

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>20</sup> and Rule 19b-4(f)(6) thereunder.<sup>21</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>22</sup> normally does not become operative prior to 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)<sup>23</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 so that the proposed rule change may become effective and operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, as it will allow the current Options Pilots to continue on a permanent basis without any changes, prior to the pilot expiration on October 18, 2019. For this reason, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative upon filing.<sup>24</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:

<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</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>22</sup> 17 CFR 240.19b-4(f)(6).

<sup>23</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>24</sup> 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).

#### 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-ISE-2019-30 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-ISE-2019-30. 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-ISE-2019-30 and should be submitted on or before November 15, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>25</sup>

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

[FR Doc. 2019-23258 Filed 10-24-19; 8:45 am]

**BILLING CODE 8011-01-P**

<sup>25</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-87377; File No. SR-CBOE-2019-099]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend and Consolidate Various Exchange Rules Relating to Trading Permit Holder Membership, Registration and Participants and Move Those Rules From the Currently Effective Rulebook to Proposed Chapter 3 of the Shell Structure for the Exchange's Rulebook That Will Become Effective Upon the Migration of the Exchange's Trading Platform to the Same System Used by the Cboe Affiliated Exchanges

October 21, 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 October 7, 2019, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<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 Substance of the Proposed Rule Change

The Exchange proposes to amend and consolidate various Exchange Rules relating to Trading Permit Holder membership, registration and participants and move those Rules from the currently effective Rulebook to proposed Chapter 3 of the shell structure for the Exchange's Rulebook that will become effective upon the migration of the Exchange's trading platform to the same system used by the Cboe Affiliated Exchanges (as defined below) ("shell Rulebook"). The text of the proposed rule change is provided in Exhibit 5.

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

<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).

CBOELegalRegulatoryHome.aspx), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

In 2016, the Exchange’s parent company, Cboe Global Markets, Inc. (formerly named CBOE Holdings, Inc.) (“Cboe Global”), which is also the

parent company of Cboe C2 Exchange, Inc. (“C2”), acquired Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX” or “EDGX Options”), Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with Cboe Options, C2, EDGX, EDGA, and BZX, the “Cboe Affiliated Exchanges”). Cboe Options intends to migrate its trading platform to the same system used by the Cboe Affiliated Exchanges, which the Exchange expects to complete on October 7, 2019 (the “migration”). The Exchange proposes to amend certain registration-related rules, effective October 7, 2019. In connection with this technology migration, the Exchange has a shell Rulebook that resides alongside its current Rulebook, which shell Rulebook will contain the Rules that will be in place upon completion of the Cboe Options technology migration.

Also, in connection with the restructuring of the Exchange’s Trading Permits, the Exchange proposes to modify its rules related to nominees and proposed Responsible Persons (current Rules 1.1, 3.1, 3.8, 3.9, 3.10, 3.19 and 17.6), as discussed more fully below. The Exchange also proposes to make

non-substantive changes to simplify, clarify, and generally update its registration-related rules by consolidating various provisions and rules (including select rules not covered under current Chapter III but pertain to membership, registration and participants), deleting duplicative and obsolete rule provisions, reformatting provision sequencing, numbering, and lettering, and revising titles. The Exchange also updates cross-references to rules in the shell Rulebook that will be implemented upon migration. The table below lists each rule under current Chapter III, along with the few additional rules related to membership, registration and participants that the Exchange proposes to consolidate with the registration-related rules, the proposed rule in the shell Rulebook to which the current rule will be moved, whether the proposed change is substantive or non-substantive, and finally, a description of the proposed rule change. The Exchange notes that all current provisions proposed to move to the corresponding proposed provisions in the shell Rulebook will also be deleted from the current rules upon migration.

Current rule	Proposed rule	Substantive change	Description of change
N/A	Rule 1.1 (Nominee defined)	Y: see further discussion below.	Updates the nominee definition to provide that a nominee represents TPH organization in all matters relating to the Exchange with respect to a Floor Broker or Market-Maker Floor Trading Permit, as more fully described below
N/A	Rule 1.1 (Responsible Person defined).	Y: see further discussion below.	Adopts definition of a “Responsible Person” as described more fully below.
Rule 3.1 (Trading Permits)	Rule 3.1 (Trading Permits)	N	Moves rule in its entirety. Adds references to “Responsible Persons” in light of proposed rule change. Eliminates language regarding separate Trading Permits for RTH and GTH in current Rule 3.1(a)(iv) as post-migration electronic Trading Permits provide access to both sessions. Renumbers provisions and updates cross-references.
Rule 3.1A (Issuance of Trading Permits in Respect of Memberships and Pre-Restructuring Transaction Trading Permits).	N/A (deleted)	N	Deletes obsolete rules that previously governed the issuance of Trading Permits in connection with the prior restructuring of the Exchange from a non-stock corporation to a stock corporation and wholly owned subsidiary of Cboe Global Markets, Inc.
Rule 3.2 (Qualifications of Individual Trading Permit Holders).	Rule 3.2 (Qualifications of Individual TPH).	N	Moves rule in its entirety. Renumbers provisions and updates title.
Rule 3.3 (Qualifications of TPH organizations).	Rule 3.3 (Qualifications of TPH Organizations).	N	Moves rule in its entirety. Renumbers provisions.
Rule 3.4 (Foreign Trading Permit Holders).	Rule 3.4 (Foreign TPHs)	N	Moves rule in its entirety. Updates title.
Rule 3.4A (Additional Trading Permit Holder Qualifications).	Rule 3.5 (Additional TPH Qualifications).	N	Moves rule in its entirety. Renumbers provisions and updates title.
Rule 3.5 (Denial of and Conditions to Being a Trading Permit Holder or Associated with a Trading Permit Holder).	Rule 3.6 (Denial of and Conditions to Being a TPH or Associated with a TPH).	N	Moves rule in its entirety. Renumbers provisions and updates cross-references and title.
Rule 3.6 (Persons Associated with TPH Organizations).	Rule 3.7 (Persons Associated with TPH Organizations).	N	Moves rule in its entirety.

Current rule	Proposed rule	Substantive change	Description of change
Rule 3.6A (Qualification and Registration of Trading Permit Holders and Associated Persons).	Rule 3.30 (Qualifications and Registration of TPHs and Associated Persons).	N .....	Moves rule in its entirety. Renumbers provisions and updates cross-references and title.
Rule 3.7 (Certain Documents Required of Trading Permit Holders, Applicants, and Associated Persons).	Rule 3.8 (Certain Documents Required of TPHs, Applications and Associated Persons).	N .....	Moves rule in its entirety. Renumbers provisions and updates cross-references and title.
Rule 3.8 (Nominees) .....	Rule 3.9 (Responsible Persons and Nominees).	Y: see further discussion below.	Moves rule in its entirety. Adopts concept of "Responsible Person". Amends and updates Rule accordingly, as described more fully below. Renumbers provisions, eliminates redundant provisions, and updates cross-references and title.
Rule 3.9 (Application Procedures and Approval or Disapproval).	Rule 3.10 (Application Procedures and Approval or Disapproval).	N .....	Moves rule in its entirety. Adds references to "Responsible Persons" and "nominees". Updates cross-references.
Rule 3.10 (Effectiveness of Trading Permit Holder or Approved Associated Person Status).	Rule 3.11 (Effectiveness of PTH or Approved Associated Person Status).	N .....	Moves rule in its entirety. Adds references to "Responsible Persons" and "nominees". Updates cross-reference and title.
Rule 3.11 (Affiliation Between the Exchange and a Trading Permit Holder).	Rule 3.62 (Affiliation Between the Exchange and a TPH).	N .....	Moves rule in its entirety. Updates title.
Rule 3.12 (Cboe Trading as Outbound Router).	Rule 3.63 (Cboe Trading as Outbound Router).	N .....	Moves rule in its entirety.
Rule 3.13 (Cboe Trading as Inbound Router).	Rule 3.64 (Cboe Trading as Inbound Router).	N .....	Moves rule in its entirety.
Rule 3.14 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.15 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.16 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.17 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.18 (Trading Permit Holders and Associated Persons Who Are or Become Subject to a Statutory Disqualification).	Rule 3.13 (TPHs and Associated Persons Who Are or Become Subject to a Statutory Disqualification).	N .....	Moves rule in its entirety. Updates cross-references and title.
Rule 3.19 (Termination from Trading Permit Holder Status).	Rule 3.14 (Termination from TPH Status).	N .....	Moves rule in its entirety. Adds reference to "Responsible Person". Updates title.
Rule 3.20 (Dissolution and Liquidation of TPH Organizations).	Rule 3.15 (Dissolution and Liquidation of TPH Organizations).	N .....	Moves rule in its entirety. Updates cross-reference.
Rule 3.21 (Obligations of Terminating Trading Permit Holders).	Rule 3.16 (Obligations of Terminating TPHs).	N .....	Moves in its entirety. Updates title.
Rule 3.22 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.24 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.25 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.26 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.27 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.28 (Letters of Guarantee and Authorization).	Rule 3.61 (Letters of Guarantee and Authorization).	N .....	Moves rule in its entirety. New provisions added from other rules, as described more fully below. Clarify in new Rule 3.61(a) that TPHs must have a letter of guarantee from a Clearing Trading Permit Holder that is properly authorized by the Options Clearing Corporation ("OCC") to operate during the GTH session, which is required currently today. Renumbers provisions.
Rule 3.29 (Membership in OneChicago, LLC).	Rule 3.65 (Membership in OneChicago, LLC).	N .....	Moves rule in its entirety.
Rule 3.30 (Extension of Time Limits).	Rule 3.17 (Extension of Time Limits).	N .....	Moves rule in its entirety.
Rule 3.31 (Reserved) .....	N/A (deleted) .....	N .....	Deletes reserved rule.
Rule 3.32 (Ownership Concentration and Affiliation Limitation).	Rule 3.18 (Ownership Concentration and Affiliation Limitation).	N .....	Moves rule in its entirety.
Rule 6.20A (Sponsored Users) ....	Rule 3.60 (Sponsored Users) ....	N .....	Moves rule in its entirety. Eliminates reference to FLEX Hybrid Trading System in current Rule 6.20A .01 as FLEX will no longer trade on that system post-migration, but rather the same system as all other trading on Cboe Options. Renumbers provisions and updates cross-references.
Rule 6.70 (Floor Broker Defined)	Rule 3.50 (Floor Brokers) .....	N .....	Current Rule 6.70 moves to new Rule 3.50(a). Current Rule 6.71 moves to new Rule 3.50(b). Renumbers provisions and updates cross-references. Updates title.
Rule 6.71 (Registration of Floor Brokers).			

Current rule	Proposed rule	Substantive change	Description of change
Rule 6.72 (Letters of Authorization).	Rule 3.61 (Letters of Guarantee and Authorization).	N .....	Moves to Rule 3.61(b); eliminates provisions in current rule 6.72(c) and (d) as such provisions are redundant to provisions already covered by current Rule 3.28 (and now new rule 3.61(a)). Renames "Letter of Authorization" to "Letter of Guarantee" for consistency.
Rule 6.77 (Order Service Firms) ..	Rule 3.59 (Order Service Firms)	N .....	Moves rule in its entirety.
Rule 6.78 (Letters of Guarantee Required of Order Service Firms).	Rule 3.61 (Letters of Guarantee and Authorization).	N .....	Moves to Rule 3.61(d); eliminates subparagraph (c) as such provision is redundant to provision already in current Rule 3.28 (and now new rule 3.61(a)).
Rule 8.5 (Letters of Guarantee) ...	Rule 3.61 (Letters of Guarantee and Authorization).	N .....	Moves to Rule 3.61(b); eliminates subparagraph (c) as such provision is redundant to provision already in current Rule 3.28 (and now new rule 3.61(a)).
Rule 24A.13 (Letter of Guarantee or Authorization).	Rule 3.61 (Letters of Guarantee and Authorization).	N .....	Moves to Rule 3.61(e); eliminates subparagraph (c) as not necessary in light of consolidated rule.
N/A .....	Rule 3.51 (OEFs) .....	N .....	Adopts definition of "OEF" from Rule 1.1 (Definitions) in shell rulebook.
N/A .....	13.6 .....	N .....	Adds reference to "Responsible Person".

Other than the proposed changes regarding Responsible Persons, described more fully below, the proposed rules are virtually identical (renumbering or reorganizing paragraphs, updating cross-references and titles, and making the types of non-substantive or clarifying changes as described above), and are merely moving from the current Rulebook to the shell Rulebook. The Exchange intends to move the current rules indicated above to proposed Chapter 3 of the shell Rulebook in order to consolidate into one location the rules that relate to membership, registration and participants.

#### Responsible Persons

As noted above, in connection with the migration, the Exchange intends to modify its current Trading Permit structure. By way of background, current Cboe Option Rule 1.1 defines a Trading Permit as a license issued by the Exchange that grants the holder or the holder's nominee the right to access one or more of the facilities of the Exchange for the purpose of effecting transactions in securities traded on the Exchange without the services of another person acting as broker, and otherwise to access the facilities of the Exchange for purposes of trading or reporting transactions or transmitting orders or quotations in securities traded on the Exchange, or to engage in other activities that, under Cboe Options Rules, may only be engaged in by Trading Permit Holders, provided that the holder or the holder's nominee, as applicable, satisfies any applicable qualification requirements to exercise

those rights.<sup>5</sup> The Exchange may issue different types of Trading Permits and determine the fees for those Trading Permits.<sup>6</sup> The Exchange currently maintains three types of Trading Permits. Particularly, the Exchange offers a Market-Maker Trading Permit, a Floor Broker Trading Permit and an Electronic Access Permit. The Exchange also offers separate Market-Maker and Electronic Access Permit for the Global Trading Hours ("GTH") session. More specifically, Market-Maker trading Permits entitle the holder to act as a Market-Maker, including a Market-Maker trading remotely, DPM, eDPM, or LMM, and also provides an appointment credit of 1.0, a quoting and order entry bandwidth allowance, up to three logins, trading floor access and TPH status.<sup>7</sup> A Floor Broker Trading Permit entitles the holder to act as a Floor broker, provides an order entry bandwidth allowance, up to 3 logins, trading floor access and TPH status.<sup>8</sup> Lastly, an Electronic Access Permit ("EAP") entitles the holder to electronic access to the Exchange. Holders of EAPs must be broker-dealers registered with the Exchange in one or more of the following capacities: (a) Clearing TPH, (b) TPH organization approved to transact business with the public, (c) Proprietary TPHs and (d) order service firms. The permit does not provide access to the trading floor. An EAP also provides an order entry bandwidth

allowance, up to 3 logins and TPH status.<sup>9</sup> In addition, Rule 3.1(a)(v) provides, in relevant part, that Trading Permits will be subject to such fees and charges as are established by the Exchange from time to time pursuant to Exchange Rule 2.1 and the Exchange Fees Schedule.<sup>10</sup>

As noted above, Trading Permits are currently tied to bandwidth allocation, logins and appointment costs, and as such, TPH organizations may hold multiple Trading Permits of the same type in order to meet their connectivity needs. Post-Migration, bandwidth allocation, logins and appointment costs will no longer be tied to a Trading Permit, and as such, the Exchange is modifying its Trading Permit structure. Specifically, post-Migration, the Exchange will issue five types of Trading Permits; an electronic Market-Maker Permit, an Electronic Access Permit, a Clearing TPH Permit, a Market-Maker Floor Permit and a Floor Broker Permit.<sup>11</sup> More specifically, the Exchange will provide that for electronic access to the Exchange, a TPH need only purchase one of the following permit types for each trading function the TPH intends to perform: Market-Maker Electronic Access Permit ("MM EAP") in order to act as an off-floor Market-Maker, Electronic Access Permit ("EAP") in order to submit orders

<sup>9</sup> *Id.*

<sup>10</sup> The Exchange has submitted a separate rule filing to amend Trading Permit fees. See SR-CBOE-2019-082.

<sup>11</sup> Cboe Option Rules provides the Exchange authority to issue different types of Trading Permits which allows holders, among other things, to act in one or more trading functions authorized by the Rules. See Cboe Options Rule 3.1(a)(iv).

<sup>5</sup> A Trading Permit does not convey any ownership interest in the Exchange, is only available through the Exchange, and is subject to the terms and conditions set forth in Cboe Options Rule 3.1.

<sup>6</sup> See Cboe Options Rule 3.1(v).

<sup>7</sup> See Cboe Options Fees Schedule.

<sup>8</sup> *Id.*

electronically to the Exchange,<sup>12</sup> and a Clearing TPH Permit, for TPHs approved solely as a Clearing TPH.<sup>13</sup> Additionally, as part of the migration the Exchange is eliminating Global Trading Hours Trading Permits. Instead, the Exchange will provide that any MM EAP, EAP and Clearing TPH Permit provides access (at no additional cost) to the GTH session.<sup>14</sup> Post-migration, the Exchange will have separate Trading Permits for on-floor and off-floor activity. As such, the Exchange will be maintaining a Floor Broker Trading Permit (“FB Permit”) and adopting a new Market-Maker Floor Permit (“MM Floor Permit”) for on-floor Market-Makers. Floor-based permits may only be tied to one individual (*i.e.*, nominee) at a time.

In light of the restructuring of the Exchange’s Trading Permits, the Exchange therefore proposes to modify its rules related to nominees. Currently, a TPH organization must designate an individual nominee to represent the organization with respect to that Trading Permit in all matters relating to the Exchange, provided that in the case of a Trading Permit held in the name of an individual, the TPH organization shall be required to designate that individual as the nominee for that Trading Permit.<sup>15</sup> Additionally, in the situation where the TPH organization is holding multiple Trading Permits in its name, the TPH organization may designate the same individual to be a nominee for those Trading Permits.<sup>16</sup> Moreover, each nominee of a TPH organization, except for a nominee of a TPH organization approved solely as a Clearing Trading Permit Holder and/or to transact business with the public pursuant to current Rule 9.1, is required to have an authorized trading function.<sup>17</sup> Among other requirements,

a nominee is required to be materially involved in the daily operation of the Exchange business activities of the TPH organization for which the person is a nominee; have authorized trading functions only on behalf of one TPH organization; and perform trading functions only on behalf of the TPH organization for which the person is approved by the Exchange to perform such functions and may not perform trading functions on the person’s own behalf or on behalf of another TPH organization.<sup>18</sup>

Post-migration the Exchange proposes to provide that only floor-based Trading Permits (*i.e.*, MM Floor and FB Permits) require the designation of a nominee. In lieu of nominees, TPH organizations that hold electronic permits (*i.e.*, MM EAPs, EAPs and Clearing TPH Permits) will be required to designate at least one “Responsible Person”. The Responsible Person will be required to be affiliated with the TPH and shall represent the organization with respect to a TPH’s electronic Trading Permit(s) in all matters relating to the Exchange. The Responsible Person must be a U.S.-based officer, director or management-level employee of the TPH, who is responsible for the direct supervision and control of Associated Persons of that TPH. A Responsible Person for a Foreign Trading Permit Holder does not need to be U.S.-based, but must be an individual registered in Web CRD.<sup>19</sup> The Exchange notes that its affiliate C2 similarly requires the designation of a Responsible Person.<sup>20</sup> In connection with the proposed change, the Exchange proposes to amend its nominee rule (current Rule 3.8, proposed new Rule 3.9) to adopt new subparagraph 3.9(a), which will set forth the requirements relating to Responsible Persons, as well as add corresponding references to Responsible Persons in the remaining provisions of proposed Rule 3.9. Proposed Rule 3.9(a) is substantially similar to C2’s corresponding rule.<sup>21</sup>

With respect to floor-based permits, the Exchange will still require the designation of a nominee per permit. Particularly, proposed subparagraph (b) will provide that each TPH organization that is holder of a FB Permit or MM Floor Permit must designate an individual nominee to represent the

organization with respect to each FB Permit or MM Floor Permit in all matters relating to the Exchange. As noted above, each FB Permit and MM Floor Permit may only be tied to one individual at a time.<sup>22</sup> As such, the Exchange proposes to eliminate the language in current Rule 3.8(a)(ii) which allows a TPH to designate the same individual to be a nominee for its Trading Permits. The Exchange notes however, that a nominee of a TPH may also be designated as a Responsible Person with respect to a TPH’s electronic Trading Permits so long as such nominee satisfies the proposed requirements of being a Responsible Person. Similarly, a Responsible Person may also be designated as a nominee for a TPH’s floor Trading Permits so long as such person satisfies the requirements of being a nominee. A TPH organization may never have more individuals (*i.e.*, nominees) on the floor than it has floor-based Trading Permits. Further, each nominee must be registered as a Floor Broker if acting as a nominee on behalf of a FB Permit and registered as a Market-Maker if acting as a nominee on behalf of a MM Floor Permit. As is the case today, a nominee may have authorized trading functions only on behalf of one TPH organization and may perform trading functions only on behalf of the TPH organization for which the person is approved by the Exchange to perform such functions and may not perform trading functions on the person’s own behalf or on behalf of another TPH organization.<sup>23</sup> As nominees will be required to be registered as either a Floor Broker or Market-Maker, the Exchange believes the requirement under current Rule 3.8(c)(i) to be materially involved in the daily operation of the Exchange activities of the TPH organization is no longer necessary and as such the Exchange proposes to delete such provision.<sup>24</sup> The Exchange also proposes to eliminate current subparagraph 3.8(a)(v), which provides each nominee of a TPH organization who is approved to be a Trading Permit Holder shall be deemed to be an individual Trading Permit Holder. The Exchange believes this point is already made clear current (and proposed) Rule

<sup>12</sup> EAPs may be purchased by TPHs that both clear transactions for other TPHs (*i.e.*, a “Clearing TPH”) and submit orders electronically.

<sup>13</sup> Currently any TPH that is registered to act as a Clearing TPH must purchase an Electronic Access Permit, whether or not that Clearing TPH acts solely as a Clearing TPH or acts as a Clearing TPH and submits orders electronically. The Exchange proposes to adopt a new Trading Permit, for any TPH that is registered to act solely as Clearing TPH. Clearing TPHs that both clear transactions for other TPHs and that are approved in a capacity to submit orders electronically to the Exchange need only obtain the proposed EAP.

<sup>14</sup> Clearing TPHs must be properly authorized by the Options Clearing Corporation (“OCC”) to operate during the GTH session. As such, in order to participate in GTH, a TPH must have a Letter of Guarantee on file from a Clearing TPH that is authorized to operate during GTH. The Exchange proposes to amend proposed Rule 3.61 (current Rule 3.28), to make this point clear in the rules.

<sup>15</sup> See Current Cboe Options Rule 3.8(a)(i).

<sup>16</sup> See Current Cboe Options Rule 3.8(a)(ii).

<sup>17</sup> See Current Cboe Options Rule 3.8(a)(iii).

<sup>18</sup> See Current Cboe Options Rule 3.8(c).

<sup>19</sup> The Exchange notes that for Foreign TPHs, the requirement that the individual be U.S.-based is waived as such TPHs may not have an individual that meets all of the proposed requirements based in the U.S.

<sup>20</sup> See C2 Rule 1.1 (“Responsible Person”) and Rule 3.8 (Responsible Person).

<sup>21</sup> See C2 Rule 1.1 (“Responsible Person”) and Rule 3.8 (Responsible Person).

<sup>22</sup> TPHs may continue to designate and maintain “inactive nominees” pursuant to proposed Rule 3.9(e) (current Rule 3.8(e)).

<sup>23</sup> The Exchange proposes to relocate these provisions from current Cboe Options Rule 3.8(c)(ii)–(iii) to new subparagraph (b) of proposed Rule 3.9, making the rule easier to follow.

<sup>24</sup> Given the proposed deletion of the language in current Rule 3.8(c)(i) and the relocation of current subparagraphs (c)(ii) and (c)(iii), current Rule 3.8(c) will be eliminated in its entirety.

3.2 which provides “An individual must satisfy the following requirements in order to be an individual Trading Permit Holder, whether in the capacity of a holder of a Trading Permit or a nominee of a TPH” and as such the proposed language is redundant and unnecessary.

In connection with the proposed changes relating to Responsible Persons and nominees, the Exchange proposes to also amend other exchange rules. Particularly, the Exchange proposes to amend the following rules: (1) Proposed Rule 3.1 (currently Rule 3.1), to provide Responsible Persons, in addition to nominees, are subject to the regulatory jurisdiction of the Exchange and that a TPH organization may change the designation of Responsible Persons in addition to nominees with respect to its Trading Permits; (2) proposed Rule 3.10 (currently Rule 3.9) to clarify that any individual that is designated as a nominee or Responsible Person must submit an application and be investigated, in accordance with the rule; (3) proposed Rule 3.11 (currently Rule 3.10) to clarify that each Responsible Person and nominee must become effective within 90 days of the date of the applicant’s approval for such status; (4) proposed Rule 3.14 (currently Rule 3.19) to clarify that a TPH’s status may be automatically terminated if it has no Responsible Person or nominee; and (5) proposed Rule 13.6 (currently Rule 17.6) to provide that a Responsible Person or nominee may represent a TPH organization in a hearing.

## 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>25</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>26</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>27</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule changes will remove impediments to and perfect the mechanism of a free and open market and a national market system by providing for a more streamlined and simplified permit structure and rules relating to nominees and proposed Responsible Persons. Particularly, post-migration, the new connectivity and permit structure will eliminate the need for TPHs to hold multiple permits for purposes of appointment costs, logins and/or bandwidth and will provide clear distinctions between off-floor and on-floor permits and the individual representatives of such permits (*i.e.*, nominees and Responsible Persons). The Exchange believes the proposal to require TPHs to designate a Responsible Person, instead of a nominee, for such Trading Permits therefore provides for a more straightforward administration of the Exchange’s permit structure. Indeed, the proposed change more closely aligns the Exchange’s membership requirements with those of its affiliate exchange, C2, which has a similar electronic permit structure as proposed and is on the same platform the Exchange is migrating to.<sup>28</sup> The Exchange believes its proposal to adopt Responsible Persons therefore provides greater uniformity of the Exchange’s rules and its affiliated exchange and therefore less burdensome and more efficient regulatory compliance. The proposed definition of a Responsible Person is also substantially the same as other exchanges that have a similar requirement.<sup>29</sup> The Exchange notes that similar to a designated nominee, Responsible Persons will represent the organization with respect to each electronic Trading Permit in all matters relating to the Exchange. As such, every TPH organization, whether participating electronically or on the floor of the Exchange, will continue to have a designated individual that represents the Exchange, and has gone through an application and investigation process.

The Exchange notes that it is not substantively changing any rights or obligations of nominees of floor Trading Permits. Rather, the Exchange merely is proposing to update its rules to reflect that nominees will, upon migration, only represent a FB Trading Permit or

MM Floor Trading Permit and therefore must only be registered as a FB or MM, respectively. The Exchange believes the proposed changes to its nominee rule (current Rule 3.8, proposed Rule 3.9) also alleviates confusion by reorganizing and consolidating provisions, simplifying language, and removing redundancies.

As stated, the proposed rule changes not related to Responsible Persons makes no substantive changes to the rules. Rather, those proposed rule changes are merely intended to make the types of non-substantive or clarifying changes as described in the table and discussion above and relocate the Exchange’s rules to the shell Rulebook and update their numbers, paragraph structure, including number and lettering format, and cross-references to conform to the shell Rulebook as a whole in anticipation of the technology migration on October 7, 2019. As such, the proposed rule change is designed to promote just and equitable principles of trade, 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, by improving the way the Exchange’s Rulebook is organized, making it easier to read, and, particularly, helping market participants better understand the rules of the Exchange, which will also result in less burdensome and more efficient regulatory compliance.

## 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. Particularly, the Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes apply to all TPHs. The proposed rule change also does not address competitive issues, but rather, amends its requirements relating to nominees in connection with the upcoming technology migration and resulting change in the Exchange’s Trading Permit structure and/or makes non-substantive rule changes in relocating the rules and updating cross-references to shell rules in anticipation of the October 7, 2019 technology migration. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the

<sup>27</sup> *Id.*

<sup>28</sup> See C2 Rules 1.1 (“Responsible Person”) and 3.8 (Responsible Person).

<sup>29</sup> See *e.g.*, MIA X Options Rules 100 and 207.

<sup>25</sup> 15 U.S.C. 78f(b).

<sup>26</sup> 15 U.S.C. 78f(b)(5).

purposes of the Act because the proposed change only affects TPHs of Cboe Options and those applying for membership to Cboe Options. To the extent that the proposed change makes Cboe Options a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become Cboe Options 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**

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>30</sup> and Rule 19b-4(f)(6) thereunder.<sup>31</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>32</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>33</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 so that the Exchange may implement the proposed rule change at the time of its anticipated October 7, 2019 system migration. The Exchange believes that waiver of the operative delay is appropriate because, as the Exchange discussed above, its proposal does not make any substantive changes to the Exchange's rules. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest because the proposal does not raise any new or novel issues and makes only non-substantive

changes to the rules. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.<sup>34</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 will 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-CBOE-2019-099 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2019-099. 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

<sup>34</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).

Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2019-099 and should be submitted on or before November 15, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

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

[FR Doc. 2019-23265 Filed 10-24-19; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-87375; File No. SR-BOX-2019-31]

**Self-Regulatory Organizations; BOX Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Exchange Rule IM-7170-1, To Make Permanent the Exchange Rule That Is Linked to the Equity Market Plan To Address Extraordinary Market Volatility**

October 21, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 18, 2019, BOX Exchange LLC (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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule from interested persons.

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

The Exchange proposes to amend Exchange Rule IM-7170-1, to make permanent the Exchange Rule that is linked to the equity market Plan to Address Extraordinary Market Volatility

<sup>35</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>30</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>31</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>32</sup> 17 CFR 240.19b-4(f)(6).

<sup>33</sup> 17 CFR 240.19b-4(f)(6)(iii).