

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

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84399; File No. SR-C2-2018-021]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing of a Proposed Rule Change To Amend C2's Rulebook To Allow the Post Only Order Instruction on Complex Orders That Route to Its Electronic Book

October 10, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 1, 2018, Cboe C2 Exchange, Inc. (the "Exchange" or "C2") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe C2 Exchange, Inc. (the "Exchange" or "C2") proposes to amend C2's rulebook to allow the Post Only order instruction on complex orders that route to its electronic book.

The text of the proposed rule change is available on the Exchange's website (<http://www.c2exchange.com/Legal/>), 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

C2 recently adopted the Post Only order instruction on simple orders that route to its electronic book ("Simple Book"),³ and C2 now proposes to adopt the Post Only order instruction on complex orders that route to its electronic book ("COB").

Background

Pursuant to C2 Rule 1.1, "[a] 'Post Only' order is an order the System ranks and executes pursuant to Rule 6.12, subjects to the Price Adjust process pursuant to Rule 6.12, or cancels or rejects (including if it is not subject to the Price Adjust process and locks or crosses a Protected Quotation of another exchange), as applicable (in accordance with User instructions), except the order may not remove liquidity from the [Simple] Book or route away to another Exchange." In other words, if a Post Only order is entered into C2's automated trading system ("System"), it will not execute against an order resting in the Simple Book or route to another exchange. The purpose of the Post Only order is to add liquidity to the Simple Book.

Because C2 has a maker-taker fee structure, pursuant to which an execution taking liquidity from the Simple Book is subject to a taker fee, the Post Only order instruction provides Trading Permit Holders ("TPHs" or "Users") with the flexibility to avoid incurring a taker fee if the TPH's intent is to submit an order to add liquidity to the Simple Book. Additionally, under C2's maker-taker fee structure, if a TPH submits an order that adds liquidity to the Simple Book (for both penny and non-penny classes of options), it receives a rebate in connection with the execution of that order. For example, a Public Customer order that adds liquidity to the Simple Book in a non-penny class receives a rebate of \$0.80, whereas a Public Customer order that removes liquidity from the Simple Book in a non-penny class incurs a fee of \$0.85. Similar rebates and fees are also applied to Professional Customers, Firms, and Broker/Dealers orders, among others.

Complex Orders

C2 does not currently offer Post Only complex orders. Like in the Simple Book, execution of a complex order taking liquidity from the COB is subject to a taker fee and execution of an order adding liquidity is subject to a maker rebate. For example, a Public Customer order that adds liquidity to the COB in a non-penny class receives a rebate of \$0.75, whereas a Public Customer order that removes liquidity from the COB in a non-penny class incurs a fee of \$0.83. Unlike in the Simple Book, however, a TPH that intends to submit a complex order to add liquidity to the COB is not given the same flexibility to avoid incurring a taker fee. Accordingly, C2 is proposing to add Post Only to the permissible types of complex orders submitted to the Exchange in C2 Rule 6.13(b).

Proposed C2 Rule 6.13(b)(2) states that upon receipt of a Post Only complex order with any Time-in-Force, the System does not initiate a complex order auction ("COA"), and if a User marks the Post Only complex order to initiate a COA, the System cancels the order. Not permitting a Post Only complex order to COA is consistent with the purposes of a Post Only order, which as discussed above is to add liquidity to the COB. Proposed C2 Rule 6.13(g)(4) states that Post Only complex orders may not Leg into the Simple Book and proposed C2 Rule 6.13(h)(3) states that the System cancels or rejects a Post Only complex order if it locks or crosses a resting complex order in the COB or the then-current opposite side synthetic best bid or offer ("SBBO"). For example, assume there are no orders for a specific strategy resting on the COB, the synthetic national best bid or offer ("SNBBO") is \$3.00 by \$3.15, and the SBBO is \$2.95 by \$3.15. Assume next that Complex Order 1 enters the COB to sell 10 contracts of that strategy at \$3.14 and such order is posted to the COB. If Complex Order 2 then enters the COB to buy 10 contracts of that strategy at \$3.14, but Complex Order 2 also contains the Post Only instruction, Complex Order 2 is rejected since it locks the resting contra order. Similarly, assume there are no orders for a specific strategy resting on the COB, the SNBBO is \$3.00 by \$3.15, and the SBBO is \$2.95 by \$3.20. If a two-leg Complex Order with the Post Only instruction enters the COB to buy 10 contracts of that strategy at \$3.20, that Complex Order is rejected since it cannot leg in to the Simple Book and it locks the contra side SBBO. This proposed functionality is consistent with the purpose of the Post Only instruction and ensures a Post

²⁰ 17 CFR 200.30-3(a)(34).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 83214 (May 11, 2018), 83 FR 22796 (May 16, 2018) (SR-C2-2018-005).

Only complex order will not remove liquidity from the Book. This is also consistent with the functionality and purpose of the Post Only order instruction on simple orders.

By adding the Post Only order instruction for complex orders, TPHs will be given the ability to exercise more control over the circumstances in which their complex orders are executed and be encouraged to add liquidity in the complex order market. Any additional liquidity will subsequently benefit all participants who trade complex orders on the Exchange.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.⁴ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁵ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

Specifically, the Post Only order instruction on complex orders is designed to encourage market participants to add liquidity in the complex order market, which will benefit investors. By giving market participants the flexibility to manage their execution costs and the circumstances in which their complex orders are executed, the Exchange believes the proposed rule change would remove impediments to perfect the mechanism of a free and open market and a national market system and protect investors. The Exchange also believes that the proposed rule change will contribute to the protection of investors and the public interest by

assuring compliance with rules related to locked and crossed markets.

Additionally, the Exchange notes that Post Only functionality is not new or unique functionality and is already available in a similar capacity. While the Post Only complex order type is not currently available in the market, C2 and other exchanges have implemented the Post Only simple order type, which functions in the same manner as the proposed Post Only complex order type. The purpose of a Post Only complex order is the same as the purpose of a Post Only simple order, given C2’s maker-taker fee structure with respect to executions of complex orders.

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

C2 does not believe that the proposed rule change will impose any burden on intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. In particular, the Exchange believes the proposed rule change will not burden intramarket competition because the Post Only order instruction on complex orders will be available to all market participants. Additionally, use of the Post Only order instruction on complex orders is voluntary. The Exchange also believes the proposed rule change will not impose any burden on intermarket competition because this relates to an instruction on orders that are submitted to the Exchange and may only execute on the Exchange. Additionally, nothing prevents other options exchanges that offer complex orders from adopting a Post Only complex order type. The Exchange also believes the proposed rule change will promote competition, as the Exchange believes it will encourage the provision of additional liquidity in the complex order market, which benefits all market participants.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. By order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be 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–C2–2018–021 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–C2–2018–021. 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–C2–2018–021, and should be submitted on or before November 6, 2018.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

⁶ *Id.*

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷

Eduardo A. Aleman,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84394; File No. SR-CboeBZX-2018-072]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To List and Trade Shares of the JPMorgan Municipal ETF and JPMorgan Ultra-Short Municipal ETF of the J.P. Morgan Exchange-Traded Fund Trust Under Rule 14.11(i), Managed Fund Shares

October 10, 2018.

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 September 26, 2018, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) 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 Act³ and Rule 19b-4(f)(6)(iii) 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 list and trade shares of the JPMorgan Municipal ETF and JPMorgan Ultra-Short Municipal ETF (each a “Fund” or, collectively, the “Funds”) of the J.P. Morgan Exchange-Traded Fund Trust (the “Trust” or the “Issuer”) under Rule 14.11(i) (“Managed Fund Shares”). The shares of the Funds are referred to herein as the “Shares.”

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade the Shares under Rule 14.11(i), which governs the listing and trading of Managed Fund Shares on the Exchange.⁵ The Funds will be actively managed funds. The Shares will be offered by the Trust, which was established as a Delaware statutory trust. The Trust is registered with the Commission as an open-end investment company and has filed a registration statement on behalf of the Fund on Form N-1A (“Registration Statement”) with the Commission.⁶

Rule 14.11(i)(4)(C)(i)(a) requires that component fixed income securities that, in the aggregate, account for at least 75% of the weight of the portfolio shall have a minimum principal amount outstanding of \$100 million or more. The Exchange submits this proposal because the portfolios of the Funds will not meet this requirement. The Fund will, however, meet all of the other requirements of Rule 14.11(i)(4)(C)(ii), (iii), (iv) and (v), specifically including Rule 14.11(i)(4)(C)(iv), which provides that non-agency, non-GSE, and privately-issued mortgage-related and other asset-backed securities

components of a portfolio shall not account, in the aggregate, for more than 20% of the weight of the fixed income portion of the portfolio, and 14.11(i)(4)(C)(iv)(a), which provides that in the aggregate, at least 90% of the weight of listed derivatives holdings shall consist of futures, options, and swaps for which the Exchange may obtain information via the Intermarket Surveillance Group (“ISG”) from other members or affiliates of the ISG or for which the principal market is a market with which the Exchange has a comprehensive surveillance sharing agreement, calculated using the aggregate gross notional value of such holdings.

Description of the Shares and the Funds

J.P. Morgan Investment Management, Inc. is the investment adviser (the “Adviser”) to the Fund. JPMorgan Chase Bank, N.A. is the administrator, custodian, and transfer agent (“Administrator,” “Custodian,” and “Transfer Agent,” respectively) for the Trust. JPMorgan Distribution Services, Inc. serves as the distributor (“Distributor”) for the Trust.

Rule 14.11(i)(7) provides that, if the investment adviser to the investment company issuing Managed Fund Shares is affiliated with a broker-dealer, such investment adviser shall erect a “fire wall” between the investment adviser and the broker-dealer with respect to access to information concerning the composition and/or changes to such investment company portfolio.⁷ In addition, Rule 14.11(i)(7) further requires that personnel who make decisions on the investment company’s portfolio composition must be subject to

⁷ An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, the Adviser and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

⁷ 17 CFR 200.30-3(a)(12).

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)(iii).

⁵ The Commission approved Rule 14.11(i) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

⁶ See Registration Statement on Form N-1A for the Trust, dated July 31, 2018 (File Nos. 333-191837 and 811-22903). The descriptions of the Fund and the Shares contained herein are based, in part, on information in the Registration Statement. The Commission has issued an order granting certain exemptive relief to the Trust under the Investment Company Act of 1940 (15 U.S.C. 80a-1) (“1940 Act”) (the “Exemptive Order”). See Investment Company Act Release No. 31990 (February 9, 2016) (File No. 811-22903).