, that User may instruct the Exchange to do so (as they currently may do during a Regulatory Halt). The proposed rule change will not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended as a competitive change, but rather to provide Users with flexibility with respect to the handling of their complex orders during a non-Regulatory Halt, to provide consistent trading halt procedures under the Exchange's rules, as well as to provide clarity to investors by eliminating conflicting language. The Exchange also notes that the proposed non-substantive changes do not impact trading, and thus have no competitive impact; they merely provide additional clarity to the Rules.

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) of the Act⁹ and Rule 19b-4(f)(6) thereunder.¹⁰

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹¹ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹² 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 so that the proposed rule change may become operative upon filing. Waiver of the operative delay would allow the Exchange to implement this proposed rule change simultaneously with the rule change to eliminate the trading halt distinctions following the opening auction process for a User's simple orders, which the Exchange intends to implement on June 17, 2019. Therefore, the Commission believes that waiver of 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 proposed rule change operative upon filing.¹³

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 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:

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its 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.

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ 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).

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

⁸ *Id.*

Electronic Comments

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-C2-2019-016 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-C2-2019-016. This file number should be included on the subject line if email 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 10:00 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. 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-C2-2019-016 and should be submitted on or before July 24, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Eduardo A. Aleman,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86221; File No. SR-BX-2019-023]

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Relocate the BX Options Rules at Chapter IV, Securities Traded on BX

June 27, 2019.

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 June 19, 2019, Nasdaq BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 relocate the BX Options Rules ("BX Options") at Chapter IV (Securities Traded on BX Options) under the Options 4 title in the Exchange's rulebook's ("Rulebook") shell structure.³

The proposal also amends the rules as relocated to conform primarily to the equivalent options rules in the Nasdaq ISE, LLC ("ISE") rulebook, as well as in one instance to the equivalent options rule in the Nasdaq PHLX LLC ("Phlx") rulebook.

The proposal also amends Section 1 of Chapter I of the BX Options Rules to add several definitions.

The text of the proposed rule change is available on the Exchange's website at <http://nasdaqbx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In 2017, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges, The Nasdaq Stock Market LLC ("Nasdaq"); Nasdaq PHLX LLC; Nasdaq ISE, LLC; Nasdaq GEMX, LLC; and Nasdaq MRX, LLC ("Affiliated Exchanges"). The shell structure currently contains eight (8) General sections which, once complete, will apply a common set of rules to the Affiliated Exchanges. See Securities Exchange Act Release No. 82174 (November 29, 2017), 82 FR 57492 (December 5, 2017) (SR-BX-2017-054).

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 relocate the rule text in Chapter IV (Securities Traded on BX Options) to the Options 4 title in the Rulebook's shell structure. For ease of reference and the purposes of this filing, the relocated rules are herein described as the "Options Listing Rules."

The relocation of the Options Listing Rules is part of the Exchange's continued effort to promote efficiency and the conformity of its processes with those of the Affiliated Exchanges,⁴ and its goal of harmonizing and uniformizing its rules.⁵

This proposed change is of a non-substantive nature. Moreover, the relocation of the Options Listing Rules will facilitate the use of the Rulebook by Members⁶ of the Exchange, who are members of other Affiliated Exchanges; other market participants; and the public in general. The relocated rules will be amended to reflect the equivalent options rules in the ISE rulebook, but the changes are of a non-substantive nature.

The overarching goal is to align BX Options rules with those of the ISE. The Exchange is proposing to amend the rules for BX Options, most notably the rule text in the Options Listing Rules concerning securities traded on BX Options, but also adding several definitions to Section 1 of Chapter I.

The vast majority of the changes are technical changes and made throughout the Options Listing Rules. These minor

⁴ *Id.*

⁵ This proposal is similar to the recent relocation of options rules at Chapter IV (Securities Traded on NOM) under the Options 4 title in the Nasdaq rulebook. See Securities Exchange Act Release No. 86022 (June 4, 2019), 84 FR 26912 (June 10, 2019) (SR-NASDAQ-2019-047).

⁶ As defined by Exchange Rule 0120(i).

¹⁴ 17 CFR 200.30-3(a)(12).