

Commission instituted proceedings to determine whether to approve or disapprove the proposed rule changes.⁷ The Commission received twelve additional comments in response to the Notice and OIP.⁸

Section 19(b)(2) of the Act⁹ provides that, after initiating proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed rule change. The Commission may extend the period for issuing an order approving or disapproving the proposed rule change, however, by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposed rule change was published for notice and

dated July 16, 2019; Kirsten Wegner, Chief Executive Officer, Modern Markets Initiative, dated July 17, 2019; Theodore R. Lazo, Managing Director and Associate General Counsel, SIFMA, dated July 18, 2019; Eric Swanson, CEO, XTX Markets LLC (Americas), dated July 31, 2019; Mark D. Epley, Executive Vice President & Managing Director, General Counsel, and Jennifer W. Han, Associate General Counsel, Managed Funds Association, dated August 2, 2019; Hubert De Jesus, Managing Director, Global Head of Market Structure and Electronic Trading, and Joanne Medero, Managing Director, Global Public Policy, Black Rock, dated August 2, 2019; Rich Steiner, Head of Client Advocacy and Market Innovation, RBC Capital Markets, dated August 15, 2019; Adrian Griffiths, Assistant General Counsel, Cboe Global Markets, dated August 22, 2019; R.T. Leuchtkafer, dated August 23, 2019; R.T. Leuchtkafer, dated September 9, 2019; Joshua Mollner, Assistant Professor, Kellogg School of Management, Northwestern University, and Markus Baldauf, Assistant Professor, Sauder School of Business, University of British Columbia, dated September 12, 2019 available at <https://www.sec.gov/comments/sr-cboeedge-2019-012/sr-cboeedge2019012.htm>.

⁷ See Securities Exchange Act Release No. 87096, 84 FR 51657 (September 30, 2019) (“OIP”).

⁸ See Letters from: Eric Swanson, CEO, XTX Markets LLC (Americas), dated October 18, 2019; Tom Quaadman, Executive Vice President, Center for Capital Markets Competitiveness, U.S. Chamber of Commerce (dated October 18, 2019); R.T. Leuchtkafer, dated October 21, 2019; Doug Clark, Chairman, and James Toes, President & CEO, Security Traders Association, dated October 21, 2019; Joanna Mallers, Secretary, FIA Principal Traders Group, dated October 21, 2019; Ray Ross, Chief Technology Officer, Clearpool, dated Oct. 21, 2019; Tyler Gellasch, Executive Director, Healthy Markets Association, dated Oct. 21, 2019; Dorothy Donohue, Deputy General Counsel, Investment Company Institute, dated Oct. 21, 2019; Tim Lang, Chief Executive Officer, ACS Execution Services, dated Oct. 21, 2019; Stephen John Berger, Managing Director, Global Head of Government and Regulatory Policy, Citadel Securities, dated October 21, 2019; Mark D. Epley, Executive Vice President & Managing Director, General Counsel, and Jennifer W. Han, Associate General Counsel, Managed Funds Association, dated October 22, 2019; Steve Crutchfield, Head of Market Structure, CTC Trading Group, LLC, dated October 28, 2019 available at <https://www.sec.gov/comments/sr-cboeedge-2019-012/sr-cboeedge2019012.htm>.

⁹ 15 U.S.C. 78s(b)(2).

comment in the **Federal Register** on June 26, 2019.¹⁰ December 23, 2019 is 180 days from that date, and February 21, 2020 is 240 days from that date.

The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change, the issues raised in the comment letters that have been submitted in connection therewith, and the Exchange’s response to comments. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,¹¹ designates February 21, 2020 as the date by which the Commission should either approve or disapprove the proposed rule change (File No. SR-CboeEDGA-2019-012).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

J. Matthew DeLesDernier,

Assistant Secretary.

[FR Doc. 2019-27453 Filed 12-19-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87754; File No. SR-BX-2019-046]

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend Through June 30, 2020 or The Date of Permanent Approval, if Earlier, the Penny Pilot Program

December 16, 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 December 12, 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 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 amend Options 3, Section 3 (Minimum

Increments) to extend through June 30, 2020 or the date of permanent approval, if earlier, the Penny Pilot Program in options classes in certain issues (“Penny Pilot” or “Pilot”).

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 purpose of this filing is to amend Options 3, Section 3 to extend the Penny Pilot through June 30, 2020 or the date of permanent approval, if earlier.³

Under the Penny Pilot, the minimum price variation for all participating options classes, except for options overlying the PowerShares QQQ Trust (“QQQQ”), the SPDR S&P 500 Exchange Traded Fund (“SPY”) and the iShares Russell 2000 Index Fund (“IWM”), is \$0.01 for all quotations in options series that are quoted at less than \$3 per contract and \$0.05 for all quotations in options series that are quoted at \$3 per contract or greater. Options overlying QQQQ, SPY and IWM are quoted in \$0.01 increments for all options series. The Penny Pilot is currently scheduled to expire on December 31, 2019.⁴ The Exchange now proposes to extend the time period of the Penny Pilot through June 30, 2020 or the date of permanent approval, if earlier.

This filing does not propose any substantive changes to the Penny Pilot Program; all classes currently

³ The options exchanges in the U.S. that have pilot programs similar to the Penny Pilot (together “pilot programs”) are currently working on a proposal for permanent approval of the respective pilot programs.

⁴ See Securities Exchange Act Release No. 86137 (June 18, 2019), 84 FR 29563 (June 24, 2019) (SR-BX-2019-020).

¹⁰ See Notice, *supra* note 3.

¹¹ 15 U.S.C. 78s(b)(2).

¹² 17 CFR 200.30-3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

participating in the Penny Pilot will remain the same and all minimum increments will remain unchanged. The Exchange believes the benefits to public customers and other market participants who will be able to express their true prices to buy and sell options have been demonstrated to outweigh the potential increase in quote traffic.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁶ 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 facilitating transactions in securities, and 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.

In particular, the proposed rule change, which extends the Penny Pilot for an additional six months through June 30, 2020 or the date of permanent approval, if earlier, will enable public customers and other market participants to express their true prices to buy and sell options for the benefit of all market participants. This is consistent with the Act.

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. To the contrary, this proposal is pro-competitive because it allows Penny Pilot issues to continue trading on the Exchange.

Moreover, the Exchange believes that the proposed rule change will allow for further analysis of the Pilot and a determination of how the Pilot should be structured in the future; and will serve to promote regulatory clarity and consistency, thereby reducing burdens on the marketplace and facilitating investor protection.

The Pilot is an industry-wide initiative supported by all other option exchanges. The Exchange believes that extending the Pilot will allow for continued competition between market participants on the Exchange trading similar products as their counterparts on other exchanges, while at the same

time allowing the Exchange to continue to compete for order flow with other exchanges in option issues trading as part of the Pilot.

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

The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(6)⁸ thereunder. 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)¹⁰ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)¹¹ normally does not become operative prior to 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6),¹² the Commission may 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 believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because doing so will allow the Pilot Program to continue without interruption in a manner that is consistent with the Commission's prior approval of the extension and expansion of the Pilot Program.¹³ Accordingly, the Commission designates the proposed

rule change as operative upon filing with the Commission.¹⁴

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 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. Please include File Number SR-BX-2019-046 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-X-2019-046. 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

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 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 just 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 See Securities Exchange Act Release No. 61061 (November 24, 2009), 74 FR 62857 (December 1, 2009) (SR-NYSEArca-2009-44)

¹⁴ For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

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-BX-2019-046 and should be submitted on or before January 10, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

J. Matthew DeLesDernier,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87758; File No. SR-NYSEArca-2019-71]

Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change Regarding the Applicability and Functionality of Certain Order Types on the Exchange

December 16, 2019.

I. Introduction

On October 22, 2019, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b-4 thereunder, ² a proposed rule change to amend its rules to clarify the applicability and functionality of certain order types on the Exchange. The proposed rule change was published for comment in the **Federal Register** on November 7, 2019. ³ The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange proposes to amend Rule 6.62-O (Certain Types of Orders Defined) to clarify the applicability and functionality of certain order types. Specifically, the Exchange proposes to amend the definitions of Contingency Orders, Working Orders, Stop Orders,

Stop Limit Orders, and All-or None (“AON”) Orders, as set forth in Rule 6.62-O(d). The Exchange states it is not proposing to change or alter any obligations, rights, policies or practices. Rather, the Exchange states that its proposal is designed to reduce potential investor confusion as to the functionality and applicability of certain order types presently available on the Exchange. ⁴

Proposed Changes to Order Type Definitions

Rule 6.62-O (the “Rule”) contains certain definitions of options order types available on the Exchange. Paragraph (d) of the Rule defines Contingency Orders or Working Orders as orders that are “contingent upon a condition being satisfied or an order with a conditional or undisplayed price and/or size.” The Exchange proposes to add language regarding the handling of such orders to state that Contingency Orders and Working Orders are maintained in the Working Order Process of the Consolidated Book until they are eligible for execution and/or display. ⁵ As discussed below, the Exchange also proposes to amend the definitions of Stop Orders, Stop Limit Orders, and AON Orders, which are Contingency Orders/Working Orders.

Rule 6.62-O(d)(1)-(2): Stop Orders and Stop Limit Orders. A Stop Order is an order that becomes a Market Order when the market for a particular option contract reaches a specified price. ⁶ A Stop Limit Order is an order that becomes a Limit Order when the market for a particular option contract reaches a specified price. ⁷ Stop Orders and Stop Limit Orders (collectively, “Stop Orders” herein unless otherwise specified) track the price of an option and are generally used to limit losses as prices move up, in the case of buy orders, or down in the case of sell orders. In each case, the “triggering event,” which converts the order type (to a Market Order or Limit Order, as applicable) occurs once the option trades or is (locally) quoted at, or above for a buy (below for a sell), the specified stop price. ⁸ Thus, Stop Orders to buy (sell) may be triggered as the price of an option rises (falls). The current rule provides that a Stop Order to buy (sell) will be rejected if, at the time of arrival, the stop price is below (above) the bid (offer). ⁹

The Exchange proposes to modify the description of Stop Orders as follows. First, the Exchange proposes to revise the first sentence describing each order type (*i.e.*, Rule 6.62-O(d)(1), (2)) to state that the order type converts to a Market or Limit Order, respectively—or “is triggered”—when the market for a particular option contract reaches a specified price. ¹⁰ The Exchange also proposes to modify Rule 6.62-O(d)(1), (2) to combine into one sentence the description of both buy and sell Stop Orders without modifying functionality. The current rule addresses buy and sell Stop Orders in two sentences, and the Exchange believes the proposed change would make it easier to navigate. Specifically, proposed Rule 6.62-O(d)(1), (2) would provide that a Stop Order (or Stop Limit Order) “to buy (sell) is triggered” such that it becomes a Market Order or Limit Order, respectively, “when the option contract trades at a price equal to or greater (less) than the specified ‘stop’ price on the Exchange or another Market Center or when the Exchange bid (offer) is quoted at a price equal to or greater (less) than the stop price.” ¹¹

The Exchange also proposes to address the display and standing of each type of Stop Order for which information is currently contained only in paragraph (d)(1) of Rule 6.62-O. ¹² Specifically, the Exchange proposes to modify its rules to reflect that each type of Stop Order “is not displayed and has no standing in any Order Process in the Consolidated Book, unless or until it is triggered (*i.e.*, same-side incoming interest trades or quotes at a price equal to or better than the stop price).” ¹³ The Exchange additionally proposes to add new rule text to clarify that “[a]fter the triggering event,” a Stop Order (per Rule 6.62-O(d)(1)) becomes a new Market Order, and a Stop Limit Order (per Rule 6.62-O(d)(2)) becomes a new Limit

¹⁰ See proposed Rule 6.62-O(d)(1), (2).

¹¹ See proposed Rule 6.62-O(d)(1), (2). Consistent with this proposed change to address both buy and sell Stop Orders and Stop Limit Orders in one sentence, the Exchange proposes to delete as unnecessary the sentences in the current definitions that describe the functionality for sell Stop Orders and sell Stop Limit Orders. See *id.* For internal consistency, the Exchange also proposes to replace references to NYSE Arca with the “Exchange.” See *id.*

¹² See Rule 6.62-O(d)(1) (which provides that “Stop Orders (including Stop Limit Orders) shall not have standing in any Order Process in the Consolidated Book and shall not be displayed”).

¹³ See proposed Rule 6.62-O(d)(1), (2). The Exchange notes that this proposed text modifies the existing text in paragraph (d)(1) and is new text for paragraph (d)(2) of the Rule. See *id.*

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 87443 (November 1, 2019), 84 FR 60128 (“Notice”).

⁴ See Notice, *supra* note 3, 84 FR at 60128.

⁵ See proposed Rule 6.62-O(d).

⁶ See Rule 6.62-O(d)(1).

⁷ See Rule 6.62-O(d)(2).

⁸ See Rule 6.62-O(d)(1), (2).

⁹ *Id.*