

Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number to File Number SR–NASDAQ–2023–022 and should be submitted by October 25, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁶²

Sherry R. Haywood,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–98591; File No. SR–CboeEDGX–2023–060]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Automated Price Improvement Auction Rules

September 28, 2023.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on September 27, 2023, 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 Act³ and Rule 19b–4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) proposes to amend its automated price improvement auction rules. 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/), 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

The Exchange proposes to amend provisions in Rule 21.19 (Automated Price Improvement Mechanism (“AIM” or “AIM Auction”)) and Rule 21.22 (Complex Automated Improvement Mechanism (“C–AIM” or “C–AIM Auction”)) regarding concurrent AIM and C–AIM Auctions, respectively. The Exchange also proposes to update the provisions in those Rules regarding the minimum increment.

By way of background, Rules 21.19 and 21.22 contain the requirements applicable to the execution of orders using AIM and C–AIM, respectively. The AIM and C–AIM auctions are electronic auctions intended to provide orders that Members represent as agent (“Agency Orders”) with opportunities to receive price improvement (over the National Best Bid or Offer (“NBBO”) in AIM, or the synthetic best bid or offer (“SBBO”) on the Exchange in C–AIM). Upon submitting an Agency Order into an AIM or C–AIM auction, the initiating Member (“Initiating Member”) must also submit a contra-side second order (“Initiating Order”) for the same size as the Agency Order. The Initiating Order guarantees that the Agency Order will receive an execution at no worse than the auction price (*i.e.*, acts as a stop). During an AIM or C–AIM Auction, market participants may submit responses to trade against the Agency Order. At the end of an auction, depending on the contra-side interest available, the Initiating Order may be

allocated a certain percentage of the Agency Order.⁵

An Initiating Member may initiate an AIM or C–AIM auction provided that the Agency Order is in a class and of sufficient size as determined by the Exchange.⁶ Upon receipt of an Agency Order, the AIM or C–AIM auction process commences. Currently, under Rule 21.19(c)(1), for Agency Orders for less than 50 standard option contracts (or 500 mini-option contracts), only one AIM Auction may be ongoing at any given time in a series, and AIM Auctions in the same series may not queue or overlap in any manner. One or more AIM Auctions in the same series for Agency Orders of 50 standard option contracts (or 500 mini-option contracts) or more may occur at the same time. The Exchange proposes amending Rule 21.19(c)(1) to allow one or more AIM Auctions in the same series to occur at the same time for Agency Orders for less than 50 standard option contracts (or 500 mini-option contracts). This would effectively allow for one or more AIM Auctions in the same series to occur at the same time for orders of all sizes. Concurrent AIM Auctions for these smaller-sized orders will occur in the same manner as concurrent AIM Auctions for orders of 50 or more contracts occur today.⁷

Similarly, under current Rule 21.22(c)(1)(A), with respect to Agency Orders for which the smallest leg is less than 50 standard option contracts (or 500 mini-option contracts), only one C–AIM Auction may be ongoing at any given time in a complex strategy, and C–AIM Auctions in the same complex strategy may not queue or overlap in any manner. One or more C–AIM Auctions in the same complex strategy for Agency Orders for which the smallest leg is 50 standard option contracts (or 500 mini-option contracts) or more may occur at the same time. The Exchange proposes amending Rule 21.22(c)(1)(A) to allow one or more C–AIM Auctions in a complex strategy to occur at the same time for Agency Orders for which the smallest leg is less than 50 standard option contracts (or 500 mini-option contracts). This would

⁵ See generally Rules 21.19(e) and 21.22(e).

⁶ See generally Rules 21.19(a) and 21.22(a).

⁷ See Rule 21.19(c)(1) (which provides that if there is more than one AIM Auction in a series underway at a time, those auctions will conclude sequentially based on the exact time each auction commenced, including if they are terminated early pursuant to Rule 21.19(d)); and Rule 21.22(c)(1)(A) and (B) (which provides that if there is more than one C–AIM Auction in a complex strategy underway at a time, those auctions will conclude sequentially based on the exact time each auction commenced, including if they are terminated early pursuant to Rule 21.22(d)).

⁶² 17 CFR 200.30–3(a)(57).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b–4(f)(6).

effectively allow for one or more C–AIM Auctions in the same complex strategy to occur at the same time for complex orders of all sizes. The Exchange believes this proposed functionality will allow more AIM Auctions in the same series and more C–AIM Auctions in the same complex strategy to be conducted, thereby increasing opportunities for price improvement on the Exchange to the benefit of all market participants.

Currently, if an Agency Order of fewer than 50 contracts (or 500 mini-option contracts) is submitted to AIM or C–AIM while an AIM or C–AIM Auction is in progress, the Agency order is rejected. The proposal to add concurrent AIM and C–AIM Auctions for Agency Orders of any size, including for Agency Orders of fewer than 50 contracts (or 500 mini-option contracts), would also prevent the rejection of these smaller Agency Orders that occurs when such smaller Agency Orders are submitted while an AIM or C–AIM Auction is in progress. By eliminating this rejection scenario, the Exchange would increase execution and price improvement opportunities for these smaller Agency orders to the benefit of investors.

The Exchange notes that allowing more than one price improvement auction at a time in the same series for paired agency orders of fewer than 50 contracts is not new or novel and is current functionality on at least one other options exchange.⁸ While the Exchange is unaware of another options exchange that offers concurrent price improvement auctions for orders in complex strategies for which the smallest leg is fewer than 50 contracts, other options exchanges (as well as the Exchange) permit simple price improvement auctions to occur simultaneously with complex price improvement auctions for complex strategies involving the same series, with no size restrictions.⁹ Having simple price improvement auctions in multiple legs of a complex strategy in progress at the same time as a complex price improvement auction for that complex strategy for orders of any size is similar to two complex price improvement auctions in the same complex strategy being in progress at the same time. Additionally, the benefits of allowing concurrent price

improvement auctions for simple orders of all sizes and complex strategies with 50 contracts in the smallest leg or more (as described above) would apply to concurrent price improvement auctions for complex strategies with fewer than 50 contracts in the smallest leg. Specifically, allowing concurrent C–AIM Auctions in the same complex strategy if the smallest leg has fewer than 50 contracts would benefit investors because it would afford smaller-sized complex orders increased opportunities to solicit price-improving auction interest. The Exchange further believes this proposed change would provide additional benefits to customers, as smaller-sized orders tend to represent retail interest, and could improve the customer experience on the Exchange by increasing trading opportunities in the C–AIM Auctions.

The proposal to allow concurrent AIM and C–AIM Auctions for Agency Orders for less than 50 contracts (or 500 mini-option contracts) in the same series or complex strategy, respectively, would benefit investors because it would afford smaller-sized Agency Orders increased opportunities for price improvement, including because such smaller Agency Orders would no longer be rejected if submitted while an AIM or C–AIM Auction is in progress.

The Exchange also proposes to amend the minimum increment requirement for AIM and C–AIM Auctions. Rules 21.19(a)(4) and 21.22(a)(4) currently require the price of the Agency Order and Initiating Order to be in an increment of \$0.01, for AIM and C–AIM Auctions respectively. The Exchange proposes amending Rules 21.19(a)(4) and 21.22(a)(4) to require the price of the Agency Order and Initiating Order to be in an increment the Exchange determines on a class basis, which may be smaller than \$0.01.¹⁰ The Exchange notes that currently the minimum increment for AIM and C–AIM auctions for all classes listed on the Exchange is \$0.01, so the proposed rule amendments result in no changes from a practical perspective; however, because the minimum quoting increment for certain classes is greater than \$0.01 in accordance with Rule 21.5, it is possible the Exchange may determine to have a different minimum increment for AIM and C–AIM auctions. Additionally,

these proposed amendments further align the Exchange Rules with that of its affiliate, Cboe Exchange, Inc.

The Exchange will continue to protect smaller-sized simple Agency Orders in minimum increment-wide markets by requiring price improvement of at least one minimum increment for such orders and rejecting such orders in minimum increment-wide markets that do not provide for such price improvement.¹¹ Additionally, the Exchange will continue to protect Priority Customers on the Simple Book by requiring price improvement of at least one minimum increment better than the SBBO if the applicable side of the BBO on any component of the complex Agency Order complex strategy represents a Priority Customer on the Simple Book.¹² These protections would apply when the proposed concurrent Auctions are occurring. Thus, the Exchange believes the proposed changes should allow the Exchange to better compete for auction-related order flow that may lead to an increase in Exchange volume, while continuing to ensure that displayed customer interest on the Book is protected, to the benefit of all market participants.

The Exchange believes that its System has sufficient capacity to process a large volume of concurrent AIM and C–AIM Auctions for Agency Orders of any size, including for Agency Orders of fewer than 50 contracts (or 500 mini-option contracts).

Additionally, the Exchange proposes to amend Rule 21.22(c)(1)(B) related to early termination priority in the event of concurrent AIM and C–AIM Auctions. Currently, if the System receives a simple order that causes AIM and C–AIM (or multiple AIM and/or C–AIM) Auctions to end in early termination, the System first processes AIM Auctions (in price-time priority) and then processes C–AIM Auctions (in price-time priority). The Exchange proposes to update Rule 21.22(c)(1)(B) to provide for the processing of early terminations in time priority in these instances. Under the proposed rule, if the System receives a simple order that causes AIM and C–AIM (or multiple AIM and/or C–AIM) Auctions to end in early termination, the System will continue to first process AIM Auctions (sequentially based on the exact time each AIM Auction commenced) and then process

⁸ See, e.g., NYSE American LLC (“NYSE American”) Rule 971.1NYP(c) (as recently amended) (see Securities Exchange Act Release No. 97938 (July 18, 2023), 88 FR 47536 (July 24, 2023) (SR–NYSEAMER–2023–35) (permitting concurrent simple price improvement auctions).

⁹ See, e.g., NYSE American Rule 971.1NYP, Commentary .01; BOX Exchange LLC (“BOX”) Rules 7150, IM–7150–1 and 7245, IM–7245–2; and Nasdaq ISE, LLC (“ISE”) Options 3, Sections 11(g) and 13, Supplementary Material .04.

¹⁰ As part of the proposed rule change, the Exchange proposes to amend other provisions within Rules 21.19 and 21.22 which explicitly reference the minimum increment of \$0.01, to reflect the proposed change; specifically, the Exchange proposes to amend Rule 21.19(b)(1)(A), (b)(1)(B), (b)(2)(A), (b)(2)(B), (c)(5)(A), and (c)(5)(B), and Rule 21.22(b)(1)(A), (b)(2), (b)(3)(A), (c)(5)(A), and (c)(5)(B).

¹¹ See Rule 21.19(b)(1). The proposed rule change continues to provide price improvement assurances for those for buy (sell) Agency Orders submitted for AIM Auction processing with less than 50 standard option contracts (or 500 mini-option contracts) and NBBO width equaling the minimum increment, pursuant to Rule 21.19(b)(1)(A), as amended.

¹² See Rule 21.22(b)(1).

C–AIM Auctions (sequentially based on the exact time each C–AIM Auction commenced), which is consistent with the priority the System processes concurrent AIM Auctions and concurrent C–AIM Auctions.

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.¹³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁴ 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)¹⁵ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes the proposal to permit concurrent AIM and C–AIM Auctions for Agency Orders for less than 50 contracts (or 500 mini-option contracts) in the same series or complex strategy, respectively, would remove impediments to and perfect the mechanisms of a free and open market and a national market system because it would extend concurrent auction functionality to smaller-sized Agency Orders. The Exchange also believes this proposed change is non-controversial because it does not raise any issues that differ from those previously considered when the Exchange and other options exchanges adopted this functionality for larger-sized agency orders submitted to price improvement auctions, or when another options exchange adopted this functionality (pursuant to an immediately effective, noncontroversial rule filing) for smaller-sized simple agency orders submitted into a price improvement auction.¹⁶ The Exchange believes the proposal will benefit investors because it would afford

smaller-sized Agency Orders increased opportunity to solicit price-improving auction interest. The Exchange further believes that this proposed rule change would provide additional benefits to customers, as smaller-sized Agency Orders tend to represent retail interest, and could improve the customer experience on the Exchange by increasing trading opportunities in AIM and C–AIM Auctions. Notwithstanding the proposal to allow concurrent AIM auctions for smaller-sized Agency Orders, the Exchange would continue to protect customer interest on the simple Book by requiring price improvement over the BBO to initiate an Auction for smaller-sized Agency Orders and rejecting such orders in increment wide markets when price improvement is not possible. Additionally, the Exchange will continue to protect Priority Customers on the Simple Book by requiring price improvement of at least one minimum increment better than the SBBO if the applicable side of the BBO on any component of the complex Agency Order complex strategy represents a Priority Customer on the Simple Book.¹⁷

Further, the Exchange believes the proposed new functionality to allow concurrent AIM and C–AIM auctions for Agency Orders of any size is consistent with the Act, as the proposed rule changes will prevent the rejection of these smaller Agency Orders that occurs when such smaller Agency Orders are submitted while an AIM or C–AIM Auction is in progress, which the Exchange believes will increase execution opportunities for these smaller Agency orders to the benefit of investors. For example, in July 2023, the new functionality would have provided investors with additional price improvement and execution opportunities via approximately 4,500 additional AIM or C–AIM Auctions that were otherwise rejected due to current concurrency limitations.

The Exchange also believes this proposed new functionality to allow concurrent AIM and C–AIM auctions for Agency Orders of any size should promote and foster competition and provide more options contracts with the opportunity for price improvement, which should benefit all market participants. In addition, this proposed change may lead to an increase in Exchange volume and should allow the Exchange to better compete against other markets that permit overlapping price improvement auctions, while continuing to ensure that displayed customer interest on the simple Book is

protected. The proposed enhancement to allow concurrent auctions for Agency Orders of any size would be a competitive change and may make the Exchange a more attractive venue for auction-related order flow. As noted above, the Exchange believes that its trading platform has sufficient capacity to process a large volume of concurrent Auctions for Agency Orders of any size, including for Agency Orders of fewer than 50 contracts (or 500 mini-option contracts).

Further, the Exchange believes its proposal to amend its AIM and C–AIM Rules to require the minimum increment for AIM and C–AIM Auctions to be in an increment the Exchange determines on a class basis, which may be no smaller than \$0.01, and to update provisions within the Rules to reference this increment, would remove impediments to and perfect the mechanisms of a free and open market and a national market system. The purpose of the AIM and C–AIM Auction mechanisms is to provide price improvement opportunities. By expanding the minimum increment requirement, such price improvement opportunities could, in the future, be expanded to additional classes that may have a minimum increment greater than \$0.01.

Further, certain provisions in the AIM and C–AIM Rules require price improvement, for example, for smaller orders where the width of the NBBO is as narrow as possible. However, if the minimum increment for a class is, for example, \$0.05, it would not be possible to price improve penny-wide market in the permissible minimum increment of \$0.05. The Exchange believes the proposal, which is consistent with the original intention of current AIM and C–AIM rules, will ensure such orders receive this price improvement when the NBBO is as narrow as possible, to the benefit of the marketplace and investors.

Finally, the Exchange believes the proposed rule change related to the processing of AIM and C–AIM Auctions in the event of early termination will promote just and equitable principles of trade, in accordance with the Act. The Exchange believes processing concurrent AIM and C–AIM Auctions that end in early termination in time priority is a fair and equitable process, and consistent with the priority applicable to concurrent AIM Auctions and concurrent C–AIM Auctions when they are terminated early.

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ *Id.*

¹⁶ See *supra* note 8.

¹⁷ See *supra* note 12.

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 that is not necessary or appropriate in furtherance of the purposes of the Act, because it will apply uniformly to Members. The proposed rule change will result in smaller orders receiving the same opportunities for execution and price improvement through AIM and C-AIM that are already afforded to larger orders, which are not subject to the concurrency restriction.

As noted above, the proposed rule change proposal to amend its AIM and C-AIM Rules to require the minimum increment for AIM and C-AIM Auctions to be in an increment the Exchange determines on a class basis, which may be no smaller than \$0.01, and to update provisions within the Rules to reference this increment will ensure that all classes that may be listed on the Exchange may be eligible for AIM and C-AIM Auctions, which the Exchange believes will result in orders in all classes receiving the same price improvement opportunities through AIM and C-AIM, in a consistent manner. Further, the Exchange does not believe the proposed rule change related to the processing of AIM and C-AIM Auctions in the event of early termination will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as it will apply in the same manner to all Agency Orders.

Additionally, the Exchange notes that participation in the AIM and C-AIM Auctions is completely voluntary. The Exchange believes all market participants, particular those that submit smaller orders, may benefit from any additional liquidity, execution opportunities, and price improvement in the AIM and C-AIM Auctions that may result from the proposed rule change.

The Exchange does not believe the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues who offer similar functionality. The Exchange believes this proposed rule

change would promote fair competition among the options exchanges and establish more uniform functionality across the various price improvement auctions offered by other options exchanges. The proposed functionality may lead to an increase in Exchange volume and should allow the Exchange to better compete against other options markets that already offer similar price improvement mechanisms and for this reason the proposal does not create an undue burden on intermarket competition. By contrast, not having the proposed functionality places the Exchange at a competitive disadvantage vis-à-vis other exchanges that offer similar price improvement mechanisms. As noted above, another options exchange adopted this functionality (pursuant to an immediately effective, noncontroversial rule filing) to allow for concurrent price improvement auctions for smaller-sized simple agency orders,¹⁸ and other options exchanges (as well as the Exchange) permit simple price improvement auctions to occur simultaneously with complex price improvement auctions for complex strategies involving the same series, with no size restrictions.¹⁹

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 Act²⁰ and Rule 19b-4(f)(6)²¹ thereunder. At any time within

¹⁸ See *supra* note 8.

¹⁹ See *supra* note 9. The Exchange also notes that the proposed change to the minimum increment requirement for AIM and C-AIM Auctions is consistent with at least one other exchange, namely Cboe Exchange, Inc.

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 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 Commission has waived the five-day pre-filing requirement in this case.

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeEDGX-2023-060 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-2023-060. 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 (<https://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 the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information

that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–CboeEDGX–2023–060 and should be submitted on or before October 25, 2023.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²²

Sherry R. Haywood,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–98586; File No. SR–NYSECHX–2023–17]

Self-Regulatory Organizations; NYSE Chicago, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 0

September 28, 2023.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b–4 thereunder,³ notice is hereby given that, on September 27, 2023, the NYSE Chicago, Inc. (“NYSE Chicago” or the “Exchange”) 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 self-regulatory organization. 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 Rule 0 (Regulation of the Exchange and Participants) to adopt new rule text based on based on [sic] Rule 0 (Regulation of the Exchange and its Member Organizations) of its affiliate New York Stock Exchange LLC. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the self-regulatory organization 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 those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to amend Rule 0 (Regulation of the Exchange and Participants) to adopt new rule text based on Rule 0 (Regulation of the Exchange and its Member Organizations) of its affiliate New York Stock Exchange LLC (“NYSE”). Specifically, the Exchange proposes a new subsection (b) in conformity with NYSE Rule 0(b). NYSE Rule 0(b) is in turn based on FINRA Rule 0140(a) (Applicability), Nasdaq Stock Market LLC (“Nasdaq”) General 2 (Organization and Administration), Section 6(a), and Nasdaq BX, Inc. (“Nasdaq BX”) General 2 (Organization and Administration), Section 6(a).⁴

NYSE Rule 0(b) provides that the NYSE’s rules apply to all member organizations and persons associated with a member organization and that persons associated with a member organization shall have the same duties and obligations as a member organization under the NYSE’s rules. NYSE Rule 0(b) mirrors FINRA Rule 0140(a) and the versions of FINRA Rule 0140(a) adopted by the Nasdaq Exchanges, which similarly provide that the rules of those self-regulatory organizations, as applicable, apply to all members and persons associated with a member and that persons associated with a member shall have the same duties and obligations as a member under such rules.⁵ Proposed Rule 0(d)

⁴For purposes of this filing, Nasdaq and Nasdaq BX are referred to collectively as the “Nasdaq Exchanges.” Nasdaq General 2, Section 6(a) and Nasdaq BX General 2, Section 6(a) are referred to collectively as the “Nasdaq Exchanges’ Rules.”

⁵The term “Participant” is defined in Article 1, Rule 1(s) to mean, among other things, any Participant Firm that holds a valid Trading Permit and that a Participant shall be considered a “member” of the Exchange for purposes of the Act. If a Participant is not a natural person, the

[sic] is substantively identical to NYSE Rule 0(b).

The Exchange believes that the proposed rule change would improve the clarity of the Exchange’s rules by reflecting that the Exchange’s rules apply to persons associated with a Participant or Participant Firm and that such persons have the same duties and obligations as their Participant or Participant Firm employer. A Participant’s or Participant Firm’s compliance with Exchange rules may depend on the actions of persons associated with the Participant or Participant Firm. Accordingly, the Exchange believes that the proposed rule, which mirrors the rules of its affiliate NYSE, FINRA and the Nasdaq Exchanges, would promote consistency in the Exchange’s rules by expressly providing that the Exchange may enforce its rules with respect to persons associated with a Participant or Participant Firm, including by taking appropriate disciplinary action against such persons for their Participant’s or Participant Firm’s violation of NYSE Chicago rules. The Exchange notes that the proposed rule does not contemplate disciplinary action against individuals not involved in violations of Exchange rules.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Section 6(b)(5),⁷ in particular, because it is 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 facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, protect investors and the public interest because the proposed changes would add clarity to the Exchange’s rules. As previously noted, the proposed rule text conforms to current NYSE Rule 0(b) without change. The Exchange believes that adopting separate rule text expressly providing that all Exchange

Participant may also be referred to as a Participant Firm. By way of comparison, FINRA uses the term “member” in its rules and NYSE uses the term “member organization.”

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

²² 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.