

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (“Commission”) is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

Form 18–K (17 CFR 249.318) is an annual report form used by foreign governments or political subdivisions of foreign governments that have securities listed on a United States exchange. The information to be collected is intended to ensure the adequacy and public availability of information available to investors. We estimate that Form 18–K takes approximately 8 hours to prepare and is filed by approximately 36 respondents for a total annual reporting burden of 288 hours (8 hours per response × 36 responses).

*Written comments are invited on:* (a) Whether this proposed collection of information is necessary for the performance of the functions of the agency, including whether the information will have practical utility; (b) the accuracy of the agency’s estimate of the burden imposed by the collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Please direct your written comment to Charles Riddle, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o Candace Kenner, 100 F Street NE, Washington, DC 20549 or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: May 8, 2019.

**Eduardo A. Aleman,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–85797; File No. SR–CboeEDGX–2019–027]

### Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend the Exchange’s Opening Process and Add a Global Trading Hours Session for XSP Options

May 7, 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 April 26, 2019, 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 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

Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX Options”) proposes to amend the Exchange’s opening process, add a global trading hours session (“Global Trading Hours” or “GTH”) for options on the Mini-SPX Index (“XSP options”) and make corresponding changes, modify trading hours for certain equity and index options, update its Rules regarding order cancellation, clarify the manner in which the Exchange announces determinations it makes under the Rules, and make other conforming and nonsubstantive changes. 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/](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.

<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).

#### 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. (“Cboe Global”), which is also the parent company of Cboe Exchange, Inc. (“Cboe Options”) and Cboe C2 Exchange, Inc. (“C2”), acquired the Exchange, Cboe EDGA Exchange, Inc. (“EDGA”), Cboe BZX Exchange, Inc. (“BZX or BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with C2, Cboe Options, EDGA, and BZX, the “Cboe Affiliated Exchanges”). The Cboe Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the Cboe Affiliated Exchanges, in the context of a technology migration. Cboe Options intends to migrate its technology to the same trading platform used by the Exchange, C2, and BZX Options in the fourth quarter of 2019. The proposal set forth below is intended to add certain functionality to the Exchange’s System that is more similar to functionality offered by Cboe Options in order to ultimately provide a consistent technology offering for market participants who interact with the Cboe Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent practicable will reduce potential confusion for Users.

###### Global Trading Hours

The proposed rule change adds a GTH trading session to the Rules. Currently, transactions in equity options, which includes options on individual stocks, exchange-traded funds (“Fund Shares”<sup>5</sup>), exchange-traded notes

<sup>5</sup> See Rule 19.3(i).

(“Index-Linked Securities”<sup>6</sup>), and other securities) may occur from 9:30 a.m. to 4:00 p.m.<sup>7</sup>, except for options on Fund Shares, Index-Linked Securities, and broad-based indexes, which will close at 4:15 p.m.<sup>8</sup> As proposed, these hours are referred to as “Regular Trading Hours.”<sup>9</sup> Regular Trading Hours are consistent with the regular trading hours of the most other U.S. options exchanges. Cboe Options has a global trading hours session during which trading in certain option classes, which trading session occurs from 3:00 a.m. to 9:15 a.m.<sup>10</sup> Additionally, many U.S. stock and futures exchanges, which allow for trading in some of their listed products for various periods of time outside of Regular Trading Hours.<sup>11</sup>

As noted above, many U.S. stock exchanges allow for trading in stocks before and after the regular trading hours of 9:30 a.m. to 4:00 p.m., including stocks that comprise the Dow Jones Industrial Average. It is common for investors to engage in hedging and other investment strategies that involve index options and some of the stocks that comprise the underlying index. Currently, this investment activity on

the Exchange would be limited to Regular Trading Hours. Additionally, securities trading is a global industry, and investors located outside of the United States generally operate during hours outside of Regular Trading Hours. The Exchange believes there may be global demand from investors for options on XSP, which may be exclusively listed<sup>12</sup> on Cboe Affiliated Exchanges and which the Exchange plans to list during the proposed Global Trading Hours (as defined below), as alternatives for hedging and other investment purposes. Given that XSP options are currently only eligible to trade during Regular Trading Hours, it is difficult for non-U.S. investors to obtain the benefits of trading in this option. It is also difficult for U.S. investors that trade in non-U.S. markets to use these products as part of their global investment strategies. To meet this demand, and to keep pace with the continuing internationalization of securities markets, the Exchange proposes to offer trading in XSP options from 8:30 a.m. to 9:15 a.m. Monday through Friday (“Global Trading Hours” or “GTH”).

Proposed Rule 21.2(c) states except under unusual conditions as may be determined by the Exchange, Global Trading Hours are from 8:30 a.m. to 9:15 a.m. on Monday through Friday.<sup>13</sup> While this trading session will be shorter than the global trading hours session on Cboe Options and various stock exchanges, the Exchange believes this proposed trading session will increase the time during which Options Members may implement these investment strategies. This GTH trading session will allow market participants to engage in trading these options in conjunction with extended trading hours on U.S. stock exchanges for securities that comprise the index underlying XSP options and in conjunction with part of regular European trading hours. The proposed rule change also adds to Rule 16.1 a definition of trading session, which means the hours during which the

Exchange is open for trading for Regular Trading Hours or Global Trading Hours (each of which may be referred to as a trading session), each as defined in proposed Rule 21.2. Unless otherwise specified in the Rules or the context indicates otherwise, all Rules apply in the same manner during each trading session.<sup>14</sup> As discussed below, the Exchange may not permit certain order types to be applied to orders during Global Trading Hours that it does permit during Regular Trading Hours.

Proposed Rule 21.2(c)(1) provides the Exchange with authority to designate as eligible for trading during Global Trading Hours any exclusively listed index option designated for trading under Chapter XXIX.<sup>15</sup> If the Exchange so designates a class, then transactions in options in that class may be made on the Exchange during Global Trading Hours.<sup>16</sup> As indicated above, the Exchange has approved XSP options for trading on the Exchange during Global Trading Hours. The Exchange may list for trading during Global Trading Hours any series in eligible classes that it may list pursuant to Rule 19.6.<sup>17</sup> Any series in eligible classes that are expected to be open for trading during Regular Trading Hours will be open for trading during Global Trading Hours on the same trading day (subject to Rule 21.7 (as proposed to be amended, as discussed below), which sets forth procedures for the opening of trading).<sup>18</sup>

The proposed rule change defines a “business day” or “trading day” as a day on which the Exchange is open for trading during Regular Trading Hours (this is consistent with the current concept of trading day used but not defined in the Rules).<sup>19</sup> A business day

<sup>6</sup> See Rule 19.3(l).

<sup>7</sup> All times are Eastern time unless otherwise noted.

<sup>8</sup> See current Rule 21.2(a). The proposed rule change moves the rule provision in current Rule 21.2(b) into proposed Rule 21.2(b)(1), so that all rule provisions regarding Regular Trading Hours of equity options are included in the same place.

<sup>9</sup> See also proposed Rule 16.1, definition of Regular Trading Hours or RTH (the trading session consisting of the regular hours during which transactions in options may be effected on the Exchange, as set forth in Rule 21.2); and Cboe Options Rule 1.1 (definition of Regular Trading Hours). The proposed rule change makes nonsubstantive changes to Rule 16.1 to alphabetize the definitions in that rule, delete the paragraph heading “(a)” since that is the only paragraph in the rule and delete subparagraph numbering, and add headings for each defined term.

<sup>10</sup> See Cboe Options Rule 6.1.

<sup>11</sup> See, e.g., BZX Rule 1.5(c), (r), (w), and (ee) (regular trading hours from 9:30 a.m. until 4:00 p.m. Eastern time, two early trading sessions (Early Trading Session and Pre-Opening Session) from 7:00 a.m. until 9:30 a.m. and an After Hours Trading Session from 4:00 p.m. to 8:00 p.m. Eastern time); NASDAQ Stock Market LLC Rule 4617 (regular trading hours from 9:30 a.m. until 4:00 p.m. Eastern time and extended trading hours from 4:00 a.m. until 9:30 a.m. and 4:00 p.m. to 8:00 p.m. Eastern time); and New York Stock Exchange LLC Series 900 (providing for an off-hours trading facility to operate outside of the regular 9:30 a.m. to 4:00 p.m. Eastern time trading session); see also, e.g., Chicago Board of Trade Extended Trading Hours for Grain, Oilseeds and Ethanol—Frequently Asked Questions (indicating that certain agricultural commodity products are available for electronic trading 21 hours a day on the CME Globex trading platform); and Intercontinental Exchange, Inc. Regular Trading & Support Hours (indicating that many of its listed products are available for trading for periods of time outside of Regular Trading Hours, including overnight sessions).

<sup>12</sup> An “exclusively listed option” is an option that trades exclusively on an exchange (or exchange group) because the exchange has an exclusive license to list and trade the option or has the proprietary rights in the interest underlying the option. An exclusively listed option is different than a “singly listed option,” which is an option that is not an “exclusively listed option” but that is listed by one exchange and not by any other national securities.

<sup>13</sup> See also proposed Rule 16.1, definition of Global Trading Hours or GTH (the trading session consisting of the hours outside of Regular Trading Hours during which transactions in options may be effected on the Exchange and are set forth in Rule 6.1); and Cboe Options Rule 1.1 (definition of Global Trading Hours).

<sup>14</sup> This includes business conduct rules in Chapter XVIII and rules related to doing business with the public in Chapter XXVI. Additionally a broker-dealer’s due diligence and best execution obligations apply during Global Trading Hours. See also Cboe Options Rule 6.1A(a).

<sup>15</sup> A class that the Exchange lists for trading during RTH only will be referred to as an “RTH class,” and a class the Exchange lists for trading during both GTH and RTH will be referred to as an “All Sessions class.” See Rule 16.1, proposed definitions of “All Sessions classes” and “RTH classes.”

<sup>16</sup> The Exchange believes it is appropriate to retain flexibility to determine whether to operate during Global Trading Hours so that it can complete all system work on other preparations prior to implementing Global Trading Hours in a class, and so that the Exchange can evaluate trading activity during Global Trading Hours once implemented and determine whether to continue or modify the trading session (subject to applicable rule filings).

<sup>17</sup> See also Cboe Options Rule 6.1A(c).

<sup>18</sup> See also Cboe Options Rule 6.1A(c).

<sup>19</sup> The proposed rule change makes corresponding changes to the definitions of market open and market close in Rule 16.1 to provide that

or trading day will include both trading sessions on that day. In other words, if the Exchange is not open for Regular Trading Hours on a day (for example, because it is an Exchange holiday), then it will not be open for Global Trading Hours on that day. Cboe Options has the same definition of business day and trading day.<sup>20</sup>

Global Trading Hours will be a separate trading session from Regular Trading Hours. However, GTH will use the same Exchange servers and hardware as those used during RTH.<sup>21</sup> All Options Members may participate in Global Trading Hours. Options Members do not need to apply or take any additional steps to participate in Global Trading Hours. Additionally, because the Exchange will use the same servers and hardware during Global Trading Hours as it uses for Regular Trading Hours, Options Members may use the same ports and connections to the Exchange for all trading sessions.<sup>22</sup> The Book used during Regular Trading Hours will be the same Book used during Global Trading Hours.<sup>23</sup>

As further discussed below, the Exchange expects there to be reduced liquidity, higher volatility, and wider markets during Global Trading Hours, and investors may not want their orders or quotes to execute during Global Trading Hours given those trading conditions. To provide investors with flexibility to have their orders and quotes execute only during RTH, or both RTH and GTH, the proposed rule change adds an All Sessions order and an RTH Only order. An "All Sessions" order is an order a User designates as eligible to trade during both GTH and

RTH. An unexecuted All Sessions order on the GTH Book at the end of a GTH trading session enters the RTH Queuing Book and becomes eligible for execution during the RTH opening rotation and trading session on the same trading day, subject to a User's instructions (for example, a User may cancel the order).<sup>24</sup> An "RTH Only" order is an order a User designates as eligible to trade only during RTH or not designated as All Sessions. An unexecuted RTH Only order with a Time-in-Force of GTC or GTD on the RTH Book at the end of an RTH trading session enters the RTH Queuing Book and becomes eligible for execution during the RTH opening rotation and trading session on the following trading day (but not during the GTH trading session on the following trading day), subject to a User's instructions.<sup>25</sup>

Because trading sessions are completely separate on Cboe Options, there are not distinct order types corresponding to the proposed RTH Only and All Sessions order instructions. An order or quote submitted to GTH on Cboe Options may only execute during GTH, and an order or quote submitted to RTH on Cboe Options may only execute during RTH. The proposed RTH Only order is equivalent to any order submitted to RTH on Cboe Options. While the Exchange is not proposing an equivalent to an order submitted to GTH on Cboe Options, and instead is proposing an All Sessions order, Users may still submit an equivalent to a "GTH only" order by submitting an All Sessions order with a good-til-date Time-in-Force, with a time to cancel before the RTH market open. Therefore, Users can submit orders to participate in either trading session, or both, and thus the proposed rule change provides Users with additional flexibility and control regarding in which trading sessions their orders and quotes may be eligible to trade.

Generally, trading during the GTH trading session will occur in the same manner as it occurs during the RTH trading session. However, because the GTH market may have different characteristics than the RTH market (such as lower trading levels, reduced liquidity, and fewer participants), the Exchange may deem it appropriate to make different determinations for trading rules for each trading session. Proposed Rule 16.3(b) states to the extent the Rules allow the Exchange to

make a determination, including on a class-by-class or series-by-series basis, the Exchange may make a determination for GTH that differs from the determination it makes for RTH. The Exchange maintains flexibility with respect to certain rules so that it may apply different settings and parameters to address the specific characteristics of that class and its market. For example, Rule 21.8(d) allows the Exchange to apply priority overlays to the pro-rata allocation method on a class-by-class basis; and Rule 21.20(b) allows the Exchange to determine when complex order types are available.<sup>26</sup> Proposed rule 21.1(a) and (d) allow the Exchange to make certain order types and Times-in-Force, respectively, not available for all Exchange systems or classes (and unless stated in the Rules or the context indicates otherwise, as proposed).<sup>27</sup> This proposed rule change will provide the Exchange with appropriate flexibility to address different trading characteristics, market models, and investor base of each class. Because trading characteristics during RTH may be different than those during GTH (such as lower trading levels, reduced liquidity, and fewer participants), the Exchange believes it is appropriate to extend this flexibility to each trading session. The Exchange represents that it will have appropriate personnel available during GTH to make any determinations that Rules provide the Exchange or Exchange personnel will make (such as trading halts, opening series, and obvious errors).

The proposed rule change amends Rules 22.2 and 22.3 to provide that a Designated Primary Market Maker's and Market Maker's, respectively, selected class appointment applies to classes during all trading sessions. In other words, if a Market Maker selects an appointment in XSP options, that appointment would apply during both GTH and RTH (and thus, the Market-Maker would have an appointment to make markets in XSP during both GTH and RTH). As a result, a Market-Maker continuous quoting obligations set forth in Rule 22.6(d) would apply to the class for an entire trading day (including both trading sessions), which is comprised of 7.5 hours.<sup>28</sup> Pursuant to Rule 22.6(d), a

each term specifies the start or end, respectively, of a trading session.

<sup>20</sup> See Cboe Options Rule 1.1.

<sup>21</sup> This is different than the trading sessions on Cboe Options, which uses different servers and hardware for each trading session.

<sup>22</sup> Only Options Members will be able to access the System during any trading session. Cboe Options Trading Permit Holders must obtain a separate permit and use different connections to participate in global trading hours. See Cboe Options Rules 3.1 and 6.1A(d).

<sup>23</sup> See proposed Rule 16.1, which amends the definition of EDGX Options Book to mean the electronic book of simple orders and quotes maintained by the System on which orders and quotes may execute during the applicable trading session. The Book during GTH may be referred to as the "GTH Book," and the Book during RTH may be referred to as the "RTH Book." The additional language regarding the execution of orders and quotes is intended to distinguish the Book from the Queuing Book, on which orders and quotes may not execute, as discussed below. With respect to complex orders, the same complex order book ("COB") will be used for all trading sessions. See proposed Rule 21.20(a) (definition of COB). This is different than Cboe Options, which uses separate books for each trading session, which are not connected.

<sup>24</sup> See proposed Rule 21.1(d)(13).

<sup>25</sup> See proposed Rule 21.1(d)(14). The RTH Only and All Sessions order instructions will also be available for complex orders. See proposed Rule 21.20(b)(7) and (8).

<sup>26</sup> Therefore, the priority overlays that applies to a class during RTH may differ from the allocation algorithm that apply to that class during GTH.

<sup>27</sup> The proposed rule change amends these rules to explicitly state that the Exchange may make these determinations on a trading session basis. The proposed rule change also clarifies in the Rules that Rule 21.20 sets forth the order types the Exchange may make available for complex orders.

<sup>28</sup> See proposed Rule 22.6(d). This is different from Cboe Options, which applies Market-Maker

Market-Maker must enter continuous bids and offers in 60% of the cumulative number of seconds, or such higher percentage as the Exchange may announce in advance, for which that Market-Maker's appointed classes are open for trading, excluding any adjusted series, any intra-day add-on series on the day during which such series are added for trading, any Quarterly Option Series, and any series with an expiration of greater than 270 days. The Exchange calculates this requirement by taking the total number of seconds the Market-Maker disseminates quotes in each appointed class (excluding the series noted above), and dividing that time by the eligible total number of seconds each appointed class is open for trading that day.<sup>29</sup> As proposed, the 45 minutes that comprise Global Trading Hours during which the Exchange will list series of XSP options<sup>30</sup> will be included in the denominator of this calculation. The Exchange expects to list 4,302 series of XSP options, 312 of which with expirations of greater than 270 days and 660 with quarterly expirations. Therefore, 3,330 series will be counted for purposes of determining a Market Maker's continuous quoting obligation for the number of minutes the series are open during Global Trading Hours.

For example, suppose a Market Maker has appointments in ten classes. Assume there are 2,000 series (excluding series with quarterly expirations and expirations of greater than 270 days) in each class, for a total of 20,000 series, and all series in each of those ten classes are open for trading from 9:30:30 to 4:00:00. That would create an eligible total number of seconds for each series of 23,370 seconds (and thus, a total of 467,400,000 seconds for all appointed classes in the aggregate) each trading day. To satisfy its continuous quoting obligation, the Market Maker would need to be quoting for 60% of that time in any combination of series across those classes (or a total of at least 280,440,000 seconds). Suppose when the Exchange begins listing XSP options on the Exchange for both GTH and RTH, the Market-Maker selects an XSP appointment, and the Exchange lists 3,330 series of XSP options that do not have quarterly expirations or expirations of greater than 270 days. Assume all series in XSP

appointments separately to each trading session. See Cboe Options Rules 6.1A(e) and 8.7(d).

<sup>29</sup>The proposed rule change clarifies that the time the Exchange is open for trading on a trading day (including all trading sessions) will be considered when determining a Market Maker's satisfaction of this obligation.

<sup>30</sup>This is the number of XSP series currently listed on Cboe Options.

are open for trading from 8:30:30 to 9:15:00 and 9:30:30 to 4:15:00. That would create an eligible total number of seconds of 8,891,100 seconds during GTH and 80,819,100 seconds during RTH, for a total of 89,710,200 seconds, for XSP during the trading day). If XSP were only listed during RTH, the total eligible quoting time would be 548,219,100 seconds across the eleven classes, and a Market Maker would be required to quote 328,931,460 seconds in series across those classes. If XSP were listed in both RTH and GTH, the total eligible quoting time would be 557,110,200 seconds during a trading day across all eleven classes, and the Market Maker would be required to quote 334,266,120 seconds across series in the eleven classes. Therefore, extending the XSP continuous quoting obligation for a Market Maker with appointments in a total of eleven classes, including XSP, would increase a Market Maker's required quoting time by 5,334,660 seconds, or 1.62%. The Market Maker could determine to satisfy this increase during RTH or GTH in any of its appointed classes. For example, if a Market Maker selects an XSP appointment but does not want to participate during GTH, the Market Maker could add this quoting time during RTH (e.g., given the total of 23,330 series across its 11 appointed classes, the Market Maker could quote an additional 485 seconds (just over 8 minutes) in each of 11,000 of those series (fewer than half of its appointed series) on a trading day, it could satisfy its continuous quoting obligation without quoting in any XSP series during any portion of GTH.

As the above example demonstrates, while the proposed rule change will increase the total time during which a Market Maker with an XSP appointment must quote, this increase is de minimis given that a Market Maker's compliance with its continuous quoting obligation is based on all classes in which it has an appointment in the aggregate. Selecting an appointment in XSP options will be optional and within the discretion of a Market Maker. Additionally, the Exchange is providing Market Makers with the opportunity to quote during GTH (and receive the benefits of acting as a Market Maker with respect to transactions it effects during that time) without creating additional connections to the Exchange or undertaking separate membership requirements (as is required on Cboe Options). Given this ease of access to the GTH trading session, the Exchange believes Market Makers may be encouraged to quote during that trading session. The

Exchange believes Market Makers will have an incentive to quote in XSP options during Global Trading Hours given the significance of the S&P 500 Index within the financial markets, the expected demand, and given that the stocks underlying the index are also trading during those hours (which may permit execution of certain hedging strategies). Extending a Market Maker's appointment to Global Trading Hours will enhance liquidity during that trading session, which benefits all investors during those hours. Therefore, the Exchange believes the proposed rule change provides customer trading interest with a net benefit, and continues to maintain a balance of Market Maker benefits and obligations.

The proposed rule change amends the definitions of all-or-none orders, market orders, stop orders, and stop-limit orders to state that those order types may not be applied to orders designated as All Sessions order (*i.e.*, all-or-none, market, stop, and stop-limit orders will not be eligible for trading during GTH).<sup>31</sup> The Exchange expects reduced liquidity, higher volatility, and wider spreads during GTH. Therefore, the Exchange believes it is appropriate to not allow these orders to participate in GTH trading in order to protect customers should wide price fluctuations occur due to the potential illiquid and volatile nature of the market or other factors that could impact market activity.<sup>32</sup>

Proposed Rule 21.1(c)(3) provides that no current index value underlying an index option trading during Global Trading Hours will be disseminated during or at the close of that trading session. The value of the underlying index will not be recalculated during or at the close of Global Trading Hours. The closing value of the index from the previous trading day will be available for Options Members that trade during Global Trading Hours. However, the Exchange does not believe it would be useful or efficient to disseminate to Options Members the same value repeatedly at frequent intervals, as it does during Regular Trading Hours

<sup>31</sup>The proposed rule change also amends the introductory language to Rule 6.10(c) to provide that certain restrictions on the use of order types may be set forth in the Rules (such as the proposed restrictions on the use of market orders, stop orders, and stop-limit orders during GTH).

<sup>32</sup>Cboe Options Rule 6.1A(f) also prohibits these orders from participating in GTH trading. Cboe Options Rule 6.1A(f) also prohibits good-till-cancelled orders from participating during GTH. However, because the Exchange will use the same Book for all trading sessions, and thus any GTC orders that do not trade during GTH may become eligible for trading during RTH, the Exchange does not believe it is necessary to restrict use of this time-in-force.

(when that index value is being updated).<sup>33</sup>

Proposed Rule 17.5 requires Options Members to make certain disclosures to customers regarding material trading risks that exist during Global Trading Hours. The Exchange expects overall lower levels of trading during Global Trading Hours compared to Regular Trading Hours. While trading processes during Global Trading Hours will be substantially similar to trading processes during Regular Trading Hours (as noted above), the Exchange believes it is important for investors, particularly public customers, to be aware of any differences and risks that may result from lower trading levels and thus requires these disclosures. Proposed Rule 17.5 provides that no Options Member may accept an order from a customer for execution during Global Trading Hours without disclosing to that customer that trading during Global Trading Hours involves material trading risks, including the possibility of lower liquidity (including fewer Market-Makers quoting), higher volatility, changing prices, an exaggerated effect from news announcements, wider spreads, the absence of an updated underlying index or portfolio value or intraday indicative value and lack of regular trading in the securities underlying the index or portfolio and any other relevant risk. The proposed rule provides an example of these disclosures. The Exchange believes that requirement Options Members to disclose these risks to non-TPH customers will facilitate informed participation in Global Trading Hours.

The Exchange also intends to distribute to Options Members and make available on its website a Regulatory Circular regarding Global Trading Hours that discloses, among other things, that (1) the current underlying index value may not be updated during Global Trading Hours, (2) that lower liquidity during Global Trading Hours may impact pricing, (3) that higher volatility during Global Trading Hours may occur, (4) that wider spreads may occur during Global Trading Hours, (5) the circumstances that may trigger trading halts during Global Trading Hours, (6) required

<sup>33</sup> Rules 29.3(b)(11), 29.6(b)(10), and 29.6(d)(8) provide that underlying index values will be disseminated at least once every 15 seconds. Proposed Rule 21.2(c)(3) supersedes those provisions with respect to Global Trading Hours. Cboe Options Rule 24.3 also states that dissemination of the current index value will occur after the close of Regular Trading Hours (and, thus, not after the close of Global Trading Hours, as no new index value will have been calculated during that trading session) and from time-to-time on days on which transactions are made on the Exchange.

customer disclosures (as described above), and (7) suitability requirements. The Exchange believes that, with this disclosure, Global Trading Hours are appropriate and beneficial notwithstanding the absence of a disseminated updated index value during those hours.

As set forth above, the differences in the Rules between the trading process during RTH and during GTH is that certain order types and instructions will not be available during GTH, no values for indexes underlying index options will be disseminated during GTH, and Options Members that accept orders from customers during GTH will be required to make certain disclosures to those customers. As noted above, other rules will apply in the same manner, but the Exchange may make different determinations between RTH and GTH. The Exchange believes these differences are consistent with the differences between the characteristics of each trading session. The Exchange also notes the following:

- All Options Members may, but will not be required to, participate during Global Trading Hours. As noted above, while a Market-Maker's appointment to an All Sessions class will apply to that class whether it quotes in series in that class or not during GTH, the Exchange believes any additional burden related to the application of a Market-Maker's quoting obligation to the additional 45 minutes will be de minimis. The Exchange believes even if a Market-Maker elects to not quote during GTH, its ability to satisfy its continuous quoting obligation will not be substantially obligated given the short length of GTH and the few series that will be listed for trading during GTH.

- The Exchange expects Options Members that want to trading during GTH to have minimal preparation. The Exchange will use the same connection lines, message formats, and feeds during RTH and GTH.<sup>34</sup> Options Members may use the same ports and EFIDs for each trading session.<sup>35</sup>

<sup>34</sup> The same telecommunications lines used by Options Members during Regular Trading Hours may be used during Global Trading Hours, and these lines will be connected to the same application serve at the Exchange during both trading sessions. This is different from Cboe Options, which connects its telecommunications lines to a separate application serve during each trading session.

<sup>35</sup> An Options Member may elect to have separate ports or EFID for each trading session, but the Exchange will not require that. This is different from Cboe Options, which requires Options Members to use separate log-ins and acronyms (the equivalent of ports and EFIDs) for each trading session.

- The same opening process (as amended below) will be used to open each trading session.

- Order processing will operate in the same manner during Global Trading Hours as it does during Regular Trading Hours. There will be no changes to the ranking, display, or allocation algorithms rules (as noted above, the Exchange will have authority to apply a different allocation algorithm to a class during Global Trading Hours than it applies to that class during Regular Trading Hours).

- There will be no changes to the processes for clearing, settlement, exercise, and expiration.<sup>36</sup>

- The Exchange will report the Exchange best bid and offer and executed trades to the Options Price Reporting Authority ("OPRA") during Global Trading Hours in the same manner they are reported during Regular Trading Hours. Exchange proprietary data feeds will also be disseminated during Global Trading Hours using the same formats and delivery mechanisms with which the Exchange disseminates them during Regular Trading Hours. Use of these proprietary data wills during Global Trading Hours will be optional (as they are during Regular Trading Hours).<sup>37</sup>

- The same Options Members that are required to maintain connectivity to a backup trading facility during Regular Trading Hours will be required to do so during Global Trading Hours.<sup>38</sup> Because the same connections and serves will be used for both trading sessions, a Options Member will not be required to take any additional action to comply with this requirement, regardless of whether the Options Member chooses to trade during Global Trading Hours.

- The Exchange will process all clearly erroneous trade breaks during Global Trading Hours in the same manner it does during Regular Trading Hours and will have Exchange officials

<sup>36</sup> The Exchange has held discussions with the Options Clearing Corporation, which is responsible for clearance and settlement of all listed options transactions and has informed the Exchange that it will be able to clear and settle all transactions that occur on the Exchange and handle exercises of options during Extended Trading Hours.

<sup>37</sup> Any fees related to receipt of the OPRA data feed during Global Trading Hours will be included on the OPRA fee schedule. Any fees related to receipt of the Exchange's proprietary data feeds during Global Trading Hours will be included on the Exchange's fee schedule (and will be included in a separate rule filing) or the Exchange's market data website, as applicable.

<sup>38</sup> Currently, Options Members with accounts for 5% or more of the executed volume, measured on a quarterly basis, the Exchange must connect to the Exchange's backup facilities and participate in testing. The same test will be used for all trading sessions. See EDGX Options Regulatory Circular 18-011 (July 3, 2018); and Rule 2.4.

available to do so (the same officials that do so during Regular Trading Hours).

- The Exchange will perform all necessary surveillance coverage during Global Trading Hours.

- The Exchange may halt trading during Global Trading Hours in the interests of a fair and orderly market in the same manner it may during Regular Trading Hours pursuant to Rule 29.10 (as proposed to be amended, as described below). The proposed rule change amends current Rule 29.10(e) (proposed Rule 29.10(d)) to provide that during Global Trading Hours, Rule 29.10(a)(1) through (3), (b), and (c) (as proposed) do not apply. As discussed above, Global Trading Hours will not coincide with the hours of trading of the underlying primary securities market. Generally, the Exchange considers halting trading only in response to unusual conditions or circumstances, as it wants to interrupt trading as infrequently as possible and only if necessary to maintain a fair and orderly market. During Regular Trading Hours, it would be unusual, for example, for stocks or options underlying an index to not be trading or the current calculation of the index to not be available. However, as discussed above, there will be no calculation of underlying indexes during Global Trading Hours, and Global Trading Hours do not coincide with the regular trading hours of the underlying stock or options (there may be some overlap with trading of certain underlying stocks, as mentioned above<sup>39</sup>). Thus, the factors described in proposed Rule 29.10(a) are not unusual for Global Trading Hours, and thus the Exchange does not believe it is necessary to consider these as reasons for halting trading during that trading session. Exclusion of Global Trading Hours from those provisions will allow trading during that trading session to occur despite the existence of those conditions (if the Exchange considered the existence of those conditions during Global Trading Hours, trading during Global Trading Hours could be halted every day). It is appropriate for the Exchange to consider any unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market during Global Trading Hours, which may, for example, include whether the underlying primary securities market was halted at the close of the previous trading day (in which case the Exchange will evaluate whether the condition that led to the halt has been resolved or would not impact trading during Global Trading Hours) or

significant events that occur during Global Trading Hours.<sup>40</sup>

Pursuant to Rule 20.5(c), the Exchange will halt trading in all options when a market-wide trading halt known as a circuit breaker is initiated on the New York Stock Exchange in response to extraordinary market conditions. Pursuant to the proposed rule change, Rule 20.5(c) will not apply during Global Trading Hours. The Exchange believes that, even if stock trading was halted at the close of the previous trading day, the length of time between that time and the beginning of Global Trading Hours is significant (over 16 hours), and the condition that led to the halt is likely to have been resolved. The proposed rule change allows the Exchange to consider unusual conditions or circumstances when determining whether to halt trading during Global Trading Hours. To the extent a circuit breaker caused a stock market to be closed at the end of the prior trading day, the Exchange could consider, for example, whether it received notice from stock exchanges that trading was expected to resume (or not) the next trading day in determining whether to halt trading during Global Trading Hours. Because the stock markets would not begin trading until after Global Trading Hours opens, the Exchange believes it should be able to open Global Trading Hours rather than waiting to see whether stock markets open to allow investors to participate in Global Trading Hours if the Exchange believes such trading can occur in a fair and orderly manner based on then-existing circumstances, not circumstances that existed numerous hours earlier. Additionally, Cboe Options has the same rule provision.<sup>41</sup>

Certain rules currently include general phrases related to a day or trading, such as market close. The proposed rule change makes technical changes to Rules 21.1(f)(3) (definition of “Day”), 21.6(b),<sup>42</sup> 21.9, and 21.20(c)(2)(A) to incorporate the terminology included in this proposed rule change to specify the appropriate trading session(s) being referenced in those rules.

The Exchange will disseminate last sale and quotation information during Global Trading Hours through OPRA

<sup>40</sup> The proposed rule change adds reasons to proposed Rule 29.10(e) (current paragraph (f)) why pricing will be determined by OCC. Currently, settlement values are determined by OCC when pricing is not available in these circumstances. The proposed rule change makes corresponding changes to the headings for Rule 29.10(d) and (e).

<sup>41</sup> See Cboe Options Rule 24.7(d).

<sup>42</sup> The proposed rule change modifies the name of Rule 21.6 to account for the fact that it applies to the cancellation, as well as the entry, of orders.

pursuant to the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information (the “OPRA Plan”), as it does during Regular Trading Hours.<sup>43</sup> The Exchange will also disseminate an opening quote and trade price through OPRA for Global Trading Hours (as it does for Regular Trading Hours). Therefore, all Options Members that trade during Global Trading Hours will have access to quote and last sale information during that trading session.

The Exchange understands that systems and other issues may arise and is committed to resolving those issues as quickly as possible, including during Global Trading Hours. Thus, the Exchange will have appropriate staff on-site and otherwise available as necessary during Global Trading Hours to handle any technical and support issues that may arise during those hours. Additionally, the Exchange will have personnel available to address any trading issues that may arise during Global Trading Hours.<sup>44</sup> The Exchange is also committed to fulfilling its obligations as a self-regulatory organization at all times, including during Global Trading Hours, and will have appropriately trained, qualified regulatory staff in place during Global Trading Hours to the extent it deems necessary to satisfy those obligations. The Exchange’s surveillance procedures will be revised as necessary to incorporate transactions that occur and orders and quotations that are submitted during Global Trading Hours. The Exchange believes its surveillance procedures are adequate to properly

<sup>43</sup> The OPRA Plan provides for the collection and dissemination of last sale and quotation information on options that are trading on the participant exchanges. The OPRA Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder. See Securities Exchange Act Release No. 17638 (March 18, 1981). The full text of the OPRA Plan is available at <http://www.opradata.com>. All operating U.S. options exchanges participate in the OPRA Plan. The operator of OPRA informed the Exchange that it intends to add a modifier to the information disseminated during Global Trading Hours (as it does for Cboe Options).

<sup>44</sup> The Exchange notes that, to conduct trading during Global Trading Hours, persons that are not Options Members, such as employees of affiliates of Options Members located outside of the United States, may be transmitting orders and quotes during Global Trading Hours (such non-Options Members would not have direct access to the Exchange, and thus those orders and quotes would be submitted to the Exchange through Options Members’ systems subject to applicable laws, rules, and regulations). Options Members may authorize (in a form and manner determined by the Exchange) individuals at these non-Options Member entities to contact the Exchange during Global Trading Hours to address any issues.

<sup>39</sup> See *supra* note 11.

monitor trading of XSP options during Global Trading Hours.

#### Opening Process

Rule 21.7 sets forth the opening process the Exchange uses to open series on the Exchange at the market open each trading day (and after trading halts). Pursuant to the current opening process, the System determines and opening price for a series based on the NBBO<sup>45</sup> and crosses any interest on the book that is marketable at that price. The proposed rule change adopts an opening auction process, substantially similar to the Cboe Options opening auction process.<sup>46</sup> The Exchange believes an opening auction process will enhance the openings of series on the Exchange by providing an opportunity for price discovery based on then-current market conditions. Pursuant to the proposed opening auction process, the Exchange will have a Queuing Period, during which the System will accept orders and quotes and disseminates expected opening information; will initiate an opening rotation upon the occurrence of certain triggers; will conduct an opening rotation during which the System matches and executes orders and quotes against each other in order to establish an opening Exchange best bid and offer and trade price, if any, for each series, subject to certain price protections; and will open series for trading.<sup>47</sup>

Proposed Rule 21.7(a) sets forth the definitions of the following terms for purposes of the opening auction process in proposed Rule 21.7:<sup>48</sup>

- **Composite Market:** The term “Composite Market” means the market for a series comprised of (1) the higher of the then-current best appointed Market Maker bulk message bid on the Queuing Book and the away best bid (“ABB”) (if there is an ABB) and (2) the lower of the then-current best appointed Market Maker bulk message offer on the Queuing Book and the away best offer (“ABO”) (if there is an ABO). The term “Composite Bid (Offer)” means the bid (offer) used to determine the Composite Market.<sup>49</sup>

<sup>45</sup> The opening price (if not outside the NBBO and no more than a specified minimum amount away from the NBBO) is either the midpoint of the NBBO, the last disseminated transaction price after 9:30 a.m., or the last transaction price from the previous trading day. See current 21.7(b).

<sup>46</sup> See Cboe Options Rule 6.2.

<sup>47</sup> The order of events that comprise this proposed opening auction process corresponds to the opening auction process on Cboe Options. See Cboe Options Rule 6.2.

<sup>48</sup> A term defined elsewhere in the Rules has the same meaning with respect to Rule 21.7, unless otherwise defined in Rule 21.7.

<sup>49</sup> Cboe Options similarly considers the Exchange’s best quote bid and best quote offer when

- **Composite Width:** The term “Composite Width” means the width of the Composite Market (*i.e.*, the width between the Composite Bid and the Composite Offer) of a series.

- **Maximum Composite Width:** The term “Maximum Composite Width” means the amount that the Composite Width of a series may generally not be greater than for the series to open (subject to certain exceptions, as described below). The Exchange determines this amount on a class and Composite Bid basis, which amount the Exchange may modify during the opening auction process (which modifications the Exchange disseminates to all subscribers to the Exchange’s data feeds that deliver opening auction updates).<sup>50</sup>

- **Opening Auction Updates:** The term “opening auction updates” means Exchange-disseminated messages that contain information regarding the expected opening of a series based on orders and quotes in the Queuing Book for the applicable trading session and, if applicable, the GTH Book,<sup>51</sup> including the expected opening price, the then-current cumulative size on each side at or more aggressive than the expected opening price, and whether the series would open (and any reason why a series would not open).

- **Opening Collar:** The term “Opening Collar” means the price range that establishes limits at or inside of which the System determines the Opening Trade Price for a series. The Exchange

determining whether the Exchange’s market is too wide. On Cboe Options, the term “quote” corresponds to the term “bulk message” on the Exchange. Cboe Options also considers quotes from any away markets, if it has activated Hybrid Agency Liaison (“HAL”) at the open. The Exchange has a Step-Up Mechanism (“SUM”) that corresponds to HAL, but does not have it activated at the open as Cboe Options does. However, the Exchange believes considering any quotes from away markets in addition to quotes on its own market when determining whether to open a series will enhance the opening auction price by considering all available pricing information.

<sup>50</sup> The Maximum Composite Width corresponds to the opening exchange prescribed width range (“OEPW”) on Cboe Options. See Cboe Options Rule 6.2(d)(i)(A). The Exchange will determine the Maximum Composite Width in a slightly different manner than Cboe Options determines the OEPW; however, both are based on appointed Market-Maker quotes and are intended to create a reasonable range to ensure the market does not open at extreme prices. Additionally, as proposed, the Maximum Composite Width will factor in away prices in addition to quotes on the Exchange (unlike Cboe Options which considers only quotes on the Exchange).

<sup>51</sup> In other words, for the RTH opening auction in an All Sessions class, the expected opening information to be disseminated in opening auction updates prior to the conclusion of the GTH trading session will be based on orders and quotes in the RTH Queuing Book (*i.e.*, RTH Only orders) and in the GTH Book (*i.e.*, All Sessions orders).

determines the width of this price range on a class and Composite Bid basis, which range the Exchange may modify during the opening auction process (which modifications the Exchange disseminates to all subscribers to the Exchange’s data feeds that deliver opening auction updates).<sup>52</sup>

- **Opening Trade Price:** The term “Opening Trade Price” means the price at which the System executes opening trades in a series during the opening rotation.<sup>53</sup>

- **Queuing Book:** The term “Queuing Book” means the book into which Users may submit orders and quotes (and onto which GTC and GTD orders remaining on the Book from the previous trading session or trading day, as applicable, are entered) during the Queuing Period for participation in the application opening rotation.<sup>54</sup> Orders and quotes on the Queuing Book may not execute until the opening rotation. The Queuing Book for the GTH opening auction process may be referred to as the “GTH Queuing Book,” and the Queuing Book for the RTH opening auction process may be referred to as the “RTH Queuing Book.”

- **Queuing Period:** The term “Queuing Period” means the time period prior to the initiation of an opening rotation during which the System accepts orders and quotes for participation in the opening rotation for the applicable trading session.<sup>55</sup>

Proposed paragraph (b) describes the Queuing Period. The Queuing Period begins at 7:30 a.m. for all class.<sup>56</sup> This is the same time at which the System begins accepting orders and quotes today. Therefore, Users will have the same amount of time to submit orders and quotes prior to the RTH opening.

<sup>52</sup> Cboe Options uses the OEPW as the range within which the opening price must be. See Cboe Options Rule 6.2(d)(i)(C). The Exchange will determine the Opening Collar in a slightly different manner than Cboe Options determines the OEPW; however, both are based on appointed Market-Maker quotes and are intended to create a reasonable range to ensure the market does not open at extreme prices. Additionally, as proposed, the Opening Collar will factor in away prices in addition to quotes on the Exchange (unlike Cboe Options which considers only quotes on the Exchange).

<sup>53</sup> See current Rule 21.7(c).

<sup>54</sup> In other words, at 7:30 a.m., All Sessions orders will rest on the GTH Queuing Book and be eligible to participate in the GTH opening auction process, and RTH Only orders will rest on the RTH Queuing Book and be eligible to participate in the RTH opening auction process.

<sup>55</sup> See current Rule 21.7(a)(1) (the current rule does not use the term “Queuing Period”; however, it does provide for an order entry period prior to the opening of a series during which the System accepts orders and quotes). The proposed rule change moves the rule provisions regarding the opening process following a halt to proposed paragraph (g), with no substantive changes.

<sup>56</sup> See proposed Rule 21.7(b)(1).

Additionally, Users will have one hour to submit orders and quotes in GTH classes prior to the GTH opening. The Exchange believes this is sufficient given that the Exchange will list fewer classes (one class, as proposed) during GTH.<sup>57</sup>

Proposed subparagraph (b)(2) clarifies that orders and quotes on the Queuing Book are not eligible for execution until the opening rotation pursuant to proposed paragraph (e), as described below. This is consistent with current order entry period, pursuant to which orders and quotes entered for inclusion in the opening process do not execute until the opening trade pursuant to current paragraph (d). The System accepts all orders and quotes that are available for a class and trading session pursuant to Rule 21.1 during the Queuing Period, which are eligible for execution during the opening rotation, except as follows:

- the System rejects IOC and FOK orders during the Queuing Period;<sup>58</sup>
- The System accepts orders and quotes with MTP Modifiers during the Queuing Period, but does not enforce them during the opening rotation;<sup>59</sup>
- the System accepts all-or-none, stop, and stop-limit orders<sup>60</sup> during the Queuing Period, but they do not participate during the opening rotation. The System enters any of these orders it receives during the Queuing Period into the Book following completion of the opening rotation (in time priority);<sup>61</sup>

<sup>57</sup> Pursuant to Cboe Options Rule 6.2(a), the pre-opening period (equivalent to the proposed Queuing Period) begins no earlier than 2:00 a.m. Central time for regular trading hours and no later than 4:00 p.m. on the previous day for global trading hours (as global trading hours on Cboe Options begins at 2:00 a.m. Central time). The Exchange does not propose to have flexibility as Cboe Options has, and believes the proposed time period for the Queuing Period is sufficient.

<sup>58</sup> See current paragraph (a) and proposed subparagraph (a)(2)(A); see also Cboe Options Rule 6.2(a)(i).

<sup>59</sup> See proposed subparagraph (a)(2)(B). This is consistent with current functionality, and the detail is being added to the Rules. See also C2 Rule 6.11(a)(1). Cboe Options has Market-Maker trade prevention orders, which it does not accept prior to the opening. See Cboe Options Rule 6.2(a)(i).

<sup>60</sup> Pursuant to Rule 21.1(d)(11) and (12), stop and stop-limit orders are triggered based on the consolidated last sale price. Not participating in the opening process is consistent with this requirement, as the Exchange needs to be open (and thus have an opening trade occur) in order for there to be a consolidated last sale price that can trigger these orders. Current Rule 21.7(a) provides that all-or-none orders do not participate in the opening process.

<sup>61</sup> This is consistent with current functionality, and the proposed rule change is adding this detail to the Rules. See also Cboe Options Rule 6.2(c)(i)(B) (which states that order with a stop contingency do not participate in the opening rotation).

- the System converts all ISOs received prior to the completion of the opening rotation into non-ISOs;<sup>62</sup> and

- complex orders do not participate in the opening auction described in Rule 21.7 and instead may participate in the COB Opening Process pursuant to Rule 21.20(c)(2)(A).<sup>63</sup>

Proposed paragraph (c) describes the opening auction updates the Exchange will disseminate as part of the opening auction process. As noted above, opening auction updates contain information regarding the expected opening of a series. These messages provide market participants with information that may contribute to enhanced liquidity and price discovery during the opening auction process. Beginning at a time (determined by the Exchange) no earlier than one hour prior to the expected initiation of the opening rotation for a trading session and until the conclusion of the opening rotation for a series, the Exchange disseminates opening auction updates for the series.<sup>64</sup> The Exchange disseminates opening auction updates at regular intervals of time (the length of which the Exchange determines for each trading session), or less frequently if there are no updates to the opening information since the previously disseminated update, to all subscribers to the Exchange's data feeds that deliver these messages until a series opens.<sup>65</sup> If there have been no changes since the previous update, the Exchange does not believe it is necessary to

<sup>62</sup> See current paragraph (a) and proposed subparagraph (a)(2)(D); see also Cboe Options Rule 6.2(a)(i) (which does not permit ISOs to be entered during the Cboe Options pre-opening period).

<sup>63</sup> See Rule 21.20(c)(2)(A) and proposed subparagraph (a)(2)(E); see also Cboe Options Rule 6.2(c)(i)(B).

<sup>64</sup> The Exchange only begins disseminating updates for series with locked or crossed interest or if the series needs Market Maker bulk messages. There can only be an expected opening price to disseminate if these conditions have been met, and thus no updates will be disseminated if these conditions do not exist. See also Cboe Options Rule 6.2(a)(ii) (which provides that Cboe Options may begin disseminated expected opening information ("EOIs") messages (which correspond to opening auction updates)). Cboe Options currently begins disseminating EOIs at 7:30 a.m. or 8:00 a.m. Central time (depending on the class), which is consistent with the proposed rule change to begin dissemination of opening auction messages no earlier than one hour prior to the expected initiation of the opening rotation for a series. The Exchange believes market participants generally want to receive this information closer to the opening of trading.

<sup>65</sup> See also Cboe Options Rule 6.2(a)(ii) (Cboe Options will similarly disseminate EOIs at regular intervals or less frequently if there are no updates, and will not disseminate EOIs in certain circumstances, including if there is no locked or crossed interest (because there would be no expected opening price or size)).

disseminate duplicate updates to market participants at the next interval of time.

Proposed paragraph (d) describes the events that will trigger the opening rotation for a class. Pursuant to current paragraph (b), the System will automatically open a related equity option series after the first transaction on the primary listing market after 9:30 a.m. in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan (with respect to equity options). Pursuant to current paragraph (c), the System automatically opens a related index option series after an away options exchange(s) disseminates a quote in an index option series (with respect to index options). As proposed for Regular Trading Hours, 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 (1) transaction price for the security underlying an equity option or (2) index value for the index underlying an index option, the System will initiate the opening rotation for the series in that class, and the Exchange disseminates message to market participants indicating the initiation of the opening rotation.<sup>66</sup> For Global Trading Hours, the System will initiate the opening rotation at 8:30 a.m.<sup>67</sup>

Proposed paragraph (e) describes the opening rotation process, during which the System will determine whether the Composite Market for a series is not wider than a maximum width, will determine the opening price, and open series.<sup>68</sup> The Maximum Composite Width Check and Opening Collar are intended to ensure that series open in a fair and orderly manner and at prices consistent with the current market

<sup>66</sup> Pursuant to current paragraphs (b) and (c), the opening is currently triggered upon the occurrence of similar events. While not specified in the current Rules, pursuant to current functionality, the System waits for a certain time period following the occurrence of such an event to open a series. See also C2 Rule 6.11(a)(1).

<sup>67</sup> See also Cboe Options Rule 6.2(b). Unlike Cboe Options, the opening rotation will be triggered in all equity classes by observation of the first transaction in the underlying security (rather than some classes being triggered by a timer), and the opening rotation will be triggered in all index classes by observation of the first index value (rather than some classes being triggered by a timer). The Exchange does not believe it needs this flexibility.

<sup>68</sup> See also Cboe Options Rule 6.2(d) (pursuant to which Cboe Options will generally not open a series if the width is wider than an acceptable price range or if the opening trade price is outside of an acceptable price range). The Exchange will similarly have a maximum quote width and acceptable opening price range, however, they may be calculated differently. Cboe Options has additional opening conditions that the Exchange does not propose to adopt.

conditions for the series and not at extreme prices, while taking into consideration prices disseminated from other options exchanges that may be better than the Exchange's at the open.

Proposed subparagraph (e)(1) describes the Maximum Composite Width Check.

- If the Composite Width of a series is less than or equal to the Maximum Composite Width, the series is eligible to open (and the System determines the Opening Price as described below).

- If the Composite Width of a series is greater than the Maximum Composite Width, but there are no non-M Capacity<sup>69</sup> market orders or buy (sell) limit orders with prices higher (lower) than the Composite Bid (Offer) and there are no locked or crossed orders or quotes, the series is eligible to open (and the System determines the Opening Price as described below).

- If neither of the conditions above are satisfied for a series, the series is ineligible to open. The Queuing Period for the series continues (including the dissemination of opening auction updates) until one of the above conditions for the series is satisfied.<sup>70</sup>

The Exchange will use the Maximum Composite Width Check as a price protection measure to prevent orders from executing at extreme prices at the open. If the width of the Composite Market (which represents the best market, as it is comprised of the better of Market Maker bulk messages on the Exchange or any away market quotes) is

<sup>69</sup> Capacity M is used for orders for the account of a Market Maker (with an appointment in the class). See U.S. Options Binary Order Entry Specifications, at 28 (definition of Capacity), available at [http://cdn.cboe.com/resources/membership/US\\_Options\\_BOE\\_Specification.pdf](http://cdn.cboe.com/resources/membership/US_Options_BOE_Specification.pdf).

<sup>70</sup> See Cboe Options Rule 6.2(c)(iii) (pursuant to which the opening rotation period on Cboe Options continues, including dissemination of EOs, until the opening conditions are satisfied). The Exchange may also open a series pursuant to current paragraph (f) (proposed paragraph (h)), which permits the Exchange to deviate from the standard manner of the opening auction process, including adjusting the timing of the opening rotation in any class, modifying any time periods described in Rule 6.11, and delaying or compelling the opening of a series if the opening width is wider than Maximum Width, when it believes it is necessary in the interests of a fair and orderly market. The proposed rule change specifies additional ways in which the Exchange may deviate from the standard of opening (which it has the authority to do under the current rule). See also Cboe Options Rule 6.2(e) (pursuant to which Cboe Options may deviate from the standard manner of the opening auction process for the same reasons). Pursuant to the proposed rule change, the Exchange will make and maintain records to document all determinations to deviate from the standard manner of the opening auction process, and periodically reviews these determinations for consistency with the interests of a fair and orderly market (which, while not specified in the current Rules, the Exchange does today).

no greater than the Maximum Composite Width, the Exchange believes it is appropriate to open a series under these circumstances and provide marketable orders with an opportunity to execute at a reasonable opening price (as discussed below), because there is minimal risk of execution at an extreme price. However, if the Composite Width is greater than the Maximum Composite Width but there are no non-M Capacity orders<sup>71</sup> that lock or cross the opposite-side widest point of the Composite Market (and thus not marketable at a price at which the Exchange would open, as described below), there is similarly no risk of an order executing at an extreme price on the open. Because the risk that the Maximum Composite Width Check is intended to address is not present in this situation, the Exchange believes it is appropriate to open a series in either of these conditions. However, if neither of these conditions is satisfied, the Exchange believes there may be risk that orders would execute at an extreme price if the series open, and therefore the Exchange will not open a series.

Proposed subparagraph (e)(2) describes how the System determines the Opening Trade Price for a series after it satisfies the Maximum Composite Width Check described above.

- The Opening Trade Price is the price that is not outside the Opening Collar and:

- The price at which the largest number of contracts can execute (*i.e.*, the volume-maximizing price);

- if there are multiple volume-maximizing prices, the price at which the fewest number of contracts remain unexecuted (*i.e.*, the imbalance-minimizing price); or

- if there are multiple volume-maximizing, imbalance-minimizing prices, (1) the highest (lowest) price, if there is a buy (sell) imbalance, or (2) the price at or nearest to the midpoint of the Opening Collar, if there is no imbalance.

- There is no Opening Trade Price if there are no locked or crossed orders or quotes at a price not outside the Opening Collar.<sup>72</sup>

The Exchange believes the proposed volume-maximizing, imbalance-

<sup>71</sup> Market Maker bulk messages are considered when determining the Composite Market. The Exchange believes it is appropriate to consider Market-Maker bulk messages when determining an opening quote to ensure there will be liquidity in a series when it opens. Additionally, while it is possible for Market Makers to submit M orders, the Exchange believes there is less risk of a Market Maker inputting an order at an extreme price given that Market Makers are generally responsible for pricing the market.

<sup>72</sup> See current Rule 21.7(e).

minimizing procedure is reasonable, as it will provide for the largest number of contracts in the Queuing Book that can execute, leaving as few as possible bids and offers in the Book that cannot execute.<sup>73</sup> The Exchange will use the Opening Collar as a price protection measure to prevent orders from executing at extreme prices at the open. If the Opening Trade Price is not outside the Opening Collar (which will be based on the best then-current market), the Exchange believes it is appropriate to open a series at that price, because there is minimal risk of execution at an extreme price. However, if the Opening Trade Price would be outside of the Opening Collar, the Exchange believes there may be risk that orders would execute at an extreme price if the series open, and therefore the Exchange will not open a series.

The following examples show the application of the Maximum Composite Width Check:

#### Example #1

Suppose the Maximum Composite Width for a class is 0.50, and the Composite Market is  $1.00 \times 2.00$ , comprised of an appointed Market Maker bulk message bid of 2.00 and an appointed Market Maker bulk message offer of 1.00. There is no other interest in the Queuing Book. The series is not eligible to open, because the width of the Composite Market is greater than the Maximum Composite Width but there are locked orders or quotes in the series. The Queuing Period for the series will continue until the series satisfies the Maximum Composite Width Check.

#### Example #2

Suppose the Maximum Composite Width for a class is 0.50, and the Composite Market is  $1.00 \times 2.00$ , comprised of an appointed Market Maker bulk message bid of 1.00 and an appointed Market Maker bulk message offer of 2.00. There is no other interest in the Queuing Book. The series is eligible to open, because the width of the Composite Market is greater than the Maximum Composite Width and there are no locked orders or quotes in the series or non-M Capacity orders. The System will then determine the Opening Trade Price.

#### Example #3

Suppose the Maximum Composite Width for a class is 0.50, and the

<sup>73</sup> See also Cboe Options Rule 6.2(c)(i)(A) (pursuant to which Cboe Options will open at the market-clearing price, and if there are multiple prices at which the same number of contracts would clear, Cboe Options will use similar tie-breakers).

Composite Market is  $1.00 \times 2.00$ , comprised of an appointed Market Maker bulk message bid of 1.00 and an appointed Market-Maker bulk message offer of 2.00. There is a non-M Capacity limit order to buy for \$1.99 in Queuing Book. The series is not eligible to open, because the width of the Composite Market is greater than the Maximum Composite Width, and there is a non-M Capacity order at a price inside of the Composite Market. The Queuing Period for the series will continue until the series satisfies the Maximum Composite Width Check.

Pursuant to proposed subparagraph (e)(3), if the System establishes an Opening Trade Price, the System will execute orders and quotes in the Queuing Book at the Opening Trade Price. The System will prioritize orders and quotes in the following order: Market orders, limit orders and quotes with prices better than the Opening Trade Price, and orders and quotes at the Opening Trade Price.<sup>74</sup> The System allocates orders and quotes at the same price pursuant to the allocation algorithm that applies to a class intraday (in accordance with Rule 21.8), unless the Exchange determines to apply a different allocation algorithm from Rule 21.8 to a class during the opening rotation.<sup>75</sup> If there is no Opening Trade Price, the System opens a series without a trade.

Pursuant to proposed subparagraph (f), as is the case today, following the conclusion of the opening rotation, the System enters any unexecuted orders and quotes (or remaining portions) from the Queuing Book into the EDGX Options Book in time sequence (subject to a User's instructions—for example, a User may cancel an order), where they may be processed in accordance with Rule 21.8.<sup>76</sup> Consistent with the OPG contingency (and current functionality),

<sup>74</sup> See current Rule 21.7(d) (which states the System matches (in accordance with Rule 21.8) orders and quotes in the System priced equal to or more aggressively than the Opening Price); see also Cboe Options Rule 6.2(c)(i)(C). The Exchange believes it is appropriate to prioritize orders with the most aggressive prices, as it provides market participants with incentive to submit their best-priced orders.

<sup>75</sup> See Cboe Options Rule 6.2, Interpretation and Policy .04. While the allocation algorithm used during the opening rotation for a class will default to and generally be the same as the one used for that class intraday, the Exchange believes the flexibility is appropriate so that it can facilitate a robust opening with sufficient liquidity in all classes. Cboe Options may apply a different allocation algorithm for series that open at a minimum price increment due to a sell market order imbalance. The Exchange does not believe it needs this flexibility.

<sup>76</sup> The proposed rule change corrects an error in the current Rule, which references Rule 21.9 rather than Rule 21.8.

the System cancels any unexecuted OPG orders (or remaining portions) following the conclusion of the opening rotation.

The proposed rule change adds paragraph (i), which provides if the underlying security for a class is in a limit up-limit down state when the opening rotation begins for that class, then the System cancels or rejects all market orders. In addition, if the opening rotation has already begun for a class when a limit up-limit down state initiates for the underlying security of that class, market and limit orders will continue through the end of the opening rotation.<sup>77</sup>

Currently, if an order enters the Book following the Opening Process (which would include any GTC or GTD orders that reenter the Book from the prior trading day) and becomes subject to the drill-through protection pursuant to Rule 21.17(d), the NBO (NBB) that existed at the time it enters (or reenters) the Book would be used when determining the drill-through price. Proposed Rule 21.17(d)(1) provides that if an order that enters the EDGX Options Book following the Opening Auction Process and becomes subject to the drill-through protection, the bid (offer) limit of the Opening Collar plus (minus) the buffer amount will be the drill-through price.<sup>78</sup> As discussed above, the Opening Collar is a price protection, and the Exchange would execute orders at the open at prices at or within the Opening Collar (as it would execute orders at or within the NBBO). Therefore, the Exchange believes the Opening Collar limit price points are reasonable to use when determining the drill-through price for orders that are unable to execute during the opening rotation.

#### Other Changes

Proposed Rule 16.3 states the Exchange announces to Trading Permit Holders all determinations it makes pursuant to the Rules via (a) specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange's website, or as otherwise provided in the Rules, (b) electronic message, or (c) other communication method as provided in the Rules. Current Rules state the Exchange will generally announce determinations by Regulatory Circular, and the proposed rule expands the different type of

<sup>77</sup> This is consistent with the definition of market orders in Rule 21.1(d). See also C2 Rule 6.11(d); and Cboe Options Rule 6.2, Interpretation and Policy .07.

<sup>78</sup> The proposed rule change makes corresponding changes to proposed Rule 21.17(d)(2).

documents that may be used to announce determinations, consistent with EDGX. Proposed Rule 16.3 makes clear this information will be available on the Exchange's website in an easily accessible manner, regardless of the manner in which the Exchange announces it. Additionally, certain determinations are made more real-time pursuant to electronic message received by Options Members. This single rule simplifies the Rules by eliminating the need to repeatedly state in the rules how the Exchange will announce determinations.<sup>79</sup>

The proposed rule change adds Rule 21.2(a), which states the System accepts orders and quotes at the times set forth in Rule 21.6. This is consistent with the provisions in current Rule 21.6, and will help consolidate all rules regarding hours into a single rule.

Current Rule 21.2(c) states the Exchange will not be open for business on any holiday observed by the Exchange. Proposed Rule 21.2(d) lists all of the holidays on which the Exchange will not be open for business, and describes on which day the Exchange will not be open if a holiday observed falls on a Saturday or Sunday.<sup>80</sup>

The proposed rule change permits the Exchange to designate certain index options to end trading at 4:00 p.m.<sup>81</sup> The Exchange believes this flexibility is appropriate, for example, if it were to list for trading an index option for which it expected investors to use the prices of underlying stocks rather than corresponding index futures to price the index options, and those stocks end trading at 4:00 p.m. The proposed rule change moves rule provisions from current Rules 29.10(a)<sup>82</sup> and 29.11(j)(4) regarding index option trading hours into proposed Rule 21.2(b)(2) so that all rule provisions regarding trading hours are included in the same rule.<sup>83</sup>

The Exchange also proposes to clarify that only options on Fund Shares and Index-Linked Securities designated by the Exchange would remain open beyond 4:00 p.m. but no later than 4:15 p.m.<sup>84</sup> Because Fund Shares and Index-Linked Securities are often based on the same indexes on which the Exchange lists options, and the rules permit index

<sup>79</sup> Proposed Rule 16.3 is the same as C2 Rule 1.2.

<sup>80</sup> Proposed Rule 21.2(c) is the same as C2 Rule 6.1(c).

<sup>81</sup> See proposed Rule 21.2(b)(2).

<sup>82</sup> The proposed rule change modifies the name of Rule 29.10, as it only applies to trading halts as proposed.

<sup>83</sup> The proposed rule change makes corresponding changes to paragraph lettering in Rule 29.10.

<sup>84</sup> See proposed Rule 21.2(b)(1).

options to trade until 4:00 p.m. or 4:15 p.m., the Exchange believes it is appropriate to have similar flexibility with respect to the Regular Trading Hours of options on Fund Shares and Index-Linked Securities. Other options exchanges have similar flexibility regarding trading hours.<sup>85</sup>

Proposed Rule 21.6(f) states after the RTH market close, Users may cancel orders with Time-in-Force of GTC or GTC that remain on the Book until 4:45 p.m. This proposed change provides Users with additional flexibility to manage their orders that remain in the Book following the market close. Cancelling a GTC or GTD order at 4:30 p.m. has the same effect as cancelling that order at 7:30 a.m. the following day—ultimately, it accommodates the User's goal of cancelling an order prior to it potentially executing during the Opening Auction Process the following morning.

## 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>86</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>87</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>88</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed rule change to adopt Global Trading Hours will remove impediments to and perfect the mechanism of a free and open market and a national market system. Global Trading Hours is a competitive initiative designed to improve the Exchange's marketplace for the benefit of investors. The proposed rule change

provides a new investment opportunity within the options trading industry that is consistent with the continued globalization of the securities markets and closer aligns the Exchange's trading hours with extended trading hours of stock exchanges. The Exchange believes the proposed rule change will enhance competition by providing a service to investors that most other options exchanges currently are not providing. The Exchange believes the competition among exchanges ultimately benefits the entire marketplace. Given the robust competition among the options exchanges, innovative trading mechanisms are consistent with the above-mentioned goals of the Exchange Act.

The proposed rule change also provides a mechanism for the Exchange to more effectively compete with exchanges located outside of the United States. Global markets have become increasingly interdependent and linked, both psychologically and through improved communications technology. This has been accompanied by an increased desire among investors to have access to U.S.-listed exchange products outside of Regular Trading Hours, and the Exchange believes this desire extends to its exclusively listed products. The Exchange believes that the proposed rule change is reasonably designed to provide an appropriate mechanism for trading outside of Regular Trading Hours while providing for appropriate Exchange oversight pursuant to the Act, trade reporting, and surveillance.

While only one other options exchange is currently open for trading outside of Regular Trading Hours, the Commission has authorized stock exchanges to be open for trading outside of these hours pursuant to the Act. Additionally, futures exchanges also operate outside of those hours. Thus, the proposed rule change to adopt Global Trading Hours is not novel or unique. The Exchange has currently authorized one class to list for trading during Global Trading Hours. As the proposed rule change is a new Exchange initiative, the Exchange believes it is reasonable to trade a limited number of classes upon implementation for which demand is believed to be the highest during Global Trading Hours.

The vast majority of the Exchange's trading rules will apply during Global Trading Hours in the same manner as during Regular Trading Hours, which rules have all be previously filed with the Commission as being consistent with the goals of the Act. Rules that will apply equally during Global Trading Hours include rules that protect public

customers, impose best execution requirements on Options Members, and prohibit acts and practices that are inconsistent with just and equitable principles of trade as well as fraudulent and manipulative practices. The proposed rule change also provides opportunities for price improvement during Global Trading Hours and applies the same allocation and priority rules that are available to the Exchange during Regular Trading Hours. The Exchange believes, therefore, that the rules that will apply during Global Trading Hours will continue to promote just and equitable principles of trade and prevent fraudulent and manipulative acts.

The proposed rule change clearly identifies the ways in which trading during Regular Trading Hours will differ from trading during Global Trading Hours (such as identifying order types and instructions that will not be available during Global Trading Hours). This ensures that investors are aware of any differences among trading sessions. The Exchange believes the differences are consistent with the expected differences in liquidity, participation, and trading activity between Regular Trading Hours and Global Trading Hours. The flexibility provided to the Exchange to make determinations for each trading session will allow the Exchange to apply settings and parameters to address the different market conditions that may be present during each trading session. Additionally, to further protect investors from any additional risks related to trading during Global Trading Hours, the proposed rule change requires that disclosures be made to customers describing these potential risks. The proposed All Sessions order and RTH Only order will protect investors by permitting investors who do not wish to trade during Global Trading Hours from having orders or quotes execute during those orders. Consistent with the goal of investor protection, the Exchange will not allow market orders during Global Trading Hours due to the expected increased volatility and decreased liquidity during these hours.

Additionally, the Exchange believes that the proposed rule change will foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, as the Exchange will ensure that adequate staffing is available during Global Trading Hours to provide appropriate trading support during those hours, as well as Exchange officials to make any necessary

<sup>85</sup> See, e.g., C2 Rule 6.1(a).

<sup>86</sup> 15 U.S.C. 78f(b).

<sup>87</sup> 15 U.S.C. 78f(b)(5).

<sup>88</sup> *Id.*

determinations under the rules during Global Trading Hours (such as trading halts and trade nullification for obvious errors). The Exchange is also committed to fulfilling its obligations as a self-regulatory organization at all times, including during Global Trading Hours. The Exchange's surveillance procedures will also be revised to incorporate transactions that occur and orders and quotations that are submitted during Global Trading Hours. The Exchange believes its surveillance procedures are adequate to properly monitor trading in XSP options during Global Trading Hours. Clearing and settlement processes will be the same for Global Trading Hours as they are for Regular Trading Hours transactions.

The proposed rule change further removes impediments to a free and open market and does not unfairly discriminate among market participants, as all Options Members with access to the Exchange may trade during Global Trading Hours using the same connection lines, message formats data feeds, and EFIDs they use during Regular Trading Hours, minimizing any preparation efforts necessary to participate during Global Trading Hours. Options Members will not be required to trade during Global Trading Hours.

As demonstrated above, while the proposed rule change increases the total time during which a Market Maker with XSP appointment must quote, this increase is de minimis given that a Market Maker's compliance with its continuous quoting obligation is based on all classes in which it has an appointment in the aggregate. Selecting an appointment in XSP options will be optional and within the discretion of a Market Maker. Additionally, the Exchange is providing Market Makers with the opportunity to quote during GTH (and receive the benefits of acting as a Market Maker with respect to transactions it effects during that time) without creating additional connections to the Exchange or undertaking separate membership requirements (as is required on Cboe Options). The Exchange believes Market Makers will have an incentive to quote in XSP options during Global Trading Hours given the significance of the S&P 500 Index within the financial markets, the expected demand, and given that the stocks underlying the index are also trading during those hours (which may permit execution of certain hedging strategies). Extending a Market Maker's appointment to Global Trading Hours will enhance liquidity during that trading session, which benefits all investors during those hours. The

Exchange believes that the slight additional burden of extending the continuous quoting obligation to the GTH trading session in one class is outweighed by the Exchange's efforts to add liquidity in All Sessions classes, the minimal preparation a Market Maker may require to participate in the GTH trading session, and the benefits to investors that may result from that liquidity. Therefore, the Exchange believes the proposed rule change provides customer trading interest with a net benefit, and continues to maintain a balance of Market Maker benefits and obligations.

The proposed rule change is also consistent with Section 11A of the Act and Regulation NMS thereunder, because it provides for the dissemination of transaction and quotation information during Global Trading Hours through OPRA, pursuant to the OPRA Plan, which Commission approved and indicated to be consistent with the Act. While Section 11A and Regulation NMS contemplate an integrated system for trading securities, they also envision competition between markets, and innovation that provides marketplace benefits to attract order flow to an exchange does not result in unfair competition if other markets are free to compete in the same manner.<sup>89</sup>

The proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system because, as noted above, another options exchange currently offers a Global Trading Hours session.<sup>90</sup> While there are some differences among the proposed rule change and the Cboe Options Global Trading Hours session, such as the length of the session (Cboe Options GTH trading session begins at 3:00 a.m. and the proposed Exchange GTH trading session begins at 8:30 a.m.), the participation (while all TPHs on Cboe Options will have the opportunity to participate, as all TPHs on the Exchange will, Cboe Options requires TPHs to obtain a separate GTH

<sup>89</sup> See Exchange Act Release Nos. 73704 (November 28, 2014), 79 FR 72044 (December 4, 2014) (SR-CBOE-2014-062) (approval of proposed rule change for Cboe Options to extend its trading hours outside of Regular Trading Hours); and 29237 (May 24, 1991), 46 FR 24853 (May 31, 1991) (SR-NYSE-1990-052 and SR-NYSE-1990-053) (approval of proposed rule change for NYSE to extend its trading hours outside of Regular Trading Hours). The Exchange also notes that no other U.S. options exchange provides for trading XSP options outside of Regular Trading Hours, so there is currently no need for intermarket linkage during Global Trading Hours. If another Cboe Affiliated Exchange lists XSP options outside of Regular Trading Hours, trading of XSP options on the Exchange would comply with linkage rules.

<sup>90</sup> See Cboe Options Rules 6.1 and 6.1A.

trading permit, log-ins, and Market Maker appointments to participate in GTH while the Exchange will not), the proposed Exchange GTH trading session is similar to the Cboe Options GTH trading session.

The Exchange believes the proposed rule change to adopt an opening auction will protect investors, because it will enhance the openings of series on the Exchange by providing an opportunity for price discovery based on then-current market conditions. The proposed Queuing Period is substantively the same as the current Order Entry Period on the Exchange. The proposed detail regarding the Queuing Period provide additional transparency regarding the handling of orders and quotes submitted during that time, and will thus benefit investors. The proposed rule change, including orders that are not permitted during the Queuing Period or orders that are not eligible to trade during the opening rotation, is also similar to the pre-opening period on Cboe Options.<sup>91</sup>

The proposed rule change will protect investors by ensuring they have access to information regarding the opening of a series, which will provide them with transparency that will permit them to participate in the opening auction process and contribute to, and benefit from, the price discovery the auction may provide. The proposed opening auction updates are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, as all market participants may subscribe to the Exchange's data feeds that deliver these messages, and thus all market participants may have access to this information.

The proposed opening rotation triggers are substantially similar to the current events that will trigger series openings on the Exchange. The proposed trigger events will remove impediments to and perfect the mechanism of a free and open market and a national market system, as they ensure that during Regular Trading Hours, the underlying securities will have begun trading, or the underlying index values will have begun being disseminated, before the System opens a series for trading. As this information will not be available during Global Trading Hours, the Exchange believes it is appropriate to begin the opening

<sup>91</sup> See Cboe Options Rule 6.2(a). Cboe Options provides a longer pre-opening period than the proposed rule change. However, the Exchange is not proposing to change the time at which it begins to accept orders and quotes, believes the time period is sufficient for market participants to submit orders and quotes to participate in the opening rotation.

rotation for Global Trading Hours at a specified time (as Cboe Options does).

The proposed Maximum Composite Width Check and Opening Collar will protect investors by providing price protection measures to prevent orders from executing at extreme prices at the open. The Exchange believes it is appropriate to open a series under the proposed circumstances and provide marketable orders with an opportunity to execute at a reasonable opening price (as discussed below), because there is minimal risk of execution at an extreme price. These proposed price protections incorporate all available pricing information, including Market Maker bulk messages (which are generally used to price markets for series) and any quotes disseminated from away markets, and thus may lead to a more accurate Opening Trade Price based on then-current market conditions. As noted above, Cboe Options applies similar price protections during its opening rotation. Cboe Options similarly considers Market Maker quotes (the equivalent of Market Maker bulk message on the Exchange), and in certain classes, quotes of away exchanges, and whether there are crossing orders or quotes when determining whether the opening width and trade price are reasonable. The Exchange proposes to calculate the maximum width and opening price range in a different, but reasonable manner intended to ensure a fair and orderly opening.

The proposed priority with respect to trades during the opening rotation are consistent with current priority principles that protect investors, which are to provide priority to more aggressively priced orders and quotes. Orders and quotes will be subject to the same allocation algorithms that the Exchange may apply during the trading day. The proposed priority and allocation of orders and quotes at the opening trade is substantially similar to the priority and allocation of orders and quotes at the opening of Cboe Options.<sup>92</sup>

The Exchange believes the proposed opening auction process is designed to ensure sufficient liquidity in a series when it opens and ensure series open at prices consistent with then-current market conditions, and thus will ensure a fair and orderly opening process. Additionally, as noted above, the proposed opening auction process is substantially similar to the opening auction process of Cboe Options.<sup>93</sup> As described above and below, the

differences between proposed Rule 21.7 and Cboe Options Rule 6.2 primarily relate to differences between the exchanges, including functionality Cboe Options offers that the Exchange does not and products Cboe Options lists for trading that the Exchange does not.

The proposed rule change to provide the Exchange with flexibility regarding trading hours for index options, options on Fund Shares, and options on Index-Linked Securities will 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. This flexibility will permit the Exchange to modify trading hours to ensure that options are trading when instruments that investors use to price such options are also trading.

The proposed rule change is generally intended to align system functionality currently offered by the Exchange with Cboe Options functionality in order to provide a consistent technology offering for the Cboe Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes, and maintenance by Users of the Exchange that are also participants on Cboe Affiliated Exchanges. The Exchange believes this consistency will promote a fair and orderly national options market system. When Cboe Options migrates to the same technology as that of the Exchange and other Cboe Affiliated Exchanges, Users of the Exchange and other Cboe Affiliated Exchanges will have access to similar functionality on all Cboe Affiliated Exchanges. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

#### *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 that the proposed rule change to adopt Global Trading Hours will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because all Options Members will be able, but not be required, to participate during Global Trading Hours, and will be able to do so using the same connectivity as they use during Regular Trading Hours. Participation in GTH will be voluntary

and within the discretion of Options Members. While the proposed rule change increases the total time during which a Market Maker with XSP appointment must quote, this increase is de minimis given that a Market Maker's compliance with its continuous quoting obligation is based on all classes in which it has an appointment in the aggregate. Selecting an appointment in XSP options will be optional and within the discretion of a Market Maker. Additionally, the Exchange is providing Market Makers with the opportunity to quote during GTH (and receive the benefits of acting as a Market Maker with respect to transactions it effects during that time) without creating additional connections to the Exchange or undertaking separate membership requirements (as is required on Cboe Options). Extending a Market Maker's appointment to Global Trading Hours will enhance liquidity during that trading session, which benefits all investors during those hours. The Exchange believes that the slight additional burden of extending the continuous quoting obligation to the GTH trading session in one class is outweighed by the Exchange's efforts to add liquidity in All Sessions classes, the minimal preparation a Market Maker may require to participate in the GTH trading session, and the benefits to investors that may result from that liquidity. Therefore, the Exchange believes the proposed rule change provides customer trading interest with a net benefit, and continues to maintain a balance of Market Maker benefits and obligations.

The Exchange does not believe that the proposed rule change to adopt Global Trading Hours will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because the proposed rule change is competitive initiative that will benefit the marketplace and investors. The Exchange believes the proposed rule change will enhance competition by providing a service to investors that only one other options exchange current provides. Additionally, all options exchanges are free to compete in the same manner. The Exchange further believes that the same level of competition among options exchanges will continue during Regular Trading Hours. Because the Exchange proposes to make only exclusively listed products available for trading during Global Trading Hours, and because any All Sessions orders that do not trade during GTH will be eligible to trade during the RTH trading session in the same manner

<sup>92</sup> See Cboe Options Rule 6.2(c)(i)(C) and Interpretation and Policy .04.

<sup>93</sup> See Cboe Options Rule 6.2.

as all other orders during Regular Trading Hours, the proposed rule change will have no effect on the national best prices or trading during Regular Trading Hours. The Exchange also believes the proposed rule change could increase its competitive position outside of the United States by providing investors with an additional investment vehicle with respect to their global trading strategies during times that correspond with parts of regular trading hours outside of the United States.

The Exchange does not believe that the proposed rule change to adopt an opening auction process 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 to orders and quotes of all market participants in the same manner. The same order types that are not currently accepted prior to the opening, and that do not participate in the opening process, will similarly not be accepted during the Queuing Period or be eligible for trading during the opening rotation.

The Exchange does not believe that the proposed rule change to adopt an opening auction process will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it is designed to open series on the Exchange in a fair and orderly manner. The Exchange believes an opening auction process will enhance the openings of series on the Exchange by providing an opportunity for price discovery based on then-current market conditions. The proposed auction process will provide an opportunity for price discovery when a series opens ensure there sufficient liquidity in a series when it opens, and ensure series open at prices consistent with then-current market conditions (at the Exchange and other exchanges) rather than extreme prices that could result in unfavorable executions to market participants. Additionally, as discussed above, the proposed opening auction process is substantially similar to the Cboe Options opening auction process.<sup>94</sup>

The proposed rule change to provide the Exchange with flexibility regarding trading hours for certain products will not impose any burden on competition not necessary or appropriate under the Act, as another options exchange has the same flexibility.<sup>95</sup>

<sup>94</sup> See Cboe Options Rule 6.2.

<sup>95</sup> See C2 Rule 6.1.

*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)(iii) of the Act<sup>96</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>97</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 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-CboeEDGX-2019-027 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.

<sup>96</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>97</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.

All submissions should refer to File Number SR-CboeEDGX-2019-027. 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-CboeEDGX-2019-027 and should be submitted on or before June 3, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>98</sup>

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

[FR Doc. 2019-09729 Filed 5-10-19; 8:45 am]

**BILLING CODE 8011-01-P**

**SECURITIES AND EXCHANGE COMMISSION**

[Investment Company Act Release No. 33469; 812-14996]

**Toroso Investments, LLC and Tidal ETF Trust; Notice of Application**

May 8, 2019.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice.

Notice of an application under section 6(c) of the Investment Company Act of 1940 ("Act") for an exemption from section 15(a) of the Act and rule 18f-2

<sup>98</sup> 17 CFR 200.30-3(a)(12).