SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–88502; File No. SR–CBOE– 2020–027]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend Rule 6.6 in Connection With Updates Permitted Through the Clearing Editor

March 27, 2020.

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 26, 2020, 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, and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a ''non-controversial'' proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b–4(f)(6) thereunder.[4] 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

Cboe Exchange, Inc. (the ''Exchange'' or ''Cboe Options'') proposes to amend Rule 6.6 in connection with updates permitted through the Clearing Editor. 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/CBOELegalRegulatory Home.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

The proposed rule change amends Rule 6.6(d), which describes updates that may be made to trades executed in open outcry through the Clearing Editor and accompanied by a Reason Code, to permit such updates to be made to trades executed electronically.

The Clearing Editor allows Trading Permit Holders to update executed trades on their trading date and revise them for clearing. The Clearing Editor may be used to update certain information entered pursuant to Rule 6.1 or to correct certain bona fide errors. Rule 6.6(b) permits Trading Permit Holders (''TPHs'') to change certain fields in Clearing Editor in connection with orders executed electronically and in open outcry. Such fields may include: (1) Executing Firm and Contra Firm; (2) Executing Broker and Contra Broker; (3) CMTA; (4) Account and Sub Account; (5) Client Order ID; (6) Position Effect (open/close); (7) Capacity;[5] (8) Strategy ID; (9) Frequent Trader ID; (10) Compression Trade ID; or (11) ORS ID. Rule 6.6(d) currently provides that, in addition to the fields listed in paragraph (b), TPHs may change the following fields through the Clearing Editor for trades executed in open outcry: (1) Series, (2) Quantity, (3) Buy or Sell; or (4) Price. Each of these changes must be accompanied by a Reason Code.[6] Notification of changes made pursuant to this paragraph (d) will automatically be sent to the Exchange with the submission of the changes through the Clearing Editor. The Exchange notes that, prior to a recent technology migration,[7] the Exchange Rules allowed for TPHs to make the updates enumerated in 6.6(d) to their trades executed electronically.

Many TPHs currently split single trades into multiple smaller trades (or post-trade allocations), each of which may be adjusted or nullified according to the mutual adjustment process in

Rule 6.5 (Nullification and Adjustment of Options Transactions Including Obvious Error). A TPH may easily update (adjust or nullify) an allocated portion of a trade executed in open outcry via the Clearing Editor and pursuant to Rule 6.6(d). A TPH that seeks to update an allocated portion of an electronically executed trade, however, must do so through the Trade Desk,[8] and the TPH may then only nullify and re-enter the single trade in its entirety, despite the fact that only one partial trade needed to be busted and re-entered.

For example, a broker may execute a trade of 100 contracts for Buyer 1 and then may add the Contra Firm via Clearing Editor, pursuant to Rule 6.6(b), allocating 50 contracts to Seller 1, 25 contracts to Seller 2, and 25 contracts to Seller 3.[9] The broker may subsequently realize that the 25 contracts allocated to Seller 3 should have been allocated to Seller 4. If executed in open outcry, the broker would be able to update the relevant allocated portion (Quantity) in the Clearing Editor pursuant to Rule 6.6(d) and the appropriate Clearing Editor messages would then be sent to the relevant TPHs (*i.e.,* Seller 3 receives a Clearing Editor cancel message for 25 contracts, Buyer 1 receives a cancel message for 25 contracts with Seller 3 as the Contra Firm; Seller 4 receives an execution message for 25 contracts with Buyer 1 as the Contra Firm, and Buyer 1 receives a new execution message for 25 with Seller 4 as the Contra Firm). If executed electronically, the broker is currently unable to make these updates via the Clearing Editor, and instead, must nullify the entire trade (including the allocations apportioned to Seller 1 and Seller 2) and re-enter the trade details for all three portions via the Trade Entry tool.[10] Re-entry of trades using this process does not currently disseminate messages regarding updated trade executions and Contra Firms to relevant parties, which results in trade processing issues for Clearing TPHs. As such, the Exchange proposes to amend Rule 6.6(d) by removing its restriction to trades executed in open outcry in order

---

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] 15 U.S.C. 78s(b)(3)(A)(iii).

[4] 17 CFR 240.19b–4(f)(6).

[5] If the change is from a customer Capacity code of (C) to any other Capacity code, it must be accompanied by a Reason Code and notice of such change will automatically be sent to the Exchange with the submission of the change through the Clearing Editor.

[6] Example Reason Codes include: Input Error; Unmatched Trade; Unknown; Manual Add; Other Text Required; Trade Nullification; Trade Adjustment; Error Account; and System Issue.

[7] *See* Securities Exchange Act Release No. 87079 (September 24, 2019) 84 FR 51693 (September 30, 2019) (SR–CBOE–2019–062).

[8] *See* C1 Options Mutual Adjust/Bust Form, available at *https://markets.cboe.com/us/options/ trading/mutual_adjust_or_bust_form/?mkt=cone* (March 23, 2020).

[9] The Exchange notes that a broker might do this for a trade executed electronically where, for example, the broker executes a trade in the Automated Improvement Mechanism (''AIM Auction'') through PULSe, which does not currently provide functionality that allows a broker to add Contras to the trade. Therefore, the broker would have to allocate the trade and submit the Contras via the Clearing Editor following the transaction.

[10] The Trade Entry Tool allows TPHs to enter the other side of unmatched trades and is part of the Clearing Editor.

to permit TPHs to make updates through the Clearing Editor to the fields enumerated in Rule 6.6(d), accompanied by a Reason Code, for their trades executed in either open outcry or electronically.

As indicated above, up until October 2019, the Exchange Rules permitted TPHs to make changes permitted by Rule 6.6(d) to their trades executed electronically and in open outcry, and currently, TPHs may essentially continue to adjust the same fields enumerated in Rule 6.6(d) for their electronic orders by submitting a mutual adjustment request through the Trade Desk, and thereafter re-entering the entire trade with the updated fields. Because the same reasons that require TPHs to update trades pursuant to Rule 6.6(d) apply to executions electronically and in open outcry, the Exchange believes it is appropriate to permit TPHs to updates all trades pursuant to Rule 6.6(d) as they previously could. The Exchange believes this will streamline the process when updates need to be made in connection with busts and adjusts of partial trades. The Exchange notes that, like for open outcry trades today, all TPHs that update Rule 6.6(d) fields for their electronic trades will be required to accompany such changes with a Reason Code (which is automatically prompted by the Clearing Editor). Accordingly, this enables the Exchange to better surveil for and enforce against potential issues or abusive behavior via the Clearing Editor and in connection with the adjustment process by allowing the Exchange to automatically receive information regarding the changes and understand the rationale behind all such changes.

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.[11] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[12] 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)[13] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed rule change will foster cooperation and coordination with persons engaged in clearing and processing information with respect to securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system, as it is intended to reduce potential issues in the processing of post-trade information and facilitate a more effective adjustment process. The proposed rule change will allow TPHs to adjust and/or nullify only the relevant portions of electronically executed trades, rather than having to nullify and re-enter the entire trade, and will ensure that all relevant parties to the revised transaction receive information regarding the changes. The Exchange further believes that the proposed rule change does not raise and new or novel issues or processes for TPHs, as they are currently able to update the same fields for their trades executed in open outcry (and were until fewer than six months ago permitted to make such updates to their trades executed electronically), pursuant to Rule 6.6(d), previously filed with the Commission.[14] As described above, TPHs make currently make the same updates to their electronic executions through another, more onerous process through the Trade Desk and Trade Entry tool. The Exchange believes the proposed rule change will streamline the process when updates need to be made in connection with busts and adjusts of partial trades, which efficiency the Exchange believes will remove impediments to and perfect the mechanism of a free and open market and a national market system, which in general will benefit TPHs. Furthermore, the Exchange believes that continuing to require a TPH to submit a Reason Code via the Clearing Editor in conjunction with any change made pursuant to Rule 6.6(d), will assist in preventing fraudulent and manipulative acts and otherwise promote just and equitable principles of trade because it would allow the Exchange to automatically be

notified of Rule 6.6(d) changes and the rationale behind such changes. This, in turn, will continue to allow the Exchange to better surveil for and enforce against potential issues or abusive behavior via the Clearing Editor, thus, protecting investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change would impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the Act, because it would again allow all TPHs to make updates to (including providing a requisite Reason Code) the fields enumerated under Rule 6.6(d) for their trades executed electronically and in open outcry in the same manner. The Exchange notes that the proposed rule change does not restrict any the fields that a TPH may currently change via the Clearing Editor, but merely extends the existing permissible changes to all trades. The Exchange does not believe that the proposed rule change would impose any burden on intermarket competition, because the proposed rule change is not intended to address competitive issues, but rather, is concerned with the correction of post-trade information and the reduction of any post-trade processing issues.

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

Because the foregoing 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act[15] and Rule 19b–4(f)(6) thereunder.[16]

---

[11] 15 U.S.C. 78f(b).

[12] 15 U.S.C. 78f(b)(5).

[13] *Id.*

[14] *See* Securities Exchange Act Release No. 73439 (October 27, 2014) 79 FR 64846 (October 31, 2014) (SR–CBOE–2014–082). Prior to the October 7, 2019 technology migration, current Rule 6.6(d) was Rule 6.67(b).

[15] 15 U.S.C. 78s(b)(3)(A).

[16] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief

A proposed rule change filed pursuant to Rule 19b–4(f)(6) under the Act [17] normally does not become operative for 30 days after the date of its filing. However, Rule 19b–4(f)(6)(iii) [18] permits the Commission to 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. The Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest because, as the Exchange discussed above, its proposal is intended to facilitate the processing of post-trade information and mitigate any issues that may arise from the current post-electronic trade update process. Particularly, the Exchange believes that putting the proposed rule change into operation as soon as possible would assist floor brokers currently trading electronically to continue to use the Clearing Editor for post-trade adjustments while the Exchange's trading floor is inoperable due to the novel coronavirus.[19] As stated above, the Exchange believes that the proposed rule change would not impact TPHs nor raise any new or novel issues or processes for them, as they are able (when the Exchange floor is operable) to implement the same process for their open outcry trades, and have, up until recently,[20] been able to do so for their electronic executions. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.[21]

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–2020–027 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–2020–027.* 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–CBOE–2020–027 and

should be submitted on or before April 23, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[22]

J. Matthew DeLesDernier,

Assistant Secretary.

[FR Doc. 2020–06857 Filed 4–1–20; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–88501; File No. SR–IEX–2019–15]

Self-Regulatory Organizations; Investors Exchange LLC; Order Instituting Proceedings To Determine Whether To Approve or Disapprove a Proposed Rule Change To Add a New Discretionary Limit Order Type Called D-Limit

March 27, 2020.

I. Introduction

On December 16, 2019, the Investors Exchange LLC (''IEX'' or the ''Exchange'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Exchange Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to adopt a new order type, the Discretionary Limit or ''D-Limit.'' The proposed rule change was published for comment in the **Federal Register** on December 30, 2019.[3] On February 12, 2020, the Commission designated a longer period within which to approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.[4] This order institutes proceedings under Section 19(b)(2)(B) of the Exchange Act [5] to determine whether to approve or disapprove the proposed rule change.

II. Description of the Proposed Rule Change

IEX proposes to establish a new order type, called a Discretionary Limit order (''D-Limit''), which the Exchange explains ''is designed to protect liquidity providers, institutional

---

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 Exchange has satisfied this requirement.

[17] 17 CFR 240.19b–4(f)(6).

[18] 17 CFR 240.19b–4(f)(6)(iii).

[19] *See* Tradedesk Update No. C2020031204 (March 12, 2020) Novel Coronavirus Update, Trading Floor Closure.

[20] *See* Securities Exchange Act Release No. 87079 (September 24, 2019) 84 FR 51693 (September 30, 2019) (SR–CBOE–2019–062).

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

[22] 17 CFR 200.30–3(a)(12).

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 87814 (December 20, 2019), 84 FR 71997 (''Notice''). Comments on the proposed rule change can be found at *https://www.sec.gov/comments/sr-iex-2019-15/sriex201915.htm.*

[4] *See* Securities Exchange Act Release No. 88186 (February 19, 2020), 85 FR 9513.

[5] 15 U.S.C. 78s(b)(2)(B).