

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86234; File No. SR-C2-2019-017)

June 28, 2019

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Trigger for its Opening Rotation Process for Equity Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 24, 2019, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, 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 C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend the trigger for its opening rotation process for equity options.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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).

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

On April 24, 2019, the Exchange filed a rule filing, SR-C2-2019-009, which, among other things, amended its opening auction process.⁵ Specifically, the filing amended the events that will trigger the opening rotation for equity options pursuant to Rule 6.11(d). As of June 17, 2019, Rule 6.11(d) provides that after a time period (which the Exchange determines for all classes) following the System’s observation after 9:30 a.m. of the first disseminated transaction price for the security underlying an equity the System will initiate the opening rotation for the series in that class.⁶

⁵ See Securities Exchange Act Release No. 85788 (May 6, 2019), 84 FR 20673 (May 10, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Exchange’s Opening Process and Add a Global Trading Hours Session for DJX Options) (SR-C2-2019-009). The rule filing was part of Feature Pack 7, implemented on June 17, 2019, in connection with the migration of Cboe Exchange, Inc. (“Cboe Options”) technology to the same trading platform used by the Exchange, Cboe EDGX Exchange, Inc. (“EDGX Options”), and Cboe BZX Exchange, Inc. (“BZX Options”) in the fourth quarter of 2019.

⁶ The Exchange circulated an Exchange notice in advance of the implementation of the rule changes pursuant to SR-C2-2019-009 describing such rule changes. See Exchange Notice No. C2019050201 (May 2, 2019). The Exchange also circulated an Exchange notice as a reminder of the upcoming rule changes under SR-C2-2019-009. See Exchange Notice No. C2019061200 (June 12, 2019).

Prior to June 17, 2019, the System would initiate its opening rotation for a series following the first transaction in the security underlying an equity option disseminated by the primary market after 9:30. The Exchange now seeks to amend the opening rotation trigger for equity options to revert back to the trigger used prior to the implementation of SR-C2-2019-009. The Exchange understands its opening rotation trigger event is not consistent with general practice in the industry, which is to trigger an opening rotation based on disseminated transactions from the primary market rather than any market. The Exchange notes that the proposed change to reflect the prior opening trigger event is the same as the rule language that existed before the SR-C2-2019-009 amendments, previously filed with the Commission, modified only to conform to other rule text under Rule 6.11(d) amended by SR-C2-2019-009 that the Exchange does not intend to alter.

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.⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁸ 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

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

is consistent with the Section 6(b)(5)⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule change will serve to remove impediments to and perfect the mechanism of a free and open market and national market system because it will realign the trigger for its opening rotation for equity options with the trigger used by most other options exchanges.¹⁰ The proposed change will benefit investors, as it will create consistency throughout the industry and will implement an opening rotation trigger that was previously in place under the Exchange Rules and thus, previously filed with the Commission and already familiar to market participants.

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

The Exchange does not believe that the proposed 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 that the proposed rule change will impose any burden on intramarket competition that is not necessary in furtherance of the purposes of the Act, because the proposed opening trigger will apply in the same manner to all equity options. The proposed rule change impacts a System process that occurs prior to the opening of trading, and merely modifies when the System will initiate an opening rotation. The remainder of the opening auction process will occur as it does today. The Exchange also does not believe that the proposed change will impose any burden on intermarket competition that is not necessary in furtherance of the purposes of the Act, because use of the first disseminated transaction price from the primary market as a trigger

⁹ Id.

¹⁰ See Rules of Nasdaq BX, Chapter VI, Sec. 8(b); and Nasdaq Stock Market Options Rules, Chapter VI, Sec. 8(b). See also http://www.nasdaqtrader.com/Content/BXOptions/BXOptions_FAQs.pdf; and http://www.nasdaqtrader.com/content/ProductsServices/Trading/OptionsMarket/options_market_faqs.pdf.

for the opening rotation is consistent with the rules of other options exchanges¹¹ and with the Exchange Rules in place prior to June 17, 2019.

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 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 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 Act¹² and Rule 19b-4(f)(6) thereunder.¹³

A proposed rule change filed under Rule 19b-4(f)(6)¹⁴ normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii)¹⁵ the Commission may 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 has asked the Commission to waive the 30-day operative delay. The Commission

¹¹ Id.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 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 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.

¹⁴ 17 CFR 240.19b-4(f)(6).

¹⁵ 17 CFR 240.19b-4(f)(6)(iii).

believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposed rule change will implement functionality relating to the opening rotation trigger for equity options that was previously in place on C2. As such, waiver of the 30-day operative delay is consistent with the protection of investors and the public interest as the proposed rule change will implement an opening rotation trigger that was previously in place under an Exchange Rule that is already familiar to market participants. Thus, as represented by the Exchange, the proposed rule change does not introduce any new or novel issues. For this reason, 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.¹⁶

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:

¹⁶ 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).

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-C2-2019-017 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-C2-2019-017. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-C2-2019-017 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Eduardo A. Aleman
Deputy Secretary

¹⁷ 17 CFR 200.30-3(a)(12).