

lower priority than other liquidity providing orders priced to trade at the midpoint; and (4) operate within existing tick size trading increments.<sup>16</sup>

The proposal includes qualification and application rules for RMOs, an appeal process for disapproved RMOs, requirements for RMOs to include written policies and procedures to ensure that Retail Orders are bona fide, required annual attestations from RMOs with respect to Retail Orders, and a process for disqualification of RMOs with appeal procedures. The Commission believes that the proposal with respect to RMOs is consistent with the Exchange Act as it is reasonably designed to ensure that RMOs submit only bona fide Retail Orders to the program and, thus, helps ensure that the program is operated in the interests of investor protection and consistent with the public interest. All IEX Members would have an opportunity to become a RMO if desired, and the Commission believes that the proposal sets forth a fair and reasonable process to become and remain a RMO.

The Exchange asserts that while the Retail Program would differentiate among its Members, it believes that such differentiation is not unfairly discriminatory because the Retail Program is designed to promote a competitive process for retail executions on a registered exchange while providing retail investors with the potential to receive meaningful price improvement.<sup>17</sup> The Exchange notes that, under the respective retail programs of NYSE, BX, and others, there is existing precedent for differentiation and limited segmentation of incoming retail order flow and liquidity providing order flow that seeks to execute against such incoming retail flow.<sup>18</sup> IEX also asserts that, as with the NYSE and BX programs, its Retail Program is designed to provide an additional competitive alternative for retail orders by offering certain incentives for broker-dealers to bring more of their retail order flow onto a public exchange.<sup>19</sup>

The Commission believes that proposals involving segmentation of order flow on a national securities exchange—even if such order flow is retail or offers price improvement to retail orders—must be carefully evaluated. In this instance, the Commission believes that the Retail Program is reasonably designed, within the Exchange's existing market structure, to attract retail order flow to

a registered national securities exchange, while offering the opportunity for retail investors to potentially benefit from midpoint executions.<sup>20</sup>

The Commission also believes that providing RLP orders lower execution priority against Retail orders than other orders priced to trade at the Midpoint Price is not designed to permit unfair discrimination or impose an unnecessary or inappropriate burden on competition. The Commission notes that the RLP order type would be available to all IEX Members, and Members seeking to interact with retail order flow on IEX also would be able to submit non-RLP orders for Midpoint Price executions, which would be given higher priority than RLP orders. Given the restrictions on RLP orders (*i.e.*, they would only interact with incoming Retail Orders), it is appropriate that RLP orders would not impact order book priority and not enjoy a competitive advantage, in the form of enhanced priority or execution opportunities, over other resting orders, but rather would yield priority to them. Further, IEX will allow any Member to submit RLP orders, which provides fair and broad access to this new order type and should promote competition by removing barriers to its use on the Exchange.

Further, the Exchange explains that requiring a Retail Order to be either a Discretionary Peg order or Midpoint Peg order with a time-in-force of IOC or FOK is designed to maximize the opportunity for such orders to be executed on IEX with Midpoint Price improvement.<sup>21</sup> This approach provides for potentially meaningful price improvement while utilizing order types that operate within the current minimum trading increment rules. To the extent it is successful, the proposal could facilitate and promote competition between exchanges and the over-the-counter market and potentially bring more retail order flow to a public exchange. As such, the proposal is designed to remove impediments to and

perfect the mechanism of a free and open market and a national market system, and further the investor protection and public interest objectives of Section 6(b) of the Act.

Accordingly, the Commission finds the design of the Retail Program within the current market structure to be consistent with the Act, including the requirements of Section 6(b)(5) and Section 6(b)(8) of the Act.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Exchange Act,<sup>22</sup> that the proposed rule change (SR-IEX–2019–05), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 2019–17490 Filed 8–14–19; 8:45 am]

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86623; File No. SR–CboeBZX–2019–073]

#### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Rule 14.3(e), Additional Requirements for Securities Issued by the Exchange or Its Affiliates

August 9, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on August 6, 2019, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III 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 Act<sup>3</sup> and Rule 19b–4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

<sup>22</sup> 15 U.S.C. 78s(b)(2).

<sup>23</sup> 17 CFR 200.30–3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b–4(f)(6).

<sup>20</sup> The Commission has previously recognized that market participants and some exchanges distinguish between individual retail investors, whose orders are considered desirable by liquidity providers because such retail investors are presumed on average to be less informed about short-term price movements, and professional traders, whose orders are presumed on average to be more informed about short term price movements. The Commission has also recognized that, because of this distinction, some liquidity providers may be more inclined to offer price improvement to retail orders. See Securities Exchange Act Release Nos. 73702 (November 28, 2014), 79 FR 72049 (December 4, 2014) (SR–BX–2014–048) (approving the BX Retail Price Improvement Program on a pilot basis).

<sup>21</sup> See Notice, *supra* note 3, at 32243.

<sup>16</sup> See Notice, *supra* note 3, at 32241.

<sup>17</sup> See Notice, *supra* note 3, at 32242.

<sup>18</sup> See *supra* notes 9–12 and accompanying text.

<sup>19</sup> See Notice, *supra* note 3, at 32242.

## **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to make three changes to Rule 14.3(e), Additional Requirements for Securities Issued by the Exchange or its Affiliates.

The text of the proposed rule change is also available on the Exchange's website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), 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 14.3(e) (Additional Requirements for Securities Issued by the Exchange or its Affiliates) regarding the requirements for the listing of securities that are issued by the Exchange or any of its affiliates.

Rule 14.3(e) sets forth certain monitoring requirements that must be met throughout the continued listing and trading of securities issued by the Exchange or its affiliates. More specifically, Rule 14.3(e)(2) and (3) provide that:

- Throughout the continued listing and trading of an Affiliate Security<sup>5</sup> on the Exchange, the Exchange shall prepare a quarterly report on the Affiliate Security for the Regulatory Oversight Committee ("ROC") of the Exchange's Board of Directors that describes the Exchange's monitoring of the Affiliate Security's compliance with

the Exchange's listing standards (the "Quarterly Listing Report");

- once a year, an independent accounting firm shall review the listing standards for the Affiliate Security to ensure that the issuer is in compliance with the listing requirements ("Annual Report"), and a copy of the Annual Report shall be forwarded promptly to the ROC; and

- throughout the trading of an Affiliate Security on the Exchange, the Exchange shall prepare a quarterly report on the Affiliate Security for the Regulatory Oversight Committee of the Exchange's Board of Directors that describes the Exchange's monitoring of the trading of the Affiliate Security, including summaries of all related surveillance alerts, complaints, regulatory referrals, trades cancelled or adjusted pursuant to Exchange Rules, investigations, examinations, formal and informal disciplinary actions, exception reports and trading data used to ensure the Affiliate Security's compliance with the Exchange's listing and trading rules (the "Quarterly Trading Report" and, collectively with the Quarterly Listing Report, the "Quarterly Reports").

Rule 14.3(e)(4) requires that a copy of all Quarterly Reports and Annual Reports will be forwarded promptly to the Commission.

The Exchange proposes to amend Rule 14.3(e)(4) to remove the requirement that copies of the Quarterly Reports and Annual Reports be forwarded to the Commission and instead providing that the Exchange will forward a copy of the Quarterly Reports and/or Annual Reports to the Commission upon request.

Finally, the Exchange is proposing to make clear that the requirements under

Rule 14.3(e)(2)(A),<sup>6</sup> (B),<sup>7</sup> (C),<sup>8</sup> and (D)<sup>9</sup> do not apply to Affiliate Securities that are Exchange-listed options. The Exchange is proposing this change because there is no issuer for options as the term is used in Rule 14.3(e)(2) and each of the requirements under Rule 14.3(e)(2) are implicitly related to equity securities and not to options on such equity securities. The Exchange is not proposing to make any changes to the requirement for all Affiliate Securities (including options) under Rule 14.3(e)(3) that "throughout the trading of an Affiliate Security on the Exchange, the Exchange shall prepare a quarterly report on the Affiliate Security for the Regulatory Oversight Committee of the Exchange's Board of Directors that describes the Exchange's monitoring of the trading of the Affiliate Security, including summaries of all related surveillance alerts, complaints, regulatory referrals, trades cancelled or adjusted pursuant to Exchange Rules, investigations, examinations, formal and informal disciplinary actions, exception reports and trading data used to ensure the Affiliate Security's compliance with the Exchange's listing and trading

<sup>6</sup> Rule 14.3(e)(2)(A) requires that prior to the initial listing of an Affiliate Security on the Exchange, Exchange personnel shall determine that such security satisfies the Exchange's rules for listing, and such finding must be approved by the Regulatory Oversight Committee of the Exchange's Board of Directors.

<sup>7</sup> Rule 14.3(e)(2)(B) requires that throughout the continued listing of an Affiliate Security on the Exchange, the Exchange shall prepare a quarterly report on the Affiliate Security for the Regulatory Oversight Committee of the Exchange's Board of Directors that describes the Exchange's monitoring of the Affiliate Security's compliance with the Exchange's listing standards, including: the Affiliate Security's compliance with the Exchange's minimum share price requirement; and the Affiliate Security's compliance with each of the quantitative continued listing requirements.

<sup>8</sup> Rule 14.3(e)(2)(C) requires that once a year, an independent accounting firm shall review the listing standards for the Affiliate Security to ensure that the issuer is in compliance with the listing requirements and a copy of the report shall be forwarded promptly to the Regulatory Oversight Committee of the Exchange's Board of Directors.

<sup>9</sup> Rule 14.3(e)(2)(D) requires that in the event that the Exchange determines that the BZX Affiliate is not in compliance with any of the Exchange's listing standards, the Exchange shall notify the issuer of such non-compliance promptly and request a plan of compliance. The Exchange shall file a report with the Commission within five business days of providing such notice to the issuer of its non-compliance. The report shall identify the date of the non-compliance, type of non-compliance, and any other material information conveyed to the issuer in the notice of non-compliance. Within five business days of receipt of a plan of compliance from the issuer, the Exchange shall notify the Commission of such receipt, whether the plan of compliance was accepted by the Exchange or what other action was taken with respect to the plan and the time period provided to regain compliance with the Exchange's listing standards, if any.

<sup>5</sup> As defined in Rule 14.3(e)(1)(B), the term "Affiliate Security" means any security issued by a BZX Affiliate or any Exchange-listed option on any such security, with the exception of Portfolio Depository Receipts as defined in Rule 14.11(b) and Index Fund Shares as defined in Rule 14.11(c).

rules.” As such, the Exchange will continue to prepare reports on all Affiliate Securities (including those that are Exchange-listed options) as required under Rule 14.3(e)(3).

## 2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act<sup>10</sup> in general and Section 6(b)(5) of the Act<sup>11</sup> in particular in that it is 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.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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, because the proposed changes would reduce the paperwork received by the Commission and ease the burden of submitting the Quarterly Reports and Annual Reports, without changing the information available to the Commission. In discussions with the Commission Staff regarding Rule 14.3(e), it was determined that the Exchange no longer needed to provide copies of the Quarterly Reports and Annual Reports to the Commission. The Quarterly Reports and Annual Reports would continue to be available to the Commission, as they are subject to Section 17A of the Act<sup>12</sup> and Rule 17a-1 thereunder,<sup>13</sup> pursuant to which the Exchange is required to keep and preserve copies of the Quarterly Reports and Annual Reports, and to promptly furnish to the Commission copies of such Reports upon request of any representative of the Commission.

Finally, the Exchange believes that the clarifying change to exclude options on Affiliate Securities from the requirements of Rule 14.3(e)(2) would

promote just and equitable principles of trade and remove impediments to a free and open market by making clear that certain obligations that implicitly did not apply to options on Affiliate Securities do not, in fact, apply. As noted above, the Exchange will continue to prepare reports on all Affiliate Securities that include summaries of all related surveillance alerts, complaints, regulatory referrals, trades cancelled or adjusted pursuant to Exchange Rules, investigations, examinations, formal and informal disciplinary actions, exception reports and trading data used to ensure the Affiliate Security's compliance with the Exchange's listing and trading rules (including those that are Exchange-listed options) as required under Rule 14.3(e)(3).

### 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 Exchange believes that the proposed changes to eliminate the requirement that the Exchange submit copies of the Quarterly Reports and Annual Reports to the Commission and excluding options on Affiliate Securities from the requirements of Rule 14.3(e)(2) will have no impact on competition.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange has neither solicited nor received written 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:

- A. Significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and

C. 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 Act<sup>14</sup> and Rule 19b-4(f)(6)<sup>15</sup> thereunder.

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 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2019-073 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-CboeBZX-2019-073. 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

<sup>10</sup> 15 U.S.C. 78f(b).

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

<sup>12</sup> 15 U.S.C. 78q.

<sup>13</sup> 17 CFR 240.17a-1.

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

submissions should refer to File Number SR-CboeBZX-2019-073 and should be submitted on or before September 5, 2019.

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

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2019-17486 Filed 8-14-19; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86624; File No. SR-BX-2019-028]

### Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Correct an Inadvertent Error in a Recent Filing and Amend the BX Options Rules at Chapter 1, Section 1 Definitions

August 9, 2019.

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> notice is hereby given that on July 30, 2019, Nasdaq BX, Inc. (“BX” or “Exchange”) 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 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 a proposal to correct an inadvertent error in a recent filing and amend the BX Options Rules (“BX Options”) at Chapter 1, Section 1 Definitions.<sup>3</sup>

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.

#### 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 correct an inadvertent error to a recent filing.<sup>4</sup> The filing it is correcting was designed to align BX Options Rules with those of the Nasdaq ISE, LLC rulebook. The Exchange added several definitions to Section 1 of Chapter I, but did not delete the legacy definitions located in Sections 1(a)(16), (58), and (65). The legacy definitions are being deleted because they are already covered in Sections 1(a)(73)–(75). The proposed change is of a non-substantive nature and will simply delete the legacy definitions to avoid potential confusion.

##### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>6</sup> in particular, in that it is designed to promote just and equitable principles of trade, 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.

The Exchange believes that by removing the legacy definitions for the terms “class of options”, “series of options”, and “underlying security” from the BX Options rulebook will help 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 through lessening potential confusion and adding clarity for market participants.

#### 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 not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule changes is to correct an

inadvertent error and intended to lessen potential confusion with the Exchange’s Rulebook, and therefore does not unduly burden competition.

#### C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

### 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 Act<sup>7</sup> and Rule 19b-4(f)(6) thereunder.<sup>8</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>9</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>10</sup> 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. As the proposed rule change raises no novel issues and removes only outdated definitions, 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.<sup>11</sup>

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

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 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.

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>11</sup> 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).

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

<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. 86221 (June 27, 2019), 84 FR 31937 (July 3, 2019) (SR-BX-2019-023).

<sup>4</sup> *Id.*

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).