

All submissions should refer to File No. SR–MIAX–2019–35. 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 No. SR–MIAX–2019–35, and should be submitted on or before September 4, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

**Jill M. Peterson,**  
*Assistant Secretary.*

[FR Doc. 2019–17388 Filed 8–13–19; 8:45 am]

**BILLING CODE 8011–01–P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–86603; File No. SR–CBOE–2019–044]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing of a Proposed Rule Change Relating To Adopt Rule 6.49B, Off-Floor RWA Transfers

August 8, 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 August 6, 2019, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to adopt Rule 6.49B. 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://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

The Exchange proposes to adopt Rule 6.49B to add an exception to the prohibition in Rule 6.49(a) against off-floor position transfers. Rule 6.49(a) generally requires transactions of option contracts listed on the Exchange for a premium in excess of \$1.00 to be effected on the floor of the Exchange or on another exchange. Rule 6.49A(a) specifies the current circumstances<sup>3</sup>

<sup>3</sup> The circumstances currently listed include: (1) The dissolution of a joint account in which the remaining Trading Permit Holder assumes the positions of the joint account; (2) the dissolution of a corporation or partnership in which a former nominee of the corporation or partnership assumes the positions; (3) positions transferred as part of a Trading Permit Holder’s capital contribution to a new joint account, partnership, or corporation; (4)

under which Trading Permit Holders may effect transfers of positions off the trading floor, notwithstanding the prohibition in Rule 6.49(a).<sup>4</sup>

Proposed Rule 6.49B is intended to facilitate the reduction of risk-weighted assets (“RWA”) attributable to open options positions and make other conforming changes. SEC Rule 15c3–1 (Net Capital Requirements for Brokers or Dealers) (“Net Capital Rules”) requires registered broker-dealers, unless otherwise excepted, to maintain certain specified minimum levels of capital.<sup>5</sup> The Net Capital Rules are designed to protect securities customers, counterparties, and creditors by requiring that broker-dealers have sufficient liquid resources on hand, at all times, to meet their financial obligations. Notably, hedged positions, including offsetting futures and options contract positions, result in certain net capital requirement reductions under the Net Capital Rules.<sup>6</sup>

Subject to certain exceptions, Clearing Trading Permit Holders (“CTPHs”)<sup>7</sup> are subject to the Net Capital Rules.<sup>8</sup> However, a subset of CTPHs are subsidiaries of U.S. bank holding companies, which, due to their affiliations with their parent U.S.-bank holding companies, must comply with additional bank regulatory capital requirements pursuant to rulemaking required under the Dodd-Frank Wall Street Reform and Consumer Protection Act.<sup>9</sup> Pursuant to this mandate, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the

the donation of positions to a not-for-profit corporation; (5) the transfer of positions to a minor under the Uniform Gifts to Minor law; and (6) a merger or acquisition where continuity of ownership or management results.

<sup>4</sup> See SR–CBOE–2019–035, which proposes to amend Rule 6.49A and is currently pending with the Securities and Exchange Commission (the “Commission”). The Exchange notes the proposed rule change in this rule filing was initially included in SR–CBOE–2019–3035 [sic]; pursuant to Amendment No. 1 to that rule filing, submitted on August 6, 2019, the proposed rule change in this filing was deleted. The Exchange proposes a virtually identical change in this rule filing.

<sup>5</sup> 17 CFR 240.15c3–1.

<sup>6</sup> In addition, the Net Capital Rules permit various offsets under which a percentage of an option position’s gain at any one valuation point is allowed to offset another position’s loss at the same valuation point (e.g. vertical spreads).

<sup>7</sup> All CTPHs must also be clearing members of The Options Clearing Corporation (“OCC”).

<sup>8</sup> Assuming the Commission approves the proposed rule change, in the event federal regulators modify bank capital requirements in the future, the Exchange will reevaluate the proposed rule change at that time to determine whether any corresponding changes to the proposed rule are appropriate.

<sup>9</sup> H.R. 4173 (amending section 3(a) of the Securities Exchange Act of 1934 (the “Act”) (15 U.S.C. 78c(a))).

<sup>16</sup> 17 CFR 200.30–3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b–4.

Federal Deposit Insurance Corporation have approved a regulatory capital framework for subsidiaries of U.S. bank holding company clearing firms.<sup>10</sup> Generally, these rules, among other things, impose higher minimum capital and higher asset risk weights than were previously mandated for CTPHs that are subsidiaries of U.S. bank holding companies under the Net Capital Rules. Furthermore, the new rules do not fully permit deductions for hedged securities or offsetting options positions.<sup>11</sup> Rather, capital charges under these standards are, in large part, based on the aggregate notional value of short positions regardless of offsets. As a result, in general, CTPHs that are subsidiaries of U.S. bank holding companies must hold substantially more bank regulatory capital than would otherwise be required under the Net Capital Rules.

The Exchange believes these higher regulatory capital requirements may impact liquidity in the listed options market by limiting the amount of capital CTPHs can allocate to their clients' transactions. Specifically, the rules may cause CTPHs to impose stricter position limits on their client clearing members. These stricter position limits may impact the liquidity market participants may provide, including liquidity Market-Makers may provide in their appointed classes. This impact may be compounded when a CTPH has multiple client accounts, each having largely risk-neutral portfolio holdings.<sup>12</sup> The Exchange believes that permitting market participants to efficiently transfer existing options positions through an off-floor transfer process may assist CTPHs and TPHs to address bank regulatory capital requirements and would likely have a beneficial effect on continued liquidity in the options

market without adversely affecting market quality.

Liquidity in the listed options market is critically important. However, bank capital regulations that govern bank-affiliated clearing firms are negatively impacting the ability of Trading Permit Holders, including Market-Makers, that clear options transactions through bank-affiliated clearing firms to provide liquidity. In order to mitigate the potential negative effects of these additional bank regulatory capital requirements, the proposed rule change provides market participants with an efficient mechanism to transfer their open options positions from one clearing account to another clearing account. The Exchange believes the proposed rule change will increase liquidity in the listed options market and promote more efficient capital deployment in light of bank regulatory capital requirements.

The Exchange has previously adopted Rules 6.56 and 6.57 to provide Trading Permit Holders with tools to reduce RWA attributable to their open positions in S&P 500 options ("SPX options"). However, the procedures in those rules involve transactions that must occur on the Exchange's trading floor to close open positions. Therefore, a market participant must find a counterparty and be willing to close positions to use either of these tools. As a result, these procedures are less efficient, less flexible, and more burdensome means to reduce RWA attributable to open options positions than an off-floor transfer of such positions. Additionally, these tools are currently limited to SPX options, due to the large notional size of those options, which compounds the negative impact of bank capital requirements, and Rule 6.57 is limited to Market-Makers (Rule 6.56 is available to all Trading Permit Holders). However, bank capital requirements apply to positions in all listed options, and may impact all client clearing members of clearing firms affiliated with U.S.-bank holding companies, and clearing firms may request that Market-Makers and non-Market-Makers reduce positions in listed options in addition to SPX. There is currently no mechanism firms may use to transfer positions between clearing accounts without having to effect a transaction with another party and close a position.

Rule 6.49A(a), as noted above, permits positions to be transferred off the floor of the Exchange in specified limited circumstances. If a Trading Permit Holder wanted to transfer open positions from a clearing account it has with one a bank-affiliated clearing firm to a clearing account it has with a non-

bank-affiliated clearing firm, for example, such a transfer would result in no change in ownership. However, the currently permissible off-floor position transfers are non-routine, non-recurring movements of positions, which do not permit use of the off-floor transfer procedure to be used repeatedly or routinely in circumvention of the normal auction market process. To comply with clearing firms' position limits they may impose on market participants' because they need to limit capital they may allocate for those market participants' transactions, market participants may need to regularly reduce open positions or limit additional positions in their accounts with such clearing firms' to accommodate bank capital requirements. Rule 6.49A does not permit regular transfers of positions between accounts at different clearing firms.

Proposed Rule 6.49B is intended to provide market participants with an additional tool they may use to address the issues raised by bank capital requirements for positions in all listed options in an efficient manner that provides market participants with flexibility to do so in accordance with their businesses and risk management practices. Proposed Rule 6.49B provides that notwithstanding Rule 6.49, existing positions in options listed on the Exchange of a Trading Permit Holder or non-Trading Permit Holder (including an affiliate of a Trading Permit Holder) may be transferred on, from, or to the books of a CTPH off the Exchange if the transfer establishes a net reduction of RWA attributable to those options positions (an "RWA Transfer"). Proposed paragraph (a) adds examples of two transfers that would be deemed to establish a net reduction of RWA, and thus qualify as a permissible RWA Transfer:

- A transfer of options positions from Clearing Corporation member A to Clearing Corporation member B that net (offset) with positions held at Clearing Corporation member B, and thus closes all or part of those positions (as demonstrated in the example below);<sup>13</sup> and
- A transfer of options positions from a bank-affiliated Clearing Corporation member to a non-bank-affiliated Clearing Corporation member.<sup>14</sup>

<sup>13</sup> This transfer would establish a net reduction of RWA attributable to the transferring Person, because there would be fewer open positions and thus fewer assets subject to Net Capital Rules.

<sup>14</sup> This transfer would establish a net reduction of RWA attributable to the transferring Person, because the non-bank-affiliated Clearing

<sup>10</sup> 12 CFR 50; 79 FR 61440 (Liquidity Coverage Ratio; Liquidity Risk Measurement Standards).

<sup>11</sup> Many options strategies, including relatively simple strategies often used by retail customers and more sophisticated strategies used by broker-dealers, are risk-limited strategies or options spread strategies that employ offsets or hedges to achieve certain investment outcomes. Such strategies typically involve the purchase and sale of multiple options (and may be coupled with purchases or sales of the underlying securities), executed simultaneously as part of the same strategy. In many cases, the potential market exposure of these strategies is limited and defined. While regulatory capital requirements have historically reflected the risk-limited nature of carrying offsetting positions, these positions may now be subject to higher regulatory capital requirements.

<sup>12</sup> A number of TPHs, including Market-Makers, have informed the Exchange that the heightened bank regulatory requirements could impact their ability to provide consistent liquidity in the market unless they are able to efficiently transfer their open positions out of clearing accounts of U.S.-bank affiliated clearing firms.

These transfers will not result in a change in ownership, as they must occur between accounts of the same Person.<sup>15</sup> Rule 1.1 defines “Person” as an individual, partnership (general or limited), joint stock company, corporation, limited liability company, trust or unincorporated organization, or any governmental entity or agency or political subdivision thereof. In other words, RWA transfers may only occur between the same individual or legal entity. These are merely transfers from one clearing account to another, both of which are attributable to the same individual or legal entity. A market participant effecting an RWA Transfer is analogous to an individual transferring funds from a checking account to a savings account, or from an account at one bank to an account at another bank—the money still belongs to the same person, who is just holding it in a different account for personal financial reasons.

For example, Market-Maker A clears transactions on the Exchange into an account it has with CTPH X, which is affiliated with a U.S.-bank holding company. Market-Maker A opens a clearing account with CTPH Y, which is not affiliated with a U.S.-bank holding company. CTPH X has informed Market-Maker A that its open positions may not exceed a certain amount at the end of a calendar month, or it will be subject to restrictions on new positions it may open the following month. On August 28, Market-Maker A reviews the open positions in its CTPH X clearing account and determines it must reduce its open positions to satisfy CTPH X’s requirements by the end of August. It determines that transferring out 1000 short calls in class ABC will sufficiently reduce the RWA capital requirements in the account with CTPH X to avoid additional position limits in September. Market-Maker A wants to retain the positions in accordance with its risk profile. Pursuant to the proposed rule change, on August 31, Market-Maker A transfers 1000 short calls in class ABC to its clearing account with CTPH Y. As a result, Market-Maker A can continue to provide the same level of liquidity in class ABC during September as it did in previous months.

A Trading Permit Holder must give up a CTPH for each transaction it effects on the Exchange, which identifies the CTPH through which the transaction will clear.<sup>16</sup> A Trading Permit Holder may change the give up for a transaction

within a specified period of time.<sup>17</sup> Additionally, a Trading Permit Holder may also change the CMTA<sup>18</sup> for a specific transaction.<sup>19</sup> The transfer of positions from an account with one clearing firm to the account of another clearing firm pursuant to the proposed rule change has a similar result as changing a give up or CMTA, as it results in a position that resulted from a transaction moving from the account of one clearing firm to another, just at a different time and in a different manner.<sup>20</sup> In the above example, if Market-Maker A had initially given up CTPH Y rather than CTPH X on the transactions that resulted in the 1000 long calls in class ABC, or had changed the give-up or CMTA to CTPH Y pursuant to Rules 6.21 or 6.67, the ultimate result would have been the same. There are a variety of reasons why firms give up or CMTA transactions to certain clearing firms (and not to non-bank affiliate clearing firms) at the time of a transaction, and the proposed rule change provides firms with a mechanism to achieve the same result at a later time.

Proposed paragraph (b) states RWA Transfers may occur on a routine, recurring basis. As noted in the example above, clearing firms may impose restrictions on the amount of open positions. Permitting transfers on a routine, recurring basis will provide market participants with the flexibility to comply with these restrictions when necessary to avoid position limits on future options activity. Additionally, proposed paragraph (f) provides that no prior written notice to the Exchange is required for RWA Transfers. Because of the potential routine basis on which RWA Transfers may occur, and because of the need for flexibility to comply with the restrictions described above, the Exchange believes it may interfere with the ability of investors firms to comply with any CTPH restrictions describe above, and may be burdensome to provide notice for these routine transfers.

Proposed paragraph (c) states RWA Transfers may result in the netting of positions. Netting is generally

prohibited for off-floor transfers.<sup>21</sup> Netting occurs when long positions and short positions in the same series “offset” against each other, leaving no or a reduced position. For example, if there were 100 long calls in one account, and 100 short calls of the same option series were added to that account, the positions would offset, leaving no open positions. Currently, the Exchange permits off-floor transfers on behalf of a Market-Maker account for transactions in multiply listed options series on different exchanges, but only if the Market-Maker nominees are trading for the same Trading Permit Holder organization, and the options transactions on the different options exchanges clear into separate exchange-specific accounts because they cannot easily clear into the same Market-Maker account at OCC. In such instances, all Market-Maker positions in the exchange-specific accounts for the multiply listed class would be automatically transferred on their trade date into one central Market-Maker account (commonly referred to as a “universal account”) at the Clearing Corporation.<sup>22</sup> Positions cleared into a universal account would automatically net against each other.

While RWA Transfers are not occurring because of limitations related to trading on different exchanges, similar reasoning for the above exception applies to why netting should be permissible for the limited purpose of reducing RWA. Firms may maintain different clearing accounts for a variety of reasons, such as the structure of their businesses, the manner in which they trade, their risk management procedures, and for capital purposes. If a Market-Maker clears all transactions into a universal account, offsetting positions would automatically net. However, if a Market-Maker has multiple accounts into which its transactions cleared, they would not automatically net. While there are times when a firm may not want to close out open positions to reduce RWA, there are other times when a firm may determine it is appropriate to close out positions to accomplish a reduction in RWA.

In the example above, suppose after making the RWA Transfer described above, Market-Maker A effects a transaction on September 25 that results in 1000 long calls in class ABC, which clears into its account with CTPH X. If Market-Maker A had not effected its RWA Transfer in August, the 1000 long calls would have offset against the 1000

Corporation member would not be subject to Net Capital Rules, as described above.

<sup>15</sup> See proposed paragraph (e).

<sup>16</sup> See Rule 6.21.

<sup>17</sup> See Rule 6.21(e).

<sup>18</sup> The Clearing Member Trade Assignment (“CMTA”) process at the Options Clearing Corporation (“OCC”) facilitates the transfer of option trades/positions from one OCC clearing member to another in an automated fashion. Changing a CMTA for a specific transaction would allocate the trade to a different OCC clearing member than the one initially identified on the trade.

<sup>19</sup> See Rule 6.67(a).

<sup>20</sup> The transferred positions will continue to be subject to OCC rules, as they will continue to be held in an account of an OCC member.

<sup>21</sup> See Cboe Options Regulatory Circular RG03–62 (July 24, 2003).

<sup>22</sup> *Id.*

short calls, eliminating both positions and thus any RWA capital requirements associated with them. At the end of August, Market-Maker A did not want to close out the 1000 short calls when it made its RWA Transfer. However, given changed circumstances in September, Market-Maker A has determined it no longer wants to hold those positions. The proposed rule change would permit Market-Maker A to effect an RWA Transfer of the 1000 short calls from its account with CTPH Y to its account with CTPH X (or vice versa), which results in elimination of those positions (and a reduction in RWA associated with them). As noted above, such netting would have occurred if Market-Maker A cleared the September transaction directly into its account with CTPH Y, or had not effected an RWA Transfer in August. Netting provides market participants with appropriate flexibility to conduct their businesses as they see fit while having the ability to reduce RWA capital requirements when necessary.

As is true for all other off-floor transfers permitted under Rule 6.49A, RWA Transfers may not result in preferential margin or haircut treatment.<sup>23</sup> Additionally, RWA Transfers may only be effected for options listed on the Exchange and will be subject to applicable laws, rules, and regulations, including rules of other self-regulatory organizations (including OCC).<sup>24</sup>

## 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>25</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>26</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>27</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, The Exchange believes the proposed rule change to permit RWA Transfers will remove impediments to and perfect the mechanism of a free and open market and a national market system by potentially mitigating the effects bank capital requirements may have on liquidity in the listed options market. As described above, bank capital requirements may impact capital available for options market liquidity providers, for example due to CTPHs’ imposition of stricter position limits on firms that clear options transactions with them. The Exchange believes providing market participants with an efficient process to reduce RWA capital requirements attributable to open positions in clearing accounts with U.S. bank-affiliated clearing firms may contribute to additional liquidity in the listed options market, which, in general, protects investors and the public interest.

The proposed rule change, in particular the proposed changes to permit RWA transfers to occur on a routine, recurring basis and result in netting, also provides market participants with sufficient flexibility to reduce RWA capital requirements at times necessary to comply with requirements imposed on them by clearing firms. This will permit market participants respond to then-current market conditions, including volatility and increased volume, by reducing the RWA capital requirements associated with any new positions they may open while those conditions exist. Given the additional capital that may become available to market participants as a result of the RWA Transfers, market participants will be able to continue to provide liquidity to the market, even during periods of increased volume and volatility, which liquidity ultimately benefits investors. It is not possible for market participants to predict what market conditions will exist at a specific time, and when volatility will occur. The proposed rule change to permit routine, recurring RWA Transfers (and to not provide prior written notice) will provide market participants with the

ability to respond to these conditions whenever they occur. Additionally, since firms may be subject to restrictions on positions imposed by their clearing firms, permitting transfers on a routine, recurring basis will provide market participants with the flexibility to comply with these restrictions when necessary to avoid position limits on future options activity. In addition, with respect to netting, as discussed above, firms may maintain different clearing accounts for a variety of reasons, such as the structure of their businesses, the manner in which they trade, their risk management procedures, and for capital purposes. Netting may otherwise occur with respect to a firm’s positions if it structured its clearing accounts differently, such as by using a universal account. Therefore, the proposed rule change will permit netting while allowing firms to continue to maintain different clearing accounts in a manner consistent with their businesses.

The Exchange recognizes the numerous benefits of executing options transactions occur on an exchanges, including price transparency, potential price improvement, and a clearing guarantee. However, the Exchange believes it is appropriate to permit RWA Transfers to occur off the exchange, as these benefits are inapplicable to RWA Transfers. RWA Transfers have a narrow scope and are intended to achieve a limited, benefit purpose. RWA Transfers are not intended to be a competitive trading tool. There is no need for price discovery or improvement, as the purpose of the transfer is to reduce RWA asset capital requirements attributable to a market participants’ positions. Unlike trades on an exchange, the price at which an RWA Transfers occurs is immaterial—the resulting reduction in RWA is the critical part of the transfer. RWA Transfers will result in no change in ownership, and thus they do not constitute trades with a counterparty (and thus eliminating the need for a counterparty guarantee). The transactions that resulted in the open positions to be transferred as an RWA Transfer were already guaranteed by an OCC clearing member, and the positions will continue to be subject to OCC rules, as they will continue to be held in an account with an OCC clearing member. The narrow scope of the proposed rule change and the limited, beneficial purpose of RWA Transfers make allowing RWA Transfers to occur off the floor appropriate and important to support the provision of liquidity in the listed options market.

The proposed rule change does not unfairly discriminate against market

<sup>23</sup> See proposed paragraph (d); *see also id.*

<sup>24</sup> See proposed introductory paragraph and proposed paragraph (g). Transfers of non-Exchange listed options and other financial instruments are not governed by proposed Rule 6.49B. Any RWA transfers will be subject to all applicable recordkeeping requirements applicable to TPHs and CTPHs under the Securities Exchange Act of 1934, and the rules and regulations thereunder (the “Act”), such as Rule 17a-3 and 17a-4.

<sup>25</sup> 15 U.S.C. 78f(b).

<sup>26</sup> 15 U.S.C. 78f(b)(5).

<sup>27</sup> *Id.*

participants, as all Trading Permit Holders and non-Trading Permit Holders with open positions in options listed on the Exchange may use the proposed off-floor transfer process to reduce the RWA capital requirements of CTPHs.

#### *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 purpose of the proposed rule change to permit RWA Transfers is to alleviate the negative impact of bank capital requirements on options market liquidity providers. This process is not intended to be a competitive trading tool. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act, as use of the proposed process is voluntary. All Trading Permit Holders and non-Trading Permit Holders with open positions in options listed on the Exchange may use the proposed off-floor transfer process to reduce the RWA capital requirements attributable to those positions. The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. RWA Transfers have a limited purpose, which is to reduce RWA attributable to open positions in listed options in order to free up capital. Cboe Options believes the proposed rule change may relieve the burden on liquidity providers in the options market by reducing the RWA attributable to their open positions. As a result, market participants may be able to increase liquidity they provide to the market, which liquidity benefits all market participants.

#### *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**

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its

reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. By order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be 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-CBOE-2019-044 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-CBOE-2019-044. 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-CBOE-2019-044 and should be submitted on or before September 4, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>28</sup>

**Jill M. Peterson,**

*Assistant Secretary.*

[FR Doc. 2019-17383 Filed 8-13-19; 8:45 am]

**BILLING CODE 8011-01-P**

## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-86609; File No. SR-NASDAQ-2019-062]**

### **Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend SCAR Credits at Equity 7, Section 118(a)**

August 8, 2019.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 25, 2019, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend SCAR credits at Equity 7, Section 118(a).

While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on August 1, 2019. The text of the proposed rule change is available on the Exchange's website at <http://nasdaq.cchwallstreet.com/>, at the principal office of the Exchange, 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

<sup>28</sup> 17 CFR 200.30-3(a)(12).

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

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