Exchange would not have the manufacturer resources available to solve connectivity issues or replace switches. Users' connections to the Exchange could be compromised or wholly cut off. At the same time, if a User requested a new or replacement LCN 10 Gb connection, the Exchange would not be able to obtain one. It would be contrary to the protection of investors and the public interest if the Exchange were to continue to offer a connectivity option that it could not support, or if Users were compromised or wholly unable to use their connectivity to connect to the Exchange.

For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act [34] and Rule 19b–4(f)(6) thereunder.[35] Because the proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6)(iii) thereunder.[36]

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B) [37] of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (*http://www.sec.gov/rules/sro.shtml*); or
- Send an email to *rule-comments@sec.gov.* Please include File Number SR–NYSENAT–2019–29 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–NYSENAT–2019–29. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (*http://www.sec.gov/rules/sro.shtml*). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–NYSENAT–2019–29 and should be submitted on or before January 3, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[38]

Jill M. Peterson,

Assistant Secretary.

[FR Doc. 2019–26847 Filed 12–12–19; 8:45 am]

BILLING CODE 8011–01–P

[34] 15 U.S.C. 78s(b)(3)(A)(iii).

[35] 17 CFR 240.19b–4(f)(6).

[36] 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires the Exchange to give 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. The Exchange has satisfied this requirement.

[37] 15 U.S.C. 78s(b)(2)(B).

[38] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–87692; File No. SR–CboeEDGX–2019–064]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Order Approving a Proposed Rule Change To Adopt Rule 21.23 (Complex Solicitation Auction Mechanism)

December 9, 2019.

I. Introduction

On October 23, 2019, Cboe EDGX Exchange, Inc. (the ''Exchange'' or ''EDGX'') filed with the Securities and Exchange Commission (''Commission''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] a proposed rule change to adopt Rule 21.23, the Complex Solicitation Auction Mechanism (''C–SAM''), a solicited order mechanism for larger-sized complex orders. The proposed rule change was published for comment in the **Federal Register** on November 6, 2019.[3] The Commission has received no comments regarding the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

As described more fully in the Notice,[4] the Exchange proposes to adopt Rule 21.23 [5] allowing complex orders to be submitted to and processed in its solicited order mechanism. The proposal permits an Options Member

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 87435 (October 31, 2019), 84 FR 59866 (''Notice'').

[4] *See id.*

[5] For purposes of proposed Rule 21.23, the term ''SBBO'' means the synthetic best bid or offer calculated using the best displayed price for each component of a complex strategy from the simple book at the particular point in time applicable to the reference. The Exchange notes that there is no national best bid or offer for complex orders, as complex orders may be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy. *See* Rule 21.20(c)(2)(E).

(the ''Initiating Member'') to execute electronically a larger-sized complex order it represents as agent (''Agency Order'') against a solicited complex order(s) (''Solicited Order''), provided that it submits both the Agency Order and Solicited Order into the C–SAM.[6]

A. Eligibility and C–SAM Auction Process

The Initiating Member may initiate a C–SAM in any class traded on the Exchange.[7] The smallest leg of an Agency Order marked for C–SAM processing must be at least the minimum size designated by the Exchange, which may not be less than 500 standard option contracts or 5,000 mini-option contracts.[8] The size of the Solicited Order(s) must be for/total the same size as the Agency Order.[9] The system will automatically handle each of the Agency Order and Solicited Order as an all-or-none (''AON'') order,[10] and the price of the Agency Order and Solicited Order must be in an increment of $0.01.[11] Also, an Initiating Member may not designate an Agency Order or Solicited Order as Post Only [12] and may only submit an Agency Order after the complex order book (''COB'') opens.[13]

The Solicited Order must stop the entire buy (sell) Agency Order at a price that is at or better than the then-current SBO (SBB) or the price of the best-priced sell (buy) complex order on the COB.[14] Regarding resting simple orders that are on the same side as the Agency Order, the proposal provides that if the Agency Order is to buy (sell), the stop price must be at or better than the SBB (SBO), unless the applicable side of the BBO on any component of the complex strategy represents a Priority Customer order on the simple book, in which case the stop price must be at least $0.01 better than the SBB (SBO).[15] Regarding resting complex orders that are on the same side as the Agency Order, the proposal provides that if the Agency Order is to buy (sell), the stop price must be at least $0.01 better than the bid (offer) of the resting complex order, unless the Agency Order is a Priority Customer order and the resting order on the COB is not a Priority Customer, in which case the stop price must be at or better than the bid (offer) of the resting complex order.[16] Regarding resting simple orders that are on the opposite side as the Agency Order, the proposal provides that if the Agency Order is to buy (sell), the stop price must be at or better than the SBO (SBB), unless the BBO of any component of the complex strategy represents a Priority Customer order on the simple book, in which case the stop price must be at least $0.01 better than the SBO (SBB).[17] Regarding resting complex orders that are on the opposite side as the Agency Order, the proposal provides that if the Agency Order is to buy (sell) and the best-priced sell (buy) complex order on the COB represents (i) a complex order that is not a Priority Customer, the stop price must be at or better than the price of the resting complex order; or (ii) a Priority Customer complex order, the stop price must be at least $0.01 better than the SBO (SBB).[18]

The Exchange system will initiate the C–SAM process by sending a C–SAM auction notification message detailing the side, size, price, capacity, auction ID, and complex strategy of the Agency Order to all Options Members that elect to receive C–SAM auction notification messages.[19] C–SAM auction notification messages will not be disseminated to the Options Price Reporting Authority (''OPRA'').[20] The C–SAM auction will last for a period of time determined by the Exchange (the ''C–SAM auction period''), which may be no less than 100 milliseconds and no more than one second.[21] An Initiating Member may not modify or cancel an Agency Order or Solicited Order after submission to a C–SAM auction.[22]

Any user other than the Initiating Member (determined by EFID) may submit responses to a C–SAM auction that are properly marked specifying size, side of the market, and the auction ID for the C–SAM auction to which the user is submitting the response.[23] C–SAM responses must be on the opposite side of the market as the Agency Order,[24] and the minimum price increment for C–SAM responses is $0.01.[25] C–SAM buy (sell) responses are capped at the better of the SBO (SBB) or the offer (bid) of a resting complex order at the top of the COB, or $0.01 better than the better of the SBO (SBB) or the offer (bid) of a resting complex order at the top of the COB if the BBO of any component of the complex strategy or the resting complex order, respectively, is a Priority Customer order.[26] For purposes of the C–SAM auction, the system will aggregate all of a user's complex orders on the COB and C–SAM responses for the same EFID at the same price.[27] The system will cap the size of a C–SAM response, or the aggregate size of a user's complex orders on the COB and C–SAM responses for the same EFID at the same price, at the size of the Agency Order (*i.e.,* the system will ignore size in excess of the size of the Agency Order when processing a C–SAM auction).[28] C–SAM responses will not be visible to C–SAM auction participants or disseminated to OPRA.[29] A user may modify or cancel its C–SAM responses during the C–SAM auction.[30]

One or more C–SAM auctions in the same complex strategy may occur at the same time, C–SAM auctions in different complex strategies may be ongoing at any given time (even if the complex strategies have overlapping components), and a C–SAM auction may be ongoing at the same time as a SAM auction in any component of the complex strategy.[31] To the extent there is more than one C–SAM auction in a complex strategy underway at a time, the C–SAM auctions will conclude sequentially based on the exact time each C–SAM commenced, unless terminated early pursuant to proposed Rule 21.23(d).[32] In the event there are multiple C–SAM auctions underway that are each terminated early pursuant

[6] The Solicited Order cannot have a capacity of F for the same EFID as the Agency Order. The Agency Order and Solicited Order cannot both be for the accounts of a customer.

[7] *See* proposed Rule 21.23(a)(1).

[8] *See* proposed Rule 21.23(a)(3).

[9] *See id.*

[10] *See id.* The Exchange notes that it intends to separately amend Rule 21.21, which currently states that an Initiating Member must designate the Agency Order and Solicited Order as AON, to conform to proposed Rule 21.23(a)(3). *See* Notice, *supra* note 3, at 59867 n.12.

[11] *See* proposed Rule 21.23(a)(4).

[12] *See* proposed Rule 21.23(a)(5).

[13] *See* proposed Rule 21.23(a)(6).

[14] *See* proposed Rule 21.23(b).

[15] *See* proposed Rule 21.23(b)(1).

[16] *See* proposed Rule 21.23(b)(2).

[17] *See* proposed Rule 21.23(b)(3).

[18] *See* proposed Rule 21.23(b)(4).

[19] *See* proposed Rule 21.23(c)(2).

[20] *See id.*

[21] *See* proposed Rule 21.23(c)(3). The Exchange will announce the length of the C–SAM auction period to Options Members pursuant to Rule 16.3.

[22] *See* proposed Rule 21.23(c)(4).

[23] *See* proposed Rule 21.23(c)(5).

[24] *See* proposed Rule 21.23(c)(5)(E).

[25] *See* proposed Rule 21.23(c)(5)(A).

[26] *See* proposed Rule 21.23(c)(5)(B).

[27] *See* proposed Rule 21.23(c)(5)(C). The Exchange notes that this is similar to the corresponding provision for the Exchange's simple SAM auction. *See* Rule 21.22(c)(5)(C). The Exchange also notes that this (combined with the proposed size cap) is intended to prevent an Options Member from submitting multiple orders or responses at the same price to obtain a larger pro-rata share of the Agency Order. *See* Notice, *supra* note 3, at 59870.

[28] *See* proposed Rule 21.23(c)(5)(D). The Exchange notes that this is similar to the corresponding provision for the Exchange's simple SAM auction. *See* Rule 21.22(c)(5)(D). The Exchange notes that this is intended to prevent an Options Member from submitting an order or response with an extremely large size in order to obtain a larger pro-rata share of the Agency Order. *See* Notice, *supra* note 3, at 59870.

[29] *See* proposed Rule 21.23(c)(5)(F).

[30] *See* proposed Rule 21.23(c)(5)(G).

[31] *See* proposed Rule 21.23(c)(1)(A).

[32] *See* proposed Rule 21.23(c)(1)(B).

to proposed Rule 21.23(d), the system will process the C–SAM auctions sequentially based on the exact time each C–SAM auction commenced.[33] If the system receives a simple order that causes a SAM auction and C–SAM auction (or multiple SAM and/or C–SAM auctions) to conclude pursuant to Rule 21.23(d) and Rule 21.21(d), the system will first process SAM auctions (in price-time priority) and then process C–SAM auctions (in price-time priority).[34] At the time each C–SAM auction concludes, the system will allocate the Agency Order pursuant to proposed Rule 21.23(e) and will take into account all C–SAM responses and unrelated orders and quotes in place at the exact time of conclusion.[35]

B. Conclusion of the C–SAM Auction

The C–SAM will conclude at the sooner of the following: (i) The end of the C–SAM auction period; (ii) upon receipt by the system of an unrelated non-Priority Customer complex order on the same side of market as the Agency Order that would post to the COB at a price better than the stop price; (iii) upon receipt by the system of an unrelated Priority Customer complex order on the same side of the market as the Agency Order that would post to the COB at a price equal to or better than the stop price; (iv) upon receipt by the system of an unrelated non-Priority Customer order or quote that would post to the simple book and cause the SBBO on the same side of the market as the Agency Order to be better than the stop price; (v) upon receipt by the system of a Priority Customer order in any component of the complex strategy that would post to the simple book and cause the SBBO on the same side of the market as the Agency Order to be equal to or better than the stop price; (vi) upon receipt by the system of a simple non-Priority Customer order that would cause the SBBO on the opposite side of market as the Agency Order to be better than the stop price, or a Priority Customer order that would cause the SBBO on the opposite side of market as the Agency Order to be equal to or better than the stop price; (vii) upon receipt by the system of an order that would cause the SBBO to be a price not permissible under the Limit Up-Limit Down Plan or Regulation SHO, provided, however, that in such instance, the C–SAM auction would conclude without execution; (viii) the market close; and (ix) any time the Exchange halts trading in the complex strategy, provided, however, that in such instance the C–SAM auction will conclude without execution.[36]

An unrelated market or marketable limit complex order (against the SBBO or the best price of a complex order resting in the COB), including a Post Only complex order, on the opposite side of the Agency Order received during the C–SAM will not cause the C–SAM auction to end early and will execute against interest outside of the C–SAM auction or be posted to the COB.[37] If contracts remain from such unrelated complex order at the time the C–SAM auction ends, they may be allocated for execution against the Agency Order pursuant to proposed Rule 21.23(e).[38]

C. Priority and Allocation

At the conclusion of the C–SAM auction, the system will execute the Agency Order against the Solicited Order or contra-side complex interest (which includes complex orders on the COB and C–SAM responses) at the best price(s) as follows (provided that any execution price(s) must be at or between the SBBO and the best prices of any complex orders resting on each side of the COB at the conclusion of the C–SAM auction): [39]

- The system will execute the Agency Order against the Solicited Order at the stop price if there are no Priority Customer complex orders resting on the COB on the opposite side of the Agency Order at or better than the stop price and the aggregate size of contra-side interest at an improved price(s) is insufficient to satisfy the Agency Order.[40]
- The system will execute the Agency Order against contra-side interest (and cancel the Solicited Order) if (A) there is a Priority Customer complex order resting on the COB on the opposite side of the Agency Order at or better than the stop price and the aggregate size of that order and other contra-side interest is sufficient to satisfy the Agency Order; or (B) the aggregate size of contra-side interest at an improved price(s) is sufficient to satisfy the Agency Order.[41] The Agency Order execution against such contra-side interest will occur at each price level, to the price at which the balance of the Agency Order can be fully executed, first against Priority Customer complex orders on the COB (in time priority) and then against remaining contra-side interest (including non-Priority Customer orders on the COB and C–SAM responses) in a pro-rata manner.[42]
- The system will cancel the Agency Order and Solicited Order with no execution if (i) execution of the Agency Order against the Solicited Order at the stop price would not be at or between the SBBO at the conclusion of the C–SAM auction, better than the SBBO if there is a Priority Customer order in any leg component in the simple book, at or better than the best-priced complex order resting on the COB, or better than the best-priced complex order resting on the COB if it is a Priority Customer complex order; (ii) there is a Priority Customer complex order resting on the COB on the opposite side of the Agency Order at or better than the stop price, and the aggregate size of the Priority Customer complex order and any other contra-side interest is insufficient to satisfy the Agency Order; or (iii) there is a non-Priority Customer complex order resting on the COB on the opposite side of the Agency Order at a price better than the stop price, and the aggregate size of the resting complex order and any other contra-side interest is insufficient to satisfy the Agency Order.[43]

Executions following a C–SAM Auction for a complex Agency Order are subject to the complex order price restrictions and priority in Rule 21.20(f)(2).[44] The system will cancel or reject any unexecuted C–SAM responses (or unexecuted portions) at the conclusion of the C–SAM auction.[45] The Agency Order will only execute against the Solicited Order or C–SAM responses and complex orders resting in the COB, and will not leg into the simple book, at the conclusion of a C–SAM auction.[46]

D. Notification Requirement and Order Exposure Rule

Proposed Rule 21.23, Interpretation and Policy .01 provides that prior to entering Agency Orders into a C–SAM auction on behalf of customers, Initiating Members must deliver to the customer a written notification informing the customer that his order may be executed using the C–SAM

[33] *See id. See also* Notice, *supra* note 3, at 59868–69.

[34] *See* proposed Rule 21.23(c)(1)(B).

[35] *See* proposed Rule 21.23(c)(1)(C).

[36] *See* proposed Rule 21.23(d)(1).

[37] *See* proposed Rule 21.23(d)(2).

[38] *See id.*

[39] *See* proposed Rule 21.23(e). Additionally, if there is a Priority Customer order representing any leg of the SBBO in the simple book, the execution price must be better than the SBBO, in accordance with complex order priority. *See* Rule 21.20(f)(2). Additionally, any execution price must be better than the price of any resting Priority Order complex order on the COB.

[40] *See* proposed Rule 21.23(e)(1).

[41] *See* proposed Rule 21.23(e)(2).

[42] *See id.*

[43] *See* proposed Rule 21.23(e)(3).

[44] *See* proposed Rule 21.23(e)(4).

[45] *See* proposed Rule 21.23(e)(5).

[46] *See* Notice, *supra* note 3, at 59871.

auction. The written notification must disclose the terms and conditions contained in proposed Rule 21.23 and be in a form approved by the Exchange.[47]

Under Rule 21.23, Initiating Members may enter contra-side orders that are solicited. C–SAM provides a facility for Options Members that locate liquidity for their customer orders. Proposed Rule 21.23, Interpretation and Policy .02 provides that Options Members may not use the C–SAM auction to circumvent Rule 21.19 or 21.22 limiting principal transactions. This may include, but is not limited to, Options Members entering contra-side orders that are solicited from (a) affiliated broker-dealers or (b) broker-dealers with which the Options Member has an arrangement that allows the Options Member to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal.[48]

III. Discussion and Commission Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b) of the Act.[49] In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,[50] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Commission believes that allowing Options Members to enter complex orders into the C–SAM could provide additional opportunities for such large-sized complex orders to receive price improvement. The Commission further believes that the proposal to establish the C–SAM may allow for greater flexibility in executing large-sized complex orders, is not novel, and does not otherwise raise any issues of first impression.[51] The Commission believes that the proposal includes appropriate terms and conditions to assure that the Agency Order is exposed to Options Members for the possibility of price improvement and that Priority Customer orders on the Exchange are protected. At the conclusion of a C–SAM, the Agency Order would either be executed in full (at a price at or between the SBBO and at or better than the best-priced complex order resting on the COB at the conclusion of the C–SAM auction) or cancelled. The Agency Order will be executed against the Solicited Order at the proposed stop price if (i) there is insufficient size among contra-side trading interest at a price better than the stop price to execute the Agency Order; and (ii) there are no Priority Customer complex orders resting in the COB on the opposite side of the Agency Order at or better than the stop price.[52] If there are Priority Customer complex orders and there is sufficient size to execute the Agency Order (considering all eligible interest), then the Agency Order will be executed against these interests and the Solicited Order will be cancelled.[53] If, however, there are resting Priority Customer complex orders at the stop price, but there is not sufficient size to execute the Agency Order in full, then both the Agency Order and the Solicited Order will be cancelled.[54] Finally, if there is sufficient size to execute the Agency Order in full at an improved price equal to or better than the SBBO and the best-priced complex order resting on the COB at the conclusion of the C–SAM auction, the Agency Order will execute at the improved price and the Solicited Order will be cancelled. The Commission believes that the priority and allocation rules for the C–SAM, which are consistent with similar mechanisms on other exchanges,[55] are reasonable and consistent with the Act.

IV. Section 11(a) of the Act

Section 11(a)(1) of the Act[56] prohibits a member of a national securities exchange from effecting transactions on that exchange for its own account, the account of an associated person, or an account over which it or its associated person exercises investment discretion (collectively, ''covered accounts'') unless an exception applies. Rule 11a2–2(T) under the Act,[57] known as the ''effect versus execute'' rule, provides exchange members with an exemption from the Section 11(a)(1) prohibition. Rule 11a2–2(T) permits an exchange member, subject to certain conditions, to effect transactions for covered accounts by arranging for an unaffiliated member to execute transactions on the exchange. To comply with Rule 11a2–2(T)'s conditions, a member: (i) Must transmit the order from off the exchange floor; (ii) may not participate in the execution of the transaction once it has been transmitted to the member performing the execution;[58] (iii) may not be affiliated with the executing member; and (iv) with respect to an account over which the member or an associated person has investment discretion, neither the member nor its associated person may retain any compensation in connection with effecting the transaction except as provided in the Rule. For the reasons set forth below, the Commission believes that Exchange Options Members entering orders into the C–SAM would satisfy the requirements of Rule 11a2–2(T).

The Rule's first condition is that orders for covered accounts be transmitted from off the exchange floor. In the context of automated trading systems, the Commission has found that the off-floor transmission requirement is met if a covered account order is transmitted from a remote location directly to an exchange's floor by electronic means.[59] The Exchange represents that its trading system and the proposed C–SAM receive all orders electronically through remote terminals

[47] *See* proposed Rule 21.23, Interpretation and Policy .01.

[48] *See* proposed Rule 21.23, Interpretation and Policy .02.

[49] 15 U.S.C. 78f(b). In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

[50] 15 U.S.C. 78f(b)(5).

[51] The Commission also notes that the proposal is nearly identical to the requirements set forth for the complex order solicitation mechanism on another options exchange. *See* Cboe Options Rule 5.40. *See also* Nasdaq ISE, LLC Options 3, Section 11(e).

[52] *See* proposed Rule 21.23(e)(1).

[53] *See* proposed Rule 21.23(e)(2).

[54] *See* proposed Rule 21.23(e)(3).

[55] *See, e.g.,* Cboe Options Rule 5.40 (Complex Solicitation Auction Mechanism).

[56] 15 U.S.C. 78k(a)(1).

[57] 17 CFR 240.11a2–2(T).

[58] This prohibition also applies to associated persons. The member may, however, participate in clearing and settling the transaction.

[59] *See, e.g.,* Securities Exchange Act Release Nos. 61419 (January 26, 2010), 75 FR 5157 (February 1, 2010) (SR–BATS–2009–031) (approving BATS options trading); 59154 (December 23, 2008), 73 FR 80468 (December 31, 2008) (SR–BSE–2008–48) (approving equity securities listing and trading on BSE); 57478 (March 12, 2008), 73 FR 14521 (March 18, 2008) (SR–NASDAQ–2007–004 and SR–NASDAQ–2007–080) (approving NOM options trading); 53128 (January 13, 2006), 71 FR 3550 (January 23, 2006) (File No. 10–131) (approving The Nasdaq Stock Market LLC); 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001) (SR–PCX–00–25) (approving Archipelago Exchange); 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (SR–NYSE–90–52 and SR–NYSE–90–53) (approving NYSE's Off-Hours Trading Facility); and 15533 (January 29, 1979), 44 FR 6084 (January 31, 1979) (''1979 Release'').

or computer-to-computer interfaces.[60] The Exchange also represents that orders for covered accounts from Options Members will be transmitted from a remote location directly to the proposed C–SAM by electronic means. Because no Exchange Options Member may submit orders into the C–SAM from on the floor of the Exchange, the Commission believes that the C–SAM satisfies the off-floor transmission requirement.

Second, the Rule requires that the member and any associated person not participate in the execution of its order after the order has been transmitted. The Exchange represents that at no time following the submission to the C–SAM of an order or C–SAM response is an Options Member able to acquire control or influence over the result or timing of the order's or response's execution.[61] According to the Exchange, the execution of an order (including the Agency and the Solicited Order) or a C–SAM response sent to the C–SAM is determined by what other orders and responses are present and the priority of those orders and responses.[62] Accordingly, the Commission believes that an Options Member does not participate in the execution of an order or response submitted to the C–SAM.

Third, Rule 11a2–2(T) requires that the order be executed by an exchange member who is unaffiliated with the member initiating the order. The Commission has stated that this requirement is satisfied when automated exchange facilities, such as the C–SAM, are used, as long as the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange.[63] The Exchange represents that the C–SAM is designed so that no Options Member has any special or unique trading advantage in the handling of its orders or responses after transmitting its orders to the mechanism.[64] Based on the Exchange's representation, the Commission believes that the C–SAM satisfies this requirement.

Fourth, in the case of a transaction effected for an account with respect to which the initiating member or an associated person thereof exercises investment discretion, neither the initiating member nor any associated person thereof may retain any compensation in connection with effecting the transaction, unless the person authorized to transact business for the account has expressly provided otherwise by written contract referring to Section 11(a) of the Act and Rule 11a2–2(T) thereunder.[65] The Exchange represents that Options Members relying on Rule 11a2–2(T) for transactions effected through the C–SAM must comply with this condition of the Rule and that the Exchange will enforce this requirement pursuant to its obligations under Section 6(b)(1) of the Act to enforce compliance with federal securities laws.[66]

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[67] that the proposed rule change (SR–CboeEDGX–2019–064) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[68]

J. Matthew DeLesDernier,

Assistant Secretary.

[FR Doc. 2019–26851 Filed 12–12–19; 8:45 am]

BILLING CODE 8011–01–P

[60] *See* Notice, *supra* note 3, at 59876.

[61] *See id.* (also representing, among other things, that no Options Member, including the Initiating Member, will see a C–SAM response submitted into C–SAM and therefore will not be able to influence or guide the execution of their Agency Orders, Solicited Orders, or C–SAM responses, as applicable).

[62] *See id.* The Exchange notes that an Initiating Member may not cancel or modify an Agency Order or Solicited Order after it has been submitted into C–SAM, but that Options Members may modify or cancel their responses after being submitted to a C–SAM. *See id.* at 59876 n.77. As the Exchange notes, the Commission has stated that the non-participation requirement does not preclude members from cancelling or modifying orders, or from modifying instructions for executing orders, after they have been transmitted so long as such modifications or cancellations are also transmitted from off the floor. *See* Securities Exchange Act Release No. 14563 (March 14, 1978), 43 FR 11542, 11547 (the ''1978 Release'').

[63] In considering the operation of automated execution systems operated by an exchange, the Commission noted that, while there is not an independent executing exchange member, the execution of an order is automatic once it has been transmitted into the system. Because the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange, the Commission has stated that executions obtained through these systems satisfy the independent execution requirement of Rule 11a2–2(T). *See* 1979 Release, *supra* note 48.

[64] *See* Notice, *supra* note 3, at 59876.

[65] In addition, Rule 11a2–2(T)(d) requires a member or associated person authorized by written contract to retain compensation, in connection with effecting transactions for covered accounts over which such member or associated persons thereof exercises investment discretion, to furnish at least annually to the person authorized to transact business for the account a statement setting forth the total amount of compensation retained by the member or any associated person thereof in connection with effecting transactions for the account during the period covered by the statement. *See* 17 CFR 240.11a2–2(T)(d). *See also* 1978 Release, *supra* note 51, at 11548 (stating ''[t]he contractual and disclosure requirements are designed to assure that accounts electing to permit transaction-related compensation do so only after deciding that such arrangements are suitable to their interests'').

[66] *See* Notice, *supra* note 3, at 59876–77.

[67] 15 U.S.C. 78s(b)(2).

[68] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

Proposed Collection; Comment Request

Upon Written Request Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549–2736.

Extension:

Rule 147A(f)(1)(iii) Written Representation as to Purchaser Residency, SEC File No. 270–806, OMB Control No. 3235–0757.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (''Commission'') is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

Rule 147A(f)(1)(iii) (17 CFR 230.147A(f)(1)(iii)) requires the issuer to obtain from the purchaser a written representation as to the pruchase's residency in order to qualify for safe harbor under Securities Act Rule 147A (17 CFR 230.147A). Rule 147A is an exemption from registration under Securities Act Section 28 (15 U.S.C. 77z–3). Under Rule 147A, the purchaser in the offering must be a resident of the same state or territory in which the issuer is a resident. While the formal representation of residency by itself is not sufficient to establish a reasonable belief that such purchasers are in-state residents, the representation requirement, together with the reasonable belief standard, may result in better compliance with the rule and maintaining appropriate investor protections. The representation of residency is not provided to the Commission. Approximately 700 respondents provide the information required by Rule 147A(f)(1)(iii) at an estimated 2.75 hours per response for a total annual reporting burden of 1,925 hours (2.75 hours x 700 responses).

Written comments are invited on: (a) Whether this proposed collection of information is necessary for the