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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88741; File No. SR-CBOE-2020-040]

### **Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Add a New Version of the Silexx Platform**

April 24, 2020.

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 April 20, 2020, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the 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 Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to add a new version of the Silexx platform. The text of the proposed rule change is provided in 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to add a new version of the Silexx platform ("Cboe Silexx").<sup>5</sup> By way of background, Silexx is a User-optional order entry and management trading platform. The current versions of the Silexx platform, other than Silexx FLEX, are designed so that a User may enter orders into the platform to send to the executing broker, including Trading Permit Holders ("TPHs"), of its choice with connectivity to the platform. The executing broker can then send orders to Cboe Options (if the broker-dealer is a TPH) or other U.S. exchanges (and trading centers) in accordance with the User's instructions. Users cannot directly route orders through any of the current versions of Silexx, other than Silexx FLEX, to an exchange or trading center nor is the platform integrated into or directly connected to Cboe Option's System. The Exchange recently

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<sup>5</sup> The Exchange originally filed this proposed rule change on April 15, 2020 (SR-CBOE-2020-038). On April 20, 2020, the Exchange withdrew that filing and replaced it with this filing.

made available an additional version of the Silexx platform, Silexx FLEX, which supports the trading of FLEX Options and allows authorized Users with direct access to the Exchange.<sup>6</sup>

In addition to supporting the trading of FLEX Options<sup>7</sup>, the proposed new version, Cboe Silexx, will also support the trading of non-FLEX options and allow for direct access to the Exchange. Additionally, functionality that will be available on Cboe Silexx, which was previously adopted by the Exchange and is already available on other versions of Silexx, include real-time data, alerts, trade reports, views of exchange books, management of the customer's orders and positions, simple and complex order tickets, basic risk features, and availability of clearing fields in order tickets.<sup>8</sup> The Exchange notes that Cboe Silexx is essentially the same platform, with the same applicable functionality as Silexx FLEX, except that it additionally supports direct access for non-FLEX trading. As is the case with Silexx FLEX, only authorized Users and associated persons of Users may establish connectivity to and directly access the Exchange, pursuant to Rule 5.5, however, a User that is not authorized for direct access will be able to send orders through the Exchange's broker community who will have access to Cboe Silexx and can submit orders directly on the User's behalf.<sup>9</sup> The Exchange notes there will be a verification process for Users that wish to access Cboe Silexx to ensure that each User is authorized for direct Exchange access. Each verified

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<sup>6</sup> See Securities Exchange Act Release No. 87028 (September 19, 2019) 84 FR 50529 (September 25, 2019) (SR-CBOE-2019-061).

<sup>7</sup> Only Users authorized for direct access and who are approved to trade FLEX Options may trade FLEX Options via Cboe Silexx.

<sup>8</sup> See Securities Exchange Act Release No. 82088 (November 15, 2017) 82 FR 55449 (November 21, 2017) (SR-CBOE-2017-068).

<sup>9</sup> The Exchange notes that Users may also send orders through a Cboe Silexx certified broker, once brokers begin electing to become certified. The Exchange has implemented a certification process which is open to any broker that supports trading and will allow Users without direct access to submit through an electronic broker certified with Silexx. The Exchange currently conducts similar certifications for any broker that wishes to connect to Cboe, and for other platform offerings (e.g. PULSe).

User will require a username and password to authenticate their access. The Exchange notes that those authorized to directly access the Exchange must uphold supervisory duties over those associated with it to ensure that only authorized Users access the platform. Other than the above noted differences, the new Cboe Silexx platform will function in the same manner as the Silexx versions currently available to Users: it will be completely voluntary; orders entered through the platform will receive no preferential treatment as compared to orders electronically sent to Cboe Options in any other manner; orders entered through the platform will be subject to current trading rules in the same manner as all other orders sent to the Exchange, which is the same as orders that are sent through the Exchange's System today; the Exchange's System will not distinguish between orders sent from Silexx and orders sent in any other manner; and Silexx<sup>10</sup> will provide technical support, maintenance and user training for the new platform version upon the same terms and conditions for all Users.<sup>11</sup> The Exchange notes that it currently offers a similar front-end order entry system, the PULSe workstation, which also permits connectivity to Cboe Options. The Exchange notes that no changes are being made to the other current Silexx platform versions.

The Exchange lastly noted that at this time, it does not propose to assess a fee in connection with the Cboe Silexx platform.<sup>12</sup>

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<sup>10</sup> Silexx is the wholly owned subsidiary of Cboe Options' parent company, Cboe Global Markets, Inc., which purchased Silexx in 2017.

<sup>11</sup> See Securities Exchange Act Release No. 82088 (November 15, 2017), 82 FR 55443 (November 21, 2017) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Describe Functionality of and Adopt Fees for a New Front-End Order Entry and Management Platform) (SR-CBOE-2017-068).

<sup>12</sup> The Exchange will submit a separate rule filing to address any fees it may wish to adopt in the future.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>13</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>14</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>15</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. Additionally, the Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>16</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes that offering the Cboe Silexx platform to market participants protects investors and is in the public interest because it will allow the Exchange to directly offer Users an order entry and management tool for both non-FLEX and FLEX trading in addition to the technology products it currently offers, such as the other versions of the Silexx platform and

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<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> Id.

<sup>16</sup> 15 U.S.C. 78f(b)(4).

the PULSe workstation. Indeed, as noted above, the Cboe Silexx is essentially the same platform as Silexx FLEX in particular, but merely allows for non-FLEX trading in addition to supporting FLEX trading. In addition, firms can create their own proprietary front-end order entry technology or obtain systems with such functionality from third-party vendors.<sup>17</sup> The Exchange believes providing an alternative tool for trading, may encourage more Users to submit orders in both FLEX and non-FLEX options (including into price improvement auctions), which may lead to additional execution opportunities for market participants and liquidity in the market, which ultimately benefits investors.

The Exchange believes the proposed rule change does not discriminate among market participants because use of the Cboe Silexx platform is completely voluntary. Users can choose to route orders, including to Cboe Options, and directly submit orders to Cboe Options, without the use of the platform. The Exchange is making the platform available as a convenience to market participants, who will continue to have the option to use any order entry and management system available in the marketplace to send orders to the Exchange and other exchanges; the platform is merely an alternative that will be offered by the Exchange. Cboe Silexx is not an exclusive means available to market participants to send orders to Cboe Options or other markets. Any orders sent through the platform to Cboe Options for execution will receive no preferential treatment. Additionally, Cboe Silexx will be available to all market participants, and the Exchange will license the platform to market participants pursuant to the same terms and conditions.

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<sup>17</sup> Market participants are free to do so by accessing the Exchange's specs via the publicly accessible Application Programming Interface and using such information in order to support trading within their own technology, software, and front-end systems.

The Exchange believes Cboe Silexx removes impediments to and perfects the mechanism of a free and open market and a national market system because users have discretion to determine to which broker-dealer they will route orders from the platform. Non-broker-dealer users may separately enter into an agreement with a broker-dealer (the Exchange will have no involvement with the entry into such agreements), which can provide for routing to U.S. options and stock exchanges (and trading centers). Only Trading Permit Holders will continue to be permitted to directly submit orders using Cboe Silexx to Cboe Options, and only members of other U.S. exchanges will be able to enter orders for execution at those exchanges that they receive from the platform. The Exchange also notes that broker-dealers must continue to ensure that orders they receive from the platform will be subject to applicable pre-trade risk control requirements of the broker-dealer that directly submits the orders to an exchange in accordance with Rule 15c3-5 under the Act.<sup>18</sup>

The Exchange believes that its reasonable to not assess a monthly Login ID fee for Cboe Silexx as market participants won't be subject to a fee for this product. Additionally, the Exchange notes Silexx FLEX is also currently provided at no cost.<sup>19</sup> The Exchange believes not assessing a fee at this time also serves as an incentive to market participants to start using the Silexx platform as a trading tool on their trading desks. The proposal is equitable and not unfairly discriminatory as it applies to all market participants.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

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<sup>18</sup> See 17 CFR 240.15c3-5.

<sup>19</sup> See Cboe Silexx Fees Schedule.

proposed change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the Exchange will make the Cboe Silexx version of the platform available to all market participants and at no additional cost. Indeed, all market participants may use Cboe Silexx, both those with direct access and those without, by sending orders through the Exchange's broker community who will be able to submit orders directly through Cboe Silexx.

As described in detail above, the use of the platform will be completely voluntary and market participants will continue to have the flexibility to use any entry and management tool that is proprietary or from third-party vendors, and/or market participants may choose any executing brokers to enter their orders. The proposed platform is not an exclusive means of trading, and if market participants believe that other products, vendors, front-end builds, etc. available in the marketplace are more beneficial than the Cboe Silexx platform, they may simply use those products instead. Use of such functionality is completely voluntary. Also, the Exchange notes that use of the platform will not provide market participants with any additional access to the Exchange than that which is available through the use of any other front-end order entry system supporting trading. Orders executed through the platform will not receive preferential treatment and the Exchange's System will not distinguish between orders sent from Cboe Silexx and orders sent in any other manner. The Exchange notes that similar platforms, such as other Silexx versions and PULSe workstations, are currently offered today.

The Exchange does not believe that the proposed change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because Cboe Options will be offering a type of product that is widely available throughout the industry, including from some exchanges. As noted above, market participants can also

develop their own proprietary products with the same functionality. Additionally, ISE currently offers a similar front-end order entry application (PrecICE). The offering of Cboe Silexx to market participants to enter and manage orders for routing or submitting to U.S. exchanges will be an addition to the Exchange's current suite of technology products it offers, including other current Silexx platforms. As such, market participants will be able to choose to execute, or continue to execute, orders through any of these means.

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

The Exchange neither solicited nor received comments on the proposed rule change.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>20</sup> and Rule 19b-4(f)(6) thereunder.<sup>21</sup>

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act<sup>22</sup> normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)<sup>23</sup> permits the Commission to designate a shorter time if such action is consistent with the

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization 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.

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

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

protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. Cboe Options asserts that the proposed rule change doesn't present novel or unique issues because the proposed Cboe Silexx platform is similar to technology already available on the Exchange.<sup>24</sup> The Exchange notes that the proposed Cboe Silexx platform is an extension of the Silexx FLEX platform, with the main substantive difference being that it permits entry of non-FLEX orders, as discussed above. The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>25</sup>

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

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<sup>24</sup> See supra note **Error! Bookmark not defined.**

<sup>25</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-CBOE-2020-040 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-CBOE-2020-040. 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, 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-CBOE-2020-040 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>26</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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<sup>26</sup> 17 CFR 200.30-3(a)(12).

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