

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meeting; Cancellation

FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT: 84 FR 49778, September 23, 2019.

PREVIOUSLY ANNOUNCED TIME AND DATE OF THE MEETING: Wednesday, September 25, 2019 at 10:00 a.m.

CHANGES IN THE MEETING: The Open Meeting scheduled for Wednesday, September 25, 2019 at 10:00 a.m., has been cancelled.

CONTACT PERSON FOR MORE INFORMATION: For further information; please contact Vanessa A. Countryman from the Office of the Secretary at (202) 551-5400.

Dated: September 24, 2019.

Vanessa A. Countryman,
Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87060; File No. SR-CboeEDGX-2019-047]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Order Approving a Proposed Rule Change, as Modified by Amendment No. 1, To Adopt Rule 21.21 (Solicitation Auction Mechanism)

September 23, 2019.

I. Introduction

On July 31, 2019, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) 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 adopt Rule 21.21, the Solicitation Auction Mechanism (“SAM”), a solicited order mechanism for larger-sized orders. The proposed rule change was published for comment in the **Federal Register** on August 15, 2019.³ On September 9, 2019, the Exchange filed Amendment No. 1 to the proposed rule change.⁴ The

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 86621 (August 9, 2019), 84 FR 41779 (“Notice”).

⁴ Amendment No. 1 revises the proposal to correct a citation signal and to add an explanatory sentence regarding the requirements of Rule 11a2-2(T) under the Act. Because Amendment No. 1 does not materially alter the substance of the proposed rule change or raise unique or novel regulatory issues, it is not subject to notice and comment. Amendment No. 1 is available at <https://www.sec.gov/comments/sr-cboeedgx-2019-047/srcboeedgx2019047-6090026-191882.pdf>.

Commission has received no comments regarding the proposal. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposed Rule Change

As described more fully in the Notice,⁵ the Exchange proposes to adopt Rule 21.21⁶ establishing a solicited order mechanism. The proposal permits an Options Member (the “Initiating Member”) to execute electronically a larger-sized order it represents as agent (“Agency Order”) against a solicited order(s) (“Solicited Order(s)”), provided that it submits both the Agency Order and Solicited Order(s) into the SAM.⁷

A. Eligibility and SAM Auction Process

The Initiating Member may initiate a SAM in any class traded on the Exchange.⁸ The order size of an Agency Order marked for SAM processing must be at least the minimum size designated by the Exchange, which may not be less than 500 standard option contracts or 5,000 mini-option contracts. The size of the Solicited Order(s) must be for/total the same size as the Agency Order.⁹ In addition, the Initiating Member must designate each of the Agency Order and Solicited Order as all-or-none (“AON”),¹⁰ and the price of the Agency Order and Solicited Order must be in an increment of \$0.01.¹¹ Also, an Initiating Member may not designate an Agency Order or Solicited Order as Post Only.¹²

The Solicited Order must stop the entire buy (sell) Agency Order at a price that is at or better than the then-current NBO (NBB).¹³ Regarding resting orders that are on the same side as the Agency Order, the proposal provides that if the Agency Order is to buy (sell), the stop price must be at least \$0.01 better than the Exchange best bid (offer), unless the Agency Order is a Priority Customer order and the resting order is a non-

⁵ See Notice, *supra* note 3.

⁶ For purposes of proposed Rule 21.21, the term “NBBO” means the national best bid or national best offer at the particular point in time applicable to the reference, and the term “Initial NBBO” means the national best bid or national best offer at the time a SAM auction is initiated.

⁷ The solicited order(s) cannot be for the same EFID as the Agency Order or for the account of any Options Market Maker with an appointment in the applicable class on the Exchange. The Agency Order and Solicited Order cannot both be for the accounts of a customer.

⁸ See proposed Rule 21.21(a)(1).

⁹ See proposed Rule 21.21(a)(3).

¹⁰ See *id.*

¹¹ See proposed Rule 21.21(a)(4).

¹² See proposed Rule 21.21(a)(5). See also Exchange Rule 21.19(a)(5).

¹³ See proposed Rule 21.21(b)(1).

Priority Customer order, in which case the stop price must be at or better than the Exchange best bid (offer).¹⁴ Regarding resting orders that are on the opposite side as the Agency Order, the proposal provides that if the Agency Order is to buy (sell) and the Exchange best offer (bid) represents (i) a Priority Customer order on the EDGX Book, the stop price must be at least \$0.01 better than the Exchange best offer (bid); or (ii) a quote or order that is not a Priority Customer order on the EDGX Book, the stop price must be at or better than the Exchange best offer (bid).¹⁵

A “SAM sweep order” or “SAM ISO” is the submission of two orders for crossing in a SAM without regard for better-priced Protected Quotes (as defined in Exchange Rule 27.1) because the submitting Options Member routed an ISO(s) simultaneously with the routing of the SAM ISO to execute against the full displayed size of any Protected Quote that is better than the stop price and has swept all interest in the EDGX Book with a price better than the stop price. If the Initiating Member submits a SAM sweep order to a SAM, the stop price, SAM responses, and executions will be permitted at a price inferior to the Initial NBBO. Any execution(s) resulting from these sweeps will accrue to the SAM Agency Order.¹⁶

The Exchange system will initiate the SAM process by sending a SAM auction notification message detailing the side, size, price, origin code, Auction ID, and options series of the Agency Order to all Options Members that elect to receive SAM auction notification messages.¹⁷ SAM auction notification messages will not be included in the disseminated BBO or disseminated to the Options Price Reporting Authority (“OPRA”).¹⁸ The SAM auction will last for a period of time determined by the Exchange (the “SAM auction period”), which may be no less than 100 milliseconds and no more than one second.¹⁹ An Initiating Member may not modify or cancel an

¹⁴ See proposed Rule 21.21(b)(2). The Exchange notes that these conditions regarding orders on the same side as the Agency Order are the same as those applicable to AIM for orders of 50 contracts or more. See Exchange Rule 21.19(b).

¹⁵ See proposed Rule 21.21(b)(3).

¹⁶ See proposed Rule 21.21(b)(4). The Exchange notes that ISOs are similarly permitted for AIM auctions, and the proposed definition of a SAM ISO is consistent with linkage rules. See Exchange Rules 21.19(b)(3)(A) and 27.1.

¹⁷ See proposed Rule 21.21(c)(2).

¹⁸ See *id.*

¹⁹ See proposed Rule 21.21(c)(3). Pursuant to Exchange Rule 16.3, the Exchange will announce the length of the SAM auction period via specification, Exchange Notice, or Regulatory Circular.