

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83640; File No. SR-CboeBZX-2018-050)

July 16, 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 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 5, 2018, Cboe BZX Exchange, Inc. (“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 of the Exchange pursuant to BZX Rules 15.1(a) and (c).

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

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).

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"). Particularly, the Exchange proposes to amend the Tape B Volume and Quoting Tiers effective July 2, 2018.

The Exchange currently offers one Tape B Volume and Quoting Tier under footnote 13, which provides an additional rebate of \$0.0001 per share for orders that add liquidity in Tape B securities where a Member is enrolled in at least 50 LMP Securities⁶ for which it meets the following criteria for at least 50% of the trading days in the applicable month: (1) Member has a

⁶ "LMP Securities" means a list of securities included in the Liquidity Management Program, the universe of which will be determined by the Exchange and published in a circular distributed to Members and on the Exchange's website. Such LMP Securities will include all Cboe-listed ETPs and certain non-Cboe-listed ETPs for which the Exchange wants to incentivize Members to provide enhanced market quality. All Cboe-listed securities will be LMP Securities immediately upon listing on the Exchange. The Exchange will not remove a security from the list of LMP Securities without 30 days prior notice. See Cboe BZX U.S. Equities Exchange Fee Schedule.

NBBO Time⁷ greater than or equal to 15% or NBBO Size Time⁸ is equal to or greater than 25%; and (2) Member has a Displayed Size Time⁹ equal to or greater than 90%. Such rebates are applicable to orders that add liquidity which are appended with fee code B. The Exchange proposes to make two changes to the Tape B Volume and Quoting Tier.

First, the Exchange proposes to require that a Member is enrolled in and meets the requirements for at least 100 LMP Securities, an increase from the current requirement of 50. Second, the Exchange is proposing to require that at least 10 of the LMP Securities that a Member is enrolled in and meets the requirements for are BZX-listed securities.¹⁰

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(4),¹² 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

⁷ "NBBO Time" means the average of the percentage of time during regular trading hours during which the Member maintains at least 100 shares at each of the NBB and NBO. See Cboe BZX U.S. Equities Exchange Fee Schedule.

⁸ "NBBO Size Time" means the percentage of time during regular trading hours during which there are size-setting quotes at the NBBO on the Exchange. See Cboe BZX U.S. Equities Exchange Fee Schedule.

⁹ "Displayed Size Time" means the percentage of time during regular trading hours during which the Member maintains at least 2,500 displayed shares on the bid and separately maintains at least 2,500 displayed shares on the offer that are priced no more than 2% away from the NBB and NBO, respectively. See Cboe BZX U.S. Equities Exchange Fee Schedule.

¹⁰ The Exchange notes that all BZX-listed securities are by definition LMP Securities.

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(4).

flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The proposal reflects a change to a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange and enhance market quality in LMP Securities, including BZX-listed securities, and in Tape B securities.

The Exchange believes that increasing the threshold for Members to be enrolled in and meet the requirements for at least 50 LMP Securities to 100 LMP Securities is a reasonable means to incentivize Members to meet certain quoting standards in additional LMP Securities that the Exchange believes will narrow spreads, increase size at the inside, and increase liquidity depth on the Exchange in such LMP Securities, which will increase market quality in LMP Securities, to the benefit of all market participants. Similarly, the Exchange believes that requiring that at least 10 of the LMP Securities that a Member is enrolled in and meets the requirements for are BZX-listed securities in order to receive the Tape B Volume and Quoting Tier rebate is a reasonable means to incentive enhanced quoting in BZX-listed securities in order to narrow spreads, increase size at the inside, and increase liquidity depth on the Exchange BZX-listed securities, to the benefit of all market participants and enhance the Exchange's standing as a listing venue.

The Exchange further believes that the proposed changes represent an equitable allocation of reasonable dues, fees, and other charges because the thresholds necessary to achieve the Tape B Volume and Quoting Tier would continue to encourage Members to add additional liquidity to the Exchange in LMP Securities, including BZX-listed securities. The proposed changes also are not unreasonably discriminatory as they apply equally 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 the changes burden competition, but instead, enhance competition, as these changes are intended to increase the competitiveness of the Exchange as it is designed to enhance the market quality of LMP Securities, including BZX-listed securities, on the Exchange. 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 market quality in LMP Securities, including BZX-listed securities, and Tape B securities. As such, the proposal is a competitive proposal that is intended to add additional liquidity to the Exchange, which will, in turn, benefit the Exchange and all Exchange participants and enhance the Exchange's standing as a listing venue.

(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 Act¹³ and paragraph (f) of Rule 19b-4 thereunder.¹⁴ 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.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f).

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-CboeBZX-2018-050 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-CboeBZX-2018-050. 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-CboeBZX-2018-050 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.¹⁵

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Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).