

MEMO# 31050

January 23, 2018

SEC Approves Cboe Market Close

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January 23, 2018 TO: Equity Markets Advisory Committee RE: SEC Approves Cboe Market Close

The Securities and Exchange Commission (Commission) recently approved a proposed rule change to allow Bats BZX Exchange (now known as Cboe BZX Exchange) (BZX) to adopt Cboe Market Close, a closing match process for securities listed on other exchanges.[\[1\]](#) BZX proposed the Cboe Market Close in response to requests from market participants, particularly buy-side firms, for an alternative to the primary listing markets' closing auctions that still provides an execution at a security's official closing price. Cboe, NYSE, and IEX shared their views on this proposal at ICI's EMAC meeting in September.

To participate in the Cboe Market Close, BZX members will use market-on-close (MOC) orders. Exchange members will be able to enter, cancel, or replace MOC orders for the Cboe Market Close between 6:00 a.m. Eastern Time and 3:35 p.m. Eastern Time. At 3:35 p.m., the exchange will match buy and sell orders based on time priority, and any remaining unmatched orders will be cancelled back to the member that submitted the order.

BZX will then disseminate over a proprietary data feed the total size of all buy and sell orders matched per security via Cboe Market Close. Upon publication of the official closing price by the primary listing market, BZX will execute all previously matched buy and sell MOC orders at that official closing price. If the primary listing market fails to publish a closing price, BZX will utilize the official closing price published by the exchange designated by the primary listing market. If there is no official closing price published by 8:00 p.m. Eastern Time for any security, BZX will cancel all matched MOC orders in such security.

The Commission's approval order does not specify an implementation date for Cboe Market Close. According to the order BZX intends to file a separate rule proposal setting fees for Cboe Market Close, and Cboe President Chris Concannon recently told reporters that Cboe Market Close could be in place within a year.[\[2\]](#)

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endnotes

[1] *Self-Regulatory Organizations; Bats BZX Exchange, Inc.*, SEC Release No. 34-82522 (January 17, 2018), available at <https://www.sec.gov/rules/sro/batsbzx/2018/34-82522.pdf>.

[2] John McCrank, Cboe gets nod to challenge NYSE, Nasdaq for closing stock orders, Reuters (Jan. 17, 2018), available at <https://www.reuters.com/article/us-cboe-glo-markets-orders-sec/cboe-gets-nod-to-challenge-nyse-nasdaq-for-closing-stock-orders-idUSKBN1F636I?il=0>.

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