

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–84437; File No. SR–CBOE–2018–060]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Order Approving a Proposed Rule Change To Amend Exchange Rule 6.49A, Transfer of Positions

October 16, 2018.

#### I. Introduction

On August 16, 2018, the Cboe Exchange, Inc. (the “Exchange” or “Cboe”) filed with the Securities and Exchange Commission (the “Commission”), 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> a proposal to amend Rule 6.49A (Transfer of Positions). The proposed rule change was published for comment in the **Federal Register** on September 4, 2018.<sup>3</sup> The Commission did not receive any comment letters on the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

Cboe Rule 6.49 generally requires a Trading Permit Holder (“TPH”) to effect transactions in listed options on an exchange.<sup>4</sup> Notwithstanding that provision, Cboe Rule 6.49A permits certain types of transfers involving a TPH’s positions to be effected off the floor.<sup>5</sup> In addition, Cboe Rule 6.49A provides a procedure for an “on-floor” transfer of positions.<sup>6</sup> As described in more detail in the Notice,<sup>7</sup> the Exchange proposes to amend Rule 6.49A to eliminate the on-floor position transfer process,<sup>8</sup> amend the criteria and procedures related to off-floor position transfers, amend the exemption provision, and make other non-substantive changes.

With respect to off-floor transfers, Cboe Rule 6.49A(a) currently sets forth specific events under which off-floor transfers are permitted. The Exchange proposes to delineate several additional

events and add them to the list of permitted off-floor transfers in proposed Rule 6.49A.<sup>9</sup> For example, the additional events address correcting bona fide errors in trade recording, consolidating accounts without a change in beneficial ownership, and transfers by operation of law.<sup>10</sup>

In addition, proposed Rule 6.49A(b) codifies prior Exchange guidance regarding certain restrictions on permissible off-floor transfers related to the netting of open positions and to margin and haircut treatment.<sup>11</sup> Among other things, proposed Rule 6.49A(b)(2) will only permit netting for off-floor transfers between separate exchange-specific Market Maker accounts in the limited circumstances set forth in the Rule.<sup>12</sup>

Further, proposed Rule 6.49A(d) will require a TPH and its Clearing Trading Permit Holder (to the extent the TPH is not self-clearing) to submit written notice to the Exchange prior to effecting an off-floor transfer from or to the account of a TPH(s).<sup>13</sup> Proposed Rule 6.49A(e) will require that each TPH and Clearing Trading Permit Holder that is a party to an off-floor transfer must make and retain records of the information provided in the written notice, as well as information on the Exchange-listed options that are ultimately transferred, the transfer date, transfer price, and any other information the Exchange may request.<sup>14</sup>

In addition, the Exchange is clarifying and updating Proposed Rule 6.49A(f), which allows the Exchange to grant an exemption from Rule 6.49(a) in cases where allowing an off-floor transfer would be necessary or appropriate for the maintenance of a fair and orderly market and the protection of investors and is in the public interest.<sup>15</sup>

Finally, the Exchange is adding new proposed Rule 6.49A(g) to state that the off-floor position transfer process described in the Rule is “intended to

facilitate non-routine, non-recurring movements of positions” and is “not to be used repeatedly or routinely in circumvention of the normal auction market process.”<sup>16</sup>

#### III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act,<sup>17</sup> and the rules and regulations thereunder applicable to a national securities exchange.<sup>18</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>19</sup> which requires, among other things, that the rules of a national securities exchange be designed 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 and that the rules are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed rule change is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system by providing a mechanism to permit off-floor position transfers in specified, limited, and narrowly-tailored circumstances. Thus, Rule 6.49A makes clear that off-floor positions transfers are not to be used repeatedly or routinely in circumvention of the normal auction market process.<sup>20</sup> While the amended Rule will continue to allow the Exchange to grant an exemption from Cboe Rule 6.49(a), the revised rule text makes it clear that exemptions may only be granted on rare occasions when necessary or appropriate for the maintenance of a fair and orderly market and the protection of investors and where the exemption is in the public interest, including due to unusual or extraordinary circumstances.

The Commission further notes that the proposal adds transparency to the off-floor transfer process by codifying certain long-standing Cboe guidance

<sup>9</sup> *Id.* at 44939. The proposed amendments to Rule 6.49A(a) also add clarification that Rule 6.49A does not apply to products other than options listed on the Exchange consistent with the Exchange’s other trading rules, a TPH must be on one side of the transfer, and that positions a TPH are transferring or receiving are held in the account of the Clearing Trading Permit Holder. *Id.*

<sup>10</sup> See proposed Cboe Rule 6.74A(a).

<sup>11</sup> See proposed Cboe Rule 6.74A(b).

<sup>12</sup> See proposed Cboe Rule 6.74A(b)(2). See also Notice, *supra* note 3, at 44939–40. In such instances, all Market Maker positions in the exchange-specific accounts for the multiply listed class may be automatically transferred on their trade date into one universal Market Maker account at the Clearing Corporation. See *id.*

<sup>13</sup> See proposed Cboe Rule 6.74A(d).

<sup>14</sup> See proposed Cboe Rule 6.74A(e).

<sup>15</sup> See proposed Cboe Rule 6.74A(f).

<sup>16</sup> See proposed Cboe Rule 6.74A(g). In addition, proposed Cboe Rule 6.74A(h) is being added to clarify that the off-floor transfer procedure is only applicable to positions in options listed on the Exchange, and that off-floor transfers of positions in Exchange-listed options may be subject to applicable laws, rules and regulations, including rules of other self-regulatory organizations. See proposed Cboe Rule 6.74A(h).

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

<sup>18</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

<sup>20</sup> See proposed Cboe Rule 6.49A(g).

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> See Securities Exchange Act Release No. 83968 (August 28, 2018), 83 FR 44938 (September 4, 2018) (“Notice”).

<sup>4</sup> See Cboe Rule 6.49(a).

<sup>5</sup> See Cboe Rule 6.49A(a).

<sup>6</sup> See Cboe Rule 6.49A(b)–(c).

<sup>7</sup> See Notice, *supra* note 3.

<sup>8</sup> The Exchange represents that it no longer wants to make available the on-floor transfers of positions because it is administratively burdensome on the Exchange, used by TPHs on a limited basis, and no longer serves the uses for which it was originally adopted. *Id.* at 44938.

regarding when off-floor transfers are permissible, whether netting is permitted, and the transfer price of an off-floor transfer. The Commission believes that those additional provisions are designed to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. In addition, the Commission believes that the requirement for the parties to provide written notice to the Exchange and maintain detailed records of each transfer will ensure that the Exchange is made aware of off-floor transfers and is able to review them for compliance with applicable rules.

With respect to the elimination of the on-floor transfer package procedure, the Commission notes that TPHs will continue to be able to transact on the Exchange using the regular auction market process.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>21</sup> that the proposed rule change (SR-CBOE-2018-060) be, and hereby is, approved.

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

**Eduardo A. Aleman,**  
Assistant Secretary.

[FR Doc. 2018-22908 Filed 10-19-18; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-10568; 34-84441; File No. 265-28]

### Investor Advisory Committee Meeting

**AGENCY:** Securities and Exchange Commission.

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

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

**DATES:** The meeting will be held on Wednesday, November 7, 2018 from 2:00 p.m. until 3:30 p.m. (ET) and will be open to the public *via* telephone at 1-800-260-0702, participant code

455778. Written statements should be received on or before November 7, 2018.

**ADDRESSES:** Written statements may be submitted by any of the following methods:

#### Electronic Statements

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

#### Paper Statements

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

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

Statements also will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Room 1503, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. All statements received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly.

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

**SUPPLEMENTARY INFORMATION:** The meeting will be open to the public *via* telephone. Persons needing special accommodations to take part because of a disability should notify the contact person listed in the section above entitled **FOR FURTHER INFORMATION CONTACT**.

The agenda for the meeting includes: Welcome remarks; a discussion of the Commission's Proposed Regulation Best Interest and Proposed Form CRS Relationship Summary (which may include a recommendation of the Investor as Purchaser subcommittee).

Dated: October 17, 2018.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2018-22943 Filed 10-19-18; 8:45 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84436; File No. SR-CBOE-2018-062]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Order Approving a Proposed Rule Change To Amend Rule 6.2, Interpretation and Policy .01, Concerning Strategy Orders

October 16, 2018.

#### I. Introduction

On August 24, 2018, Cboe Exchange, Inc. ("Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposal to amend Exchange Rule 6.2, Interpretation and Policy .01, concerning strategy orders. The proposed rule change was published for comment in the **Federal Register** on September 12, 2018.<sup>3</sup> The Commission received no comment letters regarding the proposed rule change. This order approves the proposed rule change.

#### II. Description of the Proposed Rule Change

Exchange Rule 6.2, Interpretation and Policy .01 sets forth the modified Hybrid Opening System ("HOSS") procedure for the option series used to calculate the exercise or final settlement value for expiring volatility index derivatives.<sup>4</sup> As described in the Notice,<sup>5</sup> the Exchange notes that market participants seeking to replicate the exposure of their expiring VIX derivatives generally do so with portfolios of constituent SPX options referred to as "strategy orders," which they submit for execution in the modified HOSS opening procedure on VIX exercise settlement value determination days.<sup>6</sup> As with any

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

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

<sup>3</sup> See Securities Exchange Act Release No. 84045 (September 12, 2018), 83 FR 46230 ("Notice").

<sup>4</sup> See proposed Exchange Rule 6.2, Interpretation and Policy .01(a). These volatility indexes include the Cboe Volatility Index ("VIX") and the Russell 2000 Volatility Index. See Notice, *supra* note 3, at 46232, n.3.

<sup>5</sup> See note 3, *supra*.

<sup>6</sup> See Notice, *supra* note 3, at 46232-3. The exercise settlement value determination day is a day on which the Exchange determines the exercise or final settlement value, as applicable, of expiring volatility index derivatives. See proposed Exchange Rule 6.2, Interpretation and Policy .01(a). The Exchange notes that because market participants use strategy orders to convert vega (volatility) exposure from one instrument (expiring VIX derivative) to another (portfolio of SPX options

Continued

<sup>21</sup> 15 U.S.C. 78s(b)(2).

<sup>22</sup> 17 CFR 200.30-3(a)(12).