

MEMO# 32286

March 15, 2020

SEC Approves Cboe Options Exchange Shifting from Physical to Fully Electronic Trading until May 15, 2020 in Response to COVID-19

[32286]

March 15, 2020 TO: ICI Members SUBJECTS: Closed-End Funds

Compliance

Derivatives

Disclosure

Exchange-Traded Funds (ETFs)

Fund Accounting & Financial Reporting

Fund Governance

International/Global

Investment Advisers

Operations

Risk Oversight

Settlement

Technology & Business Continuity

Trading and Markets

Unit Investment Trusts (UITs)

Valuation

Variable Insurance Products RE: SEC Approves Cboe Options Exchange Shifting from Physical to Fully Electronic Trading until May 15, 2020 in Response to COVID-19

The SEC noticed for immediate effectiveness a proposed rule filing submitted by Cboe Exchange, Inc. to facilitate the continued operation of Cboe's options exchange in light of Cboe's decision to temporarily suspend open outcry trading on its Chicago trading floor^[1].

According to the press release, Cboe announced that it will temporarily close its options trading floor effective Monday, March 16, as a precautionary measure to prevent the potential spread of COVID-19. The Cboe rule filing modifies three trading rules with respect to Cboe's exclusively listed index options to more fully replicate in an electronic trading environment the trading that occurs on the Cboe's physical trading floor.

The press release also indicates that the SEC's Division of Trading and Markets "is

monitoring operational shifts necessitated by the implementation of business continuity plans and stands ready to advise and assist exchanges, clearing agencies and other market participants with operational and other matters."

The rule filing describes three modifications that are designed to help ensure an orderly transition from today's electronic and floor trading environment to all-electronic trading without the Cboe trading floor. They are described below.

- The first modification permits market makers with an appointment in an options class to be solicited for orders submitted into Cboe's price improvement auction in order to more closely replicate the sourcing of liquidity that occurs on the floor today and to ensure minimal disruption to the existing liquidity sources available via floor-based trading.
- The second modification excludes market makers that would not be subject to certain continuous quoting obligations in the trading floor environment from being subject to those requirements as a result of their participation in the all-electronic trading environment.
- The third modification permits Cboe to better enable certain complex strategies with multiple option components to function in an all-electronic trading environment.

The press release also states that Cboe will report on how these modifications are functioning in practice and that the SEC will continue to work with Cboe as these changes are implemented. The modifications are temporary until May 15, 2020 (or sooner if the floor becomes operable). If necessary, the SEC could extend the effectiveness of the modifications at that time.

Dorothy M. Donohue
Deputy General Counsel - Securities Regulation

endnotes

[1] See *Cboe Options Exchange Temporarily Shifts to Fully Electronic Trading – SEC Enables Immediate Effectiveness of Proposed Rule Change to Facilitate Continued Operations in Light of Temporary Suspension of Cboe Physical Trading Floor*, dated March 14, 2020, available at <https://www.sec.gov/news/press-release/2020-64>.