

Required fields are shown with yellow backgrounds and asterisks.

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 type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" 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 checked="" 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 Exchange proposes to amend the Halt Auction process.

**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 * Adrian	Last Name * Griffiths
Title * Assistant General Counsel	
E-mail * agriffiths@cboe.com	
Telephone * (646) 856-8723	Fax


**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 12/18/2018	Assistant General Counsel
By Adrian Griffiths	
(Name *)	



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 \***

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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 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 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend the Halt Auction process used to re-open BZX listed securities following a Non-LULD Regulatory Halt to be similar to the process currently employed following a Trading Pause initiated pursuant to the Limit Up-Limit Down Plan. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup>

The text of the proposed rule change is attached as Exhibit 5. The text of the proposed rule change is available on the Exchange’s website at <http://markets.cboe.com/>, at the Exchange’s principal office and at the Public Reference Room of the Commission.

(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 December 4, 2018.

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Adrian Griffiths, Assistant General Counsel, (646) 856-8723.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

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

(a) Purpose

The purpose of the proposed rule change is to amend the Halt Auction process used to re-open BZX listed securities following certain Regulatory Halts. In 2017, the Exchange amended its Halt Auction process for re-opening a security following a Trading Pause initiated pursuant to the Plan to Address Extraordinary Market Volatility – i.e., the “Limit Up-Limit Down” or “LULD” Plan.<sup>4</sup> Specifically, the Exchange modified its rules such that initial Halt Auction Collars following a Trading Pause would be calculated using a new methodology based on the Price Band that triggered the Trading Pause, and instituted a process for extending the auction and further widening the collars if necessary to accommodate buy or sell pressure outside of the collars then in effect.<sup>5</sup> The Exchange believes that these changes have been effective in facilitating a fair and orderly market following Trading Pauses initiated pursuant to the Limit Up-Limit Down Plan, and has decided to implement similar functionality for all other Regulatory Halts, such as material news halts or trading halts following the initiation of the market wide circuit breaker mechanism (“Non-LULD Regulatory Halts”).<sup>6</sup> The Exchange believes that the proposed changes would promote price formation by providing a consistent and

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<sup>4</sup> See Securities Exchange Act Release Nos. 79162 (October 26, 2016), 81 FR 75875 (November 1, 2016) (Notice); 79884 (January 26, 2017), 82 FR 8968 (February 2, 2017) (Approval Order) (SR-BatsBZX-2016-61).

<sup>5</sup> The Exchange also modified its clearly erroneous rules to provide that executions as a result of a Halt Auction under Rule 11.23, which encompasses all Halt Auctions, including but not limited to those following a Trading Pause, are not eligible to for a request to review as clearly erroneous under Rule 11.23(d).

<sup>6</sup> A marketwide circuit breaker is triggered if the price of the S&P 500 Index declines by a specified amount compared to the closing price for the immediately preceding trading day. See BZX Rule 11.18(a).

orderly Halt Auction process for members and investors following all Regulatory Halts, similar to the current implementation on NYSE Arca, Inc. (“Arca”).<sup>7</sup>

Currently, BZX Rule 11.23(d)(2)(B) describes the process for extending the Quote-Only Period for IPO and Halt Auctions, other than Halt Auctions following a Trading Pause, which are described in the recently added BZX Rule 11.23(d)(2)(C).<sup>8</sup> As provided in BZX Rule 11.23(d)(2)(B), the Quote-Only Period may be extended where: (i) there are unmatched market orders on the Auction Book associated with the auction; (ii) in an IPO Auction, the underwriter requests an extension; (iii) where the Indicative Price moves the greater of 10% or fifty cents in the fifteen seconds prior to the auction; or (iv) in the event of a technical or systems issue at the Exchange that may impair the ability of Users to participate in the IPO Auction or of the Exchange to complete the IPO Auction. The Exchange proposes to amend this rule such that this process would continue to be followed solely for IPO Auctions or Halt Auctions following a Non-Regulatory Halt. For Halt Auctions following a Non-LULD Regulatory Halt, the Exchange proposes to follow a process similar to that currently applied for Halt Auctions following a Trading Pause, as described in BZX Rule 11.23(d)(2)(C).

BZX Rule 11.23(d)(2)(C), which describes the current process for incremental quote period extensions for Halt Auctions following a Trading Pause, provides that the Quote-Only Period commences five minutes prior to such Halt Auction, and is extended

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<sup>7</sup> See Securities Exchange Act Release Nos. 79107 (October 18, 2016), 81 FR 73159 (October 24, 2016) (Notice); 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (Approval Order) (SR-NYSEArca-2016-130).

<sup>8</sup> The term “Quote-Only Period” means a designated period of time prior to a Halt Auction, a Volatility Closing Auction, or an IPO Auction during which Users may submit orders to the Exchange for participation in the auction. See BZX Rule 11.23(a)(17).

for an additional five minutes (“Initial Extension Period”) should a Halt Auction be unable to be performed due to a market order imbalance under BZX Rule 11.23(d)(2)(B)(i),<sup>9</sup> or where the Indicative Price,<sup>10</sup> before being adjusted for Halt Auction Collars, is outside the applicable Halt Auction Collars set forth in BZX Rule 11.23(d)(2)(C)(i) and (ii) (either, an “Impermissible Price”). After the Initial Extension Period, the Quote-Only Period is extended for additional five minute periods should a Halt Auction be unable to be performed due to an Impermissible Price until a Halt Auction occurs (“Additional Extension Period”).<sup>11</sup> The Exchange attempts to conduct a Halt Auction during the course of each Additional Extension Period. Furthermore, the Halt Auction is cancelled at 3:50 p.m., at which time the auction for the security is conducted pursuant to the Volatility Closing Auction process under BZX Rule 11.23(e).

The Exchange now proposes to amend BZX Rule 11.23(d)(2)(C) to implement this process for Halt Auctions following a Non-LULD Regulatory Halt as well. The proposed process for re-opening a BZX listed security after a Non-LULD Regulatory

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<sup>9</sup> A market order imbalance exists when there are unmatched market orders on the Auction Book associated with the auction. See BZX Rule 11.23(d)(2)(B)(i). Since Rule 11.23(d)(2)(B), as amended, would apply solely to IPO Auctions to Halt Auctions following a Non-Regulatory Halt, the Exchange proposes to replace the reference to a market order imbalance under Rule 11.23(d)(2)(B)(i) with the text of the language included therein.

<sup>10</sup> The term “Indicative Price” means the price at which the most shares from the Auction Book and the Continuous Book would match. In the event of a volume based tie at multiple price levels, the Indicative 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 Indicative Price will be the price closest to the Volume Based Tie Breaker. See BZX Rule 11.23(a)(10).

<sup>11</sup> In the event of any extension to the Quote-Only Period as set forth in Rule 11.23(d)(2)(B) or (C), the Exchange notifies market participants regarding the circumstances and length of the extension. See BZX Rule 11.23(d)(2)(D).

Halt would be identical to the process employed today for Halt Auctions following a Trading Pause, with only two differences that relate to the calculation of initial Halt Auction Collars. First, today the Halt Auction Reference Price for Halt Auctions following a Trading Pause is equal the price of the Upper or Lower Price Band that triggered the halt. Similar to the current implementation on Arca,<sup>12</sup> the Exchange proposes that the initial Halt Auction Collar following a Non-LULD Regulatory Halt would instead be based on a Halt Auction Reference Price equal to the price of the Final Last Sale Eligible Trade (“FLSET”).<sup>13</sup> Second, today for Halt Auctions following a

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<sup>12</sup> Arca’s halt auction collars are based on an auction reference price equal to the last consolidated round-lot price of that trading day and, if none, the prior trading day’s official closing price (except as provided for in Arca Rule 7.35- E(e)(7)(A)) for trading halt auctions other than auctions following a Trading Pause. See Arca Rule 7.35E(a)(8)(A),(e)(7)(A).

<sup>13</sup> The term “Final Last Sale Eligible Trade” or “FLSET” means 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. See BZX Rule 11.23(a)(9).

The FLSET is the Commission approved last sale formulation designed for use in BZX auctions, including the Halt Auction. See Securities Exchange Act Release Nos. 65266 (September 6, 2011), 76 FR 56249 (September 12, 2011) (Notice); 65619 (October 25, 2011), 76 FR 67238 (October 31, 2011) (Approval Order) (SR-BATS-2011-032). The FLSET as defined in BZX Rule 11.23(a)(9) is equivalent to Arca’s reference price in substance, except that the most recent trade executed on BZX during Regular Trading Hours is used if such a trade is executed within the last one second prior to the halt. The Exchange believes that is appropriate to use the price of a trade on the primary listing market, i.e., BZX, to set the reference price for auctions in BZX-listed securities when such a trade has been executed recently. Using the FLSET as currently formulated and approved would therefore ensure that the reference price selected provides a familiar and desirable experience for member and investors participating in BZX auctions.

Trading Pause, if the Halt Auction Reference Price is the Lower (Upper) Price Band: (1) the initial upper (lower) Halt Auction Collar is the Upper (Lower) Price Band, and (2) the lower (upper) Halt Auction Collar is five percent less (greater) than the Halt Auction Reference Price, or \$0.15 less (greater) than the Halt Auction Reference Price for securities with a Halt Auction Reference Price of \$3.00 or less, in each case rounded to the nearest minimum price variation. Similar to the current implementation on Arca,<sup>14</sup> the Exchange proposes that Halt Auction Collars following a Non-LULD Regulatory Halt, would be calculated as described in (2) above, with this calculation applied to both the lower and upper collar. For example, if the FLSET for a security subject to a Non-LULD Regulatory Halt is \$100.00, then the initial Halt Auction Collars would be \$95.00 x \$105.00 – i.e., five percent below and above the FLSET.

All other logic currently in place for Halt Auctions Collars following a Trading Pause would be used for Halt Auctions following a Non-LULD Regulatory Halt, including the process for initiating extensions. Specifically, as is the case for Halt Auctions following a Trading Pause today, at the beginning of the Initial Extension Period the upper (lower) Halt Auction Collar would be increased (decreased) by five percent in the direction of the Impermissible Price, rounded to the nearest minimum price variation. For securities with a Halt Auction Reference Price of \$3.00 or less, the Halt Auction Collar would be increased (decreased) in \$0.15 increments in the direction of the Impermissible Price. At the beginning of each Additional Extension Period, the Halt Auction Collar would be widened in accordance with BZX Rule 11.23(d)(2)(C)(ii) by the same amount as the Initial Extension Period.

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<sup>14</sup> See Arca Rule 7.35E(e)(7)(B)(ii).



The Exchange also proposes to amend BZX Rule 11.23(d)(2)(E) to reflect the proposed changes to the Halt Auction Collars described above, and make other technical corrections to that rule. Currently, BZX Rule 11.23(d)(2)(E) provides that IPO Auctions for ETPs are executed within the Collar Price Range, and Halt Auctions for ETPs are executed within the Halt Auction Collars. Although the Exchange has traditionally been a listing venue for ETPs, the Exchange now lists one corporate security – i.e., the stock of its parent company, Cboe Global Markets, Inc. The Exchange therefore proposes to eliminate the outdated reference to ETPs in this section. Furthermore, as described in more detail in the prior paragraphs, the Halt Auction Collars provided in BZX Rule 11.23(d)(2)(C) would apply to Halt Auctions following a Regulatory Halt, including both Trading Pauses and Non-LULD Regulatory Halts. The Collar Price Range, meanwhile, is used for Halt Auctions following either an IPO Auction or a Non-Regulatory Halt. The Exchange therefore proposes to amend the rule to state that the applicable Collar Price Range will be used for IPO Auctions and Halt Auctions following a Non-Regulatory Halt, while the applicable Halt Auction Collar will be used for Halt Auctions following a Regulatory Halt.

Finally, the Exchange proposes to amend its Volatility Closing Auction to account for the widened Halt Auction Collars following a Regulatory Halt, similar to handling on Arca.<sup>15</sup> The Exchange conducts a Volatility Closing Auction for a halted security instead of the normal Closing Auction or Halt Auction, if the security halted between 3:50 p.m. and 4:00 p.m. pursuant to BZX Rule 11.18, or the Quote-Only Period of a Halt Auction for a security halted before 3:50 p.m. pursuant to BZX Rule 11.18 would otherwise be

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<sup>15</sup> See infra note 17.

extended by the Exchange after 3:50 p.m. Currently, orders are executed in the Volatility Closing Auction at the price level within the Collar Price Range that maximizes the number of shares executed in the auction, with certain tie-breakers in the event that there is a volume based tie at multiple price levels. Instead of using the Collar Price Range, the Exchange proposes to preserve the widened collars discussed in this filing for Halt Auctions following either a Trading Pause or Non-LULD Regulatory Halt.<sup>16</sup> As proposed, orders would be executed at the price level within the most recently widened Halt Auction Collar calculated pursuant to BZX Rule 11.23(d)(1)(C) that maximizes the number of shares executed in the auction.<sup>17</sup>

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b) of the Act,<sup>18</sup> in general, and Section 6(b)(5) of the Act,<sup>19</sup> in particular, in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and not to permit unfair discrimination between customers, issuers, brokers, or dealers.

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<sup>16</sup> The most recently widened Halt Auction Collars calculated pursuant to Rule 11.23(d)(1)(C) would be used in all instances, including where the security goes directly into the Volatility Closing Auction without first being processed in a Halt Auction.

<sup>17</sup> Arca also uses auction collars based on the most recently widened collars for the halt auction that did not occur when transitioning to a closing auction instead of the regular halt auction at the end of core trading hours. See Arca Rule 7.35-E.(e)(10)(B)

<sup>18</sup> 15 U.S.C. § 78f(b).

<sup>19</sup> 15 U.S.C. § 78f(b)(5).

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it would amend the Halt Auction process following a Non-LULD Regulatory Halt to be more closely aligned with behavior currently implemented for Halt Auctions following a Trading Pause. The Exchange recently amended its re-opening process following a Trading Pause to better account for buy or sell pressure by changing the manner in which initial Halt Auction Collars are established, and widening the collars as appropriate to accommodate trading interest submitted to participate in the auction. The Exchange believes that these changes have been generally successful in facilitating a fair and orderly process for re-opening securities following a Trading Pause. The Exchange has therefore decided to use a similar process for Halt Auctions following a Non-LULD Regulatory Halt. The Exchange believes that extending the current process for setting and widening Halt Auction Collars following a Trading Pause to Halt Auctions following a Non-LULD Regulatory Halt would benefit investors by facilitating price discovery and promoting consistency in how the Exchange conducts Halt Auctions following a Regulatory Halt.

While the proposed process for Halt Auctions following a Non-LULD Regulatory Halt would largely follow the process in place today for Halt Auctions following a Trading Pause, there would be two notable differences. Both of these differences are designed to ensure that suitable Halt Auction Collars are utilized for Halt Auctions following Non-LULD Regulatory Halts. For instance, while an Auction Reference Price based on the Price Band that triggered the Trading Pause continues to be appropriate in the context of Halt Auctions following Trading Pauses, the Exchange believes that a different reference is necessary for Halt Auctions following Regulatory Halts that are

unrelated to the LULD mechanism. The Exchange has chosen to use the FLSET as the Halt Auction Reference Price in these circumstances as this price is reflective of the current market for the halted security. Similarly, the Exchange believes that it is appropriate to calculate both upper and lower collars that are a specified percentage or dollar amount from this reference price because Non-LULD Regulatory Halts do not involve security specific buy or sell pressure. Both of these differences mirror the application of Halt Auction Collars on Arca today,<sup>20</sup> and would therefore provide both a fair and familiar experience for members and investors trading BZX listed securities.

Similar to Halt Auctions following a Trading Pause, the Exchange believes that the proposed changes are consistent with the protection of investors and the public interest because they are designed to facilitate price discovery by ensuring that all market order interest could be satisfied in Halt Auctions following a Non-LULD Regulatory Halt. Furthermore, the Exchange believes that the standardized procedures to extend Halt Auctions an additional five minutes are appropriate because this would provide additional time to attract offsetting liquidity. If at the end of such extension, market orders still cannot be satisfied within the applicable Halt Auction Collar, or if the re-opening auction would be priced outside of the applicable collars, the Exchange would extend the Halt Auction an additional five minutes. The Exchange believes that extending the auction in these circumstances would protect investors and the public interest by reducing the potential for significant price disparity in post-auction trading. With each such extension, the Exchange believes that it is appropriate to widen the Halt Auction Collar on the side

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<sup>20</sup> Although there are minor differences between the FLSET and the reference price used by Arca, the Exchange believes that it is appropriate to use the FLSET as the reference price as this price represents the last sale calculation used for auctions in BZX listed securities pursuant to Rule 11.23. See supra note 13.

of the market on which there is buying or selling pressure as market conditions may prevent an imbalance from being resolved within the prior auction collars.

The Exchange also believes that it is appropriate to amend its rules to properly indicate when the Collar Price Range and Halt Auction Collars are used. As discussed elsewhere in this proposed rule change, the applicable Collar Price Range would be used for IPO Auctions and Halt Auctions following a Non-Regulatory Halt, and the applicable Halt Auction Collar described in Rule 11.23(d)(2)(C) would be used for all Halt Auctions following a Regulatory Halt, including both Trading Pauses and Non-LULD Regulatory Halts. The proposed rule changes would remove unnecessary and outdated references to ETPs and make other changes consistent with the framework discussed in this proposed rule change for the calculation of auction collars. The Exchange therefore believes that the amended rule would increase transparency around the operation of the Exchange's auctions, and is therefore consistent with the public interest and the protection of investors.

Finally, the Exchange believes that it is consistent with the protection of investors and the public interest to preserve the widened Halt Auction Collars following a Regulatory Halt when no Halt Auction has occurred prior to 3:50 p.m. and the Exchange therefore performs a Volatility Closing Auction. Using the most recently widened Halt Auction Collars in these circumstances ensures that buy or sell pricing pressure that resulted in the Exchange widening the Halt Auction Collars is appropriately accounted for when the Exchange transitions to a Volatility Closing Auction. The Exchange believes that the process for setting Halt Auction Collars following a Regulatory Halt facilitates price discovery and the maintenance of a fair and orderly market. Allowing

these collars to persist, similar to Arca, would further ensure that the collars used for the Volatility Closing Auction would appropriately reflect the market for the security in a manner that facilitates price discovery when the Exchange transitions to a closing process instead of re-opening the security pursuant to the Halt Auction process.

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

The Exchange does not believe that the proposed rule change would 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 a measured and transparent process for re-opening BZX listed securities after a Non-LULD Regulatory Halt that mirrors the current Halt Auction process following a Trading Pause initiated pursuant to the Limit Up-Limit Down Plan. A similar process is already used by Arca across all Regulatory Halts, and the Exchange believes that this handling would be beneficial for market participants that trade BZX listed securities. Rather than burden competition, the Exchange believes that the proposed rule change is evidence of the robust competition between equities markets that benefits members and investors.

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

No comments were solicited or received 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 foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>21</sup> of the Act and Rule 19b-4(f)(6)<sup>22</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for thirty (30) days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.<sup>23</sup>

The Exchange believes that the proposed rule change would not significantly affect the protection of investors or the public interest, and would not impose a significant burden on competition, as it would provide a similar process for Halt Auctions following a Non-LULD Regulatory Halt as already employed for auctions following a Trading Pause, and would make related and non-substantive changes to the rules to ensure that the Exchange's process for conducting auctions in BZX listed securities is transparent to members and investors. Furthermore, the proposed process aligns with the process already implemented by Arca, which introduced these changes at the same time as modifying their auction handling following a Trading Pause. The Exchange therefore

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<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f)(6).

<sup>23</sup> 17 CFR 240.19b-4(f)(6)(iii).

believes that the proposed rule change would provide for a fair and orderly process for re-opening securities following a Non-LULD Regulatory Halt without introducing new or novel issues not already considered by the Commission. Therefore, the Exchange has accordingly designated this rule filing as “non-controversial” under Section 19(b)(3)(A) of the Act<sup>24</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>25</sup>

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

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

The proposed rule change is based on the rules of Arca.<sup>26</sup>

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 – Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 5 – Text of the Proposed Rule Change

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<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 C.F.R. 240.19b-4.

<sup>26</sup> See supra note 7.



EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2018-090]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Halt Auction Process

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [insert date], 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, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend the Halt Auction process. The text of the proposed rule change is attached as Exhibit 5.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

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

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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 purpose of the proposed rule change is to amend the Halt Auction process used to re-open BZX listed securities following certain Regulatory Halts. In 2017, the Exchange amended its Halt Auction process for re-opening a security following a Trading Pause initiated pursuant to the Plan to Address Extraordinary Market Volatility – i.e., the “Limit Up-Limit Down” or “LULD” Plan.<sup>5</sup> Specifically, the Exchange modified its rules such that initial Halt Auction Collars following a Trading Pause would be calculated using a new methodology based on the Price Band that triggered the Trading Pause, and instituted a process for extending the auction and further widening the collars

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<sup>5</sup> See Securities Exchange Act Release Nos. 79162 (October 26, 2016), 81 FR 75875 (November 1, 2016) (Notice); 79884 (January 26, 2017), 82 FR 8968 (February 2, 2017) (Approval Order) (SR-BatsBZX-2016-61).

if necessary to accommodate buy or sell pressure outside of the collars then in effect.<sup>6</sup>

The Exchange believes that these changes have been effective in facilitating a fair and orderly market following Trading Pauses initiated pursuant to the Limit Up-Limit Down Plan, and has decided to implement similar functionality for all other Regulatory Halts, such as material news halts or trading halts following the initiation of the market wide circuit breaker mechanism (“Non-LULD Regulatory Halts”).<sup>7</sup> The Exchange believes that the proposed changes would promote price formation by providing a consistent and orderly Halt Auction process for members and investors following all Regulatory Halts, similar to the current implementation on NYSE Arca, Inc. (“Arca”).<sup>8</sup>

Currently, BZX Rule 11.23(d)(2)(B) describes the process for extending the Quote-Only Period for IPO and Halt Auctions, other than Halt Auctions following a Trading Pause, which are described in the recently added BZX Rule 11.23(d)(2)(C).<sup>9</sup> As provided in BZX Rule 11.23(d)(2)(B), the Quote-Only Period may be extended where: (i) there are unmatched market orders on the Auction Book associated with the auction; (ii) in an IPO Auction, the underwriter requests an extension; (iii) where the Indicative Price

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<sup>6</sup> The Exchange also modified its clearly erroneous rules to provide that executions as a result of a Halt Auction under Rule 11.23, which encompasses all Halt Auctions, including but not limited to those following a Trading Pause, are not eligible to for a request to review as clearly erroneous under Rule 11.23(d).

<sup>7</sup> A marketwide circuit breaker is triggered if the price of the S&P 500 Index declines by a specified amount compared to the closing price for the immediately preceding trading day. See BZX Rule 11.18(a).

<sup>8</sup> See Securities Exchange Act Release Nos. 79107 (October 18, 2016), 81 FR 73159 (October 24, 2016) (Notice); 79846 (January 19, 2017), 82 FR 8548 (January 26, 2017) (Approval Order) (SR-NYSEArca-2016-130).

<sup>9</sup> The term “Quote-Only Period” means a designated period of time prior to a Halt Auction, a Volatility Closing Auction, or an IPO Auction during which Users may submit orders to the Exchange for participation in the auction. See BZX Rule 11.23(a)(17).

moves the greater of 10% or fifty cents in the fifteen seconds prior to the auction; or (iv) in the event of a technical or systems issue at the Exchange that may impair the ability of Users to participate in the IPO Auction or of the Exchange to complete the IPO Auction. The Exchange proposes to amend this rule such that this process would continue to be followed solely for IPO Auctions or Halt Auctions following a Non-Regulatory Halt. For Halt Auctions following a Non-LULD Regulatory Halt, the Exchange proposes to follow a process similar to that currently applied for Halt Auctions following a Trading Pause, as described in BZX Rule 11.23(d)(2)(C).

BZX Rule 11.23(d)(2)(C), which describes the current process for incremental quote period extensions for Halt Auctions following a Trading Pause, provides that the Quote-Only Period commences five minutes prior to such Halt Auction, and is extended for an additional five minutes (“Initial Extension Period”) should a Halt Auction be unable to be performed due to a market order imbalance under BZX Rule 11.23(d)(2)(B)(i),<sup>10</sup> or where the Indicative Price,<sup>11</sup> before being adjusted for Halt Auction Collars, is outside the applicable Halt Auction Collars set forth in BZX Rule 11.23(d)(2)(C)(i) and (ii) (either, an “Impermissible Price”). After the Initial Extension

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<sup>10</sup> A market order imbalance exists when there are unmatched market orders on the Auction Book associated with the auction. See BZX Rule 11.23(d)(2)(B)(i). Since Rule 11.23(d)(2)(B), as amended, would apply solely to IPO Auctions to Halt Auctions following a Non-Regulatory Halt, the Exchange proposes to replace the reference to a market order imbalance under Rule 11.23(d)(2)(B)(i) with the text of the language included therein.

<sup>11</sup> The term “Indicative Price” means the price at which the most shares from the Auction Book and the Continuous Book would match. In the event of a volume based tie at multiple price levels, the Indicative 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 Indicative Price will be the price closest to the Volume Based Tie Breaker. See BZX Rule 11.23(a)(10).

Period, the Quote-Only Period is extended for additional five minute periods should a Halt Auction be unable to be performed due to an Impermissible Price until a Halt Auction occurs (“Additional Extension Period”).<sup>12</sup> The Exchange attempts to conduct a Halt Auction during the course of each Additional Extension Period. Furthermore, the Halt Auction is cancelled at 3:50 p.m., at which time the auction for the security is conducted pursuant to the Volatility Closing Auction process under BZX Rule 11.23(e).

The Exchange now proposes to amend BZX Rule 11.23(d)(2)(C) to implement this process for Halt Auctions following a Non-LULD Regulatory Halt as well. The proposed process for re-opening a BZX listed security after a Non-LULD Regulatory Halt would be identical to the process employed today for Halt Auctions following a Trading Pause, with only two differences that relate to the calculation of initial Halt Auction Collars. First, today the Halt Auction Reference Price for Halt Auctions following a Trading Pause is equal the price of the Upper or Lower Price Band that triggered the halt. Similar to the current implementation on Arca,<sup>13</sup> the Exchange proposes that the initial Halt Auction Collar following a Non-LULD Regulatory Halt would instead be based on a Halt Auction Reference Price equal to the price of the Final Last Sale Eligible Trade (“FLSET”).<sup>14</sup> Second, today for Halt Auctions following a

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<sup>12</sup> In the event of any extension to the Quote-Only Period as set forth in Rule 11.23(d)(2)(B) or (C), the Exchange notifies market participants regarding the circumstances and length of the extension. See BZX Rule 11.23(d)(2)(D).

<sup>13</sup> Arca’s halt auction collars are based on an auction reference price equal to the last consolidated round-lot price of that trading day and, if none, the prior trading day’s official closing price (except as provided for in Arca Rule 7.35- E(e)(7)(A)) for trading halt auctions other than auctions following a Trading Pause. See Arca Rule 7.35E(a)(8)(A),(e)(7)(A).

<sup>14</sup> The term “Final Last Sale Eligible Trade” or “FLSET” means the last trade occurring during Regular Trading Hours on the Exchange if the trade was

Trading Pause, if the Halt Auction Reference Price is the Lower (Upper) Price Band: (1) the initial upper (lower) Halt Auction Collar is the Upper (Lower) Price Band, and (2) the lower (upper) Halt Auction Collar is five percent less (greater) than the Halt Auction Reference Price, or \$0.15 less (greater) than the Halt Auction Reference Price for securities with a Halt Auction Reference Price of \$3.00 or less, in each case rounded to the nearest minimum price variation. Similar to the current implementation on Arca,<sup>15</sup> the Exchange proposes that Halt Auction Collars following a Non-LULD Regulatory Halt, would be calculated as described in (2) above, with this calculation applied to both the lower and upper collar. For example, if the FLSET for a security subject to a Non-LULD Regulatory Halt is \$100.00, then the initial Halt Auction Collars would be \$95.00 x \$105.00 – i.e., five percent below and above the FLSET.

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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. See BZX Rule 11.23(a)(9).

The FLSET is the Commission approved last sale formulation designed for use in BZX auctions, including the Halt Auction. See Securities Exchange Act Release Nos. 65266 (September 6, 2011), 76 FR 56249 (September 12, 2011) (Notice); 65619 (October 25, 2011), 76 FR 67238 (October 31, 2011) (Approval Order) (SR-BATS-2011-032). The FLSET as defined in BZX Rule 11.23(a)(9) is equivalent to Arca's reference price in substance, except that the most recent trade executed on BZX during Regular Trading Hours is used if such a trade is executed within the last one second prior to the halt. The Exchange believes that is appropriate to use the price of a trade on the primary listing market, i.e., BZX, to set the reference price for auctions in BZX-listed securities when such a trade has been executed recently. Using the FLSET as currently formulated and approved would therefore ensure that the reference price selected provides a familiar and desirable experience for member and investors participating in BZX auctions.

<sup>15</sup> See Arca Rule 7.35E(e)(7)(B)(ii).

All other logic currently in place for Halt Auctions Collars following a Trading Pause would be used for Halt Auctions following a Non-LULD Regulatory Halt, including the process for initiating extensions. Specifically, as is the case for Halt Auctions following a Trading Pause today, at the beginning of the Initial Extension Period the upper (lower) Halt Auction Collar would be increased (decreased) by five percent in the direction of the Impermissible Price, rounded to the nearest minimum price variation. For securities with a Halt Auction Reference Price of \$3.00 or less, the Halt Auction Collar would be increased (decreased) in \$0.15 increments in the direction of the Impermissible Price. At the beginning of each Additional Extension Period, the Halt Auction Collar would be widened in accordance with BZX Rule 11.23(d)(2)(C)(ii) by the same amount as the Initial Extension Period.

The Exchange also proposes to amend BZX Rule 11.23(d)(2)(E) to reflect the proposed changes to the Halt Auction Collars described above, and make other technical corrections to that rule. Currently, BZX Rule 11.23(d)(2)(E) provides that IPO Auctions for ETPs are executed within the Collar Price Range, and Halt Auctions for ETPs are executed within the Halt Auction Collars. Although the Exchange has traditionally been a listing venue for ETPs, the Exchange now lists one corporate security – i.e., the stock of its parent company, Cboe Global Markets, Inc. The Exchange therefore proposes to eliminate the outdated reference to ETPs in this section. Furthermore, as described in more detail in the prior paragraphs, the Halt Auction Collars provided in BZX Rule 11.23(d)(2)(C) would apply to Halt Auctions following a Regulatory Halt, including both Trading Pauses and Non-LULD Regulatory Halts. The Collar Price Range, meanwhile, is used for Halt Auctions following either an IPO Auction or a Non-Regulatory Halt. The

Exchange therefore proposes to amend the rule to state that the applicable Collar Price Range will be used for IPO Auctions and Halt Auctions following a Non-Regulatory Halt, while the applicable Halt Auction Collar will be used for Halt Auctions following a Regulatory Halt.

Finally, the Exchange proposes to amend its Volatility Closing Auction to account for the widened Halt Auction Collars following a Regulatory Halt, similar to handling on Arca.<sup>16</sup> The Exchange conducts a Volatility Closing Auction for a halted security instead of the normal Closing Auction or Halt Auction, if the security halted between 3:50 p.m. and 4:00 p.m. pursuant to BZX Rule 11.18, or the Quote-Only Period of a Halt Auction for a security halted before 3:50 p.m. pursuant to BZX Rule 11.18 would otherwise be extended by the Exchange after 3:50 p.m. Currently, orders are executed in the Volatility Closing Auction at the price level within the Collar Price Range that maximizes the number of shares executed in the auction, with certain tie-breakers in the event that there is a volume based tie at multiple price levels. Instead of using the Collar Price Range, the Exchange proposes to preserve the widened collars discussed in this filing for Halt Auctions following either a Trading Pause or Non-LULD Regulatory Halt.<sup>17</sup> As proposed, orders would be executed at the price level within the most recently widened Halt Auction Collar calculated pursuant to BZX Rule 11.23(d)(1)(C) that maximizes the number of shares executed in the auction.<sup>18</sup>

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<sup>16</sup> See *infra* note 18.

<sup>17</sup> The most recently widened Halt Auction Collars calculated pursuant to Rule 11.23(d)(1)(C) would be used in all instances, including where the security goes directly into the Volatility Closing Auction without first being processed in a Halt Auction.

<sup>18</sup> Arca also uses auction collars based on the most recently widened collars for the



## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b) of the Act,<sup>19</sup> in general, and Section 6(b)(5) of the Act,<sup>20</sup> in particular, in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and not to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest because it would amend the Halt Auction process following a Non-LULD Regulatory Halt to be more closely aligned with behavior currently implemented for Halt Auctions following a Trading Pause. The Exchange recently amended its re-opening process following a Trading Pause to better account for buy or sell pressure by changing the manner in which initial Halt Auction Collars are established, and widening the collars as appropriate to accommodate trading interest submitted to participate in the auction. The Exchange believes that these changes have been generally successful in facilitating a fair and orderly process for re-opening securities following a Trading Pause. The Exchange has therefore decided to use a similar process for Halt Auctions following a Non-LULD Regulatory Halt. The Exchange believes that extending the current process for setting and widening Halt Auction Collars following a Trading Pause to Halt Auctions following a Non-LULD Regulatory Halt

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halt auction that did not occur when transitioning to a closing auction instead of the regular halt auction at the end of core trading hours. See Arca Rule 7.35-E.(e)(10)(B)

<sup>19</sup> 15 U.S.C. § 78f(b).

<sup>20</sup> 15 U.S.C. § 78f(b)(5).

would benefit investors by facilitating price discovery and promoting consistency in how the Exchange conducts Halt Auctions following a Regulatory Halt.

While the proposed process for Halt Auctions following a Non-LULD Regulatory Halt would largely follow the process in place today for Halt Auctions following a Trading Pause, there would be two notable differences. Both of these differences are designed to ensure that suitable Halt Auction Collars are utilized for Halt Auctions following Non-LULD Regulatory Halts. For instance, while an Auction Reference Price based on the Price Band that triggered the Trading Pause continues to be appropriate in the context of Halt Auctions following Trading Pauses, the Exchange believes that a different reference is necessary for Halt Auctions following Regulatory Halts that are unrelated to the LULD mechanism. The Exchange has chosen to use the FLSET as the Halt Auction Reference Price in these circumstances as this price is reflective of the current market for the halted security. Similarly, the Exchange believes that it is appropriate to calculate both upper and lower collars that are a specified percentage or dollar amount from this reference price because Non-LULD Regulatory Halts do not involve security specific buy or sell pressure. Both of these differences mirror the application of Halt Auction Collars on Arca today,<sup>21</sup> and would therefore provide both a fair and familiar experience for members and investors trading BZX listed securities.

Similar to Halt Auctions following a Trading Pause, the Exchange believes that the proposed changes are consistent with the protection of investors and the public interest because they are designed to facilitate price discovery by ensuring that all market

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<sup>21</sup> Although there are minor differences between the FLSET and the reference price used by Arca, the Exchange believes that it is appropriate to use the FLSET as the reference price as this price represents the last sale calculation used for auctions in BZX listed securities pursuant to Rule 11.23. See supra note 14.

order interest could be satisfied in Halt Auctions following a Non-LULD Regulatory Halt. Furthermore, the Exchange believes that the standardized procedures to extend Halt Auctions an additional five minutes are appropriate because this would provide additional time to attract offsetting liquidity. If at the end of such extension, market orders still cannot be satisfied within the applicable Halt Auction Collar, or if the re-opening auction would be priced outside of the applicable collars, the Exchange would extend the Halt Auction an additional five minutes. The Exchange believes that extending the auction in these circumstances would protect investors and the public interest by reducing the potential for significant price disparity in post-auction trading. With each such extension, the Exchange believes that it is appropriate to widen the Halt Auction Collar on the side of the market on which there is buying or selling pressure as market conditions may prevent an imbalance from being resolved within the prior auction collars.

The Exchange also believes that it is appropriate to amend its rules to properly indicate when the Collar Price Range and Halt Auction Collars are used. As discussed elsewhere in this proposed rule change, the applicable Collar Price Range would be used for IPO Auctions and Halt Auctions following a Non-Regulatory Halt, and the applicable Halt Auction Collar described in Rule 11.23(d)(2)(C) would be used for all Halt Auctions following a Regulatory Halt, including both Trading Pauses and Non-LULD Regulatory Halts. The proposed rule changes would remove unnecessary and outdated references to ETPs and make other changes consistent with the framework discussed in this proposed rule change for the calculation of auction collars. The Exchange therefore believes that the amended rule would increase transparency around the operation of the Exchange's

auctions, and is therefore consistent with the public interest and the protection of investors.

Finally, the Exchange believes that it is consistent with the protection of investors and the public interest to preserve the widened Halt Auction Collars following a Regulatory Halt when no Halt Auction has occurred prior to 3:50 p.m. and the Exchange therefore performs a Volatility Closing Auction. Using the most recently widened Halt Auction Collars in these circumstances ensures that buy or sell pricing pressure that resulted in the Exchange widening the Halt Auction Collars is appropriately accounted for when the Exchange transitions to a Volatility Closing Auction. The Exchange believes that the process for setting Halt Auction Collars following a Regulatory Halt facilitates price discovery and the maintenance of a fair and orderly market. Allowing these collars to persist, similar to Arca, would further ensure that the collars used for the Volatility Closing Auction would appropriately reflect the market for the security in a manner that facilitates price discovery when the Exchange transitions to a closing process instead of re-opening the security pursuant to the Halt Auction process.

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

The Exchange does not believe that the proposed rule change would 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 a measured and transparent process for re-opening BZX listed securities after a Non-LULD Regulatory Halt that mirrors the current Halt Auction process following a Trading Pause initiated pursuant to the Limit Up-Limit Down Plan. A similar process is already used by Arca across all Regulatory Halts, and the Exchange believes that this handling would be

beneficial for market participants that trade BZX listed securities. Rather than burden competition, the Exchange believes that the proposed rule change is evidence of the robust competition between equities markets that benefits members and investors.

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

No comments were solicited or received on the proposed rule change.

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

Because the foregoing proposed rule change does not:

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

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>22</sup> and Rule 19b-4(f)(6)<sup>23</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

**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

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<sup>22</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>23</sup> 17 CFR 240.19b-4(f)(6).

the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2018-090 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-2018-090. 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-2018-090 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>24</sup>

Secretary

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<sup>24</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is underlined; proposed deletions are in [brackets].

**Rules of Cboe BZX Exchange, Inc.**

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## Rule 11.23 Auctions

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(d) *IPO and Halt Auctions.* For trading in a BZX listed security in an initial public offering (an “IPO”) or following a trading halt in that security, the Exchange will conduct an IPO or Halt Auction, as described below.

(1) No change.

(2) IPO and Halt Auction Process.

(A) No change.

(B) Extending the Quote-Only Period for IPO Auctions or Halt Auctions following a Non-Regulatory Halt. The Quote-Only Period may be extended where:

(i) there are unmatched market orders on the Auction Book associated with the auction;

(ii) in an IPO Auction, the underwriter requests an extension;

(iii) where the Indicative Price moves the greater of 10% or fifty (50) cents in the fifteen (15) seconds prior to the auction; or

(iv) in the event of a technical or systems issue at the Exchange that may impair the ability of Users to participate in the IPO Auction or of the Exchange to complete the IPO Auction.

(C) Incremental Quote Period Extensions for Halt Auctions Following a [Trading Pause] Regulatory Halt. Pursuant to paragraph (d)(1)(A) above, the Quote-Only Period with respect to a Halt Auction shall commence five (5) minutes prior to such Halt Auction. The Quote-Only Period shall be extended for an additional five (5) minutes should a Halt Auction be unable to be performed due to [a Market Order imbalance under subparagraph (B)(i) above] unmatched market orders on the Auction Book associated with the auction, or the Indicative Price, before being adjusted for Halt Auction Collars, is outside the applicable Halt Auction Collars set forth in subparagraphs (i) and (ii) below (either, an



“Impermissible Price”) (“Initial Extension Period”). After the Initial Extension Period, the Quote-Only Period shall be extended for additional five (5) minute periods should a Halt Auction be unable to be performed due to an Impermissible Price (“Additional Extension Period”) until a Halt Auction occurs. The Exchange shall attempt to conduct a Halt Auction during the course of each Additional Extension Period. The Halt Auction shall be cancelled at 3:50 p.m. eastern time, at which time the auction for the security shall be conducted pursuant to the Volatility Closing Auction process under section (e) of this Rule.

(i) Initial Halt Auction Collars shall be calculated as follows:

(A) For Halt Auctions following a Trading Pause, [T]he Halt Auction Reference Price shall equal the price of the Upper or Lower Price Band that triggered the halt. If the Halt Auction Reference Price is the Lower (Upper) Price Band, the initial lower (upper) Halt Auction Collar shall be five (5) percent less (greater) than the Halt Auction Reference Price, rounded to the nearest minimum price variation and the upper (lower) Halt Auction Collar shall be the Upper (Lower) Price Band. For securities with a Halt Auction Reference Price of \$3.00 or less, the initial lower (upper) Halt Auction Collar shall be \$0.15 less (greater) than the Halt Auction Reference Price, rounded to the nearest minimum price variation and the upper(lower) Halt Auction Collar shall be the Upper (Lower) Price Band.

(B) For Halt Auctions following Non-LULD Regulatory Halts, the Halt Auction Reference Price shall equal the price of the Final Last Sale Eligible Trade. The initial lower (upper) Halt Auction Collar shall be five (5) percent less (greater) than the Halt Auction Reference Price, rounded to the nearest minimum price variation. For securities with a Halt Auction Reference Price of \$3.00 or less, the initial lower (upper) Halt Auction Collar shall be \$0.15 less (greater) than the Halt Auction Reference Price, rounded to the nearest minimum price variation.

(ii) At the beginning of the Initial Extension Period the upper (lower) Halt Auction Collar shall be increased (decreased) by five (5) percent in the direction of the Impermissible Price, rounded to the nearest minimum price variation. For securities with a Halt Auction Reference Price of \$3.00 or less, the Halt Auction Collar shall be increased (decreased) in \$0.15 increments in the direction of the Impermissible Price. At the beginning of each Additional Extension Period, the Halt Auction Collar shall be

widened in accordance with this paragraph by the same amount as the Initial Extension Period.

(D) No change.

(E) Determination of BZX IPO and Halt Auction Price. Orders will be executed at the price that maximizes the number of shares executed in the auction. For IPO Auctions [for ETPs] and Halt Auctions following a Non-Regulatory Halt, orders will be executed at the price level within the Collar Price Range that maximizes the number of shares executed in the auction. For Halt Auctions [for ETPs] following a Regulatory Halt, orders will be executed at the price level within the Halt Auction Collars that maximizes the number of shares executed in the auction. In the event of a volume based tie at multiple price levels, the price level that results in the minimum total imbalance will be used. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the price level closest to the issuing price will be used for IPO Auctions and the price level closest to the Final Last Sale Eligible Trade will be used for Halt Auctions. The IPO Auction price will be BZX Official IPO Opening Price.

(F) No change.

(3) No change.

(e) *Volatility Closing Auction*. Where a security is halted between 3:50 p.m. and 4:00 p.m. pursuant to Rule 11.18 or the Quote-Only Period of a Halt Auction for a security halted before 3:50 p.m. pursuant to Rule 11.18 would otherwise be extended by the Exchange after 3:50 p.m., no Closing Auction or Halt Auction for the security will occur. Instead, the Exchange will conduct a Volatility Closing Auction at 4:00 p.m. as described below.

(1) No change.

(2) Volatility Closing Auction Process.

(A) Publication of BZX Auction Information. Coinciding with the beginning of the Quote-Only Period for a security and updated every five seconds thereafter, the Reference Price, Indicative Price, Auction Only Price, and the lesser of Reference Buy Shares and Reference Sell Shares associated with the Volatility Closing Auction will be disseminated via electronic means.

(B) Determination of Closing Price. Orders will be executed at the price level within the [Collar Price Range] most recently widened Halt Auction Collar calculated pursuant to Rule 11.23(d)(1)(C) that maximizes the number of shares executed in the auction. In the event of a volume

based tie at multiple price levels, the price level that results in the minimum total imbalance will be used. In the event of a volume based tie and a tie in minimum total imbalance at multiple price levels, the price level closest to the Final Last Sale Eligible Trade will be used for Volatility Closing Auctions. The Volatility Closing Auction price will be the BZX Official Closing Price.

(C) No change.

(3) No change.

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