personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–CboeBZX–2017–008 and should be submitted on or before January 8, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[20]

Robert W. Errett,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–82306; File No. SR–CboeEDGX–2017–002]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule 11.8, Order Types

December 12, 2017.

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 November 29, 2017, Cboe EDGX Exchange, Inc. (''EDGX'' or the ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a ''non-controversial'' proposed rule change pursuant to Section 19(b)(3)(A) of the Act[3] and Rule 19b–4(f)(6) thereunder,[4] which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to amend paragraph (b) of Exchange Rule 11.8, Order Types, to restrict the Time-In-Force (''TIF'') instruction that a Limit Order with both a Display[5] instruction and Primary Peg[6] instruction that also includes a Primary Offset Amount (defined below) may have to Regular Hours Only (''RHO'')[7] or Day[8] if entered during Regular Trading Hours.[9]

The text of the proposed rule change is available at the Exchange's website at *www.markets.cboe.com,* at the principal office of the Exchange, 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 parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend paragraph (b) of Exchange Rule 11.8, Order Types, to restrict the TIF instruction that a Limit Order with both a Display instruction and Primary Peg instruction and a Primary Offset Amount may have to RHO or, if entered during Regular Trading Hours, a TIF of Day. Exchange Rule 11.8(b)(9) allows for a Limit Order to include a Primary Peg instruction. Exchange Rule 11.6(j)(2) describes the Primary Peg instruction as an order with instructions to peg to the National Best Bid (''NBB''), for a buy order, or the National Best Offer (''NBO''), for a sell order. A User[10] may, but is not required to, elect an offset equal to or greater than one Minimum Price Variation above or below the NBB or NBO that the order is pegged to (''Primary Offset Amount''). The Primary Offset Amount for an order with Primary Peg instruction that is to be displayed on the EDGX Book must result in the price of such order being inferior to or equal to the inside quote on the same side of the market.

Exchange Rule 11.8(b)(2) sets forth the TIF instructions that may be attached to a Limit Order. Some available TIF instructions enable a Limit Order to expire at a time past the end of Regular Trading Hours at 4:00 p.m. Eastern Time. These TIF instructions are Good-'til Extended Day (''GTX''), Good-'til Day (''GTD''), Pre-Opening Session 'til Extended Day (''PTX''), and Pre-Opening Session 'til Day (''PTD'').[11] The System automatically defaults the Limit Order to include a TIF instruction of Day if the User does not select a different TIF instruction.[12]

The Exchange has observed that Limit Orders with a Primary Peg instruction displayed on the EDGX Book with non-aggressive Primary Offset Amounts and similar orders entered on away exchanges that remain active after the end of Regular Trading Hours may be pegged to and repriced off of each other during extended hours trading when no other reference price is available due to orders expiring or being cancelled at 4:00 p.m. Eastern Time. The following example illustrates this scenario. Assume the NBBO is $0.00 by $0.00. Market Maker 1 enters an order on Exchange A to buy 100 shares at $10.00 resulting in a new NBBO of $10.00 by $0.00. Market Maker 2 sends a Displayed Primary Peg order to Exchange B to buy 100 with a −$0.01 Primary Offset Amount. That order is posted on Exchange B at $9.99. Market Maker 3 then also sends a Displayed Primary Peg order to Exchange C to buy 100 with a −$0.01 Primary Offset Amount. That order is posted on Exchange C at $9.99. The NBBO remains $10.00 by $0.00. Market Maker 1 cancels their order to buy 100 shares at $10.00. The NBBO is now $9.99 by $0.00. Exchange B re-prices Market Maker 2's Displayed Primary Peg order to buy to $9.98, one cent below Market Maker 3's Displayed Primary Peg order on Exchange C. The NBBO is now $9.98 by $0.00. Exchange C then re-prices Market Maker 3's Displayed Primary Peg order to buy to $9.97, one cent below Market Maker 2's Displayed Primary Peg order on Exchange B. In the absence of new additional liquidity being entered at the NBB, each order would continue to be re-priced off each other until each reach $0.00.[13]

[20] 17 CFR 200.30–3(a)(12) and (59).

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

[2] 17 CFR 240.19b–4.

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

[4] 17 CFR 240.19b–4(f)(6).

[5] *See* Exchange Rule 11.6(e)(1).

[6] *See* Exchange Rule 11.6(j)(2).

[7] *See* Exchange Rule 11.6(q)(6) (defining a TIF of RHO as an instruction a User may attach to an order designating it for execution only during Regular Trading Hours).

[8] *See* Exchange Rule 11.6(q)(2) (defining a TIF of Day as an instruction a User may attach to an order stating that an order to buy or sell which, if not executed, expires at the end of Regular Trading Hours).

[9] Regular Trading Hours is defined as the time between 9:30 a.m. and 4:00 p.m. Eastern Time. *See* Exchange Rule 1.5(y).

[10] *See* Exchange Rule 1.5(ee).

[11] *See* Exchange Rule 11.6(q) (defining each of these TIF instructions).

[12] *See* Exchange Rule 11.8(b)(2).

[13] While this behavior may occur in less liquid securities during Regular Trading Hours, the Exchange has only witnessed this occurring after the close of trading, on only one occasion, and not with the use of any other pegged order type or

To prevent this from occurring, the Exchange proposes to restrict the TIF instruction that a Limit Order with both a Display instruction and Primary Peg instruction that include [sic] a Primary Offset Amount may have to RHO, or, if entered during Regular Trading Hours, a TIF instruction of Day. Doing so would cause Displayed Primary Peg orders resting on the EDGX Book to be eligible for execution from 9:30 a.m. to 4:00 p.m. Eastern Time. Limiting the TIF instructions to RHO and Day only for Displayed Primary Peg orders with Primary Offsets Amounts would ensure that these orders are eligible for execution during Regular Trading Hours, which is the most liquid portion of the trading day, thereby significantly decreasing the possibility that such orders may re-price off similar orders entered on away exchanges in the absence of additional liquidity at the NBB or NBO. The proposed rule change would cause Displayed Primary Peg orders with Primary Offset Amounts to expire at the end of Regular Trading Hours when a vast majority of orders expire and do not participate in extended hours trading. As amended, paragraph (b)(9) of the Rule 11.8 would be amended to state that a Limit Order that includes both a Displayed instruction and Primary Peg instruction with a Primary Offset Amount (as defined in Rule 11.6(j)(2)) shall only include a TIF instruction of RHO or, if entered during Regular Trading Hours, a TIF instruction of Day. As is the case today, Users may continue to enter Displayed Primary Peg orders with Primary Offset Amounts and a TIF instruction of RHO beginning at 6:00 a.m. Eastern Time. However, those orders would not be eligible for execution until 9:30 a.m. Eastern Time, the start of Regular Trading Hours.[14] Displayed Primary Peg orders with Primary Offset Amounts and a TIF of Day will be rejected if entered prior to 9:30 a.m., the start of Regular Trading Hours. Primary Pegged orders that do not include a Primary Offset Amount or that are not displayed on the EDGX Book would have no restrictions on the TIF instructions that may be attached to the order pursuant to Exchange Rule 11.8(b)(2). Exchange Rule 11.8(b)(2) currently states that a Limit Order would be defaulted to a TIF instruction of Day. The Exchange proposes to amend Exchange Rule 11.8(b)(2) to state that the default behavior would be subject to the behavior proposed to be added to Exchange Rule 11.8(b)(9). As such, a Limit Order with both a Display instruction and Primary Peg instruction and a Primary Offset Amount that defaults to a TIF instruction of Day would be rejected if entered prior to the start of Regular Trading Hours. That order would need to be reentered with a TIF instruction of RHO. If entered during Regular Trading Hours, a Limit Order with both a Display instruction and Primary Peg instruction and a Primary Offset Amount that defaults to a TIF instruction of Day would be accepted by the System and handled in accordance with its order instructions.

In light of the change proposed above, the Exchange also proposes the following clarifying change to Exchange Rule 11.8(b) to account for a TIF instruction of RHO or Day being applied to a Displayed Primary Peg order with a Primary Offset Amount. Exchange Rule 11.8(b) specifies that the functionality described in paragraphs (9), (10), and (11) of the rule is available for Limit Orders that include a Post Only or Book Only instruction or TIF instruction of Day, GTD or GTX. As described above, paragraph (9) of Rule 11.8(b) explains that a Limit Order may be accompanied by a Pegged instruction. Paragraph (10) of Rule 11.8(b) describes the default behavior of order [sic] to comply with Rule 610 of Regulations NMS[15] and states that a Limit Order to buy (sell) that would cross the market at the time of entry would not be executed at a price higher (lower) than the locking price. Lastly, paragraph (11) of Rule 11.8(b) states that a Limit Order that includes a Short Sale instruction[16] that is not marked Short Exempt,[17] and that cannot be executed in the System or displayed by the System on the EDGX Book at its limit price because a Short Sale Circuit Breaker[18] is in effect, will be subject to the Re-Pricing Instruction to comply with Rule 201 of Regulation SHO,[19] unless the User affirmatively elects to have the order immediately Cancel Back.[20]

The functionality described in each of these paragraphs by design only applies to orders once they are posted to the EDGX Book. For instance, an order would only be re-priced to comply with Rule 610 or Regulation NMS or Rule 201 of Regulation SHO once posted to the EDGX Book to ensure it is posted at a price that complies with both rules. Over time, this language preceding paragraph (9) of Rule 11.8(b) has become outdated and does not account for TIF instructions that have been adopted since this provision of the rule was put into effect.[21] These include TIF instructions of PRE, PTX and PTD.[22] Therefore, the Exchange proposes to amend this provision to make it more general and simply state that paragraphs (9), (10), and (11) apply only to orders that are posted to the EDGX Book. This will include orders with a Post Only or Book Only instruction as well as orders with a TIF instruction of Day, GTD, GTX, RHO, PRE, PTX, and PTD. Paragraphs (9), (10), and (11) would not apply to orders that include a TIF of IOC or FOK as those orders are to be executed or cancelled upon entry and would never be placed on the EDGX Book.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[23] in general, and furthers the objectives of Section 6(b)(5) of the Act[24] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The proposed rule change removes impediments to and perfects the mechanism of a free and open market and a national market system by ensuring that Limit Orders with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX Book do not inadvertently re-price off similar orders on away exchanges in absence of other liquidity creating the illusion of aberrant prices for the security. The proposed rule change would restrict the use of the order type to Regular Trading Hours only, the most liquid part of the trading day, thereby significantly decreasing the possibility of such orders re-pricing off of each other in the absence of additional liquidity. The Exchange does not propose to amend or alter the

instruction. The Exchange intends to monitor the use of Limit Order [sic] with both a Display instruction and Primary Peg instruction that include a Primary Offset Amount during Regular Trading Hours to identify when the situation subject to this proposal may occur.

[14] *See* Exchange Rule 11.1(a)(1).

[15] 17 CFR 242.610

[16] Exchange Rule 11.6(o).

[17] Exchange Rule 11.6(p).

[18] 17 CFR 242.201.

[19] 17 CFR 242.201.

[20] Exchange Rule 11.8(b).

[21] These TIF instructions govern during which trading sessions an order remains eligible for execution and when that order expires if posted to the EDGX Book. *See* Exchange Rule 11.6(q)(7), (8), and (9). *See also* Securities Exchange Act Release No. 77538 (April 6, 2016), 81 FR 21632 (April 12, 2016) (SR–EDGX–2016–06).

[22] *See* Exchange Rule 11.6(q) (defining each of these TIF instructions).

[23] 15 U.S.C. 78f(b).

[24] 15 U.S.C. 78f(b)(5).

operation of Limit Orders with a Pegged instruction in any other manner. The proposed rule change also promotes just and equitable principles of trade by limiting the times at which such orders are active so as to ensure that the order pegs to prices that reflect the true NBBO of the security and not the Primary Offset Amount of a pegged order in the absence of other liquidity. Lastly, the Exchange believes the proposed rule change removes impediments to and perfect [sic] the mechanism of a free and open market and a national market system by updating the rule to account for all scenarios in which a Limit Order may be placed on the EDGX Book and subject to the functionality covered in paragraphs (9), (10), and (11) of Rule 11.8(b).

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change is intended to ensure Limit Orders with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX Book do not inadvertently re-price off similar orders on away exchanges in absence of other liquidity. It is not intended to have a competitive impact.

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

No comments were solicited or received 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 [25] and paragraph (f)(6) of Rule 19b–4 thereunder.[26]

A proposed rule change filed under Rule 19b–4(f)(6) normally does not become operative for 30 days after the date of its filing. However, Rule 19b–4(f)(6)(iii) [27] 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 requested that the Commission waive the 30-day operative delay so that the proposed rule change will become operative upon filing. The Exchange stated that such waiver will enable the Exchange to update its functionality during the operative delay period such that Limit Orders with a Primary Pegged instruction and Primary Offset Amount displayed on the EDGX Book do not inadvertently re-price off of similar orders on away exchanges in the absence of other liquidity. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because it would enable the Exchange to update its rule without delay to help prevent these types of pegged orders from inadvertently re-pricing to aberrant prices. Therefore, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.[28]

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 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–CboeEDGX–2017–002 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–CboeEDGX–2017–002. 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–CboeEDGX–2017–002 and should be submitted on or before January 8,2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[29]

Robert W. Errett,

Deputy Secretary.

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[25] 15 U.S.C. 78s(b)(3)(A).

[26] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file 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.

[27] 17 CFR 240.19b–4(f)(6)(iii).

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

[29] 17 CFR 200.30–3(a)(12) and (59).