

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85824; File No. SR-CboeBYX-2019-008)

May 10, 2019

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule Applicable to the BYX Equities Trading Platform (“BYX Equities”) as it Relates to Pricing for the Use of the TRIM Routing Strategy

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 1, 2019, Cboe BYX Exchange, Inc. (“Exchange” or “BYX”) filed with the Securities and Exchange Commission (“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 fee schedule applicable to the BYX equities trading platform (“BYX Equities”) as it relates to pricing for the use of the TRIM routing strategy. The text of the proposed rule change is attached as Exhibit 5[sic]

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 Equities fee schedule to change the pricing applicable to orders routed using the TRIM routing strategy in connection with planned changes to the System routing table.³ TRIM is a routing strategy offered by the Exchange that is used to target certain low cost exchanges by routing to those venues after accessing available liquidity on the BYX Book. In February 2019, New York Stock Exchange (“NYSE”) was removed from the System routing table as a low cost protected market center, and NYSE National, Inc. (“NYSE National”) was added as a low cost protected market center. Therefore, pursuant to Rule 11.13(b)(3), the Exchange has determined to modify the System routing table such that TRIM no longer includes NYSE, and has decided to add NYSE National as a low cost venue under the TRIM routing strategy. In addition to this, the Exchange has determined that Cboe BZX Exchange, Inc. (“BZX”) is generally not a low cost venue and,

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.

therefore, should also be removed from the list of venues under the TRIM routing strategy.

These changes to the TRIM routing strategy are scheduled to be introduced on May 1, 2019.

Currently, orders routed to NYSE using the TRIM routing strategy are assessed a fee of \$0.00280 per share.⁴ Orders routed to BZX using the TRIM routing strategy are assessed a fee of \$0.00300 per share.⁵ Also, orders currently routed to NYSE National using the SLIM routing strategy are provided a rebate of \$0.00200 and yield fee code NX. The Exchange proposes changes to these fees in connection with the changes to the routing table for TRIM.

In recognition of the fact that NYSE National can be accessed at a low cost today, the Exchange proposes to provide a rebate to orders routed to this exchange using the TRIM routing strategy. Specifically, the Exchange proposes to add TRIM to the list of routing strategies that yield fee code NX, which relates to orders routed to NYSE National. As proposed, orders routed using the TRIM routing strategy 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 rebates are consistent with rebates currently offered for orders routed to NYSE National using a similar low cost routing strategy, SLIM, which yields fee code NX.

In addition to this, since NYSE is no longer included as a low cost protected market center and because BZX is being removed from the TRIM routing strategy as it is generally not a low cost venue, the Exchange proposes to eliminate special pricing for orders routed to NYSE using the TRIM routing strategy under fee code D and for orders routed to BZX using the TRIM strategy under fee code SZ. Such orders would now pay the default routing fee for orders routed using this routing strategy.⁶

⁴ See Cboe BYX U.S. Equities Exchange Fee Schedule, fee code D.

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

⁶ See Cboe BYX U.S. Equities Exchange Fee Schedule, fee codes BJ, C and proposed NX.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,⁷ in general, and furthers the requirements of Section 6(b)(4),⁸ 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 TRIM routing strategy. TRIM specifically targets certain equities exchanges that provide low cost executions or rebates to liquidity removing orders, and routes to those venues after trading with the BYX Book. The Exchange believes that the proposed changes reflect the intent of Members when they submit routable order flow to the Exchange using the TRIM routing strategy.

The Exchange believes that it is reasonable and equitable to assess the proposed rebate on orders routed to NYSE National using the TRIM routing strategy. As mentioned previously, the Exchange recently added this exchange to its list of low cost protected market centers, and wishes to provide the benefit of the rebate or lower fee provided by this market to BYX Members using the TRIM routing strategy. The Exchange currently offers such incentives when routing to those markets using another low cost routing strategy, SLIM. As is the case for orders routed via the SLIM routing strategy to NYSE National, the Exchange believes the proposed rebate applicable to the TRIM routing strategy to this venues generally reflect the current transaction rebates available for accessing liquidity on NYSE National.⁹ The Exchange believes

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(4).

⁹ 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

that this change may increase interest in the Exchange's TRIM 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. In addition to this, the Exchange believes that is reasonable and equitable to eliminate special pricing for orders routed to NYSE and BZX using TRIM under fee code D and SZ, respectively, as NYSE and BZX will no longer be included as a low cost venues under the TRIM routing strategy.

Finally, the Exchange believes that the proposed changes are equitable and not unfairly discriminatory as the proposed rebate 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

securities below \$1.00 are executed without charge or rebate. See NYSE National, Schedule of Fees and Rebates, I. Transaction Fees, A. General Rates.

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 Act¹⁰ and paragraph (f) of Rule 19b-4¹¹ 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:

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(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. Please include File Number SR-CboeBYX-2019-008 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-CboeBYX-2019-008. 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-2019-008 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.¹²

Eduardo A. Aleman
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).