



October 4, 2018

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Partial Amendment No. 2 (SR-BatsBZX-2017-34)

Dear Mr. Fields,

The Exchange respectfully submits this letter and attachment regarding SR-BatsBZX-2017-34, which was originally filed with the Securities and Exchange Commission (the "Commission") on May 5, 2017 (the "Proposal"). The Proposal was published for comment in the Federal Register on May 22, 2017, and approved by the Division of Trading and Markets pursuant to delegated authority on January 17, 2018.^[1] On January 24, 2018, the Commission stayed the Proposal,^[2] and the Proposal is currently pending Commission review. The Exchange is submitting this comment letter to facilitate notice of Partial Amendment No. 2 (herein attached) to the public.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Adrian Griffiths', written over a horizontal line.

Adrian Griffiths
Assistant General Counsel

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- [1] See Securities Exchange Act Release Nos. 80683 (May 16, 2017), 82 FR 23320 (May 22, 2017) (Notice); 82522 (January 17, 2018), 83 FR 3205 (January 23, 2017) (Approval Order) (SR-BatsBZX-2017-34).
- [2] See Letter from Secretary of the Commission to Christopher Solgan, Assistant General Counsel, Cboe Global Markets, Inc., dated January 24, 2018.

OMB APPROVAL

OMB Number: 3235-0045
 Estimated average burden
 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="7"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="34"/> Amendment No. (req. for Amendments *) <input type="text" value="2"/>
Filing by Bats BZX Exchange, Inc. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * <input type="checkbox"/> Amendment * <input checked="" 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"/> <div style="text-align: center; margin-top: 5px;">Rule</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <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) </div> </div>	
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>	Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) * <input type="checkbox"/> Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 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"/>	
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div style="border: 1px solid black; height: 40px; margin-top: 10px;"></div>		
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="Adrian"/> Last Name * <input type="text" value="Griffiths"/> Title * <input type="text" value="Assistant General Counsel"/> E-mail * <input type="text" value="REDACTED"/> Telephone * <input type="text" value="REDACTED"/> 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. <div style="text-align: right; margin-right: 100px;">(Title *)</div> <div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="width: 30%;"> Date <input type="text" value="10/04/2018"/> By <input type="text" value="Adrian Griffiths"/> <div style="text-align: center; font-size: small;">(Name *)</div> </div> <div style="width: 60%;"> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">Assistant General Counsel</div> <div style="border: 1px solid black; height: 20px; background-color: black; margin-top: 5px;"></div> </div> </div> <p style="font-size: x-small; margin-top: 10px;">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.</p>		

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

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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

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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.

Partial Amendment No. 2 to SR-BatsBZX-2017-34

Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) is filing this Partial Amendment No. 2 to SR-BatsBZX-2017-34, which was originally filed with the Securities and Exchange Commission (the “Commission”) on May 5, 2017 (the “Proposal”). The Proposal was published for comment in the Federal Register on May 22, 2017, and approved by the Division of Trading and Markets pursuant to delegated authority on January 17, 2018.¹ On January 24, 2018, the Commission stayed the Proposal,² and the Proposal is currently pending Commission review.

The Proposal seeks to introduce the Cboe Market Close, an innovative closing match process for non-BZX Listed Securities that is designed to match buy and sell Market-On-Close (“MOC”) orders at the official closing price for such security published by the primary listing market. The Exchange proposed the Cboe Market Close in response to interest from market participants, particularly buy-side firms, who seek an alternative to participation on the primary listing market’s closing auction while still receiving an execution at the official closing price. The Exchange continues to believe that the proposed functionality promotes the maintenance of a free and open market because it would increase competition for order flow at the close, which is highly concentrated at the primary listing markets today, without impacting price discovery.

The purpose of this amendment is to amend the Proposal at Interpretations and Policies .04 to BZX Rule 11.28, which would be a new rule that provides for the handling of short sale MOC orders that are designated for participation in the Cboe Market Close. Specifically, the

¹ See Securities Exchange Act Release Nos. 80683 (May 16, 2017), 82 FR 23320 (May 22, 2017) (Notice); 82522 (January 17, 2018), 83 FR 3205 (January 23, 2017) (Approval Order) (SR-BatsBZX-2017-34).

² See Letter from Secretary of the Commission to Christopher Solgan, Assistant General Counsel, Cboe Global Markets, Inc., dated January 24, 2018.

Exchange proposes to reject short sale MOC orders entered pursuant to BZX Rule 11.28 in order to comply with its obligations under Rule 201 of Regulation SHO.³ MOC orders marked short exempt are not subject to the short sale circuit breaker restrictions under Regulation SHO, and would therefore be accepted for participation in the Cboe Market Close.

19b-4 and Exhibit 1 Changes

- 1. The Exchange proposes to add the following sentences to the purpose section of the Proposal at the end of the first paragraph on page 8 of the 19b-4 and page 21 of the Exhibit 1:*

All short sale MOC orders designated for participation in the Cboe Market Close must be identified as “short” or “short exempt” pursuant to Exchange Rule 11.19(a).⁴ MOC orders marked short will be rejected so as to maintain compliance with the Exchange’s obligations under Rule 201 of Regulation SHO in the event a short sale circuit breaker is triggered and the official closing price determined by the primary listing market is not above the national best bid. MOC orders marked short exempt, which are not subject to short sale circuit breaker restrictions under Regulation SHO, will be accepted and processed in accordance with the proposed rules.

- 2. The Exchange proposes to add the following paragraphs to the basis section of the Proposal immediately prior to the Exchange’s statement on burden on competition on page 14 of the 19b-4 and page 28 of the Exhibit 1:*

The Exchange also believes that the proposed language relating to short sale handling is consistent with the Act and the rules and regulations thereunder. Rules 201(b)(1)(i) and (ii) of

³ 17 CFR 242.201.

⁴ Exchange Rule 11.19(a) provides that all short sale orders shall be identified as “short” or “short exempt” when entered into the System.

Regulation SHO generally require that trading centers such as the Exchange establish, maintain, and enforce written policies and procedures reasonably designed to: (i) prevent the execution or display of a short sale order of a covered security at a price that is less than or equal to the current national best bid (“price restriction”) if the price of that covered security decreases by 10% or more from the covered security’s closing price;⁵ and (ii) impose this price restriction for the remainder of the day and the following day.⁶

The Cboe Market Close contemplates the pairing of MOC orders at the MOC Cut-Off Time of 3:35 p.m. ET, and the ultimate execution of those orders at the official closing price determined by the closing auction of the primary listing market at 4:00 p.m. ET. As a result, it is possible that a short sale MOC order paired at the MOC Cut-off Time would not be eligible for execution at the ultimate execution price determined by the primary listing market when the closing auction is conducted. Should a short sale circuit breaker be triggered due to a 10% decline in the price of the security from the previous day’s closing price, a short sale MOC order executed at 4 p.m. ET would be required to be executed above the national best bid. MOC orders paired in the Cboe Market Close, however, are entitled to an execution at the official closing price, which may be lower than, equal to, or above the national best bid. Thus, it is possible that the eventual execution of a short sale MOC order at 4 p.m. ET may violate the requirements of Rule 201(b)(1). Specifically, it would be a violation of Regulation SHO to execute a short sale MOC order at the official closing price if a short sale circuit breaker is triggered, either before or

⁵ The closing price is as determined by the listing market for the covered security as of the end of regular trading hours on the prior day.

⁶ This price restriction applies when a national best bid for the covered security is calculated and disseminated on a current and continuing basis by a plan processor pursuant to an effective national market system plan.

after the MOC Cut-off Time, and the official closing price is less than or equal to the national best bid.

To prevent this result and maintain compliance with Rule 201 of Regulation SHO, the Exchange is proposing to reject all short sale MOC orders that are designated for participation in the Cboe Market Close. Rejecting short sale MOC orders will ensure that the Exchange is able to execute the MOC orders that are accepted and paired at the MOC Cut-off Time as contemplated by the Cboe Market Close. Furthermore, rejecting these orders would ensure that market participants are provided an opportunity to enter any short interest on the primary listing market, which may be able to re-price such interest to a permitted price if a short sale circuit breaker has been triggered.⁷ The Exchange therefore believes that the proposed handling of short sale MOC orders is consistent with the protection of investors and the public interest.

In addition, Rule 201(b)(1)(iii)(B) of Regulation SHO provides that the Rule 201 policies and procedures described above must be reasonably designed to permit the execution or display of a short sale order of a covered security marked “short exempt” without regard to whether the order is at a price that is less than or equal to the current national best bid. As a result, MOC orders marked short exempt are not subject to the short sale price restrictions of Regulation SHO, and may be executed without regard to whether such execution is at a price that is less than or equal to the current national best bid. The Exchange therefore proposes to provide that orders marked short exempt will be accepted by the System. The Exchange will pair and execute these orders in the same manner as other MOC orders designated for participation in the Cboe Market Close.

⁷ See e.g., New York Stock Exchange LLC Rule 7.16(f)(5)(A), which permits the re-pricing of short sale orders during the duration of the short sale circuit breaker.

Exhibit 5 Changes

3. *The Exchange proposes to add the following paragraph as proposed Interpretations and Policies .04 on page 32 of the Exhibit 5:*

.04 All short sale MOC orders designated for participation in the Cboe Market Close must be identified as “short” or “short exempt” pursuant to Rule 11.19(a). MOC orders marked short will be rejected. MOC orders marked short exempt will be accepted and processed in accordance with this Rule 11.28.