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–NYSEARCA–2022–55 and should be submitted on or before September 28, 2022.

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

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2022–19227 Filed 9–6–22; 8:45 am]
BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meetings

TIME AND DATE: 2:00 p.m. on Thursday, September 8, 2022.

PLACE: The meeting will be held via remote means and/or at the Commission’s headquarters, 100 F Street NE, Washington, DC 20549.

STATUS: This meeting will be closed to the public.

MATTERS TO BE CONSIDERED: Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters also may be present.

In the event that the time, date, or location of this meeting changes, an announcement of the change, along with the new time, date, and/or place of the meeting will be posted on the Commission’s website at https://www.sec.gov.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552(b)(3)(I), (5), (6), (7), (8), (9)(B) and (10) and 17 CFR 200.402(a)(3), (a)(5), (a)(6), (a)(7), (a)(8), (a)(9)(ii) and (a)(10), permit consideration of the scheduled matters at the closed meeting.

The subject matter of the closed meeting will consist of the following topics:

- Institution and settlement of injunctive actions;
- Institution and settlement of administrative proceedings;
- Resolution of litigation claims; and
- Other matters relating to examinations and enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting agenda items that may consist of adjudicatory, examination, litigation, or regulatory matters.

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

(Authority: 5 U.S.C. 552b.)

Dated: September 1, 2022.

Vanessa A. Countryman,
Secretary.

[FR Doc. 2022–19345 Filed 9–2–22; 11:15 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–95651; File No. 10–239]

In the Matter of the Application of 24X National Exchange LLC for Registration as a National Securities Exchange; Order Instituting Proceedings To Determine Whether To Grant or Deny an Application for Registration as a National Securities Exchange Under Section 6 of the Securities Exchange Act of 1934

September 1, 2022.

I. Introduction

On March 25, 2022, 24X National Exchange LLC (“24X” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a Form 1 application under the Securities Exchange Act of 1934 (“Act”), seeking registration as a national securities exchange, or such longer period as to which the applicant consents, to, by order, grant such registration or institute proceedings to determine whether such registration should be denied. This order is instituting proceedings under Section 19(a)(1)(B) of the Act to determine whether 24X’s application for registration as a national securities exchange should be granted or denied, and provides notice of the grounds for denial under consideration by the Commission, as set forth below.

As discussed further below, the commissioners stated that 24X’s application does not include sufficient information about several aspects of its proposed operation. One commissioner stated that the application “does not meet the legal and administrative requirements” under the Act. Another commissioner questioned whether “24X has the necessary structure and checks in place to protect investors and ensure a fair and orderly market” and stated that certain elements of 24X’s proposal were not sufficiently described and that additional information was required to evaluate the proposal. This commissioner stated that 24X “contemplates trading concepts that have not been tested within the U.S. equities markets” and that the application raises a number of questions “including how its new exchange will interact with the current trading ecosystem.”

Another commissioner stated that the 24X Form 1 should not be approved because the regulatory infrastructure necessary to support its proposed trading system does not yet exist.

Section 19(a)(1) of the Act requires the Commission, within ninety days of the date of publication of notice of an application for registration as a national securities exchange, or such longer period as to which the applicant consents, to, by order, grant such registration or institute proceedings to determine whether such registration should be denied.
II. Description of 24X’s Proposed Trading System

According to 24X’s Form 1, 24X proposes to operate a fully automated electronic trading platform for the trading of listed NMS stocks pursuant to unlisted trading privileges (“UTP”). 13 24X would not maintain a physical trading floor. 14 Liquidity would be derived from quotes as well as orders to buy and orders to sell submitted to 24X electronically by exchange members 15 from remote locations. 16 The Exchange proposes to operate an electronic limit order book with a continuous matching function. Orders resting on the book would be ranked in price/time priority. 17 24X proposes to accept buy and orders to sell submitted to 24X electronically by exchange members 15 to the CTA and Nasdaq UTP Plans). 18 Pursuant to proposed 24X Rule 11.21(d)(2), retail market makers would be required to provide continuous two-sided quotes of at least 100 shares during “Regular Trading Hours.” 26

As discussed further below, one novel feature of 24X’s proposed trading rules is that 24X proposes to allow trading in NMS stocks 24 hours a day, 7 days per week, 365 days a year. 27 24X has proposed specific rules to govern trading during regular trading hours 28 as well as trading outside of regular trading hours. 29

III. Proceedings To Determine Whether To Grant or Deny the Application and Grounds for Potential Denial Under Consideration

As required by Section 19(a)(1)(B) of the Act, 30 the Commission is hereby providing notice of grounds for denial under consideration, as set forth below. Institution of such proceedings is appropriate at this time in view of the issues raised by the application. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to any of the issues involved.

Under Section 19(a)(1) of the Act, the Commission shall grant an application for registration as a national securities exchange if the Commission finds that the requirements of the Act and the rules and regulations thereunder with respect to the applicant are satisfied. The Commission shall deny such application for registration if it does not make such a finding. 31 Under Section 6(b) of the Act, an exchange shall not be registered as a national securities exchange unless the Commission determines that it has satisfied the relevant requirements of the Act. 32 In particular, Section 6(b)(1) of the Act requires that the Commission find that an exchange is so organized and has the capacity to carry out the purposes of the Act. 33 In addition, under Section 6(b)(3) of the Act, the Commission must find that the rules of the exchange assure a fair representation of its members in the selection of its directors and administration of its affairs.

The Commission also is particularly interested in commenters’ views as to whether 24X has provided sufficient information in its Form 1 to support a finding that the proposal is consistent with the requirements of the Act and the rules and regulations thereunder. 37 In addition, the Commission is particularly interested in commenters’ views as to whether the proposed rules relating to the corporate structure of 24X, as described in more detail below, would ensure that 24X is so organized and has the capacity to carry out the purposes of the Act and assure a fair representation of its members in the selection of its directors and administration of its affairs.

The Commission also is particularly interested in commenters’ views as to whether 24X’s proposed rules that would extensively expand the hours of trading in NMS stocks, as described in more detail below, are designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, 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 mechanisms of a free and open market and a national market system, and in general to protect investors and the public interest. 35 Finally, under Section 6(b)(8) of the Act, the Commission must find that the rules of the exchange do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. 36

13 See Exhibit E of 24X’s Form 1 at 1, 4.
14 Id. at 1.
15 24X proposes to have one class of membership open to registered broker-dealers. See proposed 24X Rule 2.3 (stating that, “any registered broker or dealer that is and remains a member of a national securities association registered under Section 15A(a) of the Act or a member of another national securities exchange registered under Section 6(a) of the Act shall be eligible to be, and to remain, a Member.”).
16 See Exhibit E of 24X’s Form 1 at 1.
17 Proposed 24X Rule 11.8(a).
18 Proposed 24X Rule 11.7. See also Exhibit B–1 of 24X’s Form 1.
19 Proposed 24X Rule 11.8(d). See also Exhibit E–1 of 24X’s Form 1 at 4.
20 Proposed 24X Rule 11.6(q). See also Exhibit E–1 of 24X’s Form 1 at 4.
21 Proposed 24X Rule 11.6(q). See also Exhibit E–1 of 24X’s Form 1 at 4.
22 Proposed 24X Rule 11.11(a); see also Exhibit E to 24X Form 1 at 10 (stating that 24X intends to join the CTA and Nasdaq UTP Plans).
24 Proposed 24X Rule 11.17(a)(2) for the proposed definition of “retail organization member.”
25 See proposed 24X Rule 11.18 for the proposed registration requirements for retail market makers.
26 The term “Regular Trading Hours” is not defined in the proposed 24X rule book. See Exhibit B–1 to the 24X Form 1.
27 See proposed 24X Rule 11.11 (describing the hours of trading and trading days for 24X).
28 Regulation NMS Rule 600(b)(77) defines “regular trading hours” as “the time between 9:30 a.m. and 4:00 p.m. Eastern Time . . .” As described further below, 24X proposes to define four different trading sessions. See proposed 24X Rules 1.5(b), defining the “24X Market Session”; 1.5(k) defining the “Core Market Session”; 1.5(v) defining the “Post-market Session” and 1.5(w) defining the “Pre-Market Session.”
29 See e.g., proposed 24X Rule 11.16 describing what orders are eligible for execution outside of regular trading hours.
35 15 U.S.C. 78f(a)(1). See also NYSE Letter at 2 (“the application fails short in providing sufficient information upon which to assess how such innovations could function consistent either with the Act . . .”); Nasdaq Letter at 2; and Blue Ocean Letter at 2.
and open market and a national market system, and in general protect investors and the public interest.

Further, the Commission is particularly interested in commenters’ views as to whether 24X’s proposed rules to allow orders to be submitted in fractional shares are designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanisms of a free and open market and a national market system.

Additionally, the Commission is particularly interested in commenters’ views as to whether 24X’s proposal to locate a “mirrored” primary platform in London would result in 24X being so organized and have the capacity to be able to carry out the purposes of the Act and whether 24X’s rules relating to the mirrored platform are designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

A. Corporate Governance

1. 24X

24X is wholly-owned by its direct parent company, 24X US Holdings LLC (“US Holdings”), which in turn is wholly-owned by 24X Bermuda Holdings LLC (“Bermuda Holdings”). 24X is a Delaware limited liability company whose sole member is US Holdings. The proposed business and affairs of 24X will be managed under the direction of a Board that is proposed to have at a minimum six Directors once 24X commences operations as a national securities exchange. As proposed, the 24X Board would consist of:

- one Director who is the Chief Executive Officer of the Company;
- at minimum three “Independent Directors” 41; and
- the number of “Membership Representative Directors” 42 which shall be at least twenty percent of the Board, provided that if twenty percent of the Directors then serving on the Board is not a whole number, such minimum number of “Representative Directors” 43 shall be rounded up to the next whole number.

The 24X LLC Agreement also provides for “Public Directors” 44 although none are proposed to serve on the 24X Board.

The proposed Nominating Committee of 24X would nominate candidates for election to the 24X Board. For positions on the 24X Board requiring persons who qualify as Member Representative Directors, the proposed Nominating Committee would nominate only those persons whose names have been approved and submitted by the “Member Nominating Committee.” 46 Nominees to the 24X Board from both the proposed Nominating Committee and the proposed Member Nominating Committee would be elected on an annual basis by vote of U.S. Holdings. In the past, the Commission has stated that ensuring that at least 20% of an exchange’s governing board is comprised of directors that are chosen and elected by the exchange’s members helps to ensure the fair representation of members in the selection of directors and the administration of an exchange as required by Section 6(b)(3) of the Act. 48 The Commission has stated that this requirement helps to ensure that members have a voice in an exchange’s self-regulatory program, and that an exchange is administered in a way that is equitable to all those who trade on its market or through its facilities. 49 The Commission also has stated that a process whereby exchange members can directly nominate candidates for directors for an exchange board via a petition process also helps to ensure the fair representation of members, consistent with Section 6(b)(3) of the Act. 50

The Commission is considering whether the overall composition of the 24X Board, including the specific categories of Directors as defined in the 24X LLC Agreement, would enable 24X to be so organized and have the capacity to carry out the purposes of the Act consistent with Section 6(b)(1) of the Act. 51 As proposed, there are categories of Directors that are not defined in the 24X LLC Agreement. In addition, the Commission is considering whether the 24X Board composition fulfills the statutory requirement that one or more directors on the 24X Board is representative of issuers and investors and not associated with a member of the exchange, broker or dealer. 52 The Commission also is considering whether

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42 “Member Representative Director” is proposed to be defined as a Director “who has been elected or appointed to the Board from time to time in accordance with this Agreement after having been nominated by the Member Nominating Committee. A Member Representative Director must be an officer, director, or agent of an Exchange Member.” See Exhibit A–2 of 24X’s Form 1 at 1.

43 “Representative Directors” are not defined in the Limited Liability Company Agreement of 24X National Exchange LLC (“24X LLC Agreement”). 44 See Exhibit A–2 of 24X’s Form 1 at 2. “Public Directors” are not defined in the 24X LLC Agreement.

45 See Exhibit A–2 of 24X’s Form 1 at 7. “Public Directors” are not defined in the 24X LLC Agreement.

46 According to the proposed Nominating Committee Charter, the Nominating Committee shall consist of at least three members, or such greater number as determined by the Board, each of whom shall be an “Independent Director.” As such term is proposed to be defined in the Limited Liability Company Agreement of the Exchange. See Exhibit J–4 of 24X’s Form 1 at 1.

47 The “Member Nominating Committee” is defined to mean “the Member Nominating Committee elected pursuant to [the 24X Limited Liability Company Agreement].” See Exhibit A–2 of 24X’s Form 1 at 4. In the Member Nominating Committee Charter, the Member Nominating Committee shall consist of at least three members, or such greater number as determined by the Board, two of whom shall be Members, and one of whom shall be an ‘Independent Director,’ as such term is defined in the Limited Liability Company Agreement of the Exchange.” See Exhibit J–4 of 24X’s Form 1 at 1.

48 See Exhibit A–2 of 24X’s Form 1 at 9.

49, at 92903.

50 See e.g., MEMX Order, supra note 48, at 27452; LTSE Order, supra note 49, at 21843; and MIAX PEARL Order, supra note 49, at 92903.

51 15 U.S.C. 78f(b)(1)

52 See supra notes 43 and 44.


The Commission has approved in the past an exchange board composition that requires that the number of “Non-Industry Directors” equal the number of “Industry Directors” and directors that represent the exchange’s members. With respect to this compositional requirement, the Commission stated that this requirement strengthens an exchange’s ability to protect the public interest. See e.g., MEMX Order, supra note 48, at 27452; LTSE Order, supra note 49, at 21843; MIAX PEARL Order, supra note 49, at 92903.
the proposed process for nominating candidates for the Member Representative Directors positions on the 24X Board is consistent with the Section 6(b)(3) of the Act in light of the fact that 24X does not propose a process that would permit 24X Members to directly nominate such Member Representative Directors for election to the 24X Board.54

2. US Holdings, Bermuda Holdings and Regulation of 24X

US Holdings is a Delaware limited liability company whose sole member is Bermuda Holdings.55 As proposed, U.S. Holdings would be managed by, and all decisions on behalf of US Holdings would be made by, Bermuda Holdings.56 Generally, the members of Bermuda Holdings include holders of “Preferred Units” 57 (which are further divided into “Series A Units” and “Series Seed Units”),58 “Common Units” 59 and “Non-Voting Units”.60 Members with voting rights, or “Voting Units,” include Common Units and Preferred Units except Series Seed-2 Units, which are a sub-category of Series Seed Units.61 Each Voting Unit shall have one vote.62

If 24X’s application for registration as a national securities exchange is granted, 24X would have all of the attendant regulatory obligations of a national securities exchange under the Act. In particular, 24X would be responsible for the operation and regulation of its exchange and the regulation of its members. Therefore, the Commission is considering whether US Holdings’ and Bermuda Holdings’ activities with respect to the operation of 24X are consistent with, and do not interfere with, 24X’s self-regulatory obligations.63 In making this determination previously, the Commission has considered whether the governing documents of an exchange’s parent company are designed to facilitate the ability of the exchange to fulfill its statutory obligations and their impact on Commission oversight of the exchange.64 For the reasons discussed below, the Commission is considering whether US Holdings and Bermuda Holdings are organized in such a way as to enable 24X to fulfill its statutory obligations as a national securities exchange under Section 6(b) of the Act.65

Ownership Structure: Voting and Ownership Concentration Limits. The Commission is considering whether the corporate documents of 24X’s holding companies, which are US Holdings and Bermuda Holdings, contain ownership and voting provisions that are designed to prevent the holding companies, or any party to the holding companies, from exercising undue control over the operation of 24X, and to ensure that 24X and the Commission are able to carry out their regulatory obligations under the Act.66

For example, among other things, the Commission has approved applications for registration as a national securities exchange where the governing documents of the holding companies of the exchange provide that for so long as the holding companies shall control, directly or indirectly, the exchange, no person, either alone or together with its related persons will be permitted to beneficially own, directly or indirectly, more than 40% of the holding company.67 The Commission stated that such ownership concentration provisions are consistent with the Act because they are designed to prevent any party holding an interest in the holding companies from exercising undue control over the operation of the exchange and to ensure that the exchange and the Commission are able to carry out their regulatory obligations under the Act.68 The Commission has approved provisions setting ownership limitations for all national securities exchanges.69

The Commission also has approved more restrictive conditions for broker-dealer members of an exchange applicant; specifically, the Commission has approved requirements for holding companies of exchanges that prohibit a broker-dealer member of the exchange from beneficially owning, directly or indirectly, either alone or together with their related persons, more than 20% of voting interest in the exchange applicant.70 The Commission stated that such ownership limitations on broker-dealer members of an exchange applicant are appropriate because they are designed to address the conflicts of interest that might result from a member of a national securities exchange owning...
interests in the exchange. The Commission also has previously stated that a member’s ownership interest in an entity that controls an exchange could become so large as to cast doubt on whether the exchange may fairly and objectively exercise its self-regulatory responsibilities with respect to such member. The Commission stated that such requirements are designed to minimize the potential that a person or entity can improperly interfere with or restrict the ability of the exchange to effectively carry out its regulatory oversight responsibilities under the Act. The Commission has approved provisions setting membership ownership limitations for all national securities exchanges.

In addition, the Commission has previously approved voting limitations in the corporate documents of the holding companies of exchanges that provide that no person, alone or together with its related persons, may, directly, indirectly, or pursuant to any agreement, vote or cause the voting of voting interests in the exchange, or give any consent or proxy with respect to voting units in the exchange representing more than 20% of the voting power of the exchange. Similar to the ownership concentration limits, the Commission stated that such voting concentration limits are a way to minimize the potential that a person or entity can improperly interfere with or restrict the ability of the exchange to effectively carry out its regulatory oversight responsibilities under the Act.

The Commission is considering whether 24X is so organized and has capacity to carry out the purposes of Section 6(b)(1) of the Act without undue influence by US Holdings and Bermuda Holdings. Further, the Commission is considering whether 24X retains a sufficient degree of independence to effectively carry out its regulatory obligations under the Act. Similarly, the Commission is considering whether 24X does not propose to include any ownership or voting limitations on 24X members that might have or acquire an ownership interest in US Holdings and Bermuda Holdings, the Commission is considering whether the Limited Liability Company Agreement of 24X US Holdings LLC and the Amended and Restated Limited Liability Company Agreement of 24X Bermuda Holdings LLC contain mechanisms to ensure that should a member of 24X own Voting Units, such ownership would not interfere with 24X’s ability to be so organized and have the capacity to carry out the purposes of Section 6(b)(1) of the Act without undue influence by such member.

Regulatory Independence of 24X and Oversight of 24X. In order to be granted registration as a national securities exchange, 24X must be able to carry out its regulatory responsibilities under, and operate in a manner consistent with, the Act. This requires 24X to have the ability to carry out its regulatory function independently, and to be organized and operate in a fashion consistent with, the Act, particularly with Section 6(b)(1) of the Act, which requires, in part, an exchange to be so organized and have the capacity to carry out the purposes of the Act. Although neither US Holdings nor Bermuda Holdings would themselves carry out 24X’s regulatory functions or be directly overseen by the Commission, as direct and indirect owners of 24X, the activities and actions of US Holdings and Bermuda Holdings with respect to the operation of 24X must be consistent with, and must not interfere with, 24X’s regulatory obligations as a national securities exchange. Therefore, the Commission is considering whether the corporate documents of US Holdings and Bermuda Holdings contain provisions that are designed to help ensure that the independence of the regulatory function of 24X and oversight of 24X by the Commission.

The Commission has granted the registration of national securities exchanges that have holding company structures. As part of the Commission’s analysis of a holding company structure proposed by an exchange, the Commission has considered and approved provisions in the exchange’s holding companies’ corporate documents that are designed to help ensure that the holding companies of an exchange will enable the exchange to operate in a way that facilitates the exchange’s ability to carry out its regulatory function independently, and to be organized and operate in a fashion that is consistent with the Act, particularly with Section 6(b)(1) of the Act, which requires, in part, an exchange to be so organized and have the capacity to carry out the purposes of the Act. Such provisions generally address:
Giving Due Regard to a National Securities Exchange’s Self-Regulatory Obligations. A commitment that requires the directors, officers, employees and agents of exchange holding companies to give due regard to the preservation of the independence of the self-regulatory function of the exchange and its obligations to investors and the general public.83

Compliance with Federal Securities Laws. A provision that requires exchange holding companies and their officers, directors, employees, and agents to comply with the federal securities laws and the rules and regulations promulgated thereunder and agree to cooperate with the Commission and the exchange in respect of the Commission’s oversight responsibilities.84

Submission of Jurisdiction. A provision that requires exchange holding companies and their officers, directors, employees, and agents to submit to the jurisdiction of the U.S. federal courts, the Commission, and the exchange, for purposes of any suit, action or proceeding arising out of, or relating to, the exchange’s activities.85

Books and Records of a National Securities Exchange Reflecting Confidential Information. A provision that requires all books and records of an exchange reflecting confidential information pertaining to the self-regulatory function of the exchange to be retained in confidence by the exchange and its personnel, directors, officers, employees, and agents, and will not be used by the exchange for any non-regulatory purposes and shall not be made available to any person other than to personnel of the Commission, or to other personnel under specified conditions.86 Similar provisions regarding the treatment of confidential information pertaining to the self-regulatory function of the exchange apply to the holding companies of an exchange, including the directors, officers, employees, and agents of the holding companies.87

Books and Records of the Holding Companies. A provision that requires the books and records of exchange holding companies to be maintained in the United States and, to the extent they are related to the operation or administration of the exchange, the holding companies’ books and records will be subject at all times to inspection and copying by the Commission and the exchange, for purposes of, and subject to oversight pursuant to, the Act.88

Consent to Provisions by Holding Company Officers, Directors, Employees and Agents. A provision that requires exchange holding companies to take reasonable steps necessary to cause its officers, directors, employees, and agents, prior to accepting a position with the holding companies to consent in writing to the applicability of the provisions discussed above, with respect to their activities related to the exchange.89

Changes to Holding Company Constituting Documents to be Filed with the Commission. A provision that requires exchange holding companies’ corporate documents to provide that so long as the holding companies control the exchange, any changes to the holding companies’ constituting documents must be submitted to the exchange governing board for approval, and, if such change is required to be filed with the Commission pursuant to Section 19(b) of the Act and the rules and regulations thereunder, such change shall not be effective until filed with and effective by operation of law, or filed with and approved by the Commission.90

The Commission is considering whether US Holdings and Bermuda Holdings are proposed to be organized in a way that would help maintain the independence of the regulatory function of 24X and foster the oversight of the exchange by the Commission. 24X has not adopted any of these provisions in the Amended and Restated Limited Liability Company Agreement of 24X Bermuda Holdings LLC.91 Therefore, the Commission is considering whether the structure of 24X and its parent companies helps to ensure the independence of 24X’s regulatory function. Further, the Commission is considering whether the structure of 24X and its parent companies helps to ensure that 24X can carry out its regulatory responsibilities under, and operate in a manner consistent with, the Act. Specifically, the Commission is considering whether the proposed structure is consistent with Section 6(b)(1), which requires, in part, that an exchange be so organized and have

83 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article III, Section 3.5(a)(ii); LTSE Group Inc. Bylaws, Article X, Section 10.1; Miami Holdings Bylaws, Article VII, Section 1.
84 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article XI, Section 11.3(b); LTSE Group Inc. Bylaws, Article X, Section 10.4; Miami Holdings Bylaws, Article VII, Section 4. The holding companies also must take reasonable steps necessary to cause its officers, directors, employees and agents to so cooperate. Id.
85 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article XV, Section 15.12(b); LTSE Group Inc. Bylaws, Article X, Section 10.5; Miami Holdings Bylaws, Article VII, Section 5.
86 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article XV, Section 15.12(b); LTSE Group Inc. Bylaws, Article X, Section 10.5; Miami Holdings Bylaws, Article VII, Section 5.
87 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article XII, Section 12.2(b); LTSE Group Inc. Bylaws, Article X, Section 10.3; Miami Holdings Bylaws, Article VII, Section 3.
88 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article XI, Section 11.4; MIAX Pearl Bylaws, Article X, Section 10.4.
89 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also Second Amended and Restated Limited Liability Company Agreement of MEMX LLC, Article XIII, Section 13.1; LTSE, Inc. Bylaws, Article XI, Section 11.4; MIAX Pearl Bylaws, Article X, Section 10.4.
90 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article XII, Section 12.2(c); LTSE Group Inc. Bylaws, Article X, Section 10.2; Miami Holdings Bylaws, Article VII, Section 2.
91 See e.g., MEMX Order, supra note 48, at 27456; LTSE Order, supra note 49, at 21846; and MIAX Pearl Order, supra note 49, at 92906. See also MEMX Holdings LLC Agreement, Article XV, Section 15.9(a); LTSE Certificate, Article IX, Section (A)1 and LTSE Bylaws, Article IX, Miami Holdings Certificate, Article VIII and Miami Holdings By-Laws, Article XII, Section 1. This requirement is critical as it helps to ensure Commission oversight and approval, as appropriate, for any changes to an exchange holding company corporate documents.
92 See Amended and Restated Limited Liability Company Agreement of 24X Bermuda Holdings LLC and the Limited Liability Company Agreement of 24X US Holdings LLC.
the capacity to carry out the purposes of the Act.93

B. 24X Trading Sessions

24X proposes to offer significantly expanded trading outside of regular trading hours for NMS stocks by operating a national securities exchange 24 hours a day, seven days a week, 365 days a year, including holidays.94 24X proposes to offer four trading sessions—a "Core Market Session" that corresponds with regular trading hours of 9:30 a.m. to 4:00 p.m. Eastern time; a "Post-Market Session" that would run from 4:00 p.m. to 8:00 p.m. Eastern time on each U.S. business day; a "Pre-Market Session" that would run from 4:00 a.m. to 9:30 a.m. Eastern time on each U.S. business day; and a "24X Market Session" that would run from 8:00 p.m. to 4:00 a.m. Eastern time on each U.S. business day, and any time that falls on weekends and holidays.95 While several exchanges offer a pre-market trading session starting as early as 4:00 a.m. Eastern time on each U.S. business day,96 and most exchanges offer a post-close trading session until 8:00 p.m. Eastern time on each business day,97 the Commission has not previously considered the potential issues arising from an exchange application that expands the trading hours for continuous trading as 24X proposes.

1. Exchange Trading Hours

24X refers to the proposed Core Market Session, Pre-Market Session and Post-Market Session collectively in its proposed rules as "Exchange Trading Hours."98 24X proposes to permit orders to be entered, canceled, modified, executed on or routed away from the Exchange during Exchange Trading Hours.99 Orders outstanding at 7:59:59 p.m. Eastern Time each business day would be automatically cancelled.100 24X proposes to permit trading in fractional shares in round lots, odd lots, or mixed lots.101 Market Orders 102 and pegged orders 103 would be accepted only during the Core Market Session, while limit orders would be accepted during Exchange Trading Hours and the 24X Market Session, as discussed below.104

2. 24X Market Session

24X proposes to apply some, but not all, of its rules that would apply during Exchange Trading Hours to trading that would occur during the 24X Market Session.105 For example, market orders 106 and pegged orders 107 would be prohibited from the 24X Market Session. Limit orders 108 which would be allowed during the 24X Market Session, would be required to have one of the following time-in-force ("TIF") instructions: immediate or cancel ("IOC"),109 fill-or-kill ("FOK")110 or Day+.111 In addition, the proposed rules would permit orders to be entered, canceled, modified or executed on the Exchange, but not routed away, during the 24X Market Session.112 While the proposed rules would impose continuous two-sided quoting obligation on retail market makers during "Regular Trading Hours,"113 the proposed rules would establish no analogous market making obligation during the 24X Market Session.

While 24X proposes to join the CTA/CQ and UTP Plans, the 24X proposal does not address how real-time consolidated dissemination of quotation information and transaction reporting could be available during the 24X Market Session because currently, the CTA/CQ and UTP Plans do not operate during the times that cover the proposed 24X Market Session. One commenter stated that the exclusive SIPs do not operate during the 24X Market Session.

...
subtracted from the Reference Price to calculate the Lower 24X Price Band.\footnote{121} If an order entered during the 24X Market Session falls outside of the 24X Price Bands, 24X proposes to identify three distinct Members that have at least 100 shares in the relevant security priced at the applicable end of the 24X Price Bands and consult with these Members as to whether the 24X Price Bands should be adjusted.\footnote{122} In the event that 24X is unable to find such Members, or 24X and the Members determine that the 24X Price Bands should not change, the order that triggered the review will be represented at the Upper 24X Price Band or Lower 24X Price Band, as appropriate.\footnote{123} One commenter expressed concern with the proposed 24X volatility monitors, stating that it is not clear how well the mechanism would work, especially during periods of extreme market volatility or material newsworthy events. Commenters also raised concerns about how 24X would implement regulatory trading halts and pauses.\footnote{125} 24X’s proposal to provide for continuous trading on an exchange outside of regular trading hours raises a number of issues, many of which have been considered previously in the context of pre-market and post-market trading sessions. In particular, these include the need for heightened disclosures and consolidated last sale and quotation information in the after-hours market, as well as the associated increased trading risks of after-hours trading, including, among other things, greater price volatility, reduced liquidity, wider spreads, and fewer investor protections, have been raised before.\footnote{126} As other exchanges have proposed expanded trading hours to include pre-market and post-market sessions, the Commission has approved such expansion where certain safeguards were implemented to mitigate these concerns.\footnote{127} Such safeguards include, among other things, specific disclosures to investors of heightened risks of after-hours trading,\footnote{128} establishing risk and volatility moderators and a corresponding expansion of the operational hours of the SIPs,\footnote{129} to help ensure the availability of consolidated last sale and quotation information. The Commission is considering whether the 24X proposal to operate as an exchange that permits continuous trading is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and in general protect investors and the public interest, particularly given the lack of transparency during the 24X Market Session. Specifically, the SIPs currently do not operate during the hours the 24X Market Session is proposed to occur and therefore quotation and last sale information, including the calculation of an NBBO, would not be available during the 24X Market Session. The Commission is evaluating whether the absence of consolidated market information during the 24X Market Session is consistent with Section 6(b)(5) of the Act.\footnote{130} The Commission is considering whether 24X’s proposed investor disclosures,\footnote{131} which mirror those made available by other exchanges,\footnote{132} are sufficient to highlight the what appear to be unique risks associated with continuous trading during the 24X Market Session. Specifically, the Commission is evaluating whether these disclosures, currently used for exchange open market and post-market trading sessions, sufficiently inform investors of the greater potential risks associated with the significantly expanded after-hours trading that 24X proposes for its 24X Market Session.

Next, the Commission is considering whether the rules proposed by 24X to address certain risks associated with trading during the 24X Market Session are consistent with the Act. First, certain mechanisms that address volatility in individual symbols and the equities market as a whole are not available during the after-hours sessions.\footnote{133} The Commission is considering whether the 24X proposal to mitigate these concerns about whether the 24X proposal to operate as an exchange that permits continuous trading is consistent with Section 6(b)(5) of the Act. Second, 24X proposes to impose on the Commission has expressed no view regarding the analysis, findings, or conclusions contained herein.\footnote{137}

\footnote{121}{Proposed 24X Rule 11.15(f).}
\footnote{122}{Id.}
\footnote{123}{Id.}

\footnote{124}{See Blue Ocean Letter at 4. The commenter also stated that 24X’s proposal is silent on the actual mechanics for initiating and ending trading halts and does not explain how clearance and settlement of trades made before or during a halt would occur. See id. Further, the commenter states that no explanation is given as to how corporate actions would be treated. See id., at 5.}

\footnote{125}{See Blue Ocean Letter at 4 and Nasdaq Letter at 4 (“the Application does not sufficiently explain how 24X will coordinate with primary listing exchanges to implement regulatory trading halts and pauses during the entirety of the 24X Trading Session”).}


\footnote{127}{See, e.g., Securities and Exchange Act Nos. 77607 (April 13, 2016) 81 FR 23032 (April 19, 2016) (Order Approving Proposed Rule Change, as Modified by Amendment No. 1 Thereto, To Adopt an Early Trading Session and Three New Time-In-Force Instructions), at 23034; 42003 (October 13, 1999) 64 FR 56554 (October 20, 1999) (Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 by National Association of Securities Dealers, Inc. Regarding to the Extension of Certain Nasdaq Services and Facilities Until 6:30 p.m. Eastern Time); 42004 (October 13, 1999) 64 FR 56548 (October 20, 1999) (Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of Proposed Rule Change and Amendment Nos. 1 and 2 by the Chicago Stock Exchange Relating to the Implementation of an Extended Hours Trading Session).}

\footnote{128}{See, e.g., FINRA Rule 2265, Investors Exchange Rule 3.290, Nasdaq Section 20.}

\footnote{129}{The SIPs, which collect, consolidate and disseminate consolidated data, including the NBBO, in the equity market are currently governed by (1) the Consolidated Tape Association Plan ("CTA Plan"), (2) the Consolidated Quotation Plan ("CQ Plan"), and (3) the Joint Self-Regulatory Organization Trading Governance, the Commission, and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges on an Unlisted Trading Privileges Basis ("UTP Plan ").}

\footnote{130}{One commenter states that 24X has not sufficiently analyzed how the Exchange would comply with certain Commission rules and interact with other exchanges when the SIPs are not operating. See supra note 128. The commenter “encouraged” the Commission to consider the potential risks resulting from the absence of a real-time NBBO. See id. Further, the commenter states that the 24X proposal would not allow for technical changes that typically take place during pauses in the trading day. See id., at 3.}

\footnote{131}{Proposed 24X Rule 3.21}

\footnote{132}{See supra note 128.}

\footnote{133}{Specifically, Limit Up—Limit Down trading pauses and market wide circuit breakers are unavailable during after-hours trading.}

\footnote{134}{Continued}
similar to requirements imposed by other exchanges.\textsuperscript{135} The Commission is evaluating whether such proposed risk management controls and supervisory procedures, which appear to be based on requirements that were established for the current trading hours and environment are sufficient during the 24X Market Session or whether additional mechanisms would be needed. The Commission is also considering how the relevant clearing agencies for equities, the National Securities Clearing Corporation (“NSCC”) and the Depository Trust Company, would address any potential credit, market, and liquidity risks associated with trades submitted by the Exchange when the markets, banks, Fedwire, and any providers of settlement services are closed for business.\textsuperscript{136} The Commission is considering whether the 24X proposal would permit risk to be managed in a manner consistent with the requirements of Section 6(b)(5) of the Act that an exchange’s rules be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general protect investors and the public interest.

Further, the Commission is considering other issues raised by commenters about 24X’s proposal to substantially extend exchange trading hours. Commenters raise concerns about whether 24X’s proposal is consistent with the requirements of Section 6(b)(5) of the Act that an exchange’s rules be designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general protect investors and the public interest.

A commenter stated that the 24X proposal does not address how 24X will handle the elimination of natural trading pauses when corporate actions, such as stock splits, dividends, mergers and SPAC combinations typically occur at the end of the trading day.\textsuperscript{144} The commenter also stated that the 24X proposal does not adequately explain how 24X will pause trading to allow for critical exchange, industry, and systems tests that are typically performed when the exchange is not operating.\textsuperscript{145}

1. Fractional Shares

24X proposes to permit orders to be submitted in round lots, mixed lots or odd-lots. Orders are proposed to be submitted in as small as 1/1,000th of a share.\textsuperscript{146} 24X’s proposal does not describe how trading in fractional shares would occur. Trading in fractional shares on an exchange raises issues relating to trade reporting,\textsuperscript{147} custody, clearance \textsuperscript{148} and settlement, and quote display. The Commission is considering whether 24X’s proposal to accept orders and offer trading in fractional shares in units as small as 1/1,000th of a share is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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, consistent with Section 6(b)(5) of the Act.

Three commenters raised concerns over 24X’s proposal to allow for trading in fractional shares. Three commenters stated that 24X’s proposal does not sufficiently explain how trading in fractional shares would function.\textsuperscript{149} One commenter stated that it is unclear from 24X’s proposal how trading in fractional shares will comply with certain relevant
Commission rules. Two commenters also stated that the 24X proposal has not adequately described how fractional share trading would operate in connection with the SIPs, or how fractional shares would clear, settle, and route to other markets that do not allow fractional share trading. One commenter stated that because 24X’s proposed rules require all transactions to be cleared using a continuous net settlement system, and because NSCC is not available for either after-hours trading or trading in fractional shares, 24X will not be able to provide after-hours trading and trading in fractional shares while also complying with its own rules regarding clearing and settlement. Therefore, the commenter states that if 24X were approved as a national securities exchange, it would immediately be in violation of Section 19(g) of the Act.

C. Sufficiency of Exhibits—Regulatory Funding

1. Exhibit I

To help ensure that 24X has and would continue to have adequate funding to be able to meet its responsibilities under the Act, 24X represents that, if the Commission approves 24X’s application for registration as a national securities exchange, US Holdings, as the controlling owner of the membership interests in the Exchange, would allocate sufficient assets to 24X to enable 24X’s operation. Specifically, 24X represents that the US Holdings will make a cash contribution to 24X of $5,000,000, “in addition to any previously-provided in-kind contributions, such as legal, regulatory, and infrastructure-related services.”

24X also represents that such cash and in-kind contributions from the US Holdings will be adequate to operate 24X, including the regulation of the Exchange, and that 24X and the US Holdings have entered into an agreement that requires the US Holdings to provide adequate funding for the Exchange’s operations, including the regulation of the Exchange. 24X represents this agreement provides that (1) the Exchange shall receive all fees, including regulatory fees and trading fees, payable by the Exchange’s members, as well as any funds received from any applicable market data fees and tape revenue, and (2) US Holdings will provide the Exchange with cash, cash equivalents, securities or other sufficiently liquid instruments sufficient to help ensure that the Exchange’s financial resources (calculated as assets in excess of liabilities) remain greater than $5 million.

Further, any revenues received by the Exchange from fees derived from its regulatory function or regulatory fines will not be used for non-regulatory purposes or distributed to the US Holdings, but rather, shall be applied to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities), or, as the case may be, shall be used to pay restitution and disgorgement of funds intended for customers (except in the event of liquidation of the Exchange, which case US Holdings will be entitled to the distribution of the remaining assets of the Exchange).

The Commission is considering whether 24X has satisfied the requirements to file certain exhibits included in 24X’s Form 1. In its Form 1 application, 24X states that it is not filing audited financial statements for itself as the applicant, as required under Exhibit I, because “24X National Exchange LLC has been formed but has not commenced operations and does not yet have audited financial statements for any fiscal year.” Further, in the Exhibit I, 24X represents that US Holdings “shall make prior to the launch of the Exchange, through its U.S. bank account, a cash contribution to the Exchange of $5 million, in addition to any previously provided in-kind contributions, such as legal, regulatory, and infrastructure-related services.” However, as discussed further below, 24X has not explained or otherwise shown how the financial statements filed for the US Holdings under Exhibit D reflect that US Holdings has or will have sufficient funds to provide 24X with such cash contributions.

2. Exhibit D

Exhibit D requires that the applicant file unconsolidated financial statements for each subsidiary or affiliate for the latest fiscal year. Such financial statements must include a balance sheet and income statement “with such footnotes and other disclosures as are necessary to avoid rendering the financial statements misleading.” In the US Holdings balance sheet filed under Exhibit D, total assets are reported as negative $439.162 It is unclear as to what this number signifies, as assets generally cannot be below $0. Further, this negative $439 is not reflected in the financial statements of other subsidiaries. The financial statements filed by 24X do not include accompanying footnotes or disclosures that explain these discrepancies.

Moreover, while in Exhibit I 24X states that US Holdings “shall make prior to the launch of the Exchange, through its U.S. bank account, a cash contribution to the Exchange of $5 million, in addition to any previously provided in-kind contributions, such as legal, regulatory, and infrastructure-related services,” the Commission is considering whether the financial statements filed for US Holdings under Exhibit D show US Holdings has the financial resources to make a $5 million U.S. Dollar cash infusion, as 24X states, such that the Exchange would be organized and have the capacity to carry out the purposes of the Act, including the ability to enforce compliance by its members, and persons associated with its members, with the federal securities laws and rules thereunder and the rules of the exchange.

In addition, the Commission is considering whether the financial statements for the US Holdings filed under Exhibit D for the Form 1 show that US Holdings would be able to provide the financial support that 24X describes in its Form 1. In its Form 1 application, 24X states that it is not filing audited financial statements for itself as applicant, as required under Exhibit I, because “24X National Exchange LLC has been formed but has not commenced operations and does not yet have audited financial statements for any fiscal year.” Moreover, 24X further states that, “[i]f the Commission approves the Exchange’s Form 1 Application for Registration as a national securities exchange, 24X US
Holdings LLC ("Parent"), as the controlling owner of the membership interests in the Exchange, will allocate sufficient assets to the Exchange to enable its operation.”165 Given the applicant’s stated reliance on US Holdings for sufficient financial support to enable its operation, the Commission is considering whether the unaudited financial statements filed for the applicant’s parent, US Holdings, show that the Exchange would be organized and have the capacity to carry out the purposes of the Act, including the ability to enforce compliance by its members, and persons associated with its members, with the federal securities laws and rules thereunder and the rules of the exchange.

D. Location of Exchange Trading Platform

24X proposes to locate its primary trading platform in the Equinix data center located in New York ("NY4"). 24X also proposes to locate a "mirrored" primary platform in London ("LD4").166 24X did not describe how the LD4 platform would operate along with the platform in NY4. The Commission is considering whether the proposal is consistent with the requirements under Section 6(b)(1) of the Act, which among other things, requires the exchange to be so organized and have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its members and persons associated with its members, with provisions of the Act. The Commission also is considering whether the proposal is consistent with Section 6(b)(5) of the Act, which requires the rules of the exchange to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged with regulating, clearing, settling, processing, information with respect to and facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system.

One commenter expressed concern over this aspect of 24X’s proposal.167 The commenter stated that no other U.S. exchange operates a mirrored primary U.S. trading platform outside of the United States and stated that 24X does not explain this structure in its proposal.168 Further, the commenter stated that the Commission should consider the proposed structure’s jurisdictional and operational implications and whether such a structure “would open the door to foreign markets to operate mirrored markets within the United States.”169

IV. Request for Written Comment

The Commission requests that interested persons provide written views and data with respect to 24X’s Form 1 and the questions included above or other relevant issues. 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 10–239 on the subject line.

Paper Comments

- Send paper comments in triplicate to Cboe Exchange, Inc., 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to File Number 10–239. 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/other.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to 24X’s Form 1 filed with the Commission, and all written communications relating to the application 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. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Number 10–239 and should be submitted on or before September 28, 2022.

By the Commission.

J. Matthew DeLosDernier,
Deputy Secretary.
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SECURITIES AND EXCHANGE COMMISSION


Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Rule Relating to Minimum Market-Maker Quote Size

August 31, 2022.

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 August 25, 2022, 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 Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act3 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 its Rule relating to minimum Market-Maker quote size. The text of the proposed rule change is provided below.

(additions are italicized; deletions are [bracketed])

* * * *

Rules of Cboe Exchange, Inc.
* * * *

Rule 5.52. Market-Maker Quotes

(a) No change.

(b) Size. A Market-Maker’s bid (offer) for a series must be accompanied by the minimum number of contracts determined by the Exchange on a class-by-class basis, and if the Exchange determines on a premium basis and/or expiration basis for series with expirations (1) no more than one week, (2)


165 Id.
166 See Exhibit E–1 of 24X’s Form 1 at 1.
167 See Nasdaq Letter at 4.
168 Id.
169 Id.