

participants in order to generate profit, it is the Exchange's understanding from SIFMA and clearing firms that the current process can create significant risk when the clearing firm can be given up on any market participant's transaction, even where there is no prior customer relationship or authorization for that designated transaction.

In the absence of a mechanism that governs a market participant's use of a Clearing Member's services, the Exchange's proposal may indirectly facilitate the ability of a Clearing Member to manage their existing customer relationships while continuing to allow market participant choice in broker execution services. While Clearing Members may compete with executing brokers for order flow, the Exchange does not believe this proposal imposes an undue burden on competition. Rather, the Exchange believes that the proposed rule change balances the need for Clearing Members to manage risks and allows them to address outlier behavior from executing brokers while still allowing freedom of choice to select an executing broker.

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

No written comments were either solicited or received.

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)(iii) of the Act¹⁴ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁵

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. Please include File Number SR-GEMX-2019-06 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-GEMX-2019-06. 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-GEMX-2019-06 and should be submitted on or before July 5, 2019.

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

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019-12448 Filed 6-12-19; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86066; File No. SR-C2-2019-015]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend the Fat Finger Check for Simple Orders in Rule 6.14

June 7, 2019.

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 June 6, 2019, Cboe C2 Exchange, Inc. (the "Exchange" or "C2") 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

Cboe C2 Exchange, Inc. (the "Exchange" or "C2") proposes to amend the fat finger check for with respect to simple orders in Rule 6.14. The text of the proposed rule change is provided below.

(additions are italicized; deletions are [bracketed])

* * * * *

Rules of Cboe C2 Exchange, Inc.

* * * * *

Rule 6.14. Order and Quote Price Protection Mechanisms and Risk Controls

(a)-(b) No change.

(c) *All Orders.*

(1) *Limit Order Fat Finger Check.* If a User submits a buy (sell) limit order to the System with a price that is more than a buffer

¹⁶ 17 CFR 200.30-3(a)(12).

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).

¹⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁵ 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.

amount above (below) the NBO (NBB) for simple orders or the SNBO (SNBB) for complex orders, the System cancels or rejects the order. The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default.

(A) For simple *buy (sell)* orders, the Exchange may determine to apply this check on a class-by-class basis and not apply it to limit orders entered prior to the conclusion of the *RTH [O]opening auction [P]process*. If the check applies prior to the conclusion of the *RTH [O]opening auction [P]process*, it uses [the midpoint of the prior trading day's closing NBBO (prior to 9:30 a.m.) or](i) the last disseminated NBBO on that trading day, or (ii) the midpoint of the prior trading day's closing NBBO, if no NBBO has been disseminated on that trading day (if there is one, after 9:30 a.m.). The Exchange or User, as applicable, may establish a different default amount prior to the conclusion of the *RTH [O]opening auction [P]process* than it does after trading is open. If the check applies prior to the conclusion of the *O[RTH opening auction [P]process*, it does not apply (i) if there is a corporate action impacting the corporate stock price, (ii) if there is no NBBO from the prior trading day, (iii) to orders with origin code M or N, or (iv) to GTC and GTD orders that reenter the Book from the prior trading session [day].

* * * * *

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/), 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 proposed rule change amends the fat finger check with respect to simple orders in Rule 6.14. Current Rule 6.14(c)(1) states if a User submits a buy (sell) limit order to the System with a price that is more than a buffer amount above (below) the national best offer

("NBO") (national best bid ("NBB")) for simple orders, the System cancels or rejects the order.⁵ Under current Rule 6.14(c)(1)(A) for simple orders, the Exchange may determine to apply this check on a class-by-class basis and not apply it to limit orders entered prior to the conclusion of the opening auction process. If the check applies prior to the conclusion of the opening auction process, it uses the midpoint of the prior trading day's closing NBBO (prior to 9:30 a.m.) or the last disseminated NBBO (if there is one, after 9:30 a.m.).⁶

The Exchange recently adopted a global trading hours ("GTH") trading session, which will occur from 8:30 to 9:15 a.m. Eastern Time, which the Exchange intends to implement on June 17, 2019.⁷ For classes that trade during the GTH trading session, there may be an NBBO disseminated prior to 9:30 a.m., as well as a GTH opening auction process. Therefore, the Exchange proposes to update the fat finger check for simple orders to reflect a GTH trading session. Because the GTH and regular trading hours ("RTH") trading sessions will each have an opening auction process,⁸ the Exchange now proposes to amend Rule 6.14(c)(1)(A) to specify that if the check applies prior to the conclusion of the RTH opening auction process (therefore, from the beginning of the GTH opening process⁹ through the RTH opening process), it uses the last disseminated NBBO during that trading day (which accounts for NBBOs disseminated during GTH),¹⁰ or

⁵ The Exchange determines a default buffer amount; however, a User may establish a higher or lower amount than the Exchange default.

⁶ Current Rule 6.14(c)(1)(A) also states that the Exchange or User, as applicable, may establish a different default amount prior to the conclusion of the opening auction process than it does after trading is open. If the check applies prior to the conclusion of the Opening Process, it does not apply (i) if there is a corporate action impacting the corporate stock price, (ii) if there is no NBBO from the prior trading day, (iii) to orders with origin code M (Market-Maker) or N (away market-maker), or (iv) to good-till-cancelled ("GTC") or good-till-day ("GTD") orders that reenter the Book from the prior trading day.

⁷ See Securities Exchange Act Release No. 85788 (May 6, 2019), 84 FR 20673 (May 10, 2019) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Exchange's Opening Process and Add a Global Trading Hours Session for DJX Options) (SR-C2-2019-009).

⁸ See Rule 6.11 which provides for the opening auction processes for GTH and RTH.

⁹ The Exchange notes this includes the queuing period as defined under Rule 6.11 which provides for the opening auction process.

¹⁰ See Rule 1.1 which states that a trading day includes both trading sessions on that day. The Exchange also notes that it is amending the term "orders" to state "buy (sell) orders" in Rule 6.14(c)(1)(A) to mirror the same language used in Rule 6.14(c)(1), as well as the term "Opening Process" to "opening auction process" which is consistent with the verbiage used throughout Rule 6.11 (Opening Auction Process).

the midpoint of the prior trading day's closing NBBO, if no NBBO has been disseminated during that trading day. The Exchange notes that it is deleting the language that refers to using the prior trading day's closing NBBO if the check applies prior to 9:30 a.m., as well as language that refers to an NBBO after 9:30 a.m., to accommodate the new GTH session. For example, if it is 9:25 a.m. the check would use the last disseminated NBBO from the GTH session (*i.e.*, on that trading day), and, if no NBBO has been disseminated on that trading day then the System would pull the midpoint of the prior trading day's closing NBBO, as it currently does today. It also proposes to amend Rule 6.14(c)(1)(A) to state that if the check applies prior to the conclusion of the RTH opening auction process, it does not apply to good-till-cancelled ("GTC") and good-till-date ("GTD") orders that reenter the Book from the prior trading session. This proposed change accounts for a prior trading session instead of the trading day because the Exchange will use the same Book for all trading sessions, and thus any GTC or GTD orders that do not trade during GTH may become eligible for trading during RTH.

The Exchange notes that the proposed change is substantially similar to the current rule, and merely proposes to update language in connection with the implementation of the GTH trading session, specifying to which opening auction process the check under Rule 6.14(c)(1)(A) will apply, and accounting for the fact that there may be an NBBO disseminated prior to 9:30 a.m. for classes that will trade during the GTH trading session.

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.¹¹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹² 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

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

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)¹³ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that by updating the fat finger check for simple orders to account for the recently adopted GTH trading session, the proposed rule change serves to remove impediments to and perfect the mechanism of a free and open market and a national market system. As described above, the proposed change is substantially similar to the way in which the current fat finger check for simple orders functions, and merely accounts for the fact that there will be two trading sessions on the Exchange, each with an opening auction process and one of which will occur, and may disseminate an NBBO, before 9:30 a.m. Therefore, the Exchange believes that by amending rule language to specify that the fat finger check under Rule 6.14(c)(1)(A) will apply prior to the conclusion of the RTH opening auction process and by updating language to reflect the earlier GTH session time and potential NBBO dissemination during that session in connection with the fat finger check, it will remove impediments to and perfect the mechanism of a free and open market, thereby protecting investors, by increasing transparency of the Exchange's fat finger price protection mechanism as it relates to the earlier GTH trading session.

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 to address competitive issues, but rather to update a current price protection mechanism in connection with the addition of a GTH trading session. The Exchange does not believe that the proposed rule change to update the fat finger check as it relates to the GTH trading session will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it will apply in the same manner to all Users' limit orders prior to the conclusion of the RTH opening auction process. The Exchange notes that a User

may choose to establish a different default amount prior to the conclusion of the RTH opening auction process. Furthermore, the Exchange does not believe that the proposed change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed change merely updates a price protection mechanism already in place on the Exchange and applicable only to trading on 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 designated this rule filing as non-controversial under Section 19(b)(3)(A)¹⁴ of the Act and Rule 19b-4(f)(6)¹⁵ thereunder. 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, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁶ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁷ permits the Commission to 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. The Exchange believes that waiver of the operative delay is consistent with the protection of investors and the public interest because it is substantially similar to the way in which the current fat finger check for simple orders functions, and merely accounts for the fact that there will be two trading sessions on the Exchange (each with an opening auction process and one of which will occur, and may disseminate an NBBO, before 9:30 a.m.), and does not raise any new or novel issues. For this reason, the

Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal as operative upon filing.¹⁸

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. Please include File Number SR-C2-2019-015 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-C2-2019-015. 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

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

¹⁸ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹³ *Id.*

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-C2-2019-015 and should be submitted on or before July 5, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Eduardo A. Aleman,

Deputy Secretary.

[FR Doc. 2019-12451 Filed 6-12-19; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86064; File No. SR-MRX-2019-10]

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Rules Governing the Give Up of a Clearing Member by a Member on Exchange Transactions

June 7, 2019.

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 May 24, 2019, Nasdaq MRX, LLC ("MRX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to a proposal to amend its rules governing the give up

of a Clearing Member³ by a Member on Exchange transactions.

The text of the proposed rule change is available on the Exchange's website at <http://nasdaqmrx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its requirements in Rule 707 related to the give up of a Clearing Member by a Member on Exchange transactions. This proposed rule change is substantially similar⁴ to a recently-approved rule change by the Exchange's affiliate, Nasdaq PHLX LLC ("Phlx"),⁵ and serves to align the rules of Phlx and the Exchange.⁶

By way of background, to enter transactions on the Exchange, a Member must either be a Clearing Member or must have a Clearing Member agree to accept financial responsibility for all of its transactions. In particular, Rule 707 currently provides that a Member must give up the name of the Clearing Member through whom the transaction will be cleared. Rule 712(b) provides, in

³ The term "Clearing Member" means a Member that is self-clearing or an Electronic Access Member that clears Exchange Transactions for other Members of the Exchange. See Rule 100(a)(11).

⁴ Specifically, MRX is not adopting sections (c)(i) and (c)(ii) of Phlx Rule 1037, which relate to how the Phlx trading system will enforce unauthorized Give Ups for floor trades and electronic trades, respectively. With respect to electronic trades, Phlx will block the order from the outset whereas MRX will automatically default to the Member's guarantor. See proposed MRX Rule 707(c).

⁵ See Securities Exchange Act Release No. 85136 (February 14, 2019) (SR-Phlx-2018-72) (Approval Order).

⁶ The other Nasdaq, Inc.-owned options markets, Nasdaq BX, Nasdaq ISE, Nasdaq GEMX, and The Nasdaq Options Market (collectively, "Nasdaq HoldCo Exchanges"), will file similar rule change proposals based on the Phlx filing.

relevant part, that every Clearing Member shall be responsible for the clearance of Exchange transactions of such Clearing Member and of each Member who gives up such Clearing Member's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such Clearing Member to such Member, which authorization must be submitted to the Exchange. Additionally Rule 808(a) provides that no Market Maker (*i.e.*, Primary Market Makers and Competitive Market Makers) shall make any transactions on the Exchange unless a Letter of Guarantee has been issued for such Member by a Clearing Member and filed with the Exchange.⁷

Recently, certain Clearing Members, in conjunction with the Securities Industry and Financial Markets Association ("SIFMA"), expressed concerns related to the process by which executing brokers on U.S. options exchanges ("Exchanges") are allowed to designate or 'give up' a clearing firm for purposes of clearing particular transactions. The SIFMA-affiliated Clearing Members have recently identified the current give up process as a significant source of risk for clearing firms, and subsequently requested that the Exchanges alleviate this risk by amending Exchange rules governing the give up process.⁸

Proposed Rule Change

Based on the above, the Exchange now seeks to amend its rules regarding the current give up process in order to allow a Clearing Member to opt in, at The Options Clearing Corporation ("OCC") clearing number level, to a feature that, if enabled by the Clearing Member, will allow the Clearing Member to specify which Members are authorized to give up that OCC clearing number. Accordingly, Rule 707 will be retitled as "Authorization to Give Up," and the current rule text will be replaced by new language. Specifically, proposed Rule 707 will provide that for each transaction in which a Member participates, the Member may indicate, at the time of the trade or through post trade allocation, any OCC number of a Clearing Member through which a transaction will be cleared ("Give Up"), provided the Clearing Member has not elected to "Opt In," as defined in paragraph (b) of the proposed Rule, and restrict one or more of its OCC number(s) ("Restricted OCC Number"). A Member may Give Up a Restricted

⁷ Furthermore, the Exchange previously issued guidance on designating Give Ups in Regulatory Information Circular 2016-001. This rule change supersedes the Exchange's previous interpretation.

⁸ See note 5 above.

¹⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.