

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83210; File No. SR-CboeBZX-2018-030)

May 10, 2018

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Cboe BZX Exchange, Inc.

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 May 1, 2018, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) 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 Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposed rule change effective upon filing with the Commission. 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

The Exchange filed a proposal to amend the fee schedule applicable to Members⁵ and non-Members of the Exchange pursuant to BZX Rules 15.1(a) and (c).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ The term “Member” is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

The text of the proposed rule change is available at the Exchange's website at www.markets.cboe.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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 parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its fee schedule applicable to its equities trading platform ("BZX Equities") to: (i) eliminate fee code HA and replace it with new fee codes HV, HB and HY, (ii) add a Non-Displayed Add Volume Tier; and (iii) modify the rate associated with fee code D, effective May 1, 2018.

Fee Codes HA, HV, HB, HY

Currently, fee code HA is appended to all non-displayed orders that add liquidity and receive a rebate of \$0.00150 per share. The Exchange proposes to eliminate fee code HA and replace it with fee codes HV, HB and HY. Particularly, the Exchange proposes to separate out fee code HA into three separate fee codes, each representing a different Tape for non-displayed orders that add liquidity. The Exchange proposes to adopt fee code HV for Tape A non-displayed orders that add liquidity; fee code HB for Tape B non-displayed orders that add liquidity; and fee code HY for Tape C non-displayed

orders that add liquidity. The Exchange notes it currently maintains separate fee codes based on Tapes for other types of orders as well.⁶ In connection with this change, the Exchange proposes to eliminate references to fee code HA throughout the Fee Schedule and replace it with references to HV, HB, HY.

New Volume Tier

The Exchange currently provides a standard rebate of \$0.00150 per share for non-displayed orders that add liquidity. The Exchange proposes to adopt a new Non-Displayed Add Volume Tape A Volume Tier, Tier 1 under Footnote 1 (“HV Volume Tier”) which would be available for qualifying orders which yield fee code HV. Particularly, under the proposed HV Volume Tier, a Member may receive an enhanced rebate of \$0.00260 per share where they add an ADV⁷ greater than or equal to 0.20% of the TCV⁸ as Non-Displayed orders that yield fee codes HI or HV.⁹ The Exchange believes the proposed change will encourage Members to increase their liquidity on the exchange. The Exchange also notes that other Exchanges maintain other volume tiers specific to a particular Tape.¹⁰

⁶ See e.g., Cboe BZX U.S. Equities Exchange Fee Schedule, Fee Codes W and BB, and N which fee codes represent orders removing liquidity from BZX for Tapes A, B and C respectively.

⁷ “ADV” means average daily volume calculated as the number of shares added or removed, combined, per day. ADAV and ADV are calculated on a monthly basis. Id.

⁸ “TCV” means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply. Id.

⁹ Fee code HI is appended to non-displayed orders that receive price improvement and add liquidity. Id.

¹⁰ See e.g., Cboe EDGX U.S. Equities Exchange Fee Schedule, Tape B Volume Tiers.

Fee Code D

The Exchange lastly proposes to increase the fee for orders yielding fee code D, which results from an order routed to the New York Stock Exchange (“NYSE”) using Destination Specific, RDOT, RDOX, TRIM or SLIM routing strategy. Particularly, NYSE recently implemented certain pricing changes related to Tapes B and C securities, including adopting a per tape fee of \$0.00280 per share to remove liquidity from the Exchange for member organizations with an Adding ADV of at least 50,000 shares for that respective Tape.¹¹ Based on the changes in pricing at NYSE, the Exchange is proposing to increase its fee for orders executed at NYSE that yield fee code D from \$0.00265 to \$0.00280.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,¹² in general, and furthers the objectives of Section 6(b)(4),¹³ 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 also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The

¹¹ See NYSE Trader Update, NYSE – Fees for Trading Tapes B and C securities, dated April 2, 2018, *available at* https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Fee_Change_BandC_April2018.pdf

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(4).

proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange.

The Exchange believes the proposal to eliminate fee code HA and replace it with fees codes HV, HB and HY is reasonable, equitable and not unfairly discriminatory because the standard rebate for current fee code HA and proposed fee codes HV, HB and HY, is not changing and because it applies uniformly to all Members. Additionally, as noted above, the Exchange already maintains separate fee codes based on Tapes for other types of orders.¹⁴

The Exchange believes the adoption of the HV Volume Tier under footnote 1 is reasonable because it provides Members an opportunity to receive an enhanced rebate for Non-Displayed orders that add liquidity and is a reasonable means to encourage Members to increase their liquidity on the Exchange. The Exchange further believes that the proposed tier represents an equitable allocation of reasonable dues, fees, and other charges because the thresholds necessary to achieve the tier encourages Members to add additional liquidity to the Exchange. The Exchange also notes that the Exchange already utilities similar volume tiers with similar criteria¹⁵ and also notes that other exchanges maintain Tape-specific volume tiers.¹⁶ The Exchange further believes the proposed fee change is equitable and non-discriminatory because it applies uniformly to all Members.

¹⁴ See e.g., Cboe BZX U.S. Equities Exchange Fee Schedule, Fee Codes W and BB, and N which fee codes represent orders removing liquidity from BZX for Tapes A, B and C respectively.

¹⁵ See Cboe BZX U.S. Equities Exchange Fee Schedule, Add Volume Tiers applicable to current fee code HA.

¹⁶ See e.g., Cboe EDGX U.S. Equities Exchange Fee Schedule, Tape B Volume Tiers.

The Exchange believes the proposed fee is reasonable because it reflects a pass-through of the pricing increase by NYSE noted above. The Exchange further believes the proposed fee change is non-discriminatory because it applies uniformly to all Members.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of the proposed change to the Exchange's tiered pricing structure burden competition, but instead, that they enhance competition as they are intended to increase the competitiveness of BZX by modifying pricing incentives in order to attract order flow and incentivize participants to increase their participation on the Exchange and to reflect a pass through of a pricing increase by NYSE. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee structures to be unreasonable or excessive. The proposed changes are generally intended to enhance the rebates for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange. The Exchange does not believe the proposed amendments would burden intramarket competition as they would be available to all Members uniformly.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

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 Act¹⁷ and paragraph (f) of Rule 19b-4 thereunder.¹⁸ 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal 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 No. SR-CboeBZX-2018-030 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 No. SR-CboeBZX-2018-030. 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

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f).

<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 am and 3:00 pm. Copies of such filing will also 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 No. SR-CboeBZX-2018-030 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.¹⁹

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Assistant Secretary

¹⁹ 17 CFR 200.30-3(a)(12).