

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83021; File No. SR-CboeBZX-2018-026)

April 9, 2018

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify Rule 21.9 of the Exchange's Rules and Related Functionality Applicable to the Routing Options Made Available by the Exchange's Equity Options Platform

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 April 2, 2018, Cboe BZX Exchange, Inc. (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 Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to modify Rule 21.9 of the Exchange's rules and related functionality applicable to the routing options made available by the Exchange's equity options platform ("BZX Options").

The text of the proposed rule change is available at the Exchange's website at www.markets.cboe.com, at the principal office of the Exchange, and at the Commission's Public

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

Reference Room.

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

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

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

1. Purpose

The Exchange proposes to modify Rule 21.9 to modify the description of two existing routing strategies (without modifying such strategies) and to adopt a new routing strategy. Exchange Rule 21.9 describes various options to route orders away from BZX Options to other options exchanges. Rule 21.9(a)(2)(A) describes Parallel D routing as a routing option under which an order checks the System⁵ for available contracts and then is sent to destinations on the System routing table. Parallel 2D is described in Rule 21.9(a)(2)(B) in the same way. To distinguish the two options, however, Parallel D routing is described as a routing option that may route to multiple destinations at a *single price level* simultaneously whereas Parallel 2D routing is described as a routing option that may route to multiple destinations and at *multiple price levels* simultaneously. The Exchange proposes to retain this functionality but to change the refer to the routing strategy equivalent to both Parallel D and Parallel 2D as the ROUT routing option

⁵ The "System" is the automated trading system used by BZX Options for the trading of options contracts. See Rule 16.1(a)(59).

and then to specify that a User⁶ may select either Route To Improve (“RTI”) or Route To Fill (“RTF”) for the ROUT routing option, thus capturing the distinction between the two strategies. In other words, the RTI routing option would continue to function as the Parallel D routing option is described (i.e., routing at a single price level) and the RTF would continue to function as the Parallel 2D routing option is described (i.e. routing at multiple price levels). The proposed description is substantively identical to and based on the description employed for the Exchange’s cash equities trading platform (“BZX Equities”).⁷ The Exchange does not propose any other changes to these routing options.

The Exchange also proposes to adopt the SWPA routing option based on a similar routing option offered with respect to BZX Equities. Specifically, as proposed, SWPA would be a routing option under which an order checks the System for available contracts and then is sent to only Protected Quotations⁸ and only for displayed size. Further, to the extent that any portion of the routed order is unexecuted, the remainder is posted to the BZX Options Book at the order’s limit price, unless otherwise instructed by the User. This proposed routing strategy is based on and similar to BZX Rule 11.13(b)(3)(I), which describes the SWPA routing strategy for BZX Equities. However, the Exchange has proposed language describing SWPA on BZX Options instead on rule text of its affiliate, Cboe EDGX Exchange, Inc. (“EDGX”), which also offers the SWPA routing strategy for its cash equities trading platform (“EDGX Equities”).⁹ The proposed

⁶ The term “User” means any Options Member or Sponsored Participant who is authorized to obtain access to the Exchange’s System pursuant to Rule 11.3. See Rule 16.1(a)(63).

⁷ See BZX Rule 11.13(b)(3)(G).

⁸ The term Protected Quotation is defined in BZX Rule 27.1(a)(19) and has the same meaning as is set forth in Regulation NMS Rule 600(b)(58).

⁹ Although BZX Equities also offers the SWPA routing strategy, its description is formatted differently than the EDGX Equities version. In turn, because EDGX is

rule text for BZX Options' version of SWPA is specifically based on EDGX Rule 11.11(g)(9), and is identical except for references to "contracts" instead of "shares" and reference to the "BZX Options Book" instead of the "EDGX Book." The Exchange also has not proposed to adopt the final sentence of the routing strategy as defined for EDGX Equities because that sentence is only necessary to differentiate the SWPA routing strategy from the SWPB routing strategy and the Exchange is not proposing to adopt SWPB routing for BZX Options.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act¹¹ in particular, in that it 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. The change to the references to the Parallel D and Parallel 2D routing options are intended to align the Exchange's routing strategies between BZX Equities and BZX Options. As noted above, there is no substantive change to the operation of the strategies.

The proposed rule change also is designed to support the principles of Section 11A(a)(1)¹² of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. In particular, the proposed change to introduce an additional routing

simultaneously proposing to adopt a SWPA routing strategy for its options trading platform ("EDGX Options") based on the EDGX Equities description, the Exchange believes it is preferable to retain consistency between BZX Options and EDGX Options. Accordingly, the Exchange has proposed to follow the structure of the EDGX Equities description rather than the BZX Equities description.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

¹² 15 U.S.C. 78k-1(a)(1).

strategy will provide market participants with greater flexibility in routing orders consistent with the options market Options Order Protection and Locked/Crossed Market Plan without developing order routing strategies on their own. The Exchange again notes that the proposed routing strategy is based on and substantively identical to a routing option offered by BZX Equities.¹³

(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 notes that the proposal will further promote consistency between the Exchange's trading platforms for BZX Equities and BZX Options. The Exchange does not believe that the proposed changes will have any impact on inter-market competition as the proposed SWPA routing strategy will be available to all Users. The Exchange does not believe that the proposed SWPA routing strategy will impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange provides routing services in a highly competitive market in which participants may avail themselves of a wide variety of routing options offered by self-regulatory organizations, other broker-dealers, market participants' own proprietary routing systems, and service bureaus. In such an environment, system enhancements such as the changes proposed in this rule filing do not burden competition, because they can succeed in attracting order flow to the Exchange only if they offer investors higher quality and better value than services offered by others.

¹³ See EDGX Rule 11.11(g)(9).

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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)¹⁴ of the Act and Rule 19b-4(f)(6) thereunder.¹⁵

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁶ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁷ 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 proposal may become operative immediately upon filing. The Exchange states that waiver of the 30-day operative delay would allow Exchange Users to more quickly benefit from this proposed rule change and would be consistent with

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) 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 the 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.

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

routing options that are already available on BZX Equities. Based on the foregoing, the Commission believes the waiver of the 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 operative upon filing.¹⁸

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 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 proposal 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 e-mail to rule-comments@sec.gov. Please include File No. SR-CboeBZX-2018-026 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 No. SR-CboeBZX-2018-026. This file number should be

¹⁸ 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).

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 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CboeBZX-2018-026 and should be submitted on or before [21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Eduardo A. Aleman
Assistant Secretary

¹⁹ 17 CFR 200.30-3(a)(12).