



September 25, 2019

Via Electronic Submission

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: File No. SR-CboeBZX-2019-072; SR-CboeBYX-2019-013; SR- SR-CboeEDGX-2019-050; SR-CboeEDGA-2019-014

Dear Ms. Countryman:

Cboe BZX Exchange, Inc.; Cboe BYX Exchange, Inc.; Cboe EDGX Exchange, Inc.; Cboe EDGA Exchange, Inc. (the “Exchanges”) appreciate the opportunity to respond to comments submitted to the Securities and Exchange Commission (“Commission”) by the Securities Industry and Financial Markets Association (“SIFMA”) on the above-reference proposed rule changes (the “Proposals”).<sup>1</sup> The Proposals each institute trading rights fees charged to members of the Exchanges in order to assist in recouping costs incurred in connection with the Exchanges fulfilling their general obligations as self-regulatory organizations, including maintaining the Cboe U.S. equities markets consistent with the requirements of the Exchange Act. The Exchanges

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<sup>1</sup> See Securities Exchange Act Release Nos. 86685 (Aug. 15, 2019), 84 FR 43627 (Aug. 21, 2019) (SR-CboeBYX-2019-013); 86686 (Aug. 15, 2019), 84 FR 43633 (Aug. 21, 2019) (SR-CboeBZX-2019-072); 86684 (Aug. 14, 2019), 84 FR 43242 (Aug. 20, 2019) (SR-CboeEDGA-2019-014); 86683 (Aug. 14, 2019), 84 FR 43222 (Aug. 20, 2019) (SR-CboeEDGX-2019-050).

believe that self-regulation, with oversight by the Commission, remains a critical component of our regulatory structure, and helps to assure a fair and orderly market that benefits investors. Funding such efforts is therefore important both to the Exchanges and to the broader market.

As SIFMA points out in its comment letter, the Exchanges previously filed to institute trading rights fees (“Original Filings”), and re-filed those Proposals after the Commission suspended the Original Filings (“Amended Filings”). SIFMA, however, seriously mischaracterizes the Amended Filings in terms of the level of detail and justification provided to support the Proposals. Contrary to SIFMA’s assertions, the Amended Filings contain significantly more information and analysis of the proposed fees, including but not limited to information about increasing costs. For example, as represented in the Amended Filings, the Exchanges’ regulatory costs have increased as much as 134% over the last few years,<sup>2</sup> and the fees to be collected would defray only a portion of those increasing costs. Recouping a small portion of such costs through the imposition of a nominal fee charged to members is plainly consistent with the Exchange Act, and indeed is consistent with the facilitation of a fair, orderly, and well-regulated market.

In addition, SIFMA asserts that competition does not constrain such membership fees since “broker-dealers must pay these fees prior to being able to satisfy their regulatory obligations and deciding where to route orders.” As explained in the Amended Filings, broker-dealers are not compelled to become members of any particular exchange, and a number of broker-dealers, including large equities market participants, are able to meet their business and compliance needs (*e.g.*, best execution and order protection) by trading via sponsored access or other arrangements. In fact, the data provided in the Amended Filings show that some other U.S. equities exchanges

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<sup>2</sup> In fact, three of the four Exchanges experienced a more than doubling of total regulatory costs from 2016 to 2019, with an increase of 134% for BYX, 117% for EDGX, 115% for EDGA. On BZX, the increase was also a material 64%. *Id.*

have more than twice as many members of any of the Exchanges.<sup>3</sup> The Exchanges therefore also continue to believe that competition between markets acts as an appropriate constraint on membership fees despite SIFMA's mistaken claims to the contrary.

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For the reasons set forth above, and as discussed in more detail in the Amended Filings, we continue to believe that the proposed fees are reasonable, equitable, and not unfairly discriminatory, and would assist in the continued maintenance of fair and orderly markets, including the regulation of broker-dealers that choose to become members of our Exchanges.

Sincerely,



Adrian Griffiths  
Assistant General Counsel

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<sup>3</sup> For example, The Nasdaq Stock Market has approximately 337 current members, which is more than twice as many as any of the Exchanges. Id.