

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82160; File No. SR-CboeBZX–2017–002]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 19.6, Series of Options Contracts Open for Trading

November 28, 2017.

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 November 15, 2017, Cboe BZX Exchange, Inc. (“BZX” or the “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 Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b–4(f)(6)(iii) thereunder,<sup>4</sup> 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 amend Rule 19.6, Series of Options Contracts Open for Trading.

The text of the proposed rule change is available at the Exchange’s Web site at [www.markets.cboe.com](http://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 purpose of this filing is to amend Rule 19.6 to modify the strike setting regime for IVV, SPY, and DIA options. Specifically, for IVV, SPY, and DIA options the Exchange proposes to explicitly allow \$1 strike price intervals. The Exchange believes that the proposed rule change would make IVV, SPY, and DIA options easier for investors and traders to use and more tailored to their investment needs, as well as to better align BZX’s strike regime with other options exchange. The Exchange notes that this proposal is based on the rules of BOX Options Exchange LLC (“Box”) and the Cboe Exchange, Inc. (f/k/a Chicago Board Options Exchange, Inc.) (“Cboe”).<sup>5</sup>

Rule 19.6(d)(4) provides that:

The interval between strike prices of series of options on Fund Shares approved for options trading pursuant to Rule 19.3(i) shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on BZX Options, or at such intervals as may have been established on another options exchange prior to the initiation of trading on BZX Options.<sup>6</sup>

Rule 19.6.02(a) provides:

BZX Options may list \$1 Strike Prices on any other option classes if those classes are specifically designated by other national securities exchanges that employ a similar \$1 Strike Price Program under their respective rules.<sup>7</sup>

Pursuant to Rule 19.6.02(a) and the last clause in Rule 19.6(d)(4), IVV, SPY, and DIA options may be listed in \$1 strike price intervals when another options exchange lists \$1 strikes. The Exchange seeks to amend Rule 19.6(d)(4) to explicitly allow \$1 strike price intervals regardless of whether another exchange has already listed series of IVV, SPY, and DIA options.

The SPY and IVV exchange-traded funds (“ETFs”) are designed to roughly track the performance of the S&P 500 Index. The DIA ETF is designed to roughly track the performance of the Dow Jones Industrial Average (“DJIA”) with the price of SPY and IVV designed to roughly approximate 1/10th of the price of the S&P 500 Index and the price of DIA designed to roughly approximate 1/100th of the price of the DJIA.

Accordingly, SPY and IVV strike prices reflect a value roughly equal to 1/10th of the value of the S&P 500 Index and DIA strike prices reflect a value roughly equal to 1/100th of the value of the DJIA with each having a multiplier of \$100. For example, if the S&P 500 Index is at 1972.56, SPY options might have a value of approximately 197.26 with a notional value of \$19,726. If the DJIA is at 16,569.98, DIA options may have a value of 165.70 with a notional value of \$16,570. In general, SPY, IVV, and DIA options provide retail investors and traders with the benefit of trading the broad market in a manageably sized contract. As options with an ETP underlying, SPY, IVV, and DIA options are listed in the same manner as equity options under the Rules.

Unlike other options exchanges, BZX rules do not specifically identify the strike price interval for IVV, SPY, and DIA options. This proposed rule change seeks to match the strike setting regime for IVV, SPY, and DIA options available on other options exchanges.<sup>8</sup>

Due to the Exchange’s current ability to list \$1 strikes in IVV, SPY, and DIA options when another options exchange lists such strikes, this proposed rule change is unlikely to augment the potential total number of options series available on the Exchange. However, the Exchange believes it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle any potential additional traffic associated with this proposed rule change. The Exchange also believes that Trading Permit Holders will not have a capacity issue due to the proposed rule change. In addition, the Exchange represents that it does not believe that this expansion will cause fragmentation of liquidity.

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

<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).

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

<sup>5</sup> See Box Rule IM–5050–1 and Cboe Rule 5.5.08(b).

<sup>6</sup> See Rule 19.6(d)(4).

<sup>7</sup> See Rule 19.6.02(a).

<sup>8</sup> See Box Rule IM–5050–1 and Cboe Rule 5.5.08(b).

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) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change will allow investors to more easily use SPY, IVV, DIA options, which protects investors and the public interest. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act, which provides that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act and the rules and regulations thereunder, and the rules of the Exchange. The Exchange does not believe that the proposed rule would create additional capacity issues or affect market functionality. The Exchange believes that the proposed rule change, like other strike price programs currently offered by the Exchange, will benefit investors by giving them increased flexibility to more closely tailor their investment and hedging decisions. Moreover, the proposed rule change is consistent with the rules of other exchanges.<sup>9</sup>

*(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. Rather, the Exchange believes that the proposed rule change will result in additional investment options and opportunities to achieve the investment and trading objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general. Additionally, this proposed rule change seeks to match the strike setting regime for IVV, SPY, and DIA options available on other options exchanges; thus, the proposed rule change may alleviate any potential burden on competition.<sup>10</sup>

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

Written comments were neither solicited nor received.

<sup>9</sup> See Box Rule IM-5050-1 and Cboe Rule 5.5.08(b).

<sup>10</sup> *Id.*

**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) by its terms, 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>11</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>12</sup> the Exchange has designated this rule filing as non-controversial. The Exchange has given 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.

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: (1) Necessary or appropriate in the public interest; (2) for the protection of investors; or (3) 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](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2017-002 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-CboeBZX-2017-002. This file number should be included on the subject line if email is used. To help the Commission process and review your

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4.

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<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 Web site 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-CboeBZX-2017-002 and should be submitted on or before December 26, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-82161; File No. SR-OCC-2017-022]**

**Self-Regulatory Organizations; The Options Clearing Corporation; Notice of Filing of Proposed Rule Change Related to The Options Clearing Corporation's Margin Methodology**

November 28, 2017.

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 November 13, 2017, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule

<sup>13</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.