will make Midpoint Trade Now available for these Order Types as a port setting to provide blanket coverage.

Nasdaq believes that the proposed clarifying changes and revised rule text under Rule 4702(b)(5)(A) are consistent with the Act because they will help avoid investor confusion that may be caused by not making it clear that a Midpoint Peg Post-Only Order in the Rule’s example is an Order to buy, and by having text that refers to functionality that will no longer apply. As noted above, Nasdaq is revising language in Rule 4702(b)(5)(A) that once applied to both displayed and non-displayed orders to now only apply to displayed orders.

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 not necessary or appropriate in furtherance of the purposes of the Act. This is an optional functionality that is being offered at no charge, and which may be used equally by similarly-situated participants. Moreover, the functionality may be replicated by other markets if deemed to be appropriate for their markets.

As noted above, Nasdaq will offer the Midpoint Trade Now functionality through the OUCH, RASH, FLITE, and FIX protocols. Nasdaq will not offer the Midpoint Trade Now functionality through the QIX protocol. Nasdaq notes that, although the QIX protocol can support the removing of liquidity, QIX is designed to provide two-sided quote messages to the trading system, unlike the OUCH, RASH, FLITE and FIX protocols, which are designed to facilitate Order submission. Nasdaq also notes that QIX is an infrequently-used protocol,12 and that this protocol cannot support the expansion of fields that adopting the Midpoint Trade Now instruction would require. Nasdaq therefore believes that its decision to offer the Midpoint Trade Now instruction through the OUCH, RASH, FLITE, and FIX protocols will not impose any burden on competition that is not necessary or appropriate.

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 Act16 and Rule 19b–4(f)(6) thereunder.17

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. Please include File Number SR–NASDAQ–2018–090 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–2018–090 on the subject line.

November 20, 2018.
notice is hereby given that on November 6, 2018, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act and Rule 19b–4(f)(6) thereunder.4 The Section 19(b)(3)(A)(iii) of the Act3 and proposal as a “non-controversial” by the Exchange. The Exchange filed the below, which Items have been prepared (the “Commission”) the proposed rule change
Securities and Exchange Commission
“Exchange” or “C2”) filed with the
notice is hereby given that on November 6, 2018, Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act and Rule 19b–4(f)(6) thereunder. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change
Cboe C2 Exchange, Inc. (the “Exchange” or “C2”) proposes to amend its Rules regarding how the System handles market orders in series with no bid or no offer. (additions are italicized; deletions are bracketed)
* * * * *
Rules of Cboe C2 Exchange, Inc.
* * * * *
The System’s acceptance and execution of orders and quotes pursuant to the Rules, including Rules 6.11 through 6.13, are subject to the following price protection mechanisms and risk controls, as applicable.
(a) Simple Orders.
(1) Market Orders in No-Bid (Offer) Series. [If a User submits a sell (buy) market order to the System after a series is open when there is no NBO (NBO), the System cancels or rejects the market order.]
(A) If the System receives a sell market order in a series after it is open for trading with an NBO of zero, the System cancels or rejects the market order.
* * * * *
The text of the proposed rule change is also available on the Exchange’s website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change
In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant 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. (formerly named CBOE Holdings, Inc.) (“Cboe Global”), which is also the parent company of Cboe Exchange, Inc. (“Cboe Options”) and Cboe C2 Exchange, Inc., acquired the Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX” or EDGX Options’), Cboe BZX Exchange, Inc. (“BZX” or “BZX Options”), and Cboe BYX Exchange, Inc. (“BYX” and, together with C2, Cboe Options, EDGX, 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. Thus, the proposals set forth below are 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.

The Exchange proposes to amend its Rules regarding how the System handles a sell market order when there is no bid against which the order may execute. A market order is an order to buy or sell at the best price available at the time of execution.5 Currently, pursuant to Rule 6.14(a)(1), if a User submits a sell market order to the System after a series is open when there is no national best bid (“NBB”), the System cancels or rejects the market order.6 The Exchange proposes to amend how the System handles sell market orders submitted in a series with no bid. Specifically, if the System receives a market order to sell in an option series with an NBB of zero:

(1) if the NBO in the series is less than or equal to $0.50, then the System converts the market order to a limit order with a limit price equal to the minimum trading increment applicable to the series and enters the order into the Book with a timestamp based on the time it enters the Book. If the order has a Time-in-Force of GTC or GTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.

(2) if the NBO in the series is greater than $0.50, then the System cancels the market order.7

The proposed rule change serves as a protection feature for investors in certain situations, such as when a series is no-bid because the last bid traded just prior to entry of the sell market order. The purpose of this threshold is to limit the automatic booking of market orders to sell at minimum increments to only those for true zero-bid options, as options in no-bid series with an offer of greater than $0.50 are less likely to be worthless.

For example, if the System receives a sell market order in a no-bid series with a minimum increment of $0.01 and the NBO is $0.01, the System will convert the order to a limit order with a price of $0.01 and enter it on the Book. Because the order will have a timestamp based on that time of Book entry, it will have priority behind any other limit orders to sell at $0.01 that were already resting on the Book. At that point, even if the series is no-bid because, for

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5 See Rule 1.1, definition of order.
6 Current Rule 6.14(a)(1) also provides that if a User submits a buy market order to the System after a series is open when there is no national best offer (“NBO”), the System cancels or rejects the market order. The proposed rule change does not modify this handling, and moves this provision (with nonsubstantive changes) to proposed Rule 6.14(a)(1)(B).
7 See proposed Rule 6.14(a)(1).
example, the last bid just traded and the limit order trades at $0.01, the next bid entered after the trade would not be higher than $0.01. If the order has a Time-in-Force of GTX or OTD that expires on a subsequent day, the order remains on the Book as a Limit Order until it executes, expires, or the User cancels it.8

However, if the System receives a sell market order in a no-bid series with a minimum increment of $0.01 and the NBO is $1.20 (because, for example, the last bid of $1.00 just traded and a new bid has not yet populated the disseminated quote), the System will cancel or reject the order. Cancellation prevents an anomalous execution price, since the next bid entered in that series is likely to be much higher than $0.01. It would be unfair to the User to let a market order trade as a limit order for $0.01 because, for example, the firm submitted the order during the brief time when there were no disseminated bids in a series trading significantly higher than the minimum increment.

The Exchange notes that this threshold is comparable to the threshold in the Cboe Options rule,9 and is less than the current width for the market order NBBO width protection, pursuant to which the System will reject or cancel back to the User a market order submitted to the System when the NBBO width is greater than 100% of the midpoint of the NBBO, subject to a $5 minimum and $10 maximum.10

Notwithstanding this provision, the proposed rule change would allow for the potential execution of sell market orders in no-bid series with offers less than or equal to $0.50 if the threshold in the proposed rule change was higher, there would be increased risk of having a market order trade a minimum increment in a series that is not truly no-bid. The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi).

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

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 the proposed rule changes will impose any burden on intramarket competition, as it will continue to be handled in the same manner as they are today (i.e., they will be cancelled or rejected). The Exchange does not believe the proposed rule change will impose any burden on intermarket competition, because it will apply in the same manner to all sell market orders submitted in no-offer or no-bid series, respectively. Additionally, the proposed rule change has no impact on sell market orders submitted in no-bid series with an offer of more than $0.50, which orders will continue to be handled in the same manner as they are today (i.e. they will be cancelled or rejected).

Notwithstanding this provision, the proposed rule change would allow for the potential execution of sell market orders in no-bid series with offers less than or equal to $0.50. If the threshold in the proposed rule change was higher, there would be increased risk of having a market order trade a minimum increment in a series that is not truly no-bid. The proposed rule change is substantially the same as Cboe Options Rule 6.13(b)(vi).12

The Exchange notes other options exchanges have similar rules that convert sell market orders in no-bid series to limit orders with a price of a minimum increment if the offer in the series is below a certain threshold (the thresholds differ in those rules). See, e.g., Miami International Securities Exchange, LLC (“MIAX”) Rule 519(a)(1); and NASDAQ ISF, LLC ("ISE") Rule 714(b).13

This functionality is consistent with the purpose of a GTX or OTD that expires on a subsequent trading day, which is to remain on the Book and available for execution until the User cancels it or until the time specified by the User. The Exchange notes that with any other Time-in-Force rule, the NBBO would no longer be on the Book if they did not execute during the trading day.

8 See Cboe Options Rule 6.13(b)(vi).

9 See Rule 21.17(a); see also Exchange Notice, BZX and EDGX Options Exchanges Feature Pack 2—Update (December 14, 2017), available at http://markets.cboe.com/resources/release_notes/2017/Update-2-Cboe-BZX-and-EDGX-Options-Exchanges-Feature-Pack-2.pdf; for current settings. Pursuant to this protection, if the NBBO for a series was $0.00–$0.50, the width of the NBBO (0.50) is greater than 100% of the midpoint (0.25); however, pursuant to the minimum, a market order would be accepted pursuant to this protection because the width is less than the 5.00 minimum. The proposed rule change provides additional price protection for market orders in no-bid series.

10 60518 Federal Register / Vol. 83, No. 227 / Monday, November 26, 2018 / Notices


12 5 U.S.C. 78b(b)(5).

13 Id.

14 The Exchange notes other options exchanges have similar rules that convert sell market orders in no-bid series to limit orders with a price of a minimum increment if the offer in the series is below a certain threshold (the thresholds differ in those rules). See, e.g., Miami International Securities Exchange, LLC (“MIAX”) Rule 519(a)(1); and NASDAQ ISF, LLC (“ISE”) Rule 714(b).
of the Exchange that are also participants on Choe Affiliated Exchanges. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative on November 29, 2018.19 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. Please include File Number SR-C2–2018–023 on the subject line.

- Paper Comments
  - Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1900.

All submissions should refer to File Number SR–C2–2018–023. 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. All submissions should refer to File Number SR–C2–2018–023 and should be submitted on or before December 17, 2018.

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

Eduardo A. Aleman,
Assistant Secretary.

November 19, 2018.

On September 20, 2018, NYSE American LLC (“NYSE American” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)1 and Rule 19b–4 thereunder,2 a proposed rule change to modify the rules related to Flexible Exchange (“FLEX”) Options to allow FLEX Equity Options where the underlying security is an Exchange-Traded Fund that is included in the Option Penny Pilot To be Settled in Cash.