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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-88417; File No. SR-CboeBZX-2020-025]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 11.18(b)(2) Concerning the Resumption of Trading Following a Level 3 Market-Wide Circuit Breaker Halt and Make Corresponding Changes to Rules 11.23(d) and 11.24(e)

March 18, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 17, 2020, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 a rule change to amend Rule 11.18(b)(2) concerning the resumption of trading following a Level 3 market-wide circuit breaker halt and make corresponding changes to Rules 11.23(d) and 11.24(e).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

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/), 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 11.18(b)(2) concerning the resumption of trading following a Level 3 market-wide circuit breaker halt and to amend Rules 11.23(d) and 11.24(e) to make corresponding changes to the halt auction and halt re-opening process after such a halt. The Exchange is proposing this rule change in conjunction with other national securities exchanges and the Financial Industry Regulatory Authority ("FINRA").

Rule 11.18 provides a methodology for determining when to halt trading in all stocks due to extraordinary market volatility (i.e., market-wide circuit breakers). The market-wide circuit breaker mechanism ("MWCB") under Rule 11.18 was approved by the Commission to operate on a pilot basis,⁵ the term of which was to coincide with the pilot period for the Plan to Address Extraordinary

⁵ See Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (SR-BATS-2011-038).

Market Volatility Pursuant to Rule 608 of Regulation NMS (the “LULD Plan”),⁶ including any extensions to the pilot period for the LULD Plan.⁷ The Commission recently approved an amendment to the LULD Plan for it to operate on a permanent, rather than pilot, basis.⁸ In light of the proposal to make the LULD Plan permanent, the Exchange amended Rule 11.18 to untie the pilot’s effectiveness from that of the LULD Plan and to extend the pilot’s effectiveness to the close of business on October 18, 2019.⁹ The Exchange then filed to extend the pilot for an additional year to the close of business on October 18, 2020.¹⁰ The market-wide circuit breaker under Rule 11.18 provides an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. All U.S. equity exchanges and FINRA adopted uniform rules on a pilot basis relating to market-wide circuit breakers in 2012 (“MWCB Rules”), which are designed to slow the effects of extreme price movement through coordinated trading halts across securities markets when severe price declines reach levels that may exhaust market liquidity.¹¹ Market-wide circuit breakers

⁶ See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012). The LULD Plan provides a mechanism to address extraordinary market volatility in individual securities.

⁷ See Securities Exchange Act Release Nos. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (SR-BATS-2011-038) (Approval Order); and 68851 (February 6, 2013), 78 FR 9955 (February 12, 2013) (SR-BATS-2013-009) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Pilot Program Related to Trading Pauses Due to Extraordinary Market Volatility).

⁸ See Securities Exchange Act Release No. 85623 (April 11, 2019), 84 FR 16086 (April 17, 2019).

⁹ See Securities Exchange Act Release No. 85689 (April 18, 2019), 84 FR 17217 (April 24, 2019) (SR-CboeBZX-2019-028).

¹⁰ See Securities Exchange Act Release No. 87336 (October 17, 2019), 84 FR 56868 (October 23, 2019) (SR-CboeBZX-2019-088).

¹¹ See Securities Exchange Act Release No. 67090 (May 31, 2012), 77 FR 33531 (June 6, 2012) (SR-BATS-2011-038; SR-BYX-2011-025; SR-BX-2011-068; SRCBOE-2011-087; SR-C2-2011-024; SR-CHX-2011-30; SR-EDGA-2011-31; SREDGX-2011-30; SR-

provide for trading halts in all equities and options markets during a severe market decline as measured by a single-day decline in the S&P 500 Index. Pursuant to Rule 11.18, a market-wide trading halt will be triggered if the S&P 500 Index declines in price by specified percentages from the prior day's closing price of that index. Currently, the triggers are set at three circuit breaker thresholds: 7% (Level 1), 13% (Level 2), and 20% (Level 3). A market decline that triggers a Level 1 or Level 2 halt after 9:30 a.m. Eastern Time and before 3:25 p.m. Eastern Time would halt market-wide trading for 15 minutes, while a similar market decline at or after 3:25 p.m. Eastern Time would not halt market-wide trading. A market decline that triggers a Level 3 halt at any time during the trading day would halt market-wide trading until the primary listing market opens the next trading day.

Today, in the event that a Level 3 Market Decline occurs, the Exchange would halt trading for the remainder of the trading day, and would not resume until the primary listing market opens the next trading day, which time may currently vary depending on the primary listing market. For example, if the primary listing market is the New York Stock Exchange (“NYSE”), NYSE would resume trading in its listed securities at 9:30 a.m. Eastern Time on the next trading day, and the Exchange would not be able to resume trading during the Exchange’s Early Trading Session¹² or Pre-Opening Session.¹³ Alternatively, if the primary listing market is the Nasdaq Stock Market LLC (“Nasdaq”), Nasdaq would resume trading in its listed securities at 4:00 a.m. Eastern Time on the next trading day, and therefore, the Exchange would resume trading at the commencement of the Early Trading Session.

FINRA-2011-054; SR-ISE-2011-61; SR-NASDAQ-2011- 131; SR-NSX-2011-11; SR-NYSE-2011-48; SR-NYSEAmex-2011-73; SRNYSEArca-2011-68; SR-Phlx-2011-129 (“MWCB Approval Order”).

¹² See Exchange Rule 1.5(ee).

¹³ See Exchange Rule 1.5(r).

Upon feedback from industry participants, the Exchange has been working with other national securities exchanges and FINRA to establish a standardized approach for resuming trading in all NMS Stocks following a Level 3 halt. The proposed approach would allow for the opening of all securities the next trading day after a Level 3 halt as a regular trading day, and is designed to ensure that Level 3 MWCB events are handled in a more consistent manner that is transparent for market participants.¹⁴ As proposed, a Level 3 halt would end at the end of the trading day on which it is declared. This proposed change would allow for next-day trading to resume in all NMS Stocks no differently from any other trading day. In other words, an exchange could resume trading in any security when it first begins trading under its rules and would not need to wait for the primary listing market to re-open trading in a security before it could start trading such security.¹⁵ Accordingly, under the proposal, the Exchange could begin trading all securities at the beginning of the Exchange’s Early Trading Session.

To effect this change, the Exchange proposes to delete the language in Rule 11.18(b)(2) requiring the Exchange to wait until the primary listing exchange opens the next trading day following a Level 3 Market Decline, and specify that the Exchange will halt trading for the remainder of the trading day.¹⁶ The proposed rule change would therefore allow each exchange to

¹⁴ Of note, the U.S. futures markets, which have similar rules for coordinated MWCB halts, normally begin their “next day” trading session at 6:00 p.m. Eastern Time (for CFE and CME) or at 8:00 p.m. Eastern Time (for ICE). If the U.S. futures markets amend their MWCB rules, as needed, to allow for normal course trading following a Level 3 halt, the futures markets would resume trading in their normal course at 6:00 p.m. Eastern Time (CFE and CME) or 8:00 p.m. Eastern Time (ICE) the same day as the Level 3 halt

¹⁵ The Exchange notes that Nasdaq has recently filed a similar proposal to amend its MWCB rules on the resumption of trading following Level 3 halts, and amend their rules, where required, to have their Level 3 next-day openings happen normally. Further, the Exchange anticipates that other national securities exchanges and FINRA will also file similar proposals.

¹⁶ Presently, the Exchange’s equities trading day ends at 8:00 p.m. ET. See Exchange Rule 1.5(c).

resume trading in all securities the next trading day following a Level 3 halt at whatever time such exchange normally begins trading under its rules, which for the Exchange would be at the beginning of the Early Trading Session at 7:00 a.m. Eastern Time under its current rules. The Exchange also expects that the primary listing exchanges will facilitate this change by sending resume messages to the applicable securities information processor (“SIP”) to lift the Level 3 trading halt message in all securities. The resumption messages will be disseminated after the SIP has started on the next trading day and before the start of the earliest pre-market trading session of all exchanges. If a security is separately subject to a regulatory halt that has not ended, the primary listing exchange would replace the Level 3 halt message with the applicable regulatory halt message.

As discussed above, the Exchange’s proposed rule change to Rule 11.18 would allow each exchange to resume trading in all securities on the day following the Level 3 Market Decline pursuant to its regular process for trading on any other trading day. Currently, the Exchange would re-open trading following a Level 3 Market Decline using a Halt Auction for its listed securities, and using a halt re-opening process for securities listed on other national securities exchanges.¹⁷ With the proposed changes to the MWCB mechanism, it would no longer be necessary for the Exchange to have special procedures in place to resume trading after a Level 3 Market Decline, as the proposed changes are designed to allow trading to commence using normal operating procedures. Accordingly, the Exchange proposes to make corresponding changes to Exchange Rule 11.23(d), which governs initial public offering (“IPO”) and halt auctions in BZX listed securities. Specifically, the Exchange proposes to clarify that no halt auction will be conducted by the Exchange following a Level 3 Market Decline. Similarly, the Exchange proposes to make corresponding changes to Exchange Rule 11.24(e), which sets forth the re-opening process after a

¹⁷ See Exchange Rules 11.23(d), 11.24(e); See also SIP Market-Wide Circuit Breaker Overview, available at http://www.utpplan.com/DOC/MWCB_SIP_Overview.pdf.

halt in non-BZX-listed securities. Specifically, the Exchange proposes to clarify that no halt re-opening process will be conducted by the Exchange following a Level 3 Market Decline. With these changes, trading would be allowed to commence normally on the trading day following a Level 3 Market Decline, similar to the resumption of trading on certain other national securities exchanges that would currently open with continuous trading.¹⁸

Having a consistent approach for all securities will make the opening process the day after a Level 3 halt more uniform and reduce complexity, which the Exchange believes is important after a significant market event. Based on industry feedback, the Exchange believes that opening in the normal course in all equity securities will be beneficial to the marketplace. By allowing trading to resume after a Level 3 halt in all securities no differently from any normal trading day under the respective rules of each exchange, the proposed rule change would provide greater certainty to the marketplace by ensuring a familiar experience for all market participants that trade NMS Stocks and balances out potential concerns around volatility. While the Exchange recognizes that the impact of this proposal is to permit all securities to be traded in the Early Trading Session, which does not have certain price protections for volatility such as LULD Bands or MWCB protections, the Exchange nonetheless believes that this outcome is outweighed by the benefits provided by opening in the Early Trading Session in a manner that is more familiar to the marketplace. Moreover, allowing the resumption of trading to occur on the Exchange at the beginning of the Early Trading Session in all NMS Stocks will allow for price formation to occur earlier in the trading day, which in turn allows market participants to react to news that has developed. As such, trading at the beginning of regular hours may be more orderly.

¹⁸ See Nasdaq Rule 4121(c)(i). See also Id.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,¹⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁰ in particular, in that it is designed 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. The market-wide circuit breaker mechanism under Rule 11.18 is an important, automatic mechanism that is invoked to promote stability and investor confidence during a period of significant stress when securities markets experience extreme broad-based declines. The Exchange believes that the proposed rule change promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning when and how to halt trading in all stocks as a result of extraordinary market volatility, and how the markets will resume trading following a Level 3 Market Decline. As described above, the Exchange, together with other national securities exchanges and FINRA, is seeking to adopt a standardized approach related to resuming trading in NMS Stocks after a Level 3 MWCB halt. In this regard, the Exchange believes that the proposal to resume trading in all securities following a Level 3 halt in the same manner that securities would open trading on a regular trading day (i.e., with continuous trading on the Exchange at the beginning of the Early Trading Session at 7 a.m. Eastern Time) will benefit investors, the national market system, Exchange members, and the Exchange market by promoting a fair and orderly market and reducing confusion during a significant cross-market event. By allowing trading to resume after a Level 3 halt in all securities no differently from any normal trading day under the respective rules of each exchange, the proposed rule changes would provide greater certainty to the

¹⁹ 15 U.S.C. 78f(b).

²⁰ 15 U.S.C. 78f(b)(5).

marketplace by ensuring a familiar experience for all market participants that trade NMS Stocks. Based on the foregoing, the Exchange believes the benefits to market participants from the MWCB under Rule 11.18 with the proposed standardized process for resuming trading in all securities following a Level 3 halt will promote fair and orderly markets, and protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act because the proposed Level 3 rule change described above would standardize the opening process for all securities on the Exchange, which would make the opening process the day after a Level 3 halt more uniform and reduce complexity. Further, the Exchange understands that FINRA and other national securities exchanges will file similar proposals to adopt the proposed Level 3 rule change.²¹

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 Act²² and Rule 19b-4(f)(6) thereunder.²³ 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 prior to 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

²¹ See, e.g., Securities Exchange Act Release No. 88342 (March 6, 2020), 85 FR 14513 (March 12, 2020) (SR-NASDAQ-2020-003).

investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.²⁴

A proposed rule change filed under Rule 19b-4(f)(6)²⁵ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b4(f)(6)(iii),²⁶ 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 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. The Commission notes that it approved a substantively similarly proposed rule change submitted by Nasdaq.²⁷ Waiver of the operative delay will ensure consistency across the market centers and the timely implementation of the proposed rule change. Accordingly, the Commission waives the 30-day operative delay and designates the proposed rule change operative upon filing.²⁸

²² 15 U.S.C. 78s(b)(3)(A)(iii).

²³ 17 CFR 240.19b-4(f)(6).

²⁴ 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 Commission has waived the pre-filing requirement.

²⁵ 17 CFR 240.19b-4(f)(6).

²⁶ 17 CFR 240.19b-4(f)(6)(iii).

²⁷ See Securities Exchange Act Release No. 88360 (March 11, 2020) (SR-NASDAQ-2020-003).

²⁸ 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).

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)²⁹ of the Act 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-2020-025 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-2020-025. 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

²⁹ 15 U.S.C. 78s(b)(2)(B).

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-2020-025 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.³⁰

³⁰ 17 CFR 200.30-3(a)(12).

J. Matthew DeLesDernier,
Assistant Secretary.

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