

handling processes. The non-substantive changes to Rule 7.18–E and subparagraphs (B) and (D) of Rule 7.35–E(h)(3) would have no impact on competition because they do not amend or alter the operation of either rule.

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

No written comments were solicited or received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>39</sup> and Rule 19b–4(f)(6) thereunder.<sup>40</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6)(iii) thereunder.

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)<sup>41</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR–NYSEARCA–2019–08 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–NYSEARCA–2019–08. 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 this filing will also 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–2019–08, and should be submitted on or before April 3, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>42</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

[FR Doc. 2019–04555 Filed 3–12–19; 8:45 am]

**BILLING CODE 8011–01–P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34–85267; File No. SR–CboeEDGX–2019–007]

**Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Bats Auction Mechanism (“BAM”)**

March 7, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on March 5, 2019, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b–4(f)(6) thereunder.<sup>4</sup> 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 the Substance of the Proposed Rule Change**

Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) proposes to amend the Bats Auction Mechanism (“BAM”). The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website ([http://markets.cboe.com/us/options/regulation/rule\\_filings/edgx/](http://markets.cboe.com/us/options/regulation/rule_filings/edgx/)), 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.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b–4(f)(6).

<sup>39</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>40</sup> 17 CFR 240.19b–4(f)(6).

<sup>41</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>42</sup> 17 CFR 200.30–3(a)(12).

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

1. Purpose

In 2016, the Exchange's parent company, Cboe Global Markets, Inc. ("Cboe Global"), which is the parent company of Cboe Exchange, Inc. ("Cboe Options") and Cboe C2 Exchange, Inc. ("C2"), acquired the Exchange, Cboe EDGA Exchange, Inc. ("EDGA"), Cboe BZX Exchange, Inc. ("BZX or BZX Options"), and Cboe BYX Exchange, Inc. ("BYX" and, together with C2, Cboe Options, the Exchange, EDGA, and BZX, the "Cboe Affiliated Exchanges"). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2, and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange's System that is available on Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

The proposed rule change amends Rule 21.19 related to BAM, which the proposed rule change renames as the Automated Improvement Mechanism ("AIM"). This is the name of the corresponding price improvement auction mechanism on Cboe Options, and the proposed rule change will refer to the Exchange's auction process as AIM.<sup>5</sup>

The proposed rule change will permit the Initiating Order to consist of one or more solicited orders. This will accommodate multiple contra-parties and increase the opportunities for customer orders to be submitted into an AIM Auction with the potential for price improvement, since the Initiating Order must stop the full size of the Agency Order. This has no impact on the execution of the Agency Order, which may already trade against multiple contra-parties depending on the final auction price, as set forth in

<sup>5</sup> See Cboe Options Rule 6.74A. The proposed rule change also replaces the reference to BAM with AIM in Rule 22.12(c).

proposed paragraph (e). This proposed change is consistent with Cboe Options AIM functionality.<sup>6</sup>

The proposed rule change adopts a Sweep and AIM order, which is the submission of two orders for crossing in an AIM Auction with a stop price that does not need to be within the BBO and where the Exchange sweeps all Protected Quotes, as defined in Rule 27.1, by routing one or more ISOs, as necessary, to execute against the full displayed size of any Protected Quote with a price better than the stop price, as well as sweep all interest in the EDGX Options Book with a price better than the stop price simultaneously with the commencement of the AIM Auction. Any execution(s) resulting from these sweeps accrue to the Agency Order.<sup>7</sup> This proposed order is consistent with the current BAM ISO functionality,<sup>8</sup> except the Exchange will route the ISOs on behalf of the User rather than requiring the User to route the ISOs itself. Additionally, the proposed rule change is consistent with Cboe Options functionality.<sup>9</sup> This proposed order type will provide Users with an additional, efficient method to initiate an AIM while preventing trade-throughs.

The proposed rule change clarifies that if an Initiating Member submits an AIM Sweep or Sweep and AIM order, the stop price may be inferior to the Initial NBBO, but is still subject to the price improvement requirement in proposed subparagraph (b)(1)(A). In other words, while AIM Sweep and Sweep and AIM orders permit an Initiating Member to stop an Agency Order at a price inferior to the NBBO at the time it submits the Agency Order to an AIM Auction, the Initiating Member must still comply with the price-improvement requirement for smaller-sized orders if the width of the NBBO is \$0.01. For example, if an Initiating Member submits an Agency Order to buy for 20 contracts as a Sweep and AIM with a stop price of 1.01 when the NBBO is  $1.00 \times 1.01$ , the System rejects the Agency Order (and the Initiating Order). Note if the Initiating Member instead submitted an AIM Sweep, the Exchange initiates an AIM, because the Initiating Member is responsible for submitting the ISO and the System

<sup>6</sup> See Cboe Options Regulatory Circular RG17-074 (May 19, 2017); see also NASDAQ ISE, LLC ("ISE") Rule 723(b).

<sup>7</sup> In other words, any contracts executed at an away exchange would count as execution against the Agency Order (and thus reduce the size of the Agency Order available for execution during an AIM Auction). This is consistent with how ISOs work for all order types.

<sup>8</sup> See current Rule 21.19(b)(6) and proposed Rule 21.19(b)(3)(A); see also Cboe Options Rule 6.53(q).

<sup>9</sup> See Cboe Options Rule 6.53(r).

cannot confirm that the NBBO width will ultimately be \$0.01. However, the Initiating Member is still responsible for complying with the price-improvement requirement for smaller-sized orders if the width of the resulting NBBO following execution of the ISO is \$0.01.

Proposed Rule 21.19(e)(1) provides that the Initiating Order allocation percentage is based on the number of contracts remaining of the Agency Order after execution against Priority Customer orders rather than the initial size of the Agency Order. This ensures the size used to determine the allocation percentage for the Initiating Order will be based on the same number of contracts that would otherwise be available to other contra-side interest. The proposed rule change is the same as the rules of other options exchanges.<sup>10</sup>

Additionally, pursuant to current Rule 21.19(b)(1)(A), the Initiating Member may receive an allocation up to 50% of the Agency Order if there is interest from one other User at the stop price or 40% of the Agency Order if there is interest from two or more other Users at the stop price. Pursuant to proposed Rule 21.19(e)(1)(B), the Initiating Order may receive an allocation up to the greater of one contract or such percentage. If the Agency Order is small, it is possible that the Initiating Order may receive no contracts due to rounding. For example, if the Agency Order is for two contracts, and at the end of the AIM Auction there is a Priority Customer order for one contract at the final auction price and two other participants at the final auction price, allocation would be as follows (based on the proposed change above that the allocation percentage is based on the number of contracts remaining after execution against Priority Customer orders), the Initiating Order would receive zero contracts (40% of the one remaining contract after execution against the Priority Customer order contract, which is 0.4 that gets rounded down to zero), and the remaining contra-interest would receive the final contract. This proposed change will ensure that the Initiating Order will receive at least a partial execution in an AIM Auction of a small order, and thus continue to incentive Options Members to submit customer orders into AIM auctions for potential price improvement. This is also consistent with current AIM priority, which provides that the Initiating Order has priority over non-Priority Customer

<sup>10</sup> See, e.g., ISE Rule 723(d)(2) and MIAX Rule 515A, Interpretation and Policy .11.

orders. This proposed change is the same as other options exchanges.<sup>11</sup>

Additionally, the proposed Sweep and AIM order described above provides that the paired orders submitted as a Sweep and AIM order may not both be for the accounts of Priority Customers.<sup>12</sup> Unlike an AIM ISO (for which the Initiating Member sends an ISO),<sup>13</sup> the Exchange sends the ISO for a Sweep and AIM order and then receives the fill report for the ISO during the AIM Auction period, so it knows by the end of the AIM Auction how much of the Agency Order is left for execution against contra-interest on the Exchange. If both orders were for Priority Customers, they would immediately cross pursuant to paragraph (f) (as described below), prior to the Exchange receiving information regarding the size of any executions on away exchanges (and thus prior to knowing the NBBO that price of the immediate cross should have traded through). Not permitting pairs of Priority Customer orders to be submitted as Sweep and AIM orders ensures that the Agency Order is not oversubscribed, which can be prevented if there is an AIM Auction period, and that the immediate cross occurs at a price at or better than the NBBO. Users can submit these pairs of orders through the AIM Auction process. The Exchange believes there is minimal demand to submit pairs of Priority Customer orders as Sweep and AIM orders.

Current Rule 21.19(c)(2) (and proposed paragraph (f)) provides that the System does not initiate a Customer-to-Customer AIM Immediate Cross if there is a resting Priority Customer order on the same side and at the same price as the Agency Order, and instead cancels the Agency Order and Initiating Order. However, current subparagraph (c)(3) will initiate an AIM Auction if the resting Priority Customer order is on the opposite side and at the same price as the Agency Order. Pursuant to the proposed rule change, the System will also cancel the Agency Order and Initiating Order in this situation rather than initiate the auction process. The

Exchange believes it is appropriate to cancel in this situation, as that will ensure the Agency Order will not trade at the same price as a resting Priority Customer. This is consistent with the provision in proposed subparagraph (f)(1), which states a Customer-to-Customer AIM Immediate Cross may not occur at the same price as any Priority Customer resting on the EDGX Options Book. This is the same as Cboe Options functionality.<sup>14</sup>

The proposed rule change also makes various clarifications in, and nonsubstantive changes to, Rule 21.19, including the following:

- The definition of “Initiating Member” moves from current paragraph (a) to the introductory paragraph, where the first reference to the submitting Options Member is first used.
- The restriction that a solicited order cannot be for the account of any Options Market Maker registered in the applicable series on the Exchange moves from current paragraph (a)(6) to the introductory paragraph.
- The provision that all options traded on the Exchange are eligible for AIM moves from current paragraph (a) to proposed subparagraph (a)(1).
- The requirement that the Initiating Member mark the Agency Order for AIM processing moves from current paragraph (b)(1)(A), which relates to the Auction process, to proposed subparagraph (a)(2), as this is a requirement to initiate an Auction rather than being a part of the Auction process.
- Proposed paragraph (a)(3) states there is no minimum size for Agency Orders, and that the Initiating Order must be for the same size as the Agency Order. This is consistent with current functionality, as the current rule states Agency Orders may have size smaller than and greater than 50 contracts, and states the Initiating Member must stop the entire Agency Order.<sup>15</sup>
- Proposed paragraph (a)(4) states the minimum increment for the Agency Order and Initiating Order is \$0.01. This is consistent with current subparagraph (a)(1), except the proposed rule change eliminates Exchange flexibility to change the increment, as the Exchange does not intend to increase the minimum increment.
- The provision that states an Initiating Member may not submit an Agency Order if the NBBO is crossed moves from current subparagraph (a)(5) to proposed subparagraph (a)(6). The

proposed rule change adds this does not apply in the case of an AIM ISO or Sweep and AIM order, consistent with the definitions of those two terms.

- Proposed subparagraph (a)(5) states an Initiating Member may not designate an Agency Order or Initiating Order as Post Only. This is consistent with current functionality, and the proposed rule change is merely clarifying this in the Rules. The Exchange believes this is appropriate, as the purpose of a Post Only order is to not execute upon entry and instead rest in the EDGX Options Book, while the purpose of an AIM Auction is to receive an execution following the auction but prior to entering the EDGX Options Book.
- The provisions that require the stop price be at least \$0.01 better than the NBBO if the Agency Order is for less than 50 option contracts, and at or better than the NBBO in all other situations (if the Agency Order is for 50 contracts or more, or the NBO width is greater than \$0.01) moves from current subparagraph (a)(1) to proposed subparagraph (b)(1), as proposed paragraph (b) contains all provisions regarding the price of the Agency and Initiating Orders.<sup>16</sup> The proposed rule change makes no substantive change to these price requirements.
- The provisions that require the stop price be at least \$0.01 better than an order (including a Priority Customer order) at the EDGX BBO on the same side as the Agency Order or at or better than a non-Priority Customer order at the EDGX BBO on the same side as the Agency Order if the Agency Order is a Priority Customer order (and the Priority Customer overlay applies) moves from current paragraph (a)(2) to proposed paragraph (b)(2), as proposed paragraph (b) contains all provisions regarding the price of the Agency and Initiating Orders. The proposed rule change makes no substantive change to these price requirements.
- The provisions that state an Agency Order must satisfy all of the eligibility and price requirements are moved from various locations in the rule, including current subparagraphs (a)(4) and (a)(5), to proposed paragraphs (a) and (b). This also clarifies which requirements must be met in order for an Agency Order to be accepted and initiate an AIM Auction.

<sup>16</sup> The proposed rule change clarifies the size requirements for mini-option contracts, which are 1/10th the size of standard option contracts. This is consistent with current functionality and is merely adding detail to the rule. See Rule 19.6, Interpretation and Policy .07 (which permits the listing of mini-options); see also Cboe Options Rule 6.74A(a)(3).

<sup>11</sup> See, e.g., Cboe Options Rule 6.74A(b)(3)(F); and Miami International Securities Exchange, LLC (“MIAX”) Rule 515A(a)(2)(iii)(H).

<sup>12</sup> See proposed Rule 21.19(b)(3)(B).

<sup>13</sup> Users are responsible for sending the ISO order for an AIM ISO, and thus the Exchange does not need to wait for a fill report for the ISO. Because it is a User’s responsibility to send the ISO, and thus account for any executions resulting from that ISO at away exchanges (and the resulting NBBO), the proposed rule change does not prohibit pairs of Priority Customer orders to be submitted as an AIM ISO. However, the Exchange believes there is minimal demand for use of this order type for pairs of Priority Customer orders.

<sup>14</sup> See Cboe Options Rule 6.74A, Interpretation and Policy .08.

<sup>15</sup> See current Rule 21.19(a)(1); see also Cboe Options Rule 6.74A, Interpretation and Policy .03.

- The proposed rule change simplifies current subparagraph (b)(1)(A) (and proposed subparagraph (b)(4)) regarding the instructions an Initiating Member must specify regarding the prices at which it is willing to trade with the Agency Order. The proposed rule change makes no substantive changes to these provisions.

- The provision regarding the submission of ISOs to BAM moves from current subparagraph (b)(6) to proposed subparagraph (b)(3)(A). These orders are renamed as AIM Sweep orders or AIM ISO orders. This is consistent with an AIM Sweep Order in Cboe Options Rule 6.53(q), as well as current functionality. The proposed rule change merely adds detail regarding how these orders work (substantively the same as the Cboe Options definition of an AIM Sweep Order). The functionality for these orders is not changing.

- The provision regarding concurrent AIM Auctions moves from current subparagraph (a)(3) and Interpretation and Policy .04 to proposed subparagraph (c)(1). The proposed rule change makes no substantive changes to the provisions regarding concurrent AIM Auctions.

- The provision that does not permit the Agency Order to be modified or cancelled after the Initiating Member submits the Agency Order to an AIM Auction moves from current subparagraph (b)(1)(A) to proposed paragraph (c)(4).

- Proposed subparagraph (c)(5) clarifies that an AIM response may only participate in the AIM Auction with the Auction ID specified in the response. This is consistent with the requirement that a response identify the Auction to which it is being submitted and consistent with current functionality. The proposed rule change is merely adding this detail to the rule.

- The provision that states AIM responses will not be visible to Auction participants or disseminated to OPRA moves from current subparagraph (b)(1)(F) to proposed subparagraph (c)(5)(H).

- Current subparagraph (b)(1)(L) is deleted and replaced by proposed subparagraph (c)(5)(B), which states AIM responses that cross the Initial NBBO are capped at the Initial NBO on the same side as the Agency Order and \$0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM). The System will execute AIM responses, if possible, at the most aggressive permissible price not outside the NBBO. This is consistent

with current subparagraph (L), except clarifies that the System does accept AIM responses that cross the Initial NBBO (the current provision states responses cannot cross the NBBO, so the proposed rule change clarifies such responses would not be rejected) but capped and executed within the Initial NBBO (which is consistent with the current provision that states these responses will execute at the most aggressive permissible price).

- The provisions that state an AIM response is capped at the size of the Agency Order moves from current subparagraph (b)(1)(H) and (I) to proposed subparagraph (c)(5)(D).

- The provision that states AIM responses may be aggregated clarifies that these are aggregated by User by EFID. This is consistent with current functionality and is adding this detail to the Rule regarding how the System aggregates this interest.

- The provision that states AIM responses may not be designated as FOK or IOC moves from current subparagraph (b)(1)(K) to proposed subparagraph (c)(5)(G).

- The provision that states AIM responses may be modified or cancelled during an Auction moves from current subparagraph (b)(1)(J) to proposed subparagraph (c)(5)(I).

- Pursuant to proposed subparagraph (e)(6), the System cancels or rejects any unexecuted AIM response (or unexecuted portions) at the conclusion of the AIM Auction. This is consistent with current subparagraph (b)(5).

However, currently, the System immediately rejects AIM responses if they are not executable based on the price of the Auction. The Exchange believes it is appropriate to cancel all unexecuted AIM responses, regardless of whether they are marketable, at the same time at the conclusion of the Auction. This has no impact on the allocation of an AIM Auction, as responses that are not marketable at the beginning of an AIM Auction will also be unmarketable at the conclusion of an AIM Auction and be cancelled. The proposed rule change merely changes the time at which these unmarketable responses are cancelled.

- Proposed paragraph (c)(5) specifies when the System will reject AIM responses if they do not meet the specified criteria and are obviously wrong (such as being in the wrong increment or on the wrong side). This is consistent with current functionality, and the proposed rule change is adding this detail to the rule.

- Current subparagraph (b)(2)(B), which is proposed subparagraph (d)(1)(B), is clarified to state that the

Auction will conclude upon receipt of a Priority Customer order on the same side as the Agency Order if the price of the Priority Customer order is at or better than the stop price. This is consistent with current functionality, as in both cases it would otherwise cause a Priority Customer Order to be posted on the EDGX Options Book with a price better than the stop price. The proposed rule change is adding this detail to the rule.

- The provisions regarding allocation when an Initiating Member selects Last Priority moves from current subparagraph (b)(1)(B) to proposed subparagraph (e)(5). Proposed paragraph (e) contains all provisions related to the allocation of the Agency Order. The proposed rule change makes no substantive changes to the application of Last Priority. The proposed rule change deletes current subparagraph (b)(1)(B)(ii), which states Last Priority will not be applied if both the Initiating Order and the Agency Order are Priority Customer orders. Because paired orders with a Priority Customer on both sides (Agency and Initiating) are immediately crossed pursuant to current paragraph (c) and proposed paragraph (f), Last Priority would never apply since there is no allocation order for such immediate crosses. Therefore, current subparagraph (b)(1)(B)(ii) is unnecessary.

- The proposed rule change moves all provisions regarding allocation of the Agency Order (including from current subparagraphs (b)(1)(A) and (B) and (b)(4)(B)) to proposed paragraph (e). The proposed rule change sets forth the exact order in which the Agency Order will be allocated to contra-side interest when there is no price improvement, when there is price improvement with a single-price submission, and when there is price improvement with auto-match. Except as discussed above, the proposed rule change makes no substantive changes to the order in which the Agency Order is allocated to contra-side interest. The Exchange believes this clarifies the allocation and priority provisions at the end of an AIM Auction.

- The proposed rule change adds detail regarding when the nondisplayed portions of Reserve Orders will trade against the Agency Order. Specifically, proposed subparagraphs (e)(2) and (3) provides that the nondisplayed Reserve Quantity will trade against the Agency Order at each price level better than the final auction price, after all displayed quantity at each price level (and after the Initiating Order if auto-match was selected). This is consistent with Rule 21.8(l), which provides that displayed

orders have priority over nondisplayed orders, and that customer nondisplayed orders trade ahead of non-customer nondisplayed orders (if the Customer Overlay has been applied). This is consistent with current priority principles and functionality, and the proposed rule change is adding this detail to the Rules. The Exchange believes this is appropriate, as it ensures all interest (including nondisplayed interest) at a better price than the final auction price will trade against the Agency order (and thus provide maximum opportunity for price improvement), while encouraging the submission of displayed orders, as nondisplayed interest at the final auction price will not trade, as remaining interest at the final auction price will trade against the Initiating Order. The one exception to this is, as provided in proposed subparagraph (e)(5), if the Initiating Member selects last priority, any nondisplayed interest at the final auction price will trade ahead of the Initiating Order, which is consistent with the Initiating Member's intentions by submitting the request for last priority.

The proposed rule change makes certain rule language plain English, updates cross-references as necessary, and inserts defined terms as appropriate.

## 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.<sup>17</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>18</sup> 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)<sup>19</sup> requirement that the rules of an exchange not be designed

to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change to permit the Initiating Order to be comprised of multiple contra-party orders will benefit investors, because it may increase the opportunity for customers to have orders participate in an AIM auction. As a result, this would increase opportunities for price improvement, because this will increase the liquidity available for the Initiating Order, which is consistent with the purpose of AIM Auctions. The Exchange believes that this will be beneficial to participants because allowing multiple contra-parties should foster competition for filling the Initiating Order and thereby result in potentially better prices, as opposed to only allowing one contra-party and, thereby requiring that contra-party to do a larger size order which could result in a worse price for the trade. The proposed rule change is also based on rules of other options exchanges.<sup>20</sup>

The proposed Sweep and AIM order type is similar to current AIM ISO functionality, except the Exchange will route the ISO orders on behalf of the Initiating Member rather than require the Initiating Member to separately route ISO orders. This will benefit investors and remove impediments to and perfect the mechanism of a free and open market and a national market system, as it will provide Users with an additional, efficient method to initiate an AIM while preventing trade-throughs. The proposed rule change is also based on the rules of another options exchange.<sup>21</sup>

The proposed rule change to provide that the Initiating Order will be allocated the greater of one contract or the specified percentage will ensure that the Initiating Order will receive at least a partial execution in an AIM Auction of a small order. This will incentive Options Members to continue submit customer orders into AIM auctions for potential price improvement, which ultimately benefits investors. This proposed change is the same as other options exchanges.<sup>22</sup>

The proposed rule change to provide that the Initiating Order's percentage allocation will be based on the number of contracts remaining after the Agency Order executes against Public Customer orders will promote just and equitable principles of trade, as it ensures the size used to determine the allocation

percentage for the Initiating Order will be based on the same number of contracts that would otherwise be available to other contra-side interest. It is also the same as other options exchanges.<sup>23</sup>

The proposed rule change to not immediately cross a pair of orders for customer accounts at the same price as any Priority Customer order resting on the EDGX Options Book, and to cancel an Agency Order if there is a Priority Customer order resting on the opposite side of the market at the same price (as currently occurs if there is a Priority Customer order resting on the same side of the market at the same price), will protect customer orders that enter the EDGX Options Book. This proposed rule change is the same as the rules of another options exchange.<sup>24</sup> The Exchange believes it promotes just and equitable principles of trade to limit immediate crosses without auctions only when there are no Priority Customer orders resting on the Book, as that is consistent with protect Priority Customer orders on the book, which may then have opportunities to trade against Agency Orders. The Exchange similarly believes it will protect investors by rejecting Sweep and AIM orders with pairs of orders for customer accounts, as this will ensure customers will receive better prices at least as good as the Initial NBBO and not oversubscribe the Agency Order. The Exchange does believe there is minimal demand for use of Sweep and AIM orders for pairs of Priority Customer orders.

The proposed clarifications and nonsubstantive changes will benefit investors, as they provide additional detail and transparency to the rules regarding the AIM Auction process, including the AIM eligibility requirements, AIM response parameters, and allocation of the Agency Order following an AIM Auction. This includes the proposed clarification that an Initiating Member may not designate an Agency Order or Initiating Order as Post Only. This clarification protects investors, because provides transparency regarding functionality that is not available on BAM today. The Exchange believes this is appropriate, as the purpose of a Post Only order is to not execute upon entry and instead rest in the EDGX Options Book, while the

<sup>23</sup> See, e.g., ISE Rule 723(d)(2); and MIAX Rule 515A, Interpretation and Policy .11. While this functionality is not specified in Cboe Options Rule 6.74A, it is the Exchange's understanding this proposed rule change is consistent with Cboe Options functionality.

<sup>24</sup> See Cboe Options Rule 6.74A, Interpretation and Policy .08.

<sup>17</sup> 15 U.S.C. 78f(b).

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> *Id.*

<sup>20</sup> See, e.g., Cboe Options Rule 6.74A and Regulatory Circular RG17-074 (May 19, 2017); and ISE Rule 723(b).

<sup>21</sup> See, e.g., Cboe Options Rule 6.53(r).

<sup>22</sup> See, e.g., Cboe Options Rule 6.74A(b)(3)(F); and MIAX Rule 515A(a)(2)(iii)(F).

purpose of submitting orders to an AIM Auction is to receive an execution following the auction and not to have those orders enter the EDGX Options Book. Pursuant to current and proposed Rule 21.19, an Agency Order will fully execute against contra-side interest (possibly including the Initiating Order, which must be for the same size as the Agency Order, and thus there cannot be remaining contracts in an Agency Order to enter the EDGX Options Book if there is an execution following a BAM/AIM Auction). This proposed clarification is not changing current functionality, and the Post Only designation is not available to any Initiating Member for Agency Orders and Initiating Orders.

The proposed clarification that provides an AIM response that crosses the Initial NBBO is capped at the Initial NBBO on the same side as the Agency Order and \$0.01 better than the EDGX BBO on the same side as the Agency Order if the EDGX BBO is represented by a Priority Customer on the EDGX Options Book (unless the Agency Order is an AIM ISO or Sweep and AIM), and that an AIM response will execute, if possible, at the most aggressive permissible price not outside the Initial NBBO protects investors, because it adds detail to the rules regarding current functionality. Current Rule 21.19 may imply the System may not accept responses that cross the Initial NBBO. However, because responses are a source of liquidity and potential price improvement, the Exchange believes it is appropriate to instead accept these responses and cap them at the Initial NBBO. This promotes just and equitable principles of trade, because it is consistent with the requirement that the stop price (which is the minimum price at which the Agency Order may execute) must be at or better than the Initial NBBO, and will ensure the execution price does not cross the Initial NBBO in accordance with linkage rules. This proposed clarification is not changing current functionality, and this functionality applies in the same manner to the responses of all Users.

The proposed clarification to state that the stop price requirements that apply to Agency Orders for less than 50 standard option contracts and to Agency Orders for 50 standard option contracts or more similarly apply to the corresponding number of mini-option contracts (*i.e.*, 500 mini-option contracts) protects investors, because it is consistent with current functionality. Rule 19.6, Interpretation and Policy .07 permits the listing of mini-options, which is an option with a 10 share deliverable of the underlying security rather than 100 share deliverable of the

underlying security (which is the standard deliverable for a standard option contract). The proposed change to state that 50 standard option contracts is consistent with 500 mini-option contracts is consistent with this definition of mini-options. This provides transparency to investors that AIM functionality and the potential for price improvement is available to Agency Orders for mini-options as well as standard options. The proposed clarification also promotes fair and equitable principles of trade, because the volume restrictions apply in the same manner to an equivalent number of contracts in a standard option and a mini-option. This proposed clarification does not impose any significant burden on competition, as it applies in the same manner to all Agency Orders and is also the same as Cboe Options Rule 6.74A(a)(3).

Additionally, these proposed changes reorganize Rule 21.19 so that all provisions related to the same part of the auction process and located in the same part of the rule. These proposed changes have no impact on how the AIM Auction will work, as they are consistent with current functionality.

The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The Exchange believes this consistency will promote a fair and orderly national options market system. When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed rule change will impose any burden on

intramarket competition, as the proposed rule change will apply in the same manner to all orders submitted to an AIM Auction. With respect to the proposed changes that limit the Immediate Customer-to-Customer AIM crosses, those changes will apply in the same manner to all pairs of customer orders submitted in those circumstances. The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, because the proposed changes, as described above and below, are based on rules for similar price improvement auction mechanisms at other options exchanges.

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

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

#### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>25</sup> and Rule 19b-4(f)(6) thereunder.<sup>26</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>27</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>28</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay. The Exchange states that waiver of the operative delay would allow the Exchange to continue towards a complete technology integration of the Cboe Affiliated Exchanges. According to the Exchange, a consistent technology offering will simplify the technology implementation, changes, and

<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>27</sup> 17 CFR 240.19b-4(f)(6).

<sup>28</sup> 17 CFR 240.19b-4(f)(6)(iii).

maintenance by Options Members of the Exchange that are also participants on Cboe Affiliated Exchanges. The Exchange notes that it intends to implement the proposed rule change on March 21, 2019. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.<sup>29</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2019-007 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-2019-007. 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 a.m. and 3 p.m. Copies of such 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-2019-007, and should be submitted on or before April 3, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>30</sup>

**Eduardo A. Aleman,**  
*Deputy Secretary.*

[FR Doc. 2019-04561 Filed 3-12-19; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-10611; 34-85271; File No. 265-28]

### Investor Advisory Committee Meeting

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Notice of meeting of Securities and Exchange Commission Dodd-Frank Investor Advisory Committee.

**SUMMARY:** The Securities and Exchange Commission Investor Advisory Committee, established pursuant to Section 911 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, is providing notice that it will hold a public meeting. The public is invited to submit written statements to the Committee.

**DATES:** The meeting will be held on Thursday, March 28, 2019 from 9:00 a.m. until 3:15 p.m. (ET). Written statements should be received on or before March 28, 2019.

**ADDRESSES:** The meeting will be held in Multi-Purpose Room LL-006 at the Commission's headquarters, 100 F

Street NE, Washington, DC 20549. The meeting will be webcast on the Commission's website at [www.sec.gov](http://www.sec.gov). Written statements may be submitted by any of the following methods:

##### *Electronic Statements*

- Use the Commission's internet submission form (<http://www.sec.gov/rules/other.shtml>); or
- Send an email message to [rules-comments@sec.gov](mailto:rules-comments@sec.gov). Please include File No. 265-28 on the subject line; or

##### *Paper Statements*

- Send paper statements to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File No. 265-28. This file number should be included on the subject line if email is used. To help us process and review your statement more efficiently, please use only one method.

Statements also will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Room 1503, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. All statements 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.

##### **FOR FURTHER INFORMATION CONTACT:**

Marc Oorloff Sharma, Chief Counsel, Office of the Investor Advocate, at (202) 551-3302, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549.

**SUPPLEMENTARY INFORMATION:** The meeting will be open to the public, except during that portion of the meeting reserved for an administrative work session during lunch. Persons needing special accommodations to take part because of a disability should notify the contact person listed in the section above entitled **FOR FURTHER INFORMATION CONTACT**.

The agenda for the meeting includes: Welcome remarks; a discussion regarding stock exchanges and, specifically, investor protection under the modern exchange regulatory structure; a discussion regarding disclosures on human capital (which may include a recommendation from the Investor as Owner subcommittee); a discussion regarding trends in investment research and potential regulatory implications; subcommittee reports; and a nonpublic administrative work session during lunch.

<sup>29</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>30</sup> 17 CFR 200.30-3(a)(12).