

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="26"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="079"/>
		Amendment No. (req. for Amendments *) <input type="text"/>

Filing by Cboe BZX Exchange, Inc.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

The Exchnage proposes a rule change to establish how the BZX Official Closing Price would be determined for BZX-listed securities.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name *	<input type="text" value="Kyle"/>	Last Name *	<input type="text" value="Murray"/>
Title *	<input type="text" value="Assistant General Counsel"/>		
E-mail *	<input type="text" value="kmurray@cboe.com"/>		
Telephone *	<input type="text" value="(913) 815-7121"/>	Fax	<input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date	<input type="text" value="10/18/2018"/>	<input type="text" value="Assistant General Counsel"/>
By	<input type="text" value="Kyle Murray"/>	<input type="text" value=""/>
		<input type="text" value="kmurray@cboe.com"/>

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² Bats BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to establish how the BZX Official Closing Price would be determined for BZX-listed securities.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on [DATE], 2018.

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel and Corporate Secretary, (312) 786-7467, or Kyle Murray, Assistant General Counsel, (913) 815-7121.

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

(a) Purpose

The Exchange proposes to amend BZX Rule 11.23, Auctions, to amend how the BZX Official Closing Price³ would be determined for any BZX-listed security that is not

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ As defined in Rule 11.23(a)(3), the term “BZX Official Closing Price” shall mean the price disseminated to the consolidated tape as the market center closing trade.

a corporate security (a “Derivative Securities Product”)⁴ if the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot (collectively, an “Illiquid Auction”). Rule 11.23(c)(2)(B) currently provides how the Exchange determines the price of the Closing Auction and the BZX Official Closing Price. This proposed functionality is very similar to functionality that has already been approved by the Commission and is operational on NYSE Arca, Inc. (“Arca”) (the “Arca Rule”)⁵ and the Exchange believes that it raises no new substantive issues for the Commission to review.

Current Rule 11.23(c)(2)(B) outlines the process for determining the price level at which the Closing Auction will occur⁶ and provides that the Closing Auction price will be the BZX Official Closing Price or, in the event that there is no Closing Auction for an issue, the BZX Official Closing Price will be the price of the Final Last Sale Eligible Trade.⁷

⁴ With respect to equities traded on the Exchange, the term “new derivative securities product” means a security that meets the definition of “new derivative securities product” in Rule 19b-4(e) under the Securities Exchange Act of 1934. See BZX Rule 14.11(j). For purposes of Rule 19b-4(e), a “new derivative securities product” means any type of option, warrant, hybrid securities product or any other security, other than a single equity option or a security futures product, whose value is based, in whole or in part, upon the performance of, or interest, in, an underlying instrument. 17 CFR 240.19b-4(e).

⁵ See Securities Exchange Act Release No. 82907 (March 20, 2018), 83 FR 12980 (March 26, 2018) (SR-NYSEArca-2018-08) (order approving proposed changes to Arca Rule 1.1(l) related to determining an Official Closing Price).

⁶ The Exchange notes that it is not proposing to make changes to the process for determining the price level at which the Closing Auction will occur.

⁷ As defined in Rule 11.23(a)(9), the term “Final Last Sale Eligible Trade” shall mean the last trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the

The Exchange proposes to amend Rule 11.23(c)(2)(B) in order to change how the BZX Official Closing Price for an Exchange-listed security that is a Derivative Securities Product would be determined in the event of an Illiquid Auction. The proposed rule change is intended to make the BZX Official Closing Price more reflective of the value of such a Derivative Securities Product. Specifically, if a security is thinly traded or generally illiquid, it's currently possible that the BZX Official Closing Price for such Derivatives Securities Product will be based on a Final Last Sale Eligible Trade that may be hours, days, or even months old and therefore not necessarily reflect the true and current value of the security.

The Exchange believes that an execution that qualifies as a Final Last Sale Eligible Trade that occurs in the last five minutes of trading during Regular Trading Hours⁸ is sufficiently recent as to be reflective of the current market value of a Derivative Securities Product and, in the event of an Illiquid Auction, should be used as the BZX Official Closing Price. Where no such execution occurs, however, the Exchange believes that a time-weighted value based on the midpoint of the NBBO⁹ leading into the close is likely to be more indicative of the true and current value of the security than a Final Last Sale Eligible Trade that occurred more than five minutes prior to the close. As such, in

trade was not executed within the last one second, the last trade reported to the consolidated tape received by BZX Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used.

⁸ As defined in Rule 1.5(w), the term "Regular Trading Hours" means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

⁹ As defined in Rule 1.5(o), the term "NBBO" shall mean the national best bid or offer.

the event that there is an Illiquid Auction in a BZX-listed Derivative Securities Product, the Exchange proposes that the BZX Official Closing Price would be the time-weighted average price of the midpoint of the NBBO over the last five minutes of trading before the end of Regular Trading Hours (the “TWAP”). Based on the foregoing, the Exchange notes that it is proposing to use only the Final Last Sale Eligible Trade or the TWAP and not any weighting or combination of the two.

In order to implement these proposed changes, the Exchange is proposing to amend Rule 11.23(c)(2)(B) to make clear that for a BZX-listed corporate security, the Closing Auction price will be the BZX Official Closing Price, which is consistent with current functionality. The Exchange is further proposing to amend Rule 11.23(c)(2)(B) in order to add a three part test for determining the BZX Official Closing Price for Derivative Securities Products, as follows.

Proposed new Rule 11.23(c)(2)(B)(i) would provide that where at least one round lot is executed in the Closing Auction, the Closing Auction price will be the BZX Official Closing Price.

Proposed new Rule 11.23(c)(2)(B)(ii) would provide that in the event that the BZX Official Closing Price for an issue that is a Derivative Securities Product cannot be determined under paragraph (B)(i) of this Rule, the BZX Official Closing Price for such security will depend on when the last Final Last Sale Eligible Trade occurs. If a trade that would qualify as a Final Last Sale Eligible Trade occurred: (a) within the final five minutes before the end of Regular Trading Hours, the Final Last Sale Eligible Trade will be the BZX Official Closing Price; or (b) prior to five minutes before the end of Regular Trading Hours, the time-weighted average price of the NBBO midpoint measured over

the last 5 minutes before the end Regular Trading Hours will be the BZX Official Closing Price.

Proposed new Rule 11.23(c)(2)(B)(iii) would provide that if the BZX Official Closing Price cannot be determined under proposed paragraphs (B)(i) or (B)(ii) of this Rule, the Final Last Sale Eligible Trade will be the BZX Official Closing Price.

As noted above, the Exchange believes that the proposed functionality is very similar to the Arca Rule and does not raise any substantive issues not already considered by the Commission. The only substantive difference between the proposal and the Arca Rule relates to the Exchange proposing only to use one of the TWAP or the Final Last Sale Eligible Trade for the BZX Official Closing Price and to exclude, contrary to the Arca Rule, any scenarios that would result in a blended price by changing the weight of the TWAP and the Final Last Sale Eligible Trade depending on how many minutes prior to the end of the trading day such Final Last Sale Eligible Trade occurs.

There are also two differences that the Exchange believes are non-substantive. First, the Exchange's proposed functionality for determining the BZX Official Closing Price applies to all securities listed on the Exchange that are not corporate securities, while the Arca Rule applies to all "derivative securities products."¹⁰ Substantively, however, there is no practical difference between these definitions because the Exchange only offers listing of corporate securities (which it has excluded from the proposed new

¹⁰ The term "Derivative Securities Product" as used in Arca's rules means a security that meets the definition of "derivative securities product" in Rule 19b-4(e) under the Securities Exchange Act of 1934. See Arca Rule 1.1(k). For purposes of Rule 19b-4(e), a "derivative securities product" means any type of option, warrant, hybrid securities product or any other security, other than a single equity option or a security futures product, whose value is based, in whole or in part, upon the performance of, or interest, in, an underlying instrument. 17 CFR 240.19b-4(e).

functionality) and products that would fall under the definition of derivative securities products. Second, the Arca Rule references the “consolidated last-sale eligible trade” in several instances where the Exchange proposed rule references the Final Last Sale Eligible Trade. The only difference between the definition of the consolidated last-sale eligible trade and the Final Last Sale Eligible Trade for purposes of this application is that the value of the Final Last Sale Eligible Trade will default to any execution on the Exchange that occurs within the last one second prior to the Closing Auction. For purposes of this proposal, the definitions are otherwise identical. The Exchange does not believe that this is a substantive difference because it is unlikely that securities for which this functionality is intended to improve a BZX Official Closing Price because of a lack of trading activity will have trading activity in the final second prior to the Closing Auction.

Implementation

The Exchange will implement the proposed rule change for determining the BZX Official Closing Price as soon as is practicable after the approval date of this proposed rule change and will announce the implementation date via Trade Desk Notice.

b. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹² in particular, in that it is designed to prevent fraudulent and manipulative acts

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for a method of determining the BZX Official Closing Price in an Exchange-listed security that is a Derivative Securities Product if there is no Closing Auction or if a Closing Auction trade is less than a round lot on a trading day. More specifically, the Exchange believes the proposed methodology for determining the BZX Official Closing Price would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for a more up-to-date indication of the value of such a security if there have not been any Final Last Sale Eligible Trades leading in to the close of trading. The Exchange believes the proposed BZX Official Closing Price calculation would also provide a closing price that more accurately reflects the most recent and reliable market information possible.

The Exchange further believes that the proposed TWAP calculation would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for a more robust mechanism to determine the value of an affected security for purposes of determining a BZX Official Closing Price. By using either the price of a Final Last Sale Eligible Trade that occurs within five minutes of the close or a time-weighted calculation based on the midpoint of the NBBO over the last five minutes of trading leading into the close, the Exchange

believes that the proposed calculation would result in a BZX Official Closing Price that is more reflective of the true and current value of such security on that trading day than would otherwise occur under the current Closing Auction mechanism.

The Exchange also believes that the proposed methodology for determining a BZX Official Closing Price would be appropriate for Derivative Securities Products because if such securities are thinly traded, the price of the Final Last Sale Eligible Trade that occurred earlier in a trading day or even from a prior trading day may no longer be reflective of the value of such product, which should be priced relative to the value of the components of such security. In such case, either a more recent execution (in the last five minutes of Regular Trading Hours) or recent quoting activity will likely be more reflective of the value of the security. As such, the Exchange is proposing to use the TWAP in order to measure such quoting activity in order to avoid overly weighting a potentially stale quote that may occur leading into the close, which the Exchange believes would provide a greater indication of the value of such securities.

Finally, the Exchange believes that the proposed functionality does not raise any substantive issues not already considered by the Commission in approving the Arca Rule.

For the above reasons, the Exchange believes that the proposal is consistent with the requirements of Section 6(b)(5) of the Act.

4. 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 designed to provide for how the Exchange would determine the BZX Official Closing Price for Exchange-listed securities that are

Derivative Securities Products if there is no Closing Auction or if a Closing Auction trade is less than a round lot on a trading day, which will help it better compete as a listing venue.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange believes that the foregoing proposed rule change should receive accelerated effectiveness pursuant to Section 19(b)(2) of the Act.¹³ The Exchange requests that the Commission approve the proposed rule change on an accelerated basis so that it may become operative as soon as practicable.

The Exchange believes that its rule change proposal is appropriate for approving on an accelerated basis because it will not significantly affect the protection of investors or the public interest and the proposal contains no new issues that the Commission has not previously contemplated. As specifically laid out above, the differences between this proposal and the Arca Rule do not raise any substantive issues not already considered by the Commission.¹⁴ More specifically, the Exchange notes that the only substantive differences between the proposal and the Arca Rule relate to the Exchange proposing to

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ See Securities Exchange Act Release No. 82907 (March 20, 2018), 83 FR 12980 (March 26, 2018) (SR-NYSEArca-2018-08).

exclude any calculations that would create a blended price by combining the TWAP and the Final Last Sale Eligible Trade. Under the Arca Rule, where the last consolidated last-sale eligible trade occurred: (i) prior to five minutes before the end of the trading day, the Arca Rule produces the same outcome as the Exchange's proposed Rules; and (ii) during the last one minute before the end of the trading day, the Exchange's proposal produces an identical outcome to the Arca Rule because in those time frames, the Arca Rule uses only the TWAP or only the last-sale eligible trade. With this in mind, the Exchange believes that the Commission has already reviewed the policy issues that this proposal raises and that the nuance associated with the blending of the TWAP and the last-sale eligible trade is an implementation detail that is not fundamental to the underlying policy issues. As such, the Exchange believes that implementing the proposed functionality to determine the BZX Official Closing Price in Derivative Securities Products raises no substantive issues for the Commission. For the foregoing reasons, this rule filing qualifies for accelerated approval under Rule 19(b)(2).

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

As discussed above, this proposed rule change is based on Arca Rule 1.1(II).

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of the Proposed Rule Change.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2018-079]

[Insert date]

Self-Regulatory Organizations; BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Establish How the BZX Official Closing Price Would be Determined for BZX-Listed Securities

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 [insert date], 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, 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 a rule change to establish how the BZX Official Closing Price would be determined for BZX-listed securities.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 BZX Rule 11.23, Auctions, to amend how the BZX Official Closing Price³ would be determined for any BZX-listed security that is not a corporate security (a "Derivative Securities Product")⁴ if the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot (collectively, an "Illiquid Auction"). Rule 11.23(c)(2)(B) currently provides how the Exchange determines the price of the Closing Auction and the BZX Official Closing Price. This proposed functionality is very similar to functionality that has already been approved by the Commission and is operational on NYSE Arca, Inc. ("Arca") (the "Arca Rule")⁵ and the Exchange believes that it raises no new substantive issues for the Commission to review.

³ As defined in Rule 11.23(a)(3), the term "BZX Official Closing Price" shall mean the price disseminated to the consolidated tape as the market center closing trade.

⁴ With respect to equities traded on the Exchange, the term "new derivative securities product" means a security that meets the definition of "new derivative securities product" in Rule 19b-4(e) under the Securities Exchange Act of 1934. See BZX Rule 14.11(j). For purposes of Rule 19b-4(e), a "new derivative securities product" means any type of option, warrant, hybrid securities product or any other security, other than a single equity option or a security futures product, whose value is based, in whole or in part, upon the performance of, or interest, in, an underlying instrument. 17 CFR 240.19b-4(e).

⁵ See Securities Exchange Act Release No. 82907 (March 20, 2018), 83 FR 12980 (March 26, 2018) (SR-NYSEArca-2018-08) (order approving proposed changes to Arca Rule 1.1(l) related to determining an Official Closing Price).

Current Rule 11.23(c)(2)(B) outlines the process for determining the price level at which the Closing Auction will occur⁶ and provides that the Closing Auction price will be the BZX Official Closing Price or, in the event that there is no Closing Auction for an issue, the BZX Official Closing Price will be the price of the Final Last Sale Eligible Trade.⁷

The Exchange proposes to amend Rule 11.23(c)(2)(B) in order to change how the BZX Official Closing Price for an Exchange-listed security that is a Derivative Securities Product would be determined in the event of an Illiquid Auction. The proposed rule change is intended to make the BZX Official Closing Price more reflective of the value of such a Derivative Securities Product. Specifically, if a security is thinly traded or generally illiquid, it's currently possible that the BZX Official Closing Price for such Derivatives Securities Product will be based on a Final Last Sale Eligible Trade that may be hours, days, or even months old and therefore not necessarily reflect the true and current value of the security.

The Exchange believes that an execution that qualifies as a Final Last Sale Eligible Trade that occurs in the last five minutes of trading during Regular Trading

⁶ The Exchange notes that it is not proposing to make changes to the process for determining the price level at which the Closing Auction will occur.

⁷ As defined in Rule 11.23(a)(9), the term "Final Last Sale Eligible Trade" shall mean the last trade occurring during Regular Trading Hours on the Exchange if the trade was executed within the last one second prior to either the Closing Auction or, for Halt Auctions, trading in the security being halted. Where the trade was not executed within the last one second, the last trade reported to the consolidated tape received by BZX Exchange during Regular Trading Hours and, where applicable, prior to trading in the security being halted will be used. If there is no qualifying trade for the current day, the BZX Official Closing Price from the previous trading day will be used.

Hours⁸ is sufficiently recent as to be reflective of the current market value of a Derivative Securities Product and, in the event of an Illiquid Auction, should be used as the BZX Official Closing Price. Where no such execution occurs, however, the Exchange believes that a time-weighted value based on the midpoint of the NBBO⁹ leading into the close is likely to be more indicative of the true and current value of the security than a Final Last Sale Eligible Trade that occurred more than five minutes prior to the close. As such, in the event that there is an Illiquid Auction in a BZX-listed Derivative Securities Product, the Exchange proposes that the BZX Official Closing Price would be the time-weighted average price of the midpoint of the NBBO over the last five minutes of trading before the end of Regular Trading Hours (the “TWAP”). Based on the foregoing, the Exchange notes that it is proposing to use only the Final Last Sale Eligible Trade or the TWAP and not any weighting or combination of the two.

In order to implement these proposed changes, the Exchange is proposing to amend Rule 11.23(c)(2)(B) to make clear that for a BZX-listed corporate security, the Closing Auction price will be the BZX Official Closing Price, which is consistent with current functionality. The Exchange is further proposing to amend Rule 11.23(c)(2)(B) in order to add a three part test for determining the BZX Official Closing Price for Derivative Securities Products, as follows.

⁸ As defined in Rule 1.5(w), the term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. Eastern Time.

⁹ As defined in Rule 1.5(o), the term “NBBO” shall mean the national best bid or offer.

Proposed new Rule 11.23(c)(2)(B)(i) would provide that where at least one round lot is executed in the Closing Auction, the Closing Auction price will be the BZX Official Closing Price.

Proposed new Rule 11.23(c)(2)(B)(ii) would provide that in the event that the BZX Official Closing Price for an issue that is a Derivative Securities Product cannot be determined under paragraph (B)(i) of this Rule, the BZX Official Closing Price for such security will depend on when the last Final Last Sale Eligible Trade occurs. If a trade that would qualify as a Final Last Sale Eligible Trade occurred: (a) within the final five minutes before the end of Regular Trading Hours, the Final Last Sale Eligible Trade will be the BZX Official Closing Price; or (b) prior to five minutes before the end of Regular Trading Hours, the time-weighted average price of the NBBO midpoint measured over the last 5 minutes before the end Regular Trading Hours will be the BZX Official Closing Price.

Proposed new Rule 11.23(c)(2)(B)(iii) would provide that if the BZX Official Closing Price cannot be determined under proposed paragraphs (B)(i) or (B)(ii) of this Rule, the Final Last Sale Eligible Trade will be the BZX Official Closing Price.

As noted above, the Exchange believes that the proposed functionality is very similar to the Arca Rule and does not raise any substantive issues not already considered by the Commission. The only substantive difference between the proposal and the Arca Rule relates to the Exchange proposing only to use one of the TWAP or the Final Last Sale Eligible Trade for the BZX Official Closing Price and to exclude, contrary to the Arca Rule, any scenarios that would result in a blended price by changing the weight of

the TWAP and the Final Last Sale Eligible Trade depending on how many minutes prior to the end of the trading day such Final Last Sale Eligible Trade occurs.

There are also two differences that the Exchange believes are non-substantive. First, the Exchange's proposed functionality for determining the BZX Official Closing Price applies to all securities listed on the Exchange that are not corporate securities, while the Arca Rule applies to all "derivative securities products."¹⁰ Substantively, however, there is no practical difference between these definitions because the Exchange only offers listing of corporate securities (which it has excluded from the proposed new functionality) and products that would fall under the definition of derivative securities products. Second, the Arca Rule references the "consolidated last-sale eligible trade" in several instances where the Exchange proposed rule references the Final Last Sale Eligible Trade. The only difference between the definition of the consolidated last-sale eligible trade and the Final Last Sale Eligible Trade for purposes of this application is that the value of the Final Last Sale Eligible Trade will default to any execution on the Exchange that occurs within the last one second prior to the Closing Auction. For purposes of this proposal, the definitions are otherwise identical. The Exchange does not believe that this is a substantive difference because it is unlikely that securities for which this functionality is intended to improve a BZX Official Closing Price because of a lack

¹⁰ The term "Derivative Securities Product" as used in Arca's rules means a security that meets the definition of "derivative securities product" in Rule 19b-4(e) under the Securities Exchange Act of 1934. See Arca Rule 1.1(k). For purposes of Rule 19b-4(e), a "derivative securities product" means any type of option, warrant, hybrid securities product or any other security, other than a single equity option or a security futures product, whose value is based, in whole or in part, upon the performance of, or interest, in, an underlying instrument. 17 CFR 240.19b-4(e).

of trading activity will have trading activity in the final second prior to the Closing Auction.

Implementation

The Exchange will implement the proposed rule change for determining the BZX Official Closing Price as soon as is practicable after the approval date of this proposed rule change and will announce the implementation date via Trade Desk Notice.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹² in particular, in that it is 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

The Exchange believes that the proposed rule change would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for a method of determining the BZX Official Closing Price in an Exchange-listed security that is a Derivative Securities Product if there is no Closing Auction or if a Closing Auction trade is less than a round lot on a trading day. More specifically, the Exchange believes the proposed methodology for determining the BZX Official Closing Price would remove impediments to and perfect the mechanism of a free

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

and open market and a national market system because it would provide for a more up-to-date indication of the value of such a security if there have not been any Final Last Sale Eligible Trades leading in to the close of trading. The Exchange believes the proposed BZX Official Closing Price calculation would also provide a closing price that more accurately reflects the most recent and reliable market information possible.

The Exchange further believes that the proposed TWAP calculation would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide for a more robust mechanism to determine the value of an affected security for purposes of determining a BZX Official Closing Price. By using either the price of a Final Last Sale Eligible Trade that occurs within five minutes of the close or a time-weighted calculation based on the midpoint of the NBBO over the last five minutes of trading leading into the close, the Exchange believes that the proposed calculation would result in a BZX Official Closing Price that is more reflective of the true and current value of such security on that trading day than would otherwise occur under the current Closing Auction mechanism.

The Exchange also believes that the proposed methodology for determining a BZX Official Closing Price would be appropriate for Derivative Securities Products because if such securities are thinly traded, the price of the Final Last Sale Eligible Trade that occurred earlier in a trading day or even from a prior trading day may no longer be reflective of the value of such product, which should be priced relative to the value of the components of such security. In such case, either a more recent execution (in the last five minutes of Regular Trading Hours) or recent quoting activity will likely be more reflective of the value of the security. As such, the Exchange is proposing to use the

TWAP in order to measure such quoting activity in order to avoid overly weighting a potentially stale quote that may occur leading into the close, which the Exchange believes would provide a greater indication of the value of such securities.

Finally, the Exchange believes that the proposed functionality does not raise any substantive issues not already considered by the Commission in approving the Arca Rule.

For the above reasons, the Exchange believes that the proposal is consistent with the requirements of Section 6(b)(5) of the Act.

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 designed to provide for how the Exchange would determine the BZX Official Closing Price for Exchange-listed securities that are Derivative Securities Products if there is no Closing Auction or if a Closing Auction trade is less than a round lot on a trading day, which will help it better compete as a listing venue.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds

such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

- A. by order approve or disapprove such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be 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-2018-079 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-2018-079. 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; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeBZX-2018-079 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.¹³

Secretary

¹³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

Rules of Cboe BZX Exchange, Inc.

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CHAPTER XI. TRADING RULES

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Rule 11.23 Auctions

(a)-(b) (No changes).

(c) Closing Auction

(1) (No changes).

(2) Closing Auction Process. The Exchange will conduct a Closing Auction for all BZX listed securities.

(A) (No changes).

(B) Determination of BZX Official Closing Price. The Closing Auction price will be established by determining the price level within the Collar Price Range that maximizes the number of shares executed between the Continuous Book and Auction Book in the Closing Auction. In the event of a volume based tie at multiple price levels, the Closing Auction price will be the price which results in the minimum total imbalance. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the Closing Auction price will be the price closest to the Volume Based Tie Breaker. [T]For a BZX-listed corporate security, the Closing Auction price will be the BZX Official Closing Price. In the event that there is no Closing Auction for a BZX-listed corporate security, the BZX Official Closing Price will be the price of the Final Last Sale Eligible Trade. The BZX Official Closing Price for all other BZX-listed securities will be determined as follows:

(i) Where at least one round lot is executed in the Closing Auction, Closing Auction price will be the BZX Official Closing Price;

(ii) In the event that [there is no Closing Auction for an issue,] the BZX Official Closing Price [will be the price of the Final Last Sale Eligible Trade] cannot be determined under paragraph (B)(i) of this Rule, the BZX Official Closing Price for such security will depend on when the last consolidated last-sale eligible trade occurs. If a trade that would qualify as a Final Last Sale Eligible Trade occurred:

(a) within the final five minutes before the end of Regular Trading Hours, the Final Last Sale Eligible Trade will be the BZX Official Closing Price; or

(b) prior to five minutes before the end of Regular Trading Hours, the time-weighted average price of the NBBO midpoint measured over the last 5 minutes before the end Regular Trading Hours will be the BZX Official Closing Price; or

(iii) If the BZX Official Closing Price cannot be determined under paragraphs (B)(i) or (B)(ii) of this Rule, the Final Last Sale Eligible Trade will be the BZX Official Closing Price.

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