

not available to other market participants.

The Exchange's proposal to expand the Market Order Spread Protection to permit the Exchange to establish different thresholds for one or more series or classes of options, the same as Phlx, would apply uniformly to all market participants.

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were either solicited or received.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6) thereunder.<sup>16</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>17</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>18</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange believes that waiver of the operative delay would allow the Exchange to update its rules without delay to reflect the proposed amendments with respect to QUO and OTTO at the same time as it proposes to implement the new OTTO functionality, and bring greater transparency to the Exchange's risk protections. Additionally, the Commission notes that the changes relating to the OTTO protocol and risk protections are based on the operation of similar functionality on Nasdaq ISE and Phlx, respectively. Therefore, the

Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>19</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 change should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<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-NASDAQ-2018-085 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-NASDAQ-2018-085. 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-NASDAQ-2018-085, and should be submitted on or before December 7, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

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

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-84565; File No. SR-ODD-2018-01]

**Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of Accelerated Delivery of Supplement to the Options Disclosure Document Reflecting the Inclusion of Disclosure Regarding Foreign Currency Index Options and Implied Volatility Index Options, Certain Contract Adjustment Disclosures, and T+2 Settlement**

November 9, 2018.

On October 24, 2018, the Options Clearing Corporation ("OCC") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Rule 9b-1 under the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> five preliminary copies of a supplement to amend the options disclosure document ("ODD") to include disclosure regarding foreign currency index options and implied volatility index options, certain contract adjustment disclosures, and T+2 settlement ("October 2018 Supplement").<sup>2</sup> On October 25, 2018,

<sup>20</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 17 CFR 240.9b-1.

<sup>2</sup> See email from Marcie Pomper, Corporate Assistant, OCC, to Sharon Lawson and David Michehl, Division of Trading and Markets ("Division"), Commission, dated October 24, 2018.

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

<sup>16</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.

<sup>17</sup> 17 CFR 240.19b-4(f)(6).

<sup>18</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>19</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

the Commission received from the OCC five definitive copies of the October 2018 Supplement.<sup>3</sup>

The October 2018 Supplement consists of three parts. Part I addresses foreign currency index options and implied volatility index options. It amends and restates the April 2015 Supplement<sup>4</sup> in its entirety and includes additional changes to take into account a recently approved proposed rule change allowing the listing of a new implied volatility index option.<sup>5</sup> The April 2015 Supplement was never distributed to options customers. The OCC issued an information memo on May 22, 2015<sup>6</sup> to inform its clearing members and investors that the April 2015 Supplement would be amended and replaced in its entirety in order to accommodate other implied volatility index options proposed for trading by a different participant options exchange. Part I of the October 2018 Supplement serves as that replacement. Part II of the October 2018 Supplement addresses additional contract adjustment disclosures. Part III of the October 2018 Supplement provides for the change in settlement from T+3 to T+2.

The October 2018 Supplement accommodates the introduction of options on foreign currency indexes and implied volatility options whose exercise settlement value is calculated differently than that of existing implied volatility options.

Currently, the ODD states that indexes that may underlie options include stock indexes, variability indexes, strategy-based indexes, dividend indexes, and relative performance indexes. In April 2013, the Commission approved a proposed rule change by the International Securities Exchange, LLC ("ISE") to list options on the Dow Jones FXCM Dollar Index.<sup>7</sup> The October 2018 Supplement amends disclosures in the ODD to add foreign currency indexes as a type of index that can underlie an option, in order to accommodate the trading of options on the Dow Jones FXCM Dollar Index and similarly structured foreign currency indexes.<sup>8</sup>

Specifically, the October 2018 Supplement adds new disclosure regarding the characteristics of foreign currency index options and their special risks. In addition, the supplement adds an example of the calculation of a foreign currency index. The supplement also amends disclosures in the ODD to accommodate the fact that components of foreign currency indexes are foreign currencies rather than securities (e.g., by referring to "components" of an index rather than "constituent securities" of an index).

The ODD currently contains general disclosures on the characteristics and risks of trading standardized options on variability indexes. The ODD states that variability indexes are indexes intended to measure the implied volatility, or the realized variance or volatility, of specified stock indexes or specified securities. In January 2014, the Commission approved a proposed rule change by the ISE to list options on the Nations VolDex Index.<sup>9</sup> In October 2018, the Commission approved a proposed rule change by the Miami International Securities Exchange, LLC to list options on the SPIKES Index.<sup>10</sup>

The October 2018 Supplement amends disclosures in the ODD regarding implied volatility index options to accommodate the listing of options on the Nations VolDex Index, the SPIKES Index and other similarly structured implied volatility indexes.<sup>11</sup> Specifically, the October 2018 Supplement amends the discussion of implied volatility index options by including disclosure regarding exercise settlement value calculations that use the mid-point of the bid and offer of the index components or actual trade prices and the risks of the different calculation methodologies. The supplement also provides disclosure regarding the types of options that can be used to calculate implied volatility indexes (i.e., out-of-the-money option series and hypothetical at-the-money option series; options with certain expiration months

or weeks; number of days the options have until expiration).

The October 2018 Supplement also amends the ODD to reflect that adjustments to some of the terms of options contracts, to account for certain events, such as certain dividend distributions or other corporate actions that affect the underlying security or other underlying interest, will be made by the OCC rather than an adjustment panel of the Securities Committee.<sup>12</sup> Adjustment determinations were previously made by adjustment panels that consisted of two representatives of each U.S. options market on which a series is traded and one representative of the OCC, who voted only to break a tie. Determinations as to whether to adjust outstanding options in response to a particular event, and, if so, in what manner, are now made solely by the OCC taking into consideration policies established by representatives of each of the U.S. options markets on which the effected option trades and a representative of OCC. Panels, however, consisting of representatives of each of the U.S. options markets on which the affected series of options is traded and one representative of the OCC retain their function and authority under other provisions of the OCC's rules to fix exercise settlement amounts and cash settlement amounts in certain circumstances. The Supplement amends references to these panels, eliminating potential confusion with the Securities Committee, which will continue to determine the appropriateness of adopting prospective policy changes or clarifications. The October 2018 Supplement includes additional clarification and examples regarding how certain adjustments may affect an option's value and deletes certain obsolete language.

Finally, the October 2018 Supplement makes changes necessary to reflect that the regular exercise settlement date for physical delivery stock options has moved from the third business date following exercise (T+3) to the second business date following exercise (T+2).

The October 2018 Supplement is intended to be read in conjunction with the more general ODD, which discusses the characteristics and risks of options generally.<sup>13</sup>

<sup>12</sup> See Securities Exchange Act Release No. 69977 (July 11, 2013), 78 FR 42815 (July 17, 2013) (SR-OCC-2013-05).

<sup>13</sup> The Commission notes that the options markets must continue to ensure that the ODD is in compliance with the requirements of Rule 9b-1(b)(2)(i) under the Act, 17 CFR 240.9b-1(b)(2)(i), including when changes regarding foreign currency index options and implied volatility index options

Continued

<sup>3</sup> See letter from Karen Bilek, Vice President and Counsel, OCC, to Sharon Lawson, Senior Special Counsel, Division, Commission, dated October 24, 2018. The October 2018 Supplement also makes certain technical non-substantive amendments to the ODD.

<sup>4</sup> <https://www.sec.gov/rules/sro/occ/occarchive/occarchive2015.shtml#odd>.

<sup>5</sup> See *infra* note 10.

<sup>6</sup> See OCC Information Memo No. 36788 available at <https://www.theocc.com>.

<sup>7</sup> See Securities Exchange Act Release No. 69365 (April 11, 2013), 78 FR 23321 (April 18, 2013) (SR-ISE-2013-14).

<sup>8</sup> The October 2018 Supplement is intended to accommodate the trading of options on foreign

currency indexes that reflect the value of one currency, often the U.S. dollar, against a basket of foreign currencies. Foreign currency indexes are calculated using exchange rates.

<sup>9</sup> See Securities Exchange Act Release No. 71365 (January 22, 2014), 79 FR 4512 (January 28, 2014) (SR-ISE-2013-42).

<sup>10</sup> See Securities Exchange Act Release No. 84417 (October 12, 2018), 83 FR 52865 (October 18, 2018) (SR-MIAX-2018-14).

<sup>11</sup> The exercise settlement value for the Nations VolDex Index is calculated using the mid-point of the NBBO for the component options of the index while the SPIKES Index uses a "price dragging" technique when determining the ongoing price for each individual option used in the calculation of the index. Most other index settlement values are calculated using transaction prices of the index components.

Rule 9b-1(b)(2)(i) under the Act<sup>14</sup> provides that an options market must file five copies of an amendment or supplement to the ODD with the Commission at least 30 days prior to the date definitive copies are furnished to customers, unless the Commission determines otherwise, having due regard to the adequacy of the information disclosed and the public interest and protection of investors.<sup>15</sup> In addition, five copies of the definitive ODD, as amended or supplemented, must be filed with the Commission not later than the date the amendment or supplement, or the amended ODD, is furnished to customers. The Commission has reviewed the October 2018 Supplement, and the amendments to the ODD contained therein, and finds that, having due regard to the adequacy of the information disclosed and the public interest and protection of investors, the supplement may be furnished to customers as of the date of this order.

*It is therefore ordered*, pursuant to Rule 9b-1 under the Act,<sup>16</sup> that definitive copies of the October 2018 Supplement to the ODD (SR-ODD-2018-01), reflecting the inclusion of disclosure regarding foreign currency index options and implied volatility index options, certain contract adjustment disclosures, and T+2 settlement, may be furnished to customers as of the date of this order.

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

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

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are made in the future. Any future changes to the rules of the options markets concerning foreign currency index options and implied volatility index options would need to be submitted to the Commission under Section 19(b) of the Act. 15 U.S.C. 78s(b).

<sup>14</sup> 17 CFR 240.9b-1(b)(2)(i).

<sup>15</sup> This provision permits the Commission to shorten or lengthen the period of time which must elapse before definitive copies may be furnished to customers.

<sup>16</sup> 17 CFR 240.9b-1.

<sup>17</sup> 17 CFR 200.30-3(a)(39).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84561; File No. SR-CFE-2018-003]

### Self-Regulatory Organizations; Cboe Futures Exchange, LLC; Notice of a Filing of a Proposed Rule Change Regarding Block Trade and Exchange of Contract for Related Position Reporting Provisions

November 9, 2018.

Pursuant to Section 19(b)(7) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> notice is hereby given that on November 2, 2018 Cboe Futures Exchange, LLC (“CFE” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change described in Items I, II, and III below, which Items have been prepared by CFE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons. CFE also has filed this proposed rule change with the Commodity Futures Trading Commission (“CFTC”). CFE filed a written certification with the CFTC under Section 5c(c) of the Commodity Exchange Act (“CEA”) <sup>2</sup> on November 2, 2018.

#### I. Self-Regulatory Organization’s Description of the Proposed Rule Change

The Exchange proposes to amend reporting provisions under CFE Rules 414, 415, and 714 relating to Block Trades and Exchange of Contract for Related Position (“ECRP”) transactions. The scope of this filing is limited solely to the application of the proposed rule amendments to security futures that may be traded on CFE. Although no security futures are currently listed for trading on CFE, CFE may list security futures for trading in the future. The text of the proposed rule change is attached as Exhibit 4 to the filing but is not attached to the publication of this notice.

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

In its filing with the Commission, CFE 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. CFE has prepared

summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

##### 1. Purpose

The proposed rule change revises the criteria for who can act as an Authorized Reporter for Exchange of Contract for Related Position (“ECRP”) transactions and Block Trades and to allow for the assessment of summary fines for violations of two comparable ECRP and Block Trade reporting provisions.

The first two changes provided for in the proposed rule change relate to who can act as an Authorized Reporter for ECRP transactions and Block Trades. CFE Rule 414 (Exchange of Contract for Related Position) governs ECRP transactions and CFE Rule 415 (Block Trades) governs Block Trades. Rule 414(i) and Rule 415(f) provide that each CFE Trading Privilege Holder (“TPH”) executing an ECRP transaction or Block Trade, as applicable, must have at least one designated individual that is either a TPH or a Related Party<sup>3</sup> of a TPH and that is pre-authorized by a Clearing Member to report ECRP transactions and Block Trades on behalf of the TPH. An individual designated for this purpose is referred to as an Authorized Reporter. CFE is proposing to amend Rule 414(i) and Rule 415(f) to remove the requirement that an Authorized Reporter must be a TPH or a Related Party of a TPH. CFE is also proposing to amend Rule 414(i) and Rule 415(f) to make clear that, to the extent required by applicable law, an Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities.

CFE understands from TPHs that there are service providers that perform reporting functions that are similar to ECRP transaction and Block Trade reporting and that there are TPHs that would like to utilize individuals from these service providers (who are not either a TPH or a Related Party of a TPH) to act as an Authorized Reporter for ECRP transactions and Block Trades

<sup>3</sup> Chapter 1 of CFE’s Rulebook provides that: The term “Related Party” means, with respect to any TPH: Any partner, director, officer, branch manager, employee or agent of such TPH (or any Person occupying a similar status or performing similar functions); any Person directly or indirectly Controlling, Controlled by, or under common Control with, such TPH; or any Authorized Trader of such TPH.

<sup>1</sup> 15 U.S.C. 78s(b)(7).

<sup>2</sup> 7 U.S.C. 7a-2(c).