

Act,<sup>32</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>33</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investor and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and public interest because the proposed rule change is designed to establish price protections for MWCB Level 1 and Level 2 re-openings that are substantially similar to the price protections in the context of LULD, as well as on other equities exchanges like Arca and BXZ. Accordingly, the Commission hereby waives the operative delay and designates the proposal operative upon filing.<sup>34</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-NASDAQ-2020-012 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-2020-012. 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-2020-012 and should be submitted on or before April 9, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88386; File No. SR-CBOE-2020-019]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 5.24

March 13, 2020.

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 March 13, 2020, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed

with the Securities and Exchange Commission ("SEC" or "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 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

The Exchange proposes to amend Rule 5.24. (additions are italicized; deletions are [bracketed])

\* \* \* \* \*

Rules of Cboe Exchange, Inc.

\* \* \* \* \*

#### Rule 5.24. Disaster Recovery

(a)-(d) No change.

(e) *Loss of Trading Floor.* If the Exchange trading floor becomes inoperable, the Exchange will continue to operate in a screen-based only environment using a floorless configuration of the System that is operational while the trading floor facility is inoperable. The Exchange will operate using this configuration only until the Exchange's trading floor facility is operational. Open outcry trading will not be available in the event the trading floor becomes inoperable, except in accordance with paragraph (2) below and pursuant to Rule 5.26, as applicable.

(1) *Applicable Rules.* In the event that the trading floor becomes inoperable, trading will be conducted pursuant to all applicable System Rules, except that open outcry Rules will not be in force, including but not limited to the Rules (or applicable portions of the Rules) in Chapter 5, Section G, and as follows (subparagraphs (A) through (C) will until May 15, 2020):[.]

(A) notwithstanding the introductory paragraphs of Rules 5.37 and 5.73, an order for the account of a Market-Maker with an appointment in the applicable class on the Exchange may be solicited for the Initiating Order submitted for execution against an Agency Order in any exclusively listed index option class into a simple AIM Auction pursuant to Rule 5.37 or a simple FLEX AIM Auction pursuant to Rule 5.73;

(B) with respect to complex orders in any exclusively listed index option class:

(1) notwithstanding Rule 5.4(b), the minimum increment for bids and offers on complex orders with any ratio equal to or greater than one-to-twenty-five (0.04) and equal to or less than twenty-five-to-one (25.00) is \$0.01 or greater, which may be determined by the Exchange on a class-by-class basis, and the legs may be executed in \$0.01 increments; and

<sup>32</sup> 17 CFR 240.19b-4(f)(6).

<sup>33</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>34</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>35</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.

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

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

(2) notwithstanding the definition of “complex order” in Rule 1.1, for purposes of Rule 5.33, the term “complex order” means a complex order with any ratio equal to or greater than one-to-twenty-five (0.04) and equal to or less than twenty-five-to-one (25.00); and

(3) the contract volume a Market-Maker trades electronically during a time period in which the Exchange operates in a screen-based only environment will be excluded from determination of whether a Market-Maker executes more than 20% of its contract volume electronically in an appointed class during any calendar quarter, and thus is subject to the continuous electronic quoting obligation, as set forth in Rule 5.52(d).

All non-trading rules of the Exchange will continue to apply.

\* \* \* \* \*

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 amend Rule 5.24 regarding the Exchange’s business continuity and disaster recovery plans. Rule 5.24 describes which Trading Permit Holders (“TPHs”) are required to connect to the Exchange’s backup systems as well as certain actions the Exchange may take as part of its business continuity plans so that it may maintain fair and orderly markets if unusual circumstances occurred that could impact the Exchange’s ability to conduct business. This includes what actions the Exchange would take if its trading floor became inoperable. Specifically, Rule 5.24(d) states if the Exchange trading floor becomes inoperable, the Exchange will continue to operate in a screen-

based only environment using a floorless configuration of the System that is operational while the trading floor facility is inoperable. The Exchange would operate using that configuration only until the Exchange’s trading floor facility became operational. Open outcry trading would not be available in the event the trading floor becomes inoperable.<sup>5</sup> Rule 5.24(e)(1) also currently states in the event that the trading floor becomes inoperable, trading will be conducted pursuant to all applicable System Rules, except that open outcry Rules would not be in force, including but not limited to the Rules (or applicable portions) in Chapter 5, Section G,<sup>6</sup> and that all non-trading rules of the Exchange would continue to apply.

The Exchange has been closely monitoring the current situation regarding the novel coronavirus, and has reviewed its pandemic planning procedures in connection with this situation. While the Exchange’s trading floor is currently operating normally, the Exchange proposes certain amendments to Rule 5.24, which the Exchange believes are necessary to maintain a fair and orderly market in the event the Exchange suspended open outcry trading. Specifically, the proposed rule change amends Rule 5.24(e)(1) to provide that, in the event that the trading floor becomes inoperable, trading will be conducted pursuant to all applicable System Rules, except that open outcry Rules will not be in force, including but not limited to the Rules (or applicable portions of the Rules) in Chapter 5, Section G, and as follows:

(1) Notwithstanding the introductory paragraphs of Rules 5.37 and 5.73,<sup>7</sup> an order for the account of a Market-Maker with an appointment in the applicable class on the Exchange may be solicited for the Initiating Order submitted for execution against an Agency Order in any exclusively listed index option class into a simple AIM Auction pursuant to Rule 5.37 or a simple FLEX AIM Auction pursuant to Rule 5.73;

(2) with respect to complex orders in exclusively listed index option classes:

(a) Notwithstanding Rule 5.4(b), the minimum increment for bids and offers on

<sup>5</sup> Pursuant to Rule 5.26, the Exchange may enter into a back-up trading arrangement with another exchange, which could allow the Exchange to use the facilities of a back-up exchange to conduct trading of certain of its products. The Exchange currently has no back-up trading arrangement in place with another exchange.

<sup>6</sup> Chapter 5, Section G of the Exchange’s rulebook sets forth the rules and procedures for manual order handling and open outcry trading on the Exchange.

<sup>7</sup> Rules 5.37 and 5.73 describe the Exchange’s automatic improvement mechanism (“AIM”) for simple orders in non-flexible options and in flexible options (“FLEX Options”), respectively.

complex orders with any ratio equal to or greater than one-to-twenty-five (0.04) and equal to or less than twenty-five-to-one (25.00) is \$0.01 or greater, which may be determined by the Exchange on a class-by-class basis, and the legs may be executed in \$0.01 increments;

(b) notwithstanding the definition of “complex order” in Rule 1.1, for purposes of Rule 5.33, the term “complex order” means a complex order with any ratio equal to or greater than one-to-twenty-five (0.04) and equal to or less than twenty-five-to-one (25.00); and

(3) the contract volume a Market-Maker trades electronically during a time period in which the Exchange operates in a screen-based only environment will be excluded from determination of whether a Market-Maker executes more than 20% of its contract volume electronically in an appointed class during any calendar quarter, and thus is subject to the continuous electronic quoting obligation, as set forth in Rule 5.52(d).<sup>8</sup>

The Exchange believes the proposed rule change will allow it to maintain fair and orderly markets and facilitate trading in as continuous manner as possible in the event extraordinary circumstances cause the trading floor to become inoperable. These proposed changes would apply only during times when the Exchange’s trading floor was inoperable. The current Rules would continue to apply when normal conditions exist, and the Exchange offers both electronic and open outcry trading. All non-trading rules of the Exchange, including business conduct rules, would continue to apply.

The Exchange first proposes to permit Market-Makers with an appointment in the applicable class to be solicited for the Initiating Order submitted for execution against an Agency Order in a proprietary index option class into an AIM Auction pursuant to Rule 5.37 or a simple FLEX AIM Auction pursuant to Rule 5.73. Currently, the introductory paragraphs of Rules 5.37 and 5.73 prohibit Market-Makers with an appointment in the applicable class from being solicited to execute against the Agency Order in an AIM or simple FLEX AIM Auction, respectively. No similar restriction applies to crossing transactions in open outcry trading. Brokers seeking liquidity to execute against customer orders, particularly large customer orders, on the trading floor regularly solicit Market-Makers with an appointment in the applicable

<sup>8</sup> As proposed, these changes would be in place for approximately nine weeks (through May 15, 2020). In the event the trading floor becomes inoperable during that timeframe, the Exchange would monitor electronic trading given these proposed changes. If the trading floor is inoperable beyond May 15, 2020, based on that review, the Exchange may submit a separate rule filing to extend the effectiveness of these rules.

class for this liquidity, as they are generally the primary source of liquidity in a class. For example, during the last week of February 2020, over 70% of open outcry trades (consisting of over 50% of open outcry volume) in exclusively listed index options included a Market-Maker on one side of an open outcry crossing transaction that occurred on the Exchange's trading floor. The Exchange believes it will be necessary and appropriate to permit Market-Makers to be solicited for electronic crossing transactions in its exclusively listed index options if the Exchange's trading floor was inoperable, as it will help ensure the same sources of liquidity for customer orders that currently execute in open outcry will continue to be available for these orders in an electronic-only environment. If this restriction were to remain in place while the trading floor was inoperable, the Exchange believes there would be a risk that brokers may have difficulty finding sufficient liquidity to fill their customer orders that may currently be traded against orders from solicited Market-Makers appointed in the applicable class. For example, when operating normally, if a customer order is not fully executable against electronic bids and offers, a floor broker can attempt to execute the order, or remainder thereof, on the trading floor, where the liquidity to trade with this remainder is generally provided by Market-Makers in the open outcry trading crowd. Additionally, brokers may solicit liquidity from upstairs Market-Maker firms. If the trading floor is inoperable, without the proposed rule change, this liquidity would not be available, which could significantly reduce execution opportunities for such orders and have potentially negative impact on the prices at which customer orders could be executed.

The second proposed change would permit complex orders in exclusively listed index options with any ratio up to a ratio of up to 25-to-1 to execute electronically and be eligible for certain complex order benefits. Currently, the Exchange's System does not accept complex orders with a ratio of less than one-to-three or greater than three-to-one for electronic processing.<sup>9</sup> Pursuant to Rules 5.4(b) and 5.33(f)(1)(A), the minimum increment for bids and offers on complex orders with any ratio equal to or greater than one-to-three and less than or equal to three-to-one is \$0.01 or greater, which may be determined by the Exchange on a class-by-class basis, and the legs may be executed in \$0.01

increments. Pursuant to Rule 5.33(f)(2)(A), a complex order may not execute at a net price (1) that would cause any component of the complex strategy to be executed at a price of zero; (2) worse than the synthetic best bid or offer ("SBBO") or equal to the SBBO when there is a priority customer order at the SBBO;<sup>10</sup> (3) that would cause any component of the complex strategy to be executed at a price worse than the individual component prices on the simple book; (4) worse than the price that would be available if the complex order legged into the simple book; or (5) that would cause any component of the complex strategy to be executed at a price ahead of a priority customer order on the simple book without improving the best bid or offer ("BBO") of at least one component of the complex strategy.

The Exchange currently accepts complex orders in any class with ratios less than one-to-three and greater than three-to-one for manual handling and open outcry execution.<sup>11</sup> Rule 5.4(b) provides that the minimum increment for bids and offers on complex orders with any ratio less than one-to-three or greater than three-to-one is the standard increment for the class (pursuant to Rule 5.4(a)), and the legs may be executed in the minimum increment applicable to the class. Pursuant to Rule 5.85(b), a complex order with any ratio greater than or equal to one-to-three or less than or equal to three-to-one may be executed at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the book if the price of at least one leg of the order improves the corresponding bid (offer) of a priority customer order in the book by at least one minimum trading increment as set forth in Rule 5.4(b) (which complex order priority is similar to the priority afforded to electronic complex orders pursuant to Rule 5.34(f)(2) as described above). A complex order with any ratio less than one-to-three and greater than three-to-one may be executed in open outcry on the trading floor at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the book if each leg of the order better the corresponding bid (offer) of a priority customer order in the book on each leg by at least one minimum trading increment as set forth in Rule 5.4(b).

If the Exchange's trading floor was inoperable, under current Rules, there

would be no opportunity for complex orders in exclusively listed index options with ratios greater than three-to-one and less than or equal to 25-to-1 to execute on the Exchange. During the last week of February 2020, there were over 4,000 complex orders in those classes with such ratios that executed on the trading floor,<sup>12</sup> for nearly 4,500,000 contracts across those classes. This represents nearly 40% of contract volume of all complex orders executed on the trading floor that week. Given the significant volume represented by these complex orders, the Exchange believes it is appropriate to make electronic processing available to these orders if the trading floor were to become unavailable. Complex orders with ratios of greater than three-to-one and less than 25-to-1 submitted for electronic processing will receive the complex order benefits described above currently available to complex orders with a ratio less than or equal to three-to-one, as the System is currently unable to handle complex orders with different ratios in separate manners. The Exchange has observed that many of the complex strategies submitted for execution in the Exchange's exclusively listed index options are "delta neutral," often hedged with a "combo" of other SPX options (which is a synthetic future). A ratio of 25:1 will permit customers to continue to submit hedged orders of 4-delta options while the Exchange operates in an all-electronic environment. The Exchange has also reviewed recent data, which demonstrates that while there are a significant number of contracts that execute as part of orders with ratios greater than 25-to-1, the Exchange believes a maximum ratio of 25-to-1 will permit the majority of transactions with ratios greater than 3-to-1 in exclusively listed index options to execute in an all-electronic environment if the trading floor inoperable. Unlike in open outcry trading, the parties to an electronic complex order trade compete only with respect to the net price and are not able to negotiate the leg prices to ensure the legs trade in the standard increment, as the System determines the price of these legs using \$0.01 increments.

It is possible to modify the System to require complex orders with ratios greater than three-to-one to trade pursuant to an allocation algorithm and increment consistent with what is currently required in open outcry

<sup>9</sup> See Rules 1.1 and 5.33(a) (definition of complex order).

<sup>10</sup> All-or-none complex orders may only execute at prices better than the SBBO.

<sup>11</sup> See Rules 1.1 and 5.83(b).

<sup>12</sup> The Exchange notes there were 727 trades consisted of complex orders in these classes with ratios greater than 25-to-1, which will not be permitted to trade electronically pursuant to this proposed rule change.

trading for these orders. However, the Exchange has determined it would be a multi-month project given the necessary resources and testing to modify the System in this manner. Given the proposed rule change would only apply in unlikely, extraordinary circumstances that caused the trading floor to be inoperable, and only temporarily, the Exchange does not believe it is appropriate to expend the resources and take on additional system risk associated with such a change.<sup>13</sup> The Exchange has determined this change to be necessary and appropriate to permit the uninterrupted trading of complex orders with larger ratios and legitimate investment strategies that are regularly executed on the Exchange's trading floor, and thus maintain a fair and orderly market in the event of an inoperable trading floor.

The Exchange understands that the simple order market may be somehow disadvantaged by allowing certain multi-legged orders that have ratios larger than three-to-one to receive the complex order benefits described above. One concern appears to be that if the ratios are too greatly expanded, market participants will, for example, enter multi-legged strategies designed primarily to gain priority over orders on the limit order book or in the trading crowd, rather than to effectuate a bona fide trading or hedging strategy. Since the Exchange is proposing to permit complex orders with ratios no greater than 25-to-1 to be electronically processed if the trading floor were inoperable, similar to the practice today, this will be systematically enforced for electronic trading.

Additionally, the Exchange understands that permitting more complex orders to avail themselves of the complex order priority currently only available to complex orders with ratios less than or equal to three-to-one may result in more legs trading at the same price as resting priority customer orders. As noted above, the System will not execute any complex order, regardless of ratio, at a price that would cause a component of the complex strategy to trade at a price ahead of a priority customer order on the book without improving the BBO of at least one component. While the proposed rule change may result in legs of more complex orders trading at the same price as resting priority customer orders, the Exchange believes priority customer

orders are resting on the simple book at the BBO a minimal amount of the time, thus making this risk de minimis. The Exchange notes that during the last week of February 2020, across all classes, approximately 84% of contracts executed as parts of complex trades occurred inside the BBO for the applicable legs. This includes orders with ratios equal to three-to-one or less, which would only have to improve the BBO of one leg if there was a priority customer order resting at the BBO in the complex strategy. In other words, the vast majority of legs executed as part of complex trades execute at a price better than the BBO of the applicable leg, and thus at a price better than required by the rules. The Exchange believes this further demonstrates the likely de minimis nature of the perceived risk.

Based on the number of orders submitted to, and trades that occur on, the trading floor, the Exchange believes it has sufficient system capacity to handle any additional traffic that may result from the proposed rule change during a time when the trading floor is inoperable. The Exchange's Regulatory Division will continue its standard routine surveillance reviews for electronic trading as it does today, and has put together a regulatory plan to surveil the additional changes being proposed when operating in a screen-based only environment.

Cboe Options (and its designated TPHs pursuant to Rule 5.24) participates in the annual Reg SCI/SIFMA BCP test from its disaster recovery data center in accordance with Rule 1004 under Regulation SCI. Additionally, Cboe Options conducted an internal test (in which no TPHs participated) of an all-electronic configuration in preparation for the October 2019 System migration. The Exchange recently made available testing of the all-electronic configuration in a certification environment beginning Thursday, March 12, 2020, and plans to provide customers with a testing opportunity of the all-electronic configuration on Saturday, March 14, 2020. At least seven TPHs have submitted orders into this certification environment as of the time of this rule filing.

The third proposed change would exclude any contract volume by a Market-Maker during a time when the Exchange's trading floor was inoperable from the determination of whether the Market-Maker would be subject to continuous quoting obligations in Rule 5.52(d). Currently, if a Market-Maker executes more than 20% of its contract volume electronically during a calendar quarter, it is obligated to quote electronically in a designated

percentage of series within that class for a designated percentage of time. Once a Market-Maker becomes subject to that continuous electronic quoting obligation, the Market-Maker will continue to be subject to it, even if there is a subsequent calendar quarter in which it executes less than 20% of its contract volume electronically. While most Market-Makers are currently subject to that continuous electronic quoting obligation, there are certain Market-Makers who execute at least 80% of their contract volume in open outcry. If the trading floor were inoperable, those Market-Makers would execute a larger percentage of their contract volume electronically as a result. Depending on the length of time for which the trading floor were inoperable, it is possible those Market-Makers would exceed that 20% threshold, which would subject them to continuous electronic quoting obligations beginning the following calendar quarter (even if open outcry trading has resumed). The Exchange believes it would be unduly burdensome to subject a Market-Maker to additional obligations because of the unavailability of the Exchange facility where that Market-Maker conducts most of its business under normal trading circumstances, including after the extraordinary circumstances that caused the suspension of open outcry trading no longer exist.

## 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>14</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</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>16</sup> requirement that

<sup>13</sup> If the trading floor became inoperable for a significant period of time, the Exchange would consider implementing the change or would submit a rule filing to allow the proposed rule change to apply in all circumstances rather than only when the trading floor is inoperable.

<sup>14</sup> 15 U.S.C. 78f(b).

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

<sup>16</sup> *Id.*

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 will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest by creating an all-electronic trading environment that permits continued trading in an uninterrupted manner as much as practicable if extraordinary circumstances cause the trading floor to become inoperable. The Exchange believes the proposed rule change will create an all-electronic trading environment similar to the otherwise unavailable open outcry trading environment. The Exchange believes the proposed rule change is necessary and appropriate to provide continued execution opportunities in such a situation for orders that generally execute in open outcry trading.

With respect to the proposed rule change to permit appointed Market-Makers to be solicited to trade against an Agency Order submitted into a simple AIM Auction (both for FLEX and non-FLEX Options in exclusively listed index option classes), the majority of liquidity provided to orders executed as part of an open outcry cross is provided by appointed Market-Makers. If this liquidity was not available to TPHs in an all-electronic environment, there would be significant risk that these orders may not receive full execution in a timely manner (or at all), and may trade at worse prices than would have otherwise been available on the trading floor. The Exchange believes this proposed rule change will minimize this risk and provide electronic execution and price improvement opportunities for these orders, similar to the opportunities that are generally available to them on the trading floor, which protects customers seeking execution of these orders. As set forth in the Rules, all TPHs may submit responses to AIM Auctions, all Agency Orders will continue to have an opportunity for price improvement, and priority customer orders will continue to have priority at each price level.

The Exchange believes the proposed rule change to permit complex orders with ratios greater than three-to-one and less than or equal to 25-to-one to execute electronically and receive complex order benefits otherwise provided to complex orders with ratios less than or equal to three-to-one will also remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and

the public interest. As discussed above, the System is currently unable to apply a different allocation algorithm and increment to complex orders with different ratios, and would need a significant amount of time and resources to do so. Given that significant contract volume executes on the trading floor as part of complex trades with ratios greater than three-to-one as part of their investment and hedging strategies, the Exchange believes it will protect investors looking to execute those orders as part of their overall strategies to provide electronic execution opportunities during a time when the trading floor is not available. As noted above, the complex order priority that would apply to these complex orders with larger ratios would be the same as the priority applied today to complex orders with ratios no greater than three-to-one, which the Exchange believes will continue to protect customers. Since the Exchange is proposing to permit complex orders with ratios no greater than 25-to-1 to be electronically processed if the trading floor were inoperable, similar to the practice today, this will be systematically enforced for electronic trading. The Exchange appreciates the Commission's concerns described above; however, the Exchange believes the risks of harm to investors by not permitting these orders to execute at all when the trading floor is unavailable (which may be occurring due to extraordinary circumstances causing volatility in the markets) significantly outweighs the potential risks associated with these concerns.

The Exchange's Regulatory Division will continue its standard routine surveillance reviews for electronic trading as it does today and has put together a regulatory plan to surveil the additional changes being proposed when operating in a screen-based only environment.

The Exchange believes the proposed rule change to exclude volume executed during a time when the trading floor is inoperable from the determination of whether a Market-Maker is subject to continuous electronic quoting obligations will promote just and equitable principles of trade. If this volume were included in this determination, a Market-Maker not otherwise subject to these obligations may become subject to them for reasons outside of the Market-Maker's control. As a result, a Market-Maker may become subject to additional obligations that would not apply during normal circumstances. This proposed rule change will have no impact on Market-Makers currently subject to continuous electronic quoting obligations, as once a

Market-Maker becomes subject to that obligation, it remains subject to that obligation, even if it executes less than 20% of its contract volume electronically in a subsequent calendar quarter. The proposed rule change is solely intended to impact those Market-Makers who currently are not subject to continuous electronic quoting obligations. Without this rule change, depending on the length of time the trading floor is inoperable, a Market-Maker that has not previously exceeded the 20% contract volume threshold and thus is not currently subject to continuous electronic quoting obligation could exceed that threshold for a calendar quarter, which would then subject it to a new obligation that was not in place when the trading floor was operable. The Exchange believes it would be unduly burdensome to impose obligations on a Market-Maker that are inconsistent with the Market-Maker's standard business practices as a result of extraordinary circumstances outside of the Market-Maker's control, particularly when the Exchange expects those circumstances to be temporary. The Exchange notes all Market-Makers must comply with the other obligations set forth in Rules 5.51 and 5.52, including the obligations related to size, two-sided quotes, and competitive quotes.

#### *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 proposed rule change is not intended as a competitive filing, but rather is proposed as part of its business continuity plans intended to allow it to maintain fair and orderly markets if unusual circumstances cause the Exchange's trading floor to become inoperable. The Exchange does not believe the proposed rule change related to AIM contra-parties will impose any burden on intramarket competition, as it will permit all market participants to be solicited to participate in AIM transactions in exclusively listed index options. The Exchange also does not believe the proposed rule changes related to complex orders will impose any burden on intra market competition, as all market participants will be able to submit complex orders in exclusively listed index options with ratios no greater than 25-to-1. Additionally, the Exchange does not believe these proposed rule change will impose any burden on intermarket competition, as they both apply only to exclusively listed index options, which are available

for trading solely on the Exchange. By limiting these proposed rule changes to exclusively listed index options, the Exchange believes these proposed rule changes will permit competition with other options exchange with respect to multi-listed options to continue in the same manner as it occurs during normal trading circumstances. The Exchange believes the proposed rule change is necessary and appropriate to allow it to provide trading in these products (which are only able to trade on the Exchange) in an uninterrupted manner to the extent practicable under extraordinary circumstances.

The proposed rule change to exclude contract volume executed during a time when the trading floor is inoperable from the determination of whether a Market-Maker is subject to continuous quoting obligations is not intended for competitive purposes. The Exchange believes this proposed rule change will not burden intramarket competition, as it will apply in the same manner to all Market-Makers. As noted above, the proposed rule change will have no impact on Market-Makers currently subject to continuous electronic quoting obligations, as those will continue to apply. The proposed rule change will prevent Market-Makers not currently subject to continuous electronic quoting obligations who could exceed the 20% threshold triggering those obligations solely because the trading floor was inoperable. The Exchange believes it would be unduly burdensome to subject a Market-Maker to additional obligations because of the unavailability of the Exchange facility where that Market-Maker conducts the vast majority of its business under normal trading circumstances. The Exchange believes this proposed rule change will not burden intermarket competition, as it applies solely to continuous electronic quoting obligations applicable to Market-Makers of the Exchange.

*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**

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>17</sup> and Rule

19b-4(f)(6) thereunder.<sup>18</sup> Because the 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, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and Rule 19b-4(f)(6) thereunder.<sup>20</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>21</sup> normally does not become operative for 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>22</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately. Waiver of the operative delay would allow the proposed changes, which are designed to minimize disruptions in the market and to facilitate the continued trading of index options that trade exclusively on the Exchange, to be in effect on Monday, March 16, 2020, the date when the Exchange announced that it will temporarily close its floor. For these reasons, 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 30-day operative delay and designates the proposal operative upon filing.<sup>23</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-CBOE-2020-019 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-2020-019. 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-2020-019, and

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

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6). Pursuant to Rule 19b-4(f)(6)(iii) under the Act, the Exchange is required 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 requested that the Commission waive the five-day pre-filing notice requirement in Rule 19b-4(f)(6)(iii). The Commission has determined to waive the five day pre-filing notice requirement.

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

<sup>22</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>23</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

should be submitted on or before April 9, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

[FR Doc. 2020-05703 Filed 3-18-20; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 5463/March 13, 2020]

### Investment Advisers Act of 1940; Order Under Section 206A of the Investment Advisers Act of 1940 Granting Exemptions From Specified Provisions of the Investment Advisers Act and Certain Rules Thereunder

The current outbreak of coronavirus disease 2019 (COVID-19) was first reported on December 31, 2019. The disease has led to disruptions to transportation, including buses, subways, trains and airplanes, and the imposition of quarantines around the world, which may limit investment advisers' access to facilities, personnel, and third party service providers. The Commission recognizes that, in these circumstances, investment advisers may face challenges in timely satisfying provisions of the Investment Advisers Act of 1940 ("Advisers Act") and rules thereunder concerning the filing and delivery of certain reports and disclosures. In light of the current situation, we are issuing this Order providing a temporary exemption from certain requirements of the Advisers Act.

Section 206A of the Advisers Act provides that the Commission may conditionally or unconditionally exempt any person or transaction, or any class or classes of persons or transactions, from any provision or provisions of the Advisers Act, or any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act.

#### I. Time Period for the Relief

The relief specified in this Order is limited to filing or delivery obligations, as applicable, for which the original due date is on or after the date of this Order but on or prior to April 30, 2020. The Commission intends to continue to monitor the current situation. The time

period for any or all of the relief may, if necessary, be extended with any additional conditions that are deemed appropriate, and the Commission may issue other relief as necessary or appropriate.

#### II. Form ADV and Form PF Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers

The disruptions resulting from COVID-19 that are mentioned above could hamper the efforts of investment advisers to timely meet certain filing and delivery deadlines. At the same time, advisory clients and the Commission have an interest in the timely availability of required information about investment advisers, and we remind investment advisers who rely on this Order to continue to evaluate their obligations, including their fiduciary duty, under the federal securities laws. In light of the current and potential effects of COVID-19, the Commission finds that the exemptions set forth below:

are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act; and are necessary and appropriate to the exercise of the powers conferred on it by the Advisers Act.

The necessity for prompt action of the Commission does not permit prior notice of the Commission's action.

Accordingly, it is *ordered*, pursuant to Section 206A of the Advisers Act:

For the time period specified in Section I, a registered investment adviser is exempt from the requirements: (a) Under Rule 204-1 of the Advisers Act to file an amendment to Form ADV; and (b) under Rule 204-3(b)(2) and (b)(4) related to the delivery of Form ADV Part 2 (or a summary of material changes) to existing clients, where the conditions below are satisfied;

For the time period specified in Section I, an exempt reporting adviser is exempt from the requirements under Rule 204-4 under the Advisers Act to file reports on Form ADV, where the conditions below are satisfied; and

For the time period specified in Section I, a registered investment adviser that is required by Section 204(b) of and Rule 204(b)-1 under the Advisers Act to file Form PF is exempt from those requirements, where the conditions below are satisfied.

#### Conditions

(a) The registered investment adviser or exempt reporting adviser is unable to

meet a filing deadline or delivery requirement due to circumstances related to current or potential effects of COVID-19;

(b) The investment adviser relying on this Order with respect to the filing of Form ADV or delivery of its brochure, summary of material changes, or brochure supplement required by Rule 204-3(b)(2) or (b)(4), promptly provides the Commission via email at *IARDLive@sec.gov* and discloses on its public website (or if it does not have a public website, promptly notifies its clients and/or private fund investors of) the following information:

- (1) That it is relying on this Order;
- (2) a brief description of the reasons why it could not file or deliver its Form on a timely basis; and
- (3) the estimated date by which it expects to file or deliver the Form.

(c) Any investment adviser relying on this order with respect to filing Form PF required by Rule 204(b)-1 must promptly notify the Commission via email at *FormPF@sec.gov* stating:

- (1) That it is relying on this Order;
- (2) a brief description of the reasons why it could not file its Form on a timely basis; and;
- (3) the estimated date by which it expects to file the Form.

(d) The investment adviser files the Form ADV or Form PF, as applicable, and delivers the brochure (or summary of material changes) and brochure supplement required by Rule 204-3(b)(2) and (b)(4) under the Advisers Act, as soon as practicable, but not later than 45 days after the original due date for filing or delivery, as applicable.

By the Commission.

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

[FR Doc. 2020-05710 Filed 3-18-20; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88379; File No. SR-ICC-2020-002]

### Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Designation of Longer Period for Commission Action on Proposed Rule Change Relating to the ICC Risk Management Model Description, ICC Stress Testing Framework, ICC Liquidity Risk Management Framework, ICC Back-Testing Framework, and ICC Risk Parameter Setting and Review Policy

March 13, 2020.

On January 14, 2020, ICE Clear Credit LLC ("ICC"), filed with the Securities

<sup>24</sup> 17 CFR 200.30-3(a)(12), (59).