SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85122; File No. SR-CboeBYX-2019-002)

February 13, 2019

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the BYX Fee Schedule as it Relates to Pricing for the Use of Certain Routing Strategies

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on February 1, 2019, Cboe BYX Exchange, Inc. (the "Exchange" or "BYX") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 BYX Exchange, Inc. ("BYX" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to amend the BYX fee schedule as it relates to pricing for the use of certain routing strategies. The text of the proposed rule change is attached [sic] as Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/equities/regulation/rule_filings/byx/), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

2 17 CFR 240.19b-4.

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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend the BYX fee schedule to change the pricing applicable to orders routed using the SLIM routing strategy in connection with planned changes to the System routing table.[3] SLIM is a routing strategy offered by the Exchange that is used to target certain low cost protected market centers by routing to those venues after accessing available liquidity on the BYX Book, and prior to routing to other trading centers included in the System routing table. The Exchange periodically changes the low cost venues targeted by the SLIM routing strategy to ensure that the venues prioritized for routing can be accessed at a low cost. Currently, three exchanges are included in the System routing table as low cost protected market centers: Cboe EDGA Exchange, Inc. ("EDGA"), Nasdaq BX, Inc. ("BX"), and New York Stock Exchange LLC ("NYSE"). Pursuant to Rule 11.13(b)(3), the Exchange has determined to modify the System routing table such that NYSE would no longer

3 The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Rule 11.13(b)(3). The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. Id.

be listed as a low cost protected market center where orders are first routed after seeking available liquidity on the BYX Book. In addition, the Exchange has decided to add NYSE American LLC ("NYSE American") and NYSE National, Inc. ("NYSE National") as low cost protected market centers. These changes to the System routing table are scheduled to be introduced on February 1, 2019.

Currently, orders routed using the SLIM routing strategy are charged a fee of $0.00270 per share, except when routed to BZX or NYSE.[4] Orders routed to BZX using the SLIM routing strategy are charged a fee of $0.0030 per share,[5] and orders routed to NYSE using this routing strategy are charged a fee of $0.00280 per share.[6] The Exchange proposes a number of changes to these fees in connection with the changes to the routing table for SLIM.

First, in recognition of the fact that EDGA and BX can be accessed at a low cost today, the Exchange proposes to provide a rebate to orders routed to these exchanges using the SLIM routing strategy. As proposed, the rebate would be $0.00240 per share for orders routed to EDGA, and $0.00100 for orders routed to BX. The rebates are consistent with rebates currently offered for orders routed to EDGA and BX using the Destination Specific, TRIM, or TRIM2 routing strategies, which yield fee codes "BJ" and "C," respectively. To effect the proposed change, the Exchange would therefore add SLIM to the list of routing strategies that yield fee code BJ and C when routed to EDGA or BX. In addition, the fee schedule currently provides that the rebates offered pursuant to fee codes BJ and C are applicable to eligible orders in all securities. EDGA and BX, however, do not provide rebates to orders that remove liquidity in

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4 See Cboe BZX U.S. Equities Exchange Fee Schedule, fee code "SX."

5 See Cboe BZX U.S. Equities Exchange Fee Schedule, fee code "SZ."

6 See Cboe BZX U.S. Equities Exchange Fee Schedule, fee code "D."

securities priced below $1.00.[7] As such, the Exchange proposes to amend the pricing for orders routed to these exchanges pursuant to fee codes BJ and C, such that no charge or rebate would be provided in securities priced below $1.00.

Second, the Exchange proposes to add two new fee codes, MX and NX, that relate to orders routed to NYSE American and NYSE National, respectively, using the SLIM routing strategy. Orders routed using the SLIM routing strategy would be charged a fee of $0.00020 per share if executed on NYSE American. If executed on NYSE National, those orders would be provided a rebate of $0.00200 per share in securities priced at or above $1.00, and no charge or rebate would be applied for securities priced below $1.00. The proposed fees and rebates chosen for routing to these venues generally reflect the current transaction fees and rebates available for accessing liquidity on those markets.[8]

Third, since the Exchange would now charge a low fee or pay a rebate for routing to all low cost protected market centers using the SLIM routing strategy, the Exchange proposes to increase the default fee charged to orders routed using the SLIM routing strategy to $0.00290 per share. This routing fee, designated under fee code SX, would apply to all orders routed using the

7 Orders that remove liquidity on EDGA for Tapes A, B, and C are neither charged a fee nor provided a rebate in securities priced below $1.00. See Cboe EDGA U.S. Equities Exchange Fee Schedule, fee codes “BB,” “N,” “W.” Orders that remove liquidity on Nasdaq BX in such securities are charged a fee equal to 0.10% of the total transaction cost. See Nasdaq BX Rulebook, Equity 7, Section 118(b).

8 NYSE American currently charges a fee for removing liquidity that is $0.00020 per share in securities priced at or above $1.00, and 0.25% of the total dollar value of the transaction in securities priced below $1.00. See NYSE American Equities Price List, I. Transaction Fees.

NYSE National currently provides a rebate of $0.00200 per share in securities priced at or above $1.00 for members that achieve their taking tier. See NYSE National Schedule of Fees and Rebates, I. Transaction Fees, B. Tiered Rates. Orders that remove liquidity in securities below $1.00 are executed without charge or rebate. See NYSE National, Schedule of Fees and Rebates, I. Transaction Fees, A. General Rates.

SLIM routing strategy, except when routed to BX, BZX, EDGA, NYSE American, or NYSE National. Since NYSE would no longer be included as a low cost protected market center, the Exchange proposes to eliminate special pricing for orders routed to NYSE using the SLIM routing strategy under fee code D. Such orders would now pay the default routing fee for orders routed using this routing strategy, as described above.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,[9] in general, and furthers the requirements of Section 6(b)(4),[10] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. The Exchange believes the proposed routing fee changes are appropriate as they reflect changes to the System routing table used to determine the order in which venues are accessed using the SLIM routing strategy. SLIM specifically targets certain equities exchanges that provide cheap executions or rebates to liquidity removing orders, and routes to those venues after trading with the BYX Book, and prior to accessing liquidity that may be available on other venues on the System routing table. The Exchange believes that the proposed changes reflect the intent of members when they submit routable order flow to the Exchange using the SLIM routing strategy.

The Exchange believes that it is reasonable and equitable to begin rebating orders routed to EDGA and BX using the SLIM routing strategy. Although the Exchange does not offer special pricing when routing to those markets using the SLIM routing strategy today, the Exchange does offer such incentives when routing to those markets using certain other routing strategies, including Destination Specific, TRIM, or TRIM2. As is the case for orders routed to

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[9] 15 U.S.C. 78f.

[10] 15 U.S.C. 78f(b)(4).

EDGA and BX using those routing strategies, the proposed rebates applicable to the SLIM routing strategy are designed to reflect incentives offered to liquidity taking orders on these two venues, which operating using taker/maker pricing models that offer rebates to remove liquidity.

The Exchange also believes that it is reasonable and equitable to provide free executions, rather than rebates, for orders routed to EDGA and BX using the Destination Specific, TRIM, TRIM2, or SLIM routing strategies in securities priced below $1.00. Although EDGA and BX both generally provide rebates to orders that remove liquidity, as described above, those rebates are limited to securities priced at or above $1.00.[11] For orders that remove liquidity in securities priced below $1.00, EDGA charges no fee and provides no rebate, while BX instead charges a fee.[12] With the proposed changes to the routing fees, the Exchange would recoup some, but not all, of the cost associated with routing orders in lower priced securities to these markets on behalf of members that use the Destination Specific, TRIM, TRIM2, or SLIM routing strategies.

Similarly, the Exchange believes that it is reasonable and equitable to provide special pricing for orders routed to NYSE American and NYSE National using the SLIM routing strategy. As mentioned previously, the Exchange is adding these two exchanges to its list of low cost protected market centers, and wishes to provide the benefit of the rebate or lower fee provided by those markets to BYX members using the SLIM routing strategy. The Exchange believes that these changes may increase interest in the Exchange's SLIM routing strategy, in particular, by passing on better pricing to BYX members that choose to enter such orders on the Exchange, thereby encouraging additional order flow to be entered to the BYX Book.

The rebates provided to orders routed to NYSE National using the SLIM routing strategy would be limited to order price at or above $1.00 in light of the fact that NYSE National does not

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11 See supra note 7.

12 Id.

provide rebates to liquidity removing orders in securities priced below $1.00. For securities priced below $1.00, the Exchange would charge no fee and provide no rebate, which is equivalent to pricing on NYSE National.[13] Without limiting the proposed rebate for NYSE National to securities priced at or above $1.00, the Exchange would pay a significant rebate that would not be recouped via a rebate provided by the execution venue. The Exchange believes that is reasonable and equitable to limit routing rebates to circumstances where the Exchange would actually earn a rebate from the away venue in order to properly recoup the costs of accessing liquidity on such markets.

Given the proposed changes to the fees charged or rebates provided when routing low cost protected market centers, the Exchange also believes that it is reasonable and equitable to increase the fee charged when routing to other equities markets. Specifically, the Exchange charges a default routing fee for orders routed using the SLIM routing strategy that is, in effect, a blended fee designed to compensate the Exchange for routing to one of the venues not otherwise subject to special pricing. Since the Exchange is introducing special pricing for orders routed to low cost protected market centers, the venues subject to this pricing, would, on average, charge a higher execution fee for liquidity removing orders. Indeed, a number of the trading centers that are accessible using the SLIM routing strategy, including, for example, The Nasdaq Stock Market LLC ("Nasdaq") and Cboe EDGX Exchange, Inc. ("EDGX"), charge a taker fee of $0.00300 per share.[14] The Exchange believes that the proposed increased routing fee for these orders reflects an appropriate blended rate for accessing liquidity on those markets, and would appropriately compensate the Exchange for the costs associated with routing to such venues.

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13 See supra note 8.

14 See Nasdaq, Equity Rules, Pricing Schedule; EDGX U.S. Equities Exchange Fee Schedule, Fee Codes and Associated Fees.

Furthermore, the Exchange believes that the changes to the System routing table would reduce the chance that an order is routed to a high cost venue since routing to low cost protected market centers is prioritized.

Finally, the Exchange believes that the proposed changes are equitable and not unfairly discriminatory as the proposed fees and rebates would apply equally to all members that use the Exchange to route orders using the associated routing strategy. The proposed fees are designed to reflect the fees charged and rebates offered by certain away trading centers that are accessed by Exchange routing strategies, and are being made in conjunction with changes to the System routing table designed to provide members with low cost executions for their routable order flow. Furthermore, if members do not favor the proposed pricing, they can send their routable orders directly to away markets instead of using routing functionality provided by the Exchange. Routing through the Exchange is voluntary, and the Exchange operates in a competitive environment where market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed routing fee changes are designed to reflect changes being made to the System routing table used to determine where to send certain routable orders, and generally provide better pricing to members for orders routed to low cost protected market centers using the Exchange's routing strategies. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect 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 either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[15] and paragraph (f) of Rule 19b-4[16] thereunder. 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:

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. Please include File Number SR-CboeBYX-2019-002 on the subject line.

15 15 U.S.C. 78s(b)(3)(A).

16 17 CFR 240.19b-4(f).

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-CboeBYX-2019-002. 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-CboeBYX-2019-002 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.[17]

Eduardo A. Aleman
Deputy Secretary

[17] 17 CFR 200.30-3(a)(12).