

Exchange rules regarding the handling of orders accepted by the Exchange and make such rules easier for market participants to navigate and comprehend.³⁴

In addition, the Exchange believes that the proposal to codify that the Exchange would cancel a market order or the balance thereof that has been collared once it has exhausted trading opportunities within its collar execution price plus/minus one Trading Collar if there is no Available Interest would protect investors from potentially erroneous executions.³⁵ Further, the Exchange believes that the proposal to codify current functionality regarding a collared order that is a market order to sell that has reached \$0.00 such that the Exchange will post the order at its MPV (e.g., \$0.01 or \$0.05) would promote just and equitable principles of trade and assist with the maintenance of fair and orderly markets because an order may never be posted for lower than its MPV and the alternative to holding the order at the MPV would be to cancel it.³⁶ The Exchange believes the proposed clarification of how such orders are handled provides the collared order an opportunity for an execution (rather than being cancelled) and adds transparency and internal consistency to Exchange rules.³⁷

The Commission notes that the Exchange believes that the Zero NBBO Collar Exception would improve the operation of the Trading Collar when the prevailing market is zero (which the Exchange states indicates market dislocation) at the time an incoming market order arrives.³⁸ The Exchange states that absent the proposed Zero NBBO Collar Exception, a market order to buy (sell) that arrives when the NBB (NBO) is zero would trade based on the last sale price, if any.³⁹ The Exchange notes that if there is no last sale price, the order would trade at the contra-side NBBO which may result in a bad execution price.⁴⁰ In regards to the proposal to reject (as opposed to collar) incoming sell orders when the NBO is zero, the Exchange believes this change in functionality is necessary because any attempt to collar such an order would result in a negative number. In addition, the Exchange states that it has observed that it is extremely uncommon to have a no (zero) offer situation and believes it could be indicative of

unstable market conditions.⁴¹ To avoid such orders receiving bad executions in times of market dislocation, the Exchange believes it would be appropriate to reject such orders.⁴²

The Exchange also believes that it is appropriate that the Exchange cancel a market order that is collared when an NMS stock enters an LULD state because when the underlying NMS stock enters an LULD state, there may not be a reliable underlying reference price, there may be a wide bid/ask quotation differential in the option, and there may be less liquidity in the options markets.⁴³ According to the Exchange, allowing a collared Market Order to execute (as opposed to cancel) in such circumstances could lead to executions at unintended prices (*i.e.*, inferior to the NBBO), and could add to volatility in the options markets during times of extraordinary market volatility.⁴⁴ The Exchange believes that this current treatment of collared market orders provides certainty to the treatment of Market Orders during these times, and the proposal to explicitly state this treatment in the rule text adds clarity and transparency to Exchange rules, thus promoting just and equitable principles of trade and removing impediments to, and perfecting the mechanism of, a free and open market and a national market system.⁴⁵ The Exchange states that the proposed cancellation of an options order if the underlying NMS security is in an LULD state is not new or novel and is available on other options exchanges that offer similar collar functionality.⁴⁶ The Exchange believes that the proposed rule changes would add transparency and specificity to Exchange rules.⁴⁷

The Commission believes that the operation of the Trade Collar Protection mechanism set forth in the proposal is consistent with the Act. In addition, the Commission believes that the revised description of this mechanism should increase transparency with respect to how the mechanism operates and enhance investors' understanding of

⁴¹ See *id.*

⁴² See *id.*

⁴³ See *id.*

⁴⁴ See *id.*

⁴⁵ See *id.*

⁴⁶ The Exchange cites CBOE Rule 6.3A(b)(1) (LULD rule citing Rule 6.2 regarding order handling); CBOE Rule 6.2, Interpretations and Policies .07 and NASDAQ Options Market Ch. V, Sec. 3(d). However, the Exchange notes that it believes that the rules of these other exchanges do not specifically contemplate the underlying security entering an LULD state while a market order is resting on the book, because such orders typically execute on arrival. See Notice, *supra* note 4, at 46599.

⁴⁷ See *id.*

how the mechanism may affect their orders in certain market conditions. Accordingly, the Commission believes that the proposal is reasonably designed to help prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁴⁸ that the proposed rule change (SR-NYSEArca-2019-58) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁹

Jill M. Peterson,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87319; File No. SR-CBOE-2019-087]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Move Certain Rules in Chapter XXIII of the Currently Effective Rulebook to Proposed Section G of Chapter 4 of the Shell Structure for the Exchange's Rulebook That Will Become Effective Upon the Migration of the Exchange's Trading Platform

October 16, 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 October 3, 2019, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "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.

⁴⁸ 15 U.S.C. 78s(b)(2).

⁴⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³⁴ See Notice, *supra* note 4, at 46599.

³⁵ See *id.*

³⁶ See *id.*

³⁷ See *id.*

³⁸ See *id.*

³⁹ See *id.*

⁴⁰ See *id.*

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to move certain Rules in Chapter XXIII of the currently effective Rulebook (“current Rulebook”), which governs interest rate options, to proposed Section G of Chapter 4 of the shell structure for the Exchange’s Rulebook that will become effective upon the migration of the Exchange’s trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) (“shell Rulebook”). The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) (“Cboe Global”), which is also the parent company of Cboe C2 Exchange, Inc. (“C2”), acquired Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX” or “EDGX Options”), Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the “Cboe Affiliated Exchanges”). The Cboe Affiliated Exchanges are working to align certain

system functionality, retaining only intended differences, between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

The Exchange proposes to relocate certain rules in Chapter XXIII, which govern interest rate options, to proposed Section G of Chapter 4 in the shell Rulebook. The Exchange notes that in addition to relocating certain rules regarding interest rate options to proposed Section G of Chapter 4 in the shell Rulebook, the proposed rule change deletes the rules from the current Rulebook. The proposed rule change relocates the rules as follows:

Proposed rule	Current rule
Introductory paragraph under Section G heading	Introduction.
4.60 Definitions	23.1 Definitions.
4.61 Terms of Interest Rate Options Contracts	23.5 Terms of Interest Rate Option Contracts.
4.62 Wire Connections	23.2 Wire Connections.

The proposed changes are of a non-substantive nature and will not amend the relocated rules other than to update their rule numbers, conform paragraph structure³ and number/lettering format to that of the shell Rulebook, and make cross-reference changes to shell rules.

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.⁴ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)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 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)⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As stated, the proposed rule change makes no substantive changes to the rules. The proposed rule change is merely intended to relocate the Exchange’s rules to the shell Rulebook and update their numbers, paragraph structure, including number and lettering format, and cross-references to conform to the shell Rulebook as a whole in anticipation of the technology

migration on October 7, 2019. As such, the proposed rule change is designed to promote just and equitable principles of trade, 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, by improving the way the Exchange’s Rulebook is organized, making it easier to read, and, particularly, helping market participants better understand the rules of the Exchange, which will also result in less burdensome and more efficient regulatory compliance.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended as a competitive change, but rather, seeks to make non-substantive rule changes in relocating the rules and updating cross-references to shell rules in anticipation

³ The Exchange notes that the paragraph structure for definitions listed under rules in the shell Rulebook is in alphabetized format. Therefore, the same structure is used under proposed Rule 4.60.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ *Id.*

of the October 7, 2019 technology migration. The Exchange also does not believe that the proposed rule change will impose any undue burden on competition because the relocated rule text is exactly the same as the Exchange's current rules, all of which have all been previously filed with the Commission.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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 Act⁷ and Rule 19b-4(f)(6) thereunder.⁸ 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 Act⁹ and Rule 19b-4(f)(6) thereunder.¹⁰

A proposed rule change filed under Rule 19b-4(f)(6)¹¹ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹² the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately. The Exchange notes that the proposed rule change is merely relocating certain rules to its shell rulebook—which includes corresponding updates to rule numbers,

cross-references, and other references—in order to conform these rules to the shell rulebook upon the technology migration explained above. The Exchange believes that the proposed rule change will make its rules easier to read and understand for all investors. The Exchange also asserts that the relocation of the rules explained above will not impose any significant burden on competition as the substance of the rules remains unchanged. The Commission agrees that allowing this proposed rule change to become operative upon filing in order to facilitate the Exchange's technology migration—without changing the substance of these Exchange Rules—is consistent with the protection of investors and the public interest. For this reason, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.¹³

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-CBOE-2019-087 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-CBOE-2019-087. This file number should be included on the

¹³ 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).

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-CBOE-2019-087, and should be submitted on or before November 12, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Jill M. Peterson,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87315; File No. SR-NYSEAMER-2019-30]

Self-Regulatory Organizations; NYSE American LLC; Order Approving a Proposed Rule Change To Modify Rules 967NY and 953.1NY Regarding the Treatment of Orders Subject To Trade Collar Protection

October 16, 2019.

I. Introduction

On August 21, 2019, NYSE American LLC ("NYSE American" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission"), pursuant to Section

¹⁴ 17 CFR 200.30-3(a)(12), (59).

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's 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. The Commission has waived that requirement in this case.

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).