

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85347; File No. SR–CboeBZX–2019–015]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To List and Trade Units of Each of (i) Cboe Vest S&P 500[®] Buffer Enhanced Growth Protect Strategy ETNs; (ii) Cboe Vest S&P 500[®] Enhanced Growth Strategy ETNs; (iii) Cboe Vest S&P 500[®] Accelerated Return Strategy ETNs; and (iv) Cboe Vest S&P 500[®] Power Buffer Strategy ETNs Under Rule 14.11(d), Equity Index-Linked Securities

March 18, 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 March 4, 2019, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“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 a rule change to list and trade units of each of (i) the Cboe Vest S&P 500[®] Buffer Enhanced Growth Protect Strategy ETNs; (ii) the Cboe Vest S&P 500[®] Enhanced Growth Strategy ETNs; (iii) the Cboe Vest S&P 500[®] Accelerated Return Strategy ETNs; and (iv) the Cboe Vest S&P 500[®] Power Buffer Strategy ETNs under Rule 14.11(d), which governs the listing and trading of Equity Index-Linked Securities on the Exchange.

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/), 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 list and trade units (“Units”) of up to twelve monthly series of each of the following under Rule 14.11(d), which governs the listing and trading of Linked Securities³ on the Exchange:⁴ Cboe Vest S&P 500[®] Buffer Enhanced Growth Protect Strategy ETNs (the “Buffer Notes”), Cboe Vest S&P 500[®] Enhanced Growth Strategy ETNs (the “Enhanced Growth Notes”), Cboe Vest S&P 500[®] Accelerated Return Strategy ETNs (the “Accelerated Return Notes”), and Cboe Vest S&P 500[®] Power Buffer Strategy ETNs (the “Power Buffer Notes”) (each a “Series of Notes” and, collectively, the “Notes” or the “Target Outcome Notes”).

The Exchange is submitting this proposal because the indexes underlying the Notes (the “Indexes”) do not meet the listing requirements of Rule 14.11(d)(2)(K)(i)(a) applicable to a series of Equity Index-Linked Securities,⁵ which requires that the equity securities in the underlying index meet the criteria set forth in Rule 14.11(d)(2)(K)(i)(a)(1)⁶ or 14.11(d)(2)(K)(i)(a)(2).⁷ Specifically, the Notes do not meet all of the “generic” listing requirements of Rule

14.11(d)(2)(K)(i)(a)(2), applicable to the listing of Equity Index-Linked Securities. Rule 14.11(d)(2)(K)(i)(a)(2) sets forth the requirements to be met by components of an index of equity securities. Because the Indexes consist exclusively of standardized and/or FLEXible EXchange Options (“FLEX Options”) on the S&P 500[®] Index (together, “SPX Options”), rather than equity securities, the Indexes do not satisfy the requirements of Rule 14.11(d)(2)(K)(i)(a)(2).⁸ However, the Notes and the Issuer, as defined below, will conform to all other initial and continued listing criteria applicable to Equity Index-Linked Securities under Rule 14.11(d).

The Notes will be offered by Bank of Montreal. Bank of Montreal (the “Issuer”) is a company listed on NYSE.⁹ The Notes will be the non-convertible debt of the Issuer. The Issuer is currently and will continue to be in compliance with Rule 10A–3 under the Act prior to initial listing and on a continual basis.¹⁰ Each Series of Notes will: Have a term not less than one year and not greater than thirty years, which the Issuer expects will consist of a twenty year term with two five-year extensions at the discretion of the Issuer;¹¹ have a minimum public market value at the time of issuance of at least \$4 million;¹² be redeemable at the option of holders thereof on at least

⁸ The Exchange notes that the Commission has approved the listing and trading of several series of funds, including both Index Fund Shares and Managed Fund Shares, that employ similar target outcome strategies as those of the Notes, as further discussed below. See Securities Exchange Act Release No. 83679 (July 26, 2018), 83 FR 35505 (July 26, 2018) (SR–BatsBZX–2017–72); and 83796 (August 8, 2018), 83 FR 40361 (August 14, 2018) (SR–CboeBZX–2017–005) (the “Approval Order”). While such products are different product types than the Notes, the Exchange believes that many of the issues contemplated both in that proposal and in the Approval Order are either very similar or identical to those applicable to the Notes, specifically related to the susceptibility to manipulation of the underlying instruments, which include FLEX Options and certain other instruments based on the S&P 500[®] Index.

Rule 14.11(d)(2)(K)(i)(a)(2)(E) provides that all U.S. listed equity securities in the applicable index shall be, among other things, an NMS Stock as defined in Rule 600 under Regulation NMS of the Act. Options are excluded from the definition of NMS Stock, meaning that the Indexes do not meet this requirement because they are composed exclusively of SPX Options. The Exchange, however, notes that each component stock of the S&P 500[®] Index is an NMS Stock and that the S&P 500[®] Index meets the requirements of Rule 14.11(d)(2)(K)(i)(a)(2)(A)–(E).

⁹ The Exchange notes that the Issuer will meet the requirements applicable under Rules 14.8(b)(2)(A)(1), 14.11(d)(2)(E), 14.11(h)(1)(A), and 14.11(h)(1)(E) on both an initial and continual basis.

¹⁰ See Rule 14.11(d)(2)(F).

¹¹ See Rule 14.11(d)(2)(B).

¹² See Rule 14.11(h)(1)(D).

³ As defined in Rule 14.11(d), “Linked Securities” includes Multifactor Index-Linked Securities, Equity Index-Linked Securities, Commodity-Linked Securities, Fixed Income Index-Linked Securities, and Futures-Linked Securities.

⁴ The Commission originally approved BZX Rule 14.11(d) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR–BATS–2011–018).

⁵ As defined in Rule 14.11(d), “Equity Index-Linked Securities” are securities that provide for the payment at maturity of a cash amount based on the performance of an underlying equity index or indexes (an “Equity Reference Asset”).

⁶ Rule 14.11(d)(2)(K)(i)(a)(1) requires that the index or indexes to which the security is linked shall have been reviewed and approved for the trading of Index Fund Shares or options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission’s approval order, including comprehensive surveillance sharing agreements for non-U.S. stocks, continue to be satisfied. The Indexes have not been reviewed and approved by the Commission under Section 19(b)(2) of the Act.

⁷ Rule 14.11(d)(2)(K)(i)(a)(2) provides certain quantitative standards applicable to an underlying index or indexes and constituent securities.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

a weekly basis;¹³ and will not have a loss (negative payment) at maturity accelerated by a multiple that exceeds three times the performance of the applicable Index.¹⁴

Rule 14.11(d)(2)(G)(i) requires that if the index is maintained by a broker-dealer, the broker-dealer shall erect and maintain a “firewall” around the personnel who have access to information concerning changes and adjustments to the index, and the index shall be calculated by a third party who is not a broker-dealer. The Indexes are maintained by Cboe Exchange, Inc. (the “Index Provider” or “Cboe Options”), which is not a broker-dealer.

Cboe Vest Target Outcome Notes

The investment objective of each Series of Notes is to track, before fees and expenses, the performance of its respective Index. The value of each Index is calculated daily by the Index Provider utilizing an options valuation methodology. Each Index is a rules-based options index that consists exclusively of SPX Options and that is designed to provide a targeted outcome based on the performance of the S&P 500® Index over a period of one year, as further described below.

Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy ETNs

The Exchange is proposing to list and trade each monthly series of the Buffer Notes,¹⁵ each of which is based on its

¹³ See Rule 14.11(d)(2)(A). Rule 14.11(d)(2)(A) provides that both the issuer and the issuer of a security must meet the criteria applicable under Rule 14.11(h); however, where a security is redeemable at the option of holders thereof on at least a weekly basis, then no minimum number of holders and no minimum public distribution of trading units shall be required. Because the Notes will be redeemable at the option of a holder on at least a weekly basis, the Issuer and the Notes will not be required to meet such requirements under Rule 14.11(h). The public distribution and trading unit requirements under Rule 14.11(h) require a minimum of 400 holders and a minimum public distribution of 1,000,000 trading units. See Rule 14.11(h)(1)(B) and (C).

¹⁴ See Rule 14.11(d)(2)(D).

¹⁵ In total, the Exchange is proposing to list and trade twelve monthly series of the Cboe Vest S&P 500® Enhanced Growth Buffer Protect Strategy ETNs. The Buffer Notes will include the following: Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (January) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (February) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (March) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (April) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (May) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (June) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (July) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (August) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (September) ETN; Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (October) ETN; Cboe Vest S&P 500® Buffer

respective Cboe S&P 500® Buffer Enhanced Growth Protect Index. Each Index is a rules-based options index that consists exclusively of SPX Options. The Indexes are designed to provide exposure to the large capitalization U.S. equity market, with lower volatility and downside risk than traditional equity indices, except in environments of rapid appreciation in the U.S. equity market over the course of one year. On a specified day of the applicable month for each Index, the SPX Options expire (the “Expiry Date”) and on the following trading day (typically the last trading day of that month, subject to postponement; the applicable Index implements a new portfolio of SPX Options (the “Roll Date,” and the time period from and including the Expiry Date to and including the Roll Date, is the “Roll Period”),¹⁶ with expirations on the next Expiry Date that, if held to such Expiry Date, seeks to “buffer protect” against the first 10% decline in the value of the S&P 500® Index, while providing 200% participation up to a maximum capped gain in the value of the S&P 500® Index (the “Capped Level”).

Each Index is designed to provide the following outcomes between Roll Dates:

- *If the S&P 500® Index declines more than 10%:* The Index declines 10% less than the S&P 500® Index (e.g., if the S&P 500® Index returns –35%, the Index is designed to return –25%);
- *If the S&P 500® Index declines between 0% and 10%:* The Index provides a total return of zero (0%);
- *If the S&P 500® Index appreciates between 0% and the Capped Level:* The Index appreciates by an amount that equals 200% of the gain in the level of the S&P 500® Index; and
- *If the S&P 500® Index appreciates more than the Capped Level:* The Index appreciates by the amount equal to the Capped Level.

Each Index includes a mix of purchased and written (sold) SPX

Enhanced Growth Protect Strategy (November) ETN; and Cboe Vest S&P 500® Buffer Enhanced Growth Protect Strategy (December) ETN. Each Note will be based on the Cboe S&P 500® Buffer Enhanced Growth Protect Index (Month) Series, where “Month” is the corresponding month associated with the Roll Date as defined below, of the applicable Series of Notes.

¹⁶ Each of the twelve Indexes are designed to provide returns over a defined year long period and, thus, there is an Index associated with each month. As such, the Roll Date for a specific Index is dependent on the monthly series for which the Index is associated. For example, the Roll Date for the Cboe® S&P 500® Enhanced Growth Buffer Protect Index January Series is in January and the Roll Date for the Cboe® S&P 500® Enhanced Growth Buffer Protect Index February Series is in February, a pattern which continues through the rest of the calendar year.

Options structured to achieve the results described above. Such results are only applicable for each full 12-month period from one Roll Date to the next Roll Date, and the Index may not return such results for shorter or longer periods. The value of each Index is calculated daily by Cboe Options utilizing a rules-based options valuation methodology, which utilizes the prices at which the component SPX Options that comprise the Index trade on that day or prices that are derived from a valuation model when a traded price is not available or appropriate.

Cboe Vest S&P 500® Enhanced Growth Strategy ETN

The Exchange is proposing to list and trade each monthly series of the Enhanced Growth Notes,¹⁷ each of which is based on its respective Cboe S&P 500® Enhanced Growth Index. Each Index is a rules-based options index that consists exclusively of SPX Options. The Indexes are designed to provide exposure to the large capitalization U.S. equity market with similar volatility and downside risk, but higher upside potential in market environments with modest gains in the U.S. equity market over the course of one year. On a specified day of the applicable month for each Index the SPX Options expire (the “Expiry Date”) and on the following trading day (typically the last trading day of that month, subject to postponement, the applicable Index implements a new portfolio of SPX Options (the “Roll Date,” and the time period from and including the Expiry Date to and including the Roll Date, is the “Roll Period”),¹⁸ with expirations

¹⁷ In total, the Exchange is proposing to list and trade twelve monthly series of the Cboe Vest S&P 500® Enhanced Growth Strategy ETNs. The Enhanced Growth Notes will include the following: Cboe Vest S&P 500® Enhanced Growth Strategy ETN. Each Note will be an index-based exchange traded note (“ETN”). The Notes will be the following: Cboe Vest S&P 500® Enhanced Growth Strategy (January) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (February) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (March) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (April) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (May) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (June) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (July) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (August) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (September) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (October) ETN; Cboe Vest S&P 500® Enhanced Growth Strategy (November) ETN; and Cboe Vest S&P 500® Enhanced Growth Strategy (December) ETN. Each Note will be based on the Cboe S&P 500 Enhanced Growth Index (Month) Series, where “Month” is the corresponding month associated with the Roll Date of the applicable Series of Notes.

¹⁸ Each of the twelve Indexes are designed to provide returns over a defined year long period and, thus, there is an Index associated with each month. As such, the Roll Date for a specific Index is

on the next Expiry Date that, if held to such Expiry Date, seeks to provide 200% participation up to a maximum capped gain in the value of the S&P 500[®] Index (the “Capped Level”) and 100% participation in losses in the value of the S&P 500[®] Index.

Each Index is designed to provide the following outcomes between Roll Dates:

- *If the S&P 500[®] Index declines:* The Index declines by the same amount as the S&P 500[®] Index (e.g., if the S&P 500[®] Index returns – 35%, the Index is designed to return – 35%);
- *If the S&P 500[®] Index appreciates between 0% and the Capped Level:* The Index appreciates by an amount that equals 200% of the gain in the price of the S&P 500[®] Index; and
- *If the S&P 500[®] Index appreciates more than the Capped Level:* The Index appreciates by the amount equal to the Capped Level.

Each Index includes a mix of purchased and written (sold) SPX Options structured to achieve the results described above. Such results are only applicable for each full 12-month period from one Roll Date to the next Roll Date, and the Index may not return such results for shorter or longer periods. The value of each Index is calculated daily by Cboe Options utilizing a rules-based options valuation methodology, which utilizes the prices at which the component SPX Options that comprise the Index trade on that day or prices that are derived from a valuation model when a traded price is not available or appropriate.

Cboe Vest S&P 500[®] Accelerated Return Strategy ETN

The Exchange is proposing to list and trade each monthly series of the Accelerated Return Notes,¹⁹ each of

dependent on the monthly series for which the Index is associated. For example, the Roll Date for the Cboe[®] S&P 500[®] Enhanced Growth Index January Series is in January and the Roll Date for the Cboe[®] S&P 500[®] Enhanced Growth Index February Series is in February, a pattern which continues through the rest of the calendar year.

¹⁹ In total, the Exchange is proposing to list and trade twelve monthly series of the Cboe Vest S&P 500[®] Accelerated Return Strategy ETNs. The Accelerated Return Notes will include the following: Cboe Vest S&P 500[®] Accelerated Return Strategy ETN. Each Note will be an index-based exchange traded note (“ETN”). The Notes will be the following: Cboe Vest S&P 500[®] Accelerated Return Strategy (January) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (February) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (March) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (April) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (May) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (June) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (July) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (August) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (September) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy

which is based on its respective Cboe S&P 500[®] Accelerated Return Index. Each Index is a rules-based options index that consists exclusively of SPX Options. The Indexes are designed to provide exposure to the large capitalization U.S. equity market with similar volatility and downside risk, but higher upside potential in market environments with modest gains in the U.S. equity market over the course of one year. On a specified day of the applicable month for each Index the SPX Options expire (the “Expiry Date”) and on the following trading day (typically the last trading day of that month, subject to postponement, the applicable Index implements a new portfolio of SPX Options (the “Roll Date,” and the time period from and including the Expiry Date to and including the Roll Date, is the “Roll Period”),²⁰ with expirations on the next Expiry Date that, if held to such Expiry Date, seeks to provide 300% participation up to a maximum capped gain in the value of the S&P 500[®] Index (the “Capped Level”) and 100% participation in losses in the value of the S&P 500[®] Index.

Each Index is designed to provide the following outcomes between Roll Dates:

- *If the S&P 500[®] Index declines:* The Index declines by the same amount as the S&P 500[®] Index (e.g., if the S&P 500[®] Index returns – 35%, the Index is designed to return – 35%);
- *If the S&P 500[®] Index appreciates between 0% and the Capped Level:* The Index appreciates by an amount that equals 300% of the gain in the price of the S&P 500[®] Index; and
- *If the S&P 500[®] Index appreciates more than the Capped Level:* The Index appreciates by the amount equal to the Capped Level.

Each Index includes a mix of purchased and written (sold) SPX Options structured to achieve the results described above. Such results are only applicable for each full 12-month period from one Roll Date to the next Roll Date,

(October) ETN; Cboe Vest S&P 500[®] Accelerated Return Strategy (November) ETN; and Cboe Vest S&P 500[®] Accelerated Return Strategy (December) ETN. Each Note will be based on the Cboe S&P 500[®] Accelerated Return Index (Month) Series, where “Month” is the corresponding month associated with the Roll Date of the applicable Series of Notes.

²⁰ Each of the twelve Indexes are designed to provide returns over a defined year long period and, thus, there is an Index associated with each month. As such, the Roll Date for a specific Index is dependent on the monthly series for which the Index is associated. For example, the Roll Date for the Cboe[®] S&P 500[®] Accelerated Return Index January Series is in January and the Roll Date for the Cboe[®] S&P 500[®] Accelerated Return Index February Series is in February, a pattern which continues through the rest of the calendar year.

and the Index may not return such results for shorter or longer periods. The value of each Index is calculated daily by Cboe Options utilizing a rules-based options valuation methodology, which utilizes the prices at which the component SPX Options that comprise the Index trade on that day or prices that are derived from a valuation model when a traded price is not available or appropriate.

Cboe Vest S&P 500[®] Power Buffer Strategy ETN

The Exchange is proposing to list and trade each monthly series of the Power Buffer Notes,²¹ each of which is based on its respective Cboe S&P 500[®] Power Buffer Index. Each Index is a rules-based options index that consists exclusively of SPX Options. The Indexes are designed to provide exposure to the large capitalization U.S. equity market with lower volatility and downside risks than traditional equity indices, except in environments of rapid appreciation in the U.S. equity market over the course of one year. On a specified day of the applicable month for each Index the SPX Options expire (the “Expiry Date”) and on the following trading day (typically the last trading day of that month, subject to postponement, the applicable Index implements a new portfolio of SPX Options (the “Roll Date,” and the time period from and including the Expiry Date to and including the Roll Date, is the “Roll Period”),²² with expirations on the next Expiry Date that, if held to such Expiry Date, seeks to “buffer

²¹ In total, the Exchange is proposing to list and trade twelve monthly series of the Cboe Vest S&P 500[®] Power Buffer Strategy ETNs. The Power Buffer Notes will include the following: Cboe Vest S&P 500[®] Power Buffer Strategy (January) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (February) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (March) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (April) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (May) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (June) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (July) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (August) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (September) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (October) ETN; Cboe Vest S&P 500[®] Power Buffer Strategy (November) ETN; and Cboe Vest S&P 500[®] Power Buffer Strategy (December) ETN. Each Note will be based on the Cboe S&P 500[®] Power Buffer Index (Month) Series, where “Month” is the corresponding month associated with the Roll Date of the applicable Series of Notes.

²² Each of the twelve Indexes are designed to provide returns over a defined year long period and, thus, there is an Index associated with each month. As such, the Roll Date for a specific Index is dependent on the monthly series for which the Index is associated. For example, the Roll Date for the Cboe[®] S&P 500[®] Power Buffer Index January Series is in January and the Roll Date for the Cboe[®] S&P 500[®] Power Buffer Index February Series is in February, a pattern which continues through the rest of the calendar year.

protect” against the first 15% decline in the value of the S&P 500® Index, while providing 100% participation up to a maximum capped gain in the value of the S&P 500® Index (the “Capped Level”).

Each Index is designed to provide the following outcomes between Roll Dates:

- *If the S&P 500® Index declines more than 15%:* The Index declines 15% less than the S&P 500® Index (e.g., if the S&P 500® Index returns –35%, the Index is designed to return –20%);
- *If the S&P 500® Index declines between 0% and 15%:* The Index provides a total return of zero (0%);
- *If the S&P 500® Index appreciates between 0% and the Capped Level:* The Index appreciates by an amount that equals the gain in the price of the S&P 500® Index; and
- *If the S&P 500® Index appreciates more than the Capped Level:* The Index appreciates by the amount equal to the Capped Level.

Each Index includes a mix of purchased and written (sold) SPX Options structured to achieve the results described above. Such results are only applicable for each full 12-month period from one Roll Date to the next Roll Date, and the Index may not return such results for shorter or longer periods. The value of each Index is calculated daily by Cboe Options utilizing a rules-based options valuation methodology, which utilizes the prices at which the component SPX Options that comprise the Index trade on that day or prices that are derived from a valuation model when a traded price is not available or appropriate.

S&P 500® Options

The market for options contracts on the S&P 500® Index traded on Cboe Options is among the most liquid markets in the world. According to publicly available data, more than 1.48 million options contracts on the S&P 500® Index were traded per day on Cboe Options in 2018, which is more than \$350 billion in notional volume traded on a daily basis. While FLEX Options are traded differently than standardized options contracts, the Exchange believes that this liquidity bolsters the market for FLEX Options, as described below. Every FLEX Option order submitted to Cboe Options is exposed to a competitive auction process for price discovery. The process begins with a request for quote (“RFQ”) in which the interested party establishes the terms of the FLEX Options contract. The RFQ solicits interested market participants, including on-floor market makers, remote market makers trading electronically, and member firm traders,

to respond to the RFQ with bids or offers through a competitive process. This solicitation contains all of the contract specifications—underlying, size, type of option, expiration date, strike price, exercise style and settlement basis. During a specified amount of time, responses to the RFQ are received and at the end of that time period, the initiator can decide whether to accept the best bid or offer. The process occurs under the rules of Cboe Options, which means that customer transactions are effected according to the principles of a fair and orderly market following trading procedures and policies developed by Cboe Options.

The Exchange believes that sufficient protections are in place to protect against market manipulation of the Notes and SPX Options for several reasons: (i) The diversity, liquidity, and market cap of the securities underlying the S&P 500® Index; (ii) the significant liquidity in the market for options on the S&P 500® Index; (iii) the competitive quoting process for FLEX Options combined with the significant liquidity in the market for options on the S&P 500® Index results in a well-established price discovery process that provides meaningful guideposts for FLEX Option pricing; and (iv) surveillance by the Exchange, Cboe Options²³ and the Financial Industry Regulatory Authority (“FINRA”) designed to detect violations of the federal securities laws and self-regulatory organization (“SRO”) rules. The Exchange has in place a surveillance program for derivative products, including Linked Securities, to ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Notes less readily susceptible to manipulation. Further, the Exchange believes that because the Indexes will consist only of SPX Options, which trade in extremely liquid and highly regulated markets, the Notes are less readily susceptible to manipulation.

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Notes on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws.

²³ The Exchange notes that Cboe Options is a member of the Option Price Regulatory Surveillance Authority, which was established in 2006, to provide efficiencies in looking for insider trading and serves as a central organization to facilitate collaboration in insider trading and investigations for the U.S. options exchanges. For more information, see <http://www.cboe.com/aboutcboe/legal/departments/orsareg.aspx>.

Trading of the Notes through the Exchange will be subject to the Exchange’s surveillance procedures for derivative products, including Linked Securities. All statements and representations made in this filing regarding (a) the description of the portfolio, reference assets, and index, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange rules shall constitute continued listing requirements for listing the Notes on the Exchange. The Issuer has represented to the Exchange that it will advise the Exchange of any failure by a Series of Notes to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If a Series of Notes is not in compliance with the applicable listing requirements, then, with respect to such Series of Notes, the Exchange will commence delisting procedures under Exchange Rule 14.12. FINRA conducts certain cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Units and exchange-traded options contracts with other markets and other entities that are members of the Intermarket Surveillance Group (“ISG”) ²⁴ and may obtain trading information regarding trading in the Units and exchange-traded options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Units and SPX Options from Cboe Options. In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees.

As noted above, options on the S&P 500® Index are among the most liquid options in the world and derive their value from the actively traded S&P 500® Index components. The contracts are cash-settled with no delivery of stocks or ETFs, and trade in competitive auction markets with price and quote transparency. The Exchange believes the highly regulated options markets and the broad base and scope of the S&P

²⁴ For a list of the current members and affiliate members of ISG, see www.isgportal.com. The Exchange notes that not all components of the Disclosed Portfolio for the Fund may trade on markets that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

500® Index make securities that derive their value from that index less susceptible to market manipulation in view of the market capitalization and liquidity of the S&P 500® Index components, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the liquidity of the markets for S&P 500® Index securities, options on the S&P 500® Index, and other related derivatives is sufficiently great to deter fraudulent or manipulative acts associated with the price of the Units. The Exchange also believes that such liquidity is sufficient to support the creation and redemption mechanism. Coupled with the extensive surveillance programs of the SROs described above, the Exchange does not believe that trading in the Notes would present manipulation concerns.

The Exchange represents that, except for the exception to Rule 14.11(d)(2)(K)(i)(a), the Indexes will satisfy, on an initial and continued listing basis, all of the listing standards under BZX Rule 14.11(d)(K)(i) and all other requirements under Rule 14.11(d) that are applicable to Equity Index-Linked Securities. The Issuer is required to comply with Rule 10A-3 under the Act for the initial and continued listing of the Notes. In addition, the Exchange represents that the Notes will comply with all other requirements applicable to Equity Index-Linked Securities, which includes index dissemination,²⁵ suspension of trading or removal,²⁶ trading halts,²⁷ surveillance,²⁸ minimum price variation for quoting and order entry,²⁹ and the information circular,³⁰ as set forth in Exchange rules applicable to Equity Index-Linked Securities. Further, all statements or representations regarding the description of the portfolio or reference assets, limitations on portfolio holdings or reference assets, dissemination and availability of the index, reference asset, and intraday indicative values, or the applicability of Exchange listing rules shall constitute continued listing requirements for the Notes. Moreover, all of the options contracts included in the Indexes will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. Quotation and last sale information for

U.S. exchange-listed options contracts cleared by The Options Clearing Corporation will be available via the Options Price Reporting Authority. RFQ information for FLEX Options will be available directly from Cboe Options. The intra-day, closing and settlement prices of exchange-traded options will be readily available from the options exchanges, automated quotation systems, published or other public sources, or online information services such as Bloomberg or Reuters.

Lastly, the Issuer represents that there will be a publicly available web tool for each Series of Notes on a website that provides existing and prospective investors with important information to help inform investment decisions. The information provided will include the start and end dates of the current outcome period, the time remaining in the outcome period, the Index's current value, the applicable cap for the outcome period and the maximum investment gain available up to the cap for an investor purchasing Notes at the current Index value. For each of the Series of Notes, the web tool will also provide information regarding its buffer. This information will include the remaining buffer available for an investor purchasing Notes at the current Index value or the amount of losses that an investor purchasing Notes at the Index value would incur before benefitting from the protection of the buffer.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act³¹ in general and Section 6(b)(5) of the Act³² 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, 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 promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in 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 in that the Notes will meet each of the initial and continued listing criteria in BZX Rule 14.11(d) with the exception of Rule 14.11(d)(2)(K)(i)(a)(2), because the Indexes consist exclusively of SPX Options, rather than equity securities. Rule 14.11(d)(2)(K)(i)(a)(2) is intended to ensure that a series of Equity Index-Linked Securities is not subject to manipulation by requiring that the underlying reference index is composed of equity securities that are sufficiently large, liquid, and diverse to mitigate manipulation concerns. The Exchange believes that these manipulation concerns are otherwise mitigated.

Specifically, the Exchange believes that sufficient protections are in place to protect against market manipulation of the Units and SPX Options for several reasons: (i) The diversity, liquidity, and market cap of the securities underlying the S&P 500® Index; (ii) the significant liquidity in the market for options on the S&P 500® Index; (iii) the competitive quoting process for FLEX Options combined with the significant liquidity in the market for options on the S&P 500® Index results in a well-established price discovery process that provides meaningful guideposts for FLEX Option pricing; and (iv) surveillance by the Exchange, Cboe Options and FINRA designed to detect violations of the federal securities laws and SRO rules. The Exchange has in place a surveillance program for transactions in Linked Securities to ensure the availability of information necessary to detect and deter potential manipulations and other trading abuses, thereby making the Notes less readily susceptible to manipulation. Further, the Exchange believes that because the assets in each Index, which are comprised entirely of SPX Options on the S&P 500® Index, are priced in extremely liquid and highly regulated markets, the Notes are less readily susceptible to manipulation.

The Exchange believes that its surveillance procedures are adequate to properly monitor the trading of the Notes on the Exchange during all trading sessions and to deter and detect violations of Exchange rules and the applicable federal securities laws. Trading of the Notes through the Exchange will be subject to the Exchange's surveillance procedures for derivative products, including Linked Securities. All statements and representations made in this filing regarding (a) the description of the portfolio, reference assets, and index, (b) limitations on portfolio holdings or reference assets, or (c) the applicability

²⁵ See Rule 14.11(d)(2)(G).

²⁶ See Rule 14.11(d)(2)(K)(i)(b).

²⁷ See Rule 14.11(d)(2)(H).

²⁸ See Rule 14.11(d)(2)(I).

²⁹ See Rule 11.11(a).

³⁰ See Rule 14.11(h)(1)(F).

³¹ 15 U.S.C. 78f.

³² 15 U.S.C. 78f(b)(5).

of Exchange rules shall constitute continued listing requirements for listing the Notes on the Exchange. The Issuer has represented to the Exchange that it will advise the Exchange of any failure by a Series of Notes to comply with the continued listing requirements, and, pursuant to its obligations under Section 19(g)(1) of the Act, the Exchange will surveil for compliance with the continued listing requirements. If a Series of Notes is not in compliance with the applicable listing requirements, then, with respect to such Notes, the Exchange will commence delisting procedures under Exchange Rule 14.12. FINRA conducts certain cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement. If a Series of Notes is not in compliance with the applicable listing requirements, the Exchange will commence delisting procedures with respect to such Series of Notes under Exchange Rule 14.12.

The Exchange or FINRA, on behalf of the Exchange, will communicate as needed regarding trading in the Notes and exchange-traded options contracts with other markets and other entities that are members of the ISG and may obtain trading information regarding trading in the Notes and exchange-traded options contracts from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Notes and exchange-traded options contracts from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. In addition, the Exchange also has a general policy prohibiting the distribution of material, non-public information by its employees. As noted above, options on the S&P 500[®] Index are among the most liquid options in the world and derive their value from the actively traded S&P 500[®] Index components. The contracts are cash-settled with no delivery of stocks or ETFs, and trade in competitive auction markets with price and quote transparency. The Exchange believes the highly regulated options markets and the broad base and scope of the S&P 500[®] Index make securities that derive their value from that index less susceptible to market manipulation in view of the market capitalization and liquidity of the S&P 500[®] Index components, price and quote transparency, and arbitrage opportunities.

The Exchange believes that the liquidity of the markets for S&P 500[®]

Index securities, options on the S&P 500[®] Index, and other related derivatives is sufficiently great to deter fraudulent or manipulative acts associated with the price of the Notes. Coupled with the extensive surveillance programs of the SROs described above, the Exchange does not believe that trading in the Units would present manipulation concerns.

The Exchange represents that, except as described above, the Notes will meet and be subject to all other requirements of the listing standards and other applicable continued listing requirements for Equity Index-Linked Securities, including index dissemination,³³ suspension of trading or removal,³⁴ trading halts,³⁵ surveillance,³⁶ minimum price variation for quoting and order entry,³⁷ and the information circular.³⁸ The Issuer is required to comply with Rule 10A-3 under the Act for the initial and continued listing of each Series of Notes. Moreover, all of the options contracts included in the Indexes will trade on markets that are a member of ISG or affiliated with a member of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of 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 that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of several additional types of exchange-traded products that will enhance competition among market participants, to the benefit of investors and the marketplace.

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.

³³ See Rule 14.11(d)(2)(G).

³⁴ See Rule 14.11(d)(2)(K)(i)(b).

³⁵ See Rule 14.11(d)(2)(H).

³⁶ See Rule 14.11(d)(2)(I).

³⁷ See Rule 11.11(a).

³⁸ See Rule 14.11(h)(1)(F).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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-CboeBZX-2019-015 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-2019-015. 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-CboeBZX-2019-015, and should be submitted on or before April 12, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁹

Eduardo A. Aleman,
Deputy Secretary.

[FR Doc. 2019-05459 Filed 3-21-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85350; File No. SR-ICEEU-2019-006]

Self-Regulatory Organizations; ICE Clear Europe Limited; Notice of Filing of Proposed Rule Change, Security-Based Swap Submission or Advance Notice Relating to Amendments to the CDS Risk Management Model Description Document

March 18, 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 March 13, 2019, ICE Clear Europe Limited (“ICE Clear Europe”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared primarily by ICE Clear Europe. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change

ICE Clear Europe proposes to make certain amendments to its CDS Risk Model Description document to incorporate risk model enhancements related to the single name credit default swap (“CDS”) liquidity charge methodology.³

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, ICE Clear Europe 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. ICE Clear Europe has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The ICE Clear Europe CDS risk model includes explicit provision to account for the additional liquidation cost due to the exposure to Bid/Offer Width (“BOW”) as, in the event of Clearing Member default, the Clearing House might incur in additional costs to unwind the positions. Specifically, a bid/offer risk requirement, named liquidity charge, is introduced. Such liquidity charges are computed separately for single names and indices.

ICE Clear Europe proposes a revised approach to computing single name CDS liquidity charges. Specifically, ICE Clear Europe proposes to introduce minimum instrument liquidity requirements independent of instrument maturities. ICE Clear Europe’s current spread-based liquidity charge approach features instrument liquidity requirements that decay with time to maturity for fixed credit spread levels. The proposed approach introduces minimum liquidity requirements for individual instruments, independent of time to maturity for the considered instruments, and thus establishes minimum liquidity charges that do not decay over time as contract maturity is approached. The proposed calculation for single name CDS liquidity charges at the instrument level incorporates a price-based bid-offer width floor component to provide stability and anti-procyclicality requirements, as well as a dynamic spread-based BOW component to reflect the additional risk associated with distressed market conditions. The values of such price-based BOW and spread-based BOW are fixed factors, which are subject to at least monthly reviews and updates by ICE Clear Europe Risk Management Department with consultation with the Risk Working Group.

ICE Clear Europe also proposes enhancements to the liquidity charge

calculation at the single name level. The current liquidity charge approach at the single name level accounts for the liquidation cost across the curve. All positions are aggregated and priced at each maturity interval separately as a synthetic forward CDS instrument. This current approach introduces potential sub-additivity at the single name level, as it may result in a higher liquidity charge than the sum of the single name instrument requirements.

Under the proposed calculation, liquidity charges at single name level will be computed by first calculating the liquidity requirements for each individual instrument position in the portfolio, and then summing all instrument liquidity requirements for positions with the same directionality, *i.e.* bought or sold protection. The liquidity charge requirements at the single name level will be the greatest liquidity requirement associated with either the sum of all bought protection position liquidity requirements, or the sum of all sold protection position liquidity requirements. Under this proposed approach, the portfolios’ liquidity charge cannot exceed the sum of the individual instrument’s requirements. There are no changes to the liquidity charge calculation at the portfolio level.

ICE Clear Europe expects these enhancements will ensure more stable liquidity requirements for instruments across the curve. Further, the enhancements simplify ICE Clear Europe’s liquidity charge methodology, which promotes ease of understanding. As stated above, the current single name level liquidity requirements are based on forward CDS spread levels and are, in general, more difficult to calculate as forward spread levels are not observable across the term structure (“curve”). ICE Clear Europe, as part of its end-of-day price discovery process, provides end-of-day pricing data for instruments in which clients have open positions, which will, under the proposed approach, allow for easier replication for clients who wish to estimate liquidity charges for hypothetical and current positions.

(b) Statutory Basis

ICE Clear Europe believes that the proposed amendments are consistent with the requirements of Section 17A of the Act⁴ and the regulations thereunder applicable to it, including the standards under Rule 17Ad-22.⁵ Section

³⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Capitalized terms used but not defined herein have the meanings specified in the Rules.

⁴ 15 U.S.C. 78q-1.

⁵ 17 CFR 240.17Ad-22.