

timely basis, and its use of intraday liquidity.

Moreover, by using the liquidity ratio to determine in advance the liquidity needs of LCH SA arising from the default of at least two clearing group members to which LCH SA has the largest exposures during the 5 days following default, the Commission believes the Framework would enhance LCH SA's ability to determine whether it has sufficient resources to meet its liquidity needs should such a default occur. The Commission believes that this would, in turn, enable LCH SA to avoid any potential disruptions to its operations caused by such liquidity needs arising from such a default. The Commission therefore believes that the Framework would enable LCH SA to maintain sufficient liquid resources to effect settlement of its payment obligations under a wide range of foreseeable stress scenarios, including the default of the participant family that would generate the largest aggregate payment obligation for LCH SA in extreme but plausible market conditions.

Therefore, for the above reasons the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(e)(7)(i).³⁶

C. Consistency With Rule 17Ad-22(e)(7)(vi) of the Act

Rule 17Ad-22(e)(7)(vi) requires that LCH SA establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by LCH SA, including measuring, monitoring, and managing its settlement and funding flows on an ongoing and timely basis, and its use of intraday liquidity by determining the amount and regularly testing the sufficiency of the liquid resources held for purposes of meeting the minimum liquid resource requirement under Rule 17Ad-22(e)(7)(i) ³⁷ by, among other things, conducting stress testing of its liquidity resources at least once each day using standard and predetermined parameters and assumptions.³⁸

As discussed above, the Framework would describe the metrics LCH SA would use to quantify its liquidity needs, and the tests and reports LCH SA would use to confirm that its sources of liquidity can satisfy those liquidity needs. These metrics would include: (i) The liquidity coverage ratio; (ii) a monthly rolling average liquidity buffer;

(iii) a daily minimum liquidity buffer; and (iv) required cash collateral. The Framework would describe how these metrics would be calculated for each day over a maximum of a 5 day liquidity period and how the liquidity coverage ratio, monthly rolling average liquidity buffer, and daily minimum liquidity buffer would be reported to LCH SA senior management daily.

The Commission believes that the metrics provided by the Framework would help LCH SA determine the amount and regularly test the sufficiency of LCH SA's liquid resources. The Commission believes that the liquidity coverage ratio, for example, would provide LCH SA senior management a view to LCH SA's liquidity needs in stressed conditions arising from a default of at least two clearing group members to which LCH SA has the largest exposures. As discussed above, the Framework would require the calculation and reporting of the liquidity coverage ratio daily. The Commission believes the other metrics described above would similarly test, and provide LCH SA senior management insight regarding, the sufficiency of LCH SA's liquid resources.

For the above reasons, the Commission therefore finds that the proposed rule change is consistent with Rule 17Ad-22(e)(7)(vi).³⁹

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act, and in particular, Section 17A(b)(3)(F) of the Act⁴⁰ and Rules 17Ad-22(e)(7)(i) and (vi) thereunder.⁴¹

It is therefore ordered pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-LCH SA-2018-003) be, and hereby is, approved.⁴²

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.⁴³

Eduardo A. Aleman,

Assistant Secretary.

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³⁹ 17 CFR 240.17Ad-22(e)(7)(vi).

⁴⁰ 15 U.S.C. 78q-1(b)(3)(F).

⁴¹ 17 CFR 240.17Ad-22(e)(7)(i), (vi).

⁴² In approving the proposed rule change, the Commission considered the proposal's impacts on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁴³ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83700; File No. SR-BX-2018-033]

Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a Rule Concerning Handling of No Bid Options and To Clarify the Operation of Chapter V, Section 3, Entitled "Trading Halts"

July 24, 2018.

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 July 13, 2018 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 Chapter V, Section 3, entitled "Trading Halts" and Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders."

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³⁶ 17 CFR 240.17Ad-22(e)(7)(i).

³⁷ 17 CFR 240.17Ad-22(e)(7)(i).

³⁸ 17 CFR 240.17Ad-22(e)(7)(vi).

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 Chapter V, Section 3, entitled "Trading Halts" to add more specificity concerning auctions during a trading halt and remove unnecessary rule text. The Exchange proposes to adopt a zero bid options rule on BX within Chapter VI, Section 6, entitled "Acceptance of Quotes and Orders." Each proposal is described in more detail below.

Chapter V, Section 3

The Exchange proposes to amend Chapter V, Section 3(a)(vi)(B) to add a sentence which provides, "Auction orders and responses are rejected during a halt." The Exchange notes that today, during a trading halt, the Exchange does not commence an auction. This proposed rule text will make clear how auction orders and auction responses are handled during a trading halt.

The Exchange proposes to amend Chapter V, Section 3(b), which currently provides, "In the event BX Regulation determines to halt trading, all trading in the effected class or classes of options shall be halted. BX Options shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted, and a record of the time and duration of the halt shall be made available to vendors." The Exchange proposes to remove the words "such class or" in both places from this sentence because the Exchange only disseminates over OPRA a symbol with respect to classes of options to indicate a trading halt. Today, the Exchange halts symbol by symbol; all classes or every option would be halted. By amending this rule, the Exchange will add more transparency as to how it determines to halt trading and disseminates information regarding trading halts.

Chapter VI, Section 6

Today, the Exchange does not have a rule for the handling of options with no bid or zero bid options. The Exchange's handling of zero bid options on BX is identical to the manner in which zero bid is handled on Phlx.³ The Exchange proposes to add this new rule to Chapter VI, Section 6(a)(3). The new rule would provide, "In the case where the bid price for any options contract is \$0.00, a market order accepted into the System to sell that series shall be considered a

limit order to sell at a price equal to the minimum trading increment as defined in Chapter VI, Section 5. Orders will be placed on the limit order book in the order in which they were received by the System. With respect to market orders to sell which are submitted prior to the Opening and persist after the Opening, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5."

The Exchange intends to accept and convert market orders to sell allowing them an equal opportunity to trade if interest should arrive in the case of a no bid option. The Exchange notes that the orders would rest on the Order Book at the minimum price increment. The Exchange notes market orders "accepted into the System" would be converted to account for market orders that may not be accepted into the System due to Limit Up-Limit Down restrictions, which may prevent the market order from being accepted.⁴ Only after acceptance into the System will market orders be treated as a sell limit order at a price equal to the minimum trading increment.

Further, the Exchange proposes to add rule text, which provides "Orders will be placed on the limit order book in the order in which they were received by the System."⁵ The Exchange proposes to note that with respect to market orders to sell in zero bid options, which are submitted prior to the Opening Process⁶ and persist after the Opening Process, those orders are posted at a price equal to the minimum trading increment as defined in Chapter VI, Section 5.⁷ The Exchange's proposed rule will provide market participants with greater insight into the handling of orders where there is a zero bid. The Exchange believes that this proposed amendment will accurately describe the manner in which a zero-bid options series operates within the System both before and after the Opening Process.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934,⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁹

⁴ The Limit Up-Limit Down requirements must be met first before the proposed rule would apply.

⁵ The time of receipt for an order is the time such message is processed by the System.

⁶ The Exchange's Opening Process is described within Chapter VI, Section 8.

⁷ Chapter VI, Section 5, entitled "Minimum Increments" provides for the minimum increments of trading.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

Chapter V, Section 3

The Exchange is providing greater transparency as to the manner in which auctions are handled during a trading halt and the manner in which the Exchange determines to halt trading and disseminates information over OPRA during a trading halt. The Exchange believes that this rule text is consistent with the Act and the protection of investors and the public interest because it brings greater clarity to the manner in which trading halts function and what type of information is provided during a halt.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid rule is consistent with the Act and designed to promote just and equitable principles of trade and to protect investors and the public interest by adopting text which describes the handling of zero-bid options. The Exchange is treating all market orders to sell in zero bid options in the same fashion by converting all those orders, provided that the Exchange's disseminated bid price in such option is zero for an option listed only on the Exchange or, for an option listed on multiple exchanges and the disseminated NBBO includes a bid price of zero in the series. Market orders to sell in zero bid options will be placed on the limit order book in the order in which they were received by the System. The Exchange desires to prevent members from submitting market orders to sell in no bid series, which would execute at a price of \$0.00. The Exchange believes that the proposed rule will achieve this objective and continue to permit the Exchange to execute orders within its System at prices that reflect some value. Adding rule text regarding market orders to sell in zero bid options submitted prior to the Opening Process and persisting after the Opening Process is consistent with the Act because it provides more transparency as to the operation of this rule and as to how those market orders to sell in zero bid options will be handled by the System. Further, the Exchange believes that memorializing its current practice within the rule text will bring more clarity to the manner in which the zero bid rule operates to the benefits of all market participants.

³ See Phlx Rule 1035.

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

In accordance with Section 6(b)(8) of the Act,¹⁰ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Chapter V, Section 3

The Exchange's proposal to amend Chapter V, Section 3(a)(vi)(B) to make clear how auction orders and auction responses are handled during a trading halt and amend Chapter V, Section 3 to more specifically describe how the Exchange determines to halt trading as well as the information disseminated during a trading halt do not impose an undue burden on competition because the amendments add more transparency to the trading halt rule.

Chapter VI, Section 6

The Exchange's proposal to adopt a zero bid options rule does not impose an undue burden on competition because the proposed rule change will continue to apply uniformly for all market participants who enter market orders to sell into the System when there is a zero-bid options.

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 has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹² Because the 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, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

A proposed rule change filed under Rule 19b-4(f)(6)¹⁵ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁶ 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 proposed rule change may become operative immediately. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal raises no novel issues. Specifically, as the Exchange noted in its proposal, the provisions on the handling of zero bid options are the same as Rule 1035 of Nasdaq PHLX LLC and the changes to the trading halt rules clarify that the Exchange rejects auction orders and responses during a trading halt, which is consistent with the fact that the Exchange does not commence auctions during trading halts. Further, the proposal conforms a minor reference in the trading halt rules to better reflect the fact that the Exchange halts trading on a symbol-by-symbol basis. For these reasons, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.¹⁷

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:

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-2018-033 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-BX-2018-033. 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 offices 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-2018-033, and should be submitted on or before August 20, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Eduardo A. Aleman,
Assistant Secretary.

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¹⁰ 15 U.S.C. 78f(b)(8).

¹¹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹² 17 CFR 240.19b-4(f)(6).

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ *Id.*

¹⁶ 17 CFR 240.19b-4(f)(6)(iii).

¹⁷ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁸ 17 CFR 200.30-3(a)(12), (59).