



8011-01
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82895; File No. SR-CboeBZX-2018-020)

March 16, 2018

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Listing Rules Under Rule 14.11(d)(2)(K)(i) Related to Equity Index-Linked Securities

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 8, 2018, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. 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 filed a proposal to amend its listing rules under Rule 14.11(d)(2)(K)(i) related to Equity Index-Linked Securities.

The text of the proposed rule change is available at the Exchange’s website at www.markets.cboe.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

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 parts 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 is submitting this proposal in order to bring its listing rules related to Equity Index-Linked Securities in line with those of NYSE Arca, Inc (“Arca”).⁵ Rule 14.11(d) sets forth certain rules related to the listing and trading of Linked Securities (as defined therein) on the Exchange and Rule 14.11(d)(2)(K)(i) relates specifically to the generic listing standards applicable to Equity Index-Linked Securities.⁶ Specifically, Rule 14.11(d)(2)(K)(i)(a) provides that the index underlying a series of Equity Index-Linked Securities must include at least 10 component securities and meet the requirements of either Rule 14.11(d)(2)(K)(i)(a)(1) or (2). Rule 14.11(d)(2)(K)(i)(a)(1) provides that an index must have been reviewed and approved for the trading of options or other derivatives by the Commission under Section 19(b)(2) of the Act and rules thereunder and the conditions set forth in the Commission’s approval order, including comprehensive surveillance sharing agreements for non-U.S. stocks, continue to be satisfied. Rule 14.11(d)(2)(K)(i)(a)(2) provides

⁵ See Arca Rule 5.2-E(j)(6)(B)(I).

⁶ See Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018) (Order Approving Proposed Rule Change to Adopt Rules for the Qualification, Listing and Delisting of Companies on the Exchange).

certain quantitative standards related to the market cap, trading volume, rebalancing, concentration, and surveillance sharing. As noted above, where an index has at least 10 component securities and meets the criteria either Rule 14.11(d)(2)(K)(i)(a)(1) or (2), it meets the initial listing criteria for Equity Index-Linked Securities. Rule 14.11(d)(2)(K)(i)(b) includes the continued listing criteria for Equity Index-Linked Securities and provides that the Exchange will consider suspension and will initiate delisting proceedings where the standards set forth in Rule 14.11(d)(2)(K)(i)(a) are not continuously met, with some additional concentration and trading volume criteria.

The Exchange proposes to amend Rule 14.11(d)(2)(K)(i) related to Equity Index-Linked Securities in order to make it substantively identical to the comparable rule on Arca. In particular, the Exchange is proposing to make certain changes to its rules consistent with Arca's rule such that: (i) Derivative Securities Products and Linked Securities will be excluded from several initial and continued listing criteria; (ii) the rule text makes clear that Rule 14.11(d)(2)(K)(i)(a)(1) includes a series of Index Fund Shares approved by the Commission under Section 19(b)(2) of the Act; (iii) the existing trading volume requirement under Rule 14.11(d)(2)(K)(i)(a)(2)(B) is replaced with a more flexible trading volume standard; (iv) rules with standards applicable only to certain index weightings, including equal-dollar, modified equal-dollar, capitalization-weighted, and modified capitalization-weighted, are eliminated; and (v) Rule 14.11(d)(2)(K)(i)(a)(2)(G) provides that securities of a foreign issuer (including when they underlie ADRs) whose primary trading market outside the United States is not a member of the Intermarket Surveillance Group ("ISG") or a party to a comprehensive surveillance sharing agreement with the Exchange will not in the aggregate represent more than 50% of the dollar weight of the index, and (a) the securities of any one such market may

not represent more than 20% of the dollar weight of the index, and (b) the securities of any two such markets may not represent more than 33% of the dollar weight of the index.

As noted above, the Exchange believes that these proposed changes are non-controversial because the changes would make the Exchange's listing rules related to Equity Index-Linked Securities substantively identical to the rules of another listing exchange and do not present any new or novel issues that have not been previously considered by the Commission.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act⁷ in general and Section 6(b)(5) of the Act⁸ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

The proposed changes to Rule 14.11(d)(2)(K)(i) related to the listing of Equity Index-Linked Securities on the Exchange remain consistent with the Act because the proposed changes generally constitute minor modifications to the existing listing requirements that do not significantly change the scope or applicability of the listing standards. Further and as noted throughout this filing, the changes will make the Exchange's listing rules for Equity Index-Linked Securities substantively identical to those of Arca.

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(5).

As such, the Exchange believes that the proposal is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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 because there are no substantive issues raised by this proposal that were not otherwise addressed by the Commission in the approvals of Arca's listing rules related to Equity Index-Linked Securities.

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 purpose of the Act. The Exchange believes that the proposal will allow the Exchange to better compete with Arca by putting the two exchanges on equal footing as it relates to listing standards applicable to Equity Index-Linked Securities.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the

Act⁹ and Rule 19b-4(f)(6) thereunder.¹⁰

A proposed rule change filed under Rule 19b-4(f)(6)¹¹ normally does not become operative for 30 days after the date of its filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹² the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange represents that waiver of the 30-day operative delay will allow the Exchange to immediately compete with respect to listing new series of Equity Index-Linked Securities on the Exchange. Because the proposed rules previously have been approved by the Commission for, and are substantively identical to those of, another listing exchange, the Commission believes that the proposal promotes competition with respect to the listing and trading of Equity Index-Linked Securities, and does not believe that the proposal raises any novel or unique regulatory issues.¹³ Therefore, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission hereby

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ See supra note 5.

waives the 30-day operative delay and designates the proposed rule change operative upon filing.¹⁴

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) 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 e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2018-020 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.

¹⁴ 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).

All submissions should refer to File Number SR-CboeBZX-2018-020. This file number should be included on the subject line if e-mail 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-CboeBZX-2018-020, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

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Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).

[FR Doc. 2018-05795 Filed: 3/21/2018 8:45 am; Publication Date: 3/22/2018]