



## 8011-01

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85729; File No. SR-CboeBZX-2019-030]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Replace Obsolete Terminology

April 26, 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 April 17, 2019, 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 filed the proposal as a “non-controversial” proposed rule change 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**

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to replace obsolete terminology. 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://markets.cboe.com/us/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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<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).

## **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 its rules to replace certain obsolete terms and correct an inaccurate reference within its rules. Specifically, on November 29, 2018, the Exchange filed rule filing SR-CboeBZX-2018-086 which, among other things, adopted the definition of “EFID” in Rule 21.1(k). More specifically, “EFID” is an executing firm ID and refers to what the automated trading system used by BZX Options for the trading of options contracts (“System”) uses to identify the Member and the clearing number for the execution of orders and quotes submitted to the System on its options platform.<sup>5</sup> At the time, the Exchange noted that BZX’s rules had referred only to the term “MPID”, which is a Member’s market participant identifier and generally equivalent to an EFID. The Exchange also noted however, that MPIDs are only used for equities trading and that the Exchange does not utilize MPIDs on its options platform, but rather uses EFIDs. As such, the Exchange now proposes to update all references to “market participant ID” and “MPID” to “executing Firm ID” and “EFID”, respectively under Chapter

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<sup>5</sup> See Securities Exchange Act Release No. 84777 (December 10, 2018), 83 FR 64397 (December 14, 2018) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend Its Provision Related to Its Risk Monitor Mechanism) (SR-CboeBZX-2018-086).

XXI, which chapter relates to the trading of options listed on BZX Options (i.e., update terms in Rule 21.1(c)(1), Rule 21.1(g), and Rule 21.10(a)). In addition to this, the Exchange proposed to update an inaccurate reference within Rule 21.1(g) to restrictions with respect to bulk messaging in paragraph (j) to paragraph (l), in which bulk messaging restrictions are currently set forth.

The Exchange also proposes to further clarify Rule 21.1(c)(1), which rule defines “Attributable Orders”. Particularly, an Attributable Order is currently defined as orders that are designated for display (price and size) including the User’s market participant identifier (“MPID”). As discussed above, the Exchange proposes to replace the reference to “market participant identifier (“MPID”)” to “executing Firm ID (“EFID”)”. The Exchange proposes to also make clear that User’s may use other unique identifiers on Attributable Orders in addition to, or in lieu of, EFIDs. More specifically, unique identifiers are other identifiers chosen by a User and currently comprised of a combination of four alpha characters appended to an Attributable Order. These identifiers allow users to apply a more granular, user-defined identifier on an Attributable Order to better track their orders. The Exchange notes that Attributable Orders are optional order designations and Users are currently able to allocate a user-defined unique identifier for internal, order tracking purposes. Additionally, the Exchange notes regardless of whether a User uses an Attributable Order and regardless of whether a User determines to display its EFID and/or another unique identifier on such Attributable Order, there is no impact on the Exchange’s audit trail, its ability to surveil, its ability to match or clear trades, its ability to disseminate real-time or near real time trade information or any risk control functionality. Indeed, such identifiers on Attributable Orders are for display purposes only. Even where a User determines to append a unique identifier and not an EFID on an Attributable Order, the User’s EFID will still be associated with such order and the Exchange’s system will continue to be able

to identify the Member and the clearing number for the execution of the order. The Exchange further notes that the proposed definition under Rule 21.1(c)(1) is consistent with the definition of Attributable Orders on its affiliate, Cboe C2 Exchange, Inc. (“C2”).<sup>6</sup> The proposed rule change to Rule 21.1(c)(1) provides Members flexibility in what identifiers it may use on Attributable Orders and also makes clear that User’s may use unique identifiers other than EFIDs. The Exchange notes no substantive change is being made by this rule change. The Exchange is merely updating its options rules to reflect the accurate terminology relating to market participant identifiers and clarifying the current ways in which a User may designate an optional display feature.

Lastly, the Exchange notes that although rule filing SR-CboeBZX-086 proposed to replace references to “User” with “Member”, it inadvertently failed to update this reference in Rule 21.1(k)(3). The Exchange therefore seeks to correct this oversight and update the reference to “Users” in Rule 21.1(k)(3) to “Members”. No substantive changes are being made by the proposed rule change.

## 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>7</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>8</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

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<sup>6</sup> See C2 Rule 6.10.

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

<sup>8</sup> 15 U.S.C. 78f(b)(5).

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>9</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes its proposed rule change to update inaccurately defined terms or references under Rule 21.1(c)(1), Rule 21.1(g), Rule 21.1(k)(3), and Rule 21.10(a) will provide consistency and transparency in the rules and alleviate potential confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system and protecting investors and the public interest. Additionally, the Exchange believes that the proposed change to the definition of Attributable Orders provides consistency across the corresponding C2 Rule 6.10 and makes clear that User's may use other unique identifiers, which, as discussed above, are defined by the User and are currently comprised of a combination of four alpha characters. As a result, the proposed change to this definition provides further consistency and transparency in the Exchange's rules and with that of its affiliate's rules and alleviates potential confusion surrounding the designation of Attributable Orders, which protects investors and the public interest. The Exchange also believes that providing Users the option of using identifiers other than EFIDs provides Users more flexibility and ability to better track their orders. As noted above, the proposed filing does not substantively change any Member abilities under the rules, nor does it impact the Exchange's audit trail, its ability to surveil, its ability to match or clear trades, its ability to disseminate real-time or near real time trade information or

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<sup>9</sup> Id.

any risk control functionality. The proposed change merely corrects inadvertent oversights with respect to terminology and makes explicit that a User may designate Attributable Orders by using EFIDs and/or other unique identifiers, which is an optional feature for display purposes only and that is currently available to all Users.

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 does not address competitive issues, but rather, as discussed above, is merely intended to correct inadvertent uses of inaccurate or obsolete terms, which will alleviate potential confusion.

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**

Because the foregoing proposed rule change does not:

- A. significantly affect the protection of investors or the public interest;
- B. impose any significant burden on competition; and
- C. become operative for 30 days from the date on which it was filed, or such shorter

time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6)<sup>11</sup> thereunder.<sup>12</sup>

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>12</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five

A proposed rule change filed under Rule 19b-4(f)(6)<sup>13</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>14</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 requested that the Commission 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 the public interest as it will allow the Exchange to immediately update its rulebook to reflect current terminology and reflect how Users can designate Attributable Orders. The Exchange has represented that no substantive changes are being made to its rules and further, that the proposed rule change will have no impact on (i) its ability to surveil, match or clear trades, and disseminate trade information; (ii) risk control functionality; or (iii) the Exchange's audit trail. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change operative upon filing.<sup>15</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 will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

<sup>14</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>15</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).

#### **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](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2019-030 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-CboeBZX-2019-030. 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, D.C. 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-2019-030 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.<sup>16</sup>

Jill M. Peterson,  
Assistant Secretary.

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<sup>16</sup> 17 CFR 200.30-3(a)(12).

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