

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101020; File No. SR-CboeBZX-2024-083)

September 13, 2024

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fees Applicable to Securities Listed on the Exchange, which are Set Forth in BZX Rule 14.13, Company Listing Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 11, 2024, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) 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 BZX Exchange, Inc. (“BZX” or the “Exchange”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) a proposed rule change to amend the fees applicable to securities listed on the Exchange, which are set forth in BZX Rule 14.13, Company Listing Fees. Changes to the fee schedule pursuant to this proposal are effective upon filing. The text of the proposed rule change is provided in Exhibit 5.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

The text of the proposed rule change is also available on the Exchange’s website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/BZX/](http://markets.cboe.com/us/equities/regulation/rule_filings/BZX/)), at the Exchange’s Office of the Secretary, 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 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 Exchange submits this proposal to adopt new Rule 14.13(b)(2)(E)(iv) in order to create an annual pricing cap for Defined Distribution Strategy Series, as defined below, that are listed on the Exchange.<sup>3</sup> The Exchange is also proposing to make a corresponding non-substantive numbering change to make current Rule 14.13(b)(2)(E)(iv) become 14.13(b)(2)(E)(v) and to add language to proposed Rule 14.13(b)(2)(v) in order to make clear that exchange-traded products (“ETPs”)<sup>4</sup> that are subject to the new pricing for Defined Distribution Strategy Series would not be subject to the fees applicable under Rule 14.13(b)(2)(v) in the same way that Legacy Listings,<sup>5</sup>

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<sup>3</sup> The Exchange initially filed the proposed fee change on August 30, 2024 (SR-CboeBZX-2024-081). On September 10, 2024, the Exchange withdrew that filing and submitted this proposal.

<sup>4</sup> As defined in Rule 11.8(e)(1)(A), the term “ETP” means any security listed pursuant to Exchange Rule 14.11.

<sup>5</sup> A “Legacy Listing” is an ETP that was listed on the Exchange prior to January 1, 2019. See Exchange Rule 14.13(b)(2)(E)(i).

New Listings,<sup>6</sup> an Outcome Strategy ETP<sup>7</sup> subject to Rule 14.13(b)(2)(E)(iii), and Transfer Listings<sup>8</sup> are not subject to such fees.

The Exchange is proposing to create a cap on annual fees where an issuer lists a series of ETPs that are each designed to provide (i) pre-defined set of cash distributions; (ii) over two specified periods with the first period beginning at inception until a pre-defined date and the second period beginning at that pre-defined date until another pre-defined date by which the ETP intends to distribute substantially all of its assets and liquidate the fund; (iii) where the first period defined distributions are based on the market conditions at the beginning of the first period, and the second period defined distributions are based on the market conditions at the beginning of the second period; and (iv) each employ the same strategy for achieving the pre-defined distributions (each a “Defined Distribution Strategy ETP” and collectively a “Defined Distribution Strategy Series”). The Exchange is proposing that such annual fees for Defined Distribution Strategy Series will be capped at \$16,000 per year.

As an example, a Defined Distribution Strategy ETP would include an ETP that intends to make an identical cash distribution each month equal to, for example, \$0.0833 per outstanding share of the fund, for a total of \$1.00 per share per year for 20 years. The Defined Distribution Strategy ETP would achieve the identical cash distributions by

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<sup>6</sup> A “New Listing” is an ETP that first lists on the Exchange or has been listed on for fewer than three calendar months on the ETP’s first trading day of the year. See Exchange Rule 14.13(b)(2)(E)(ii).

<sup>7</sup> An “Outcome Strategy Series” are multiple ETPs listed by the same issuer that are each designed to provide (i) a pre-defined set of returns; (ii) over a specified outcome period; (iii) based on the performance of the same underlying instruments; and (iv) each employ the same outcome strategy for achieving the pre-defined set of returns (each an “Outcome Strategy ETP” and, collectively, an “Outcome Strategy Series”). See Exchange Rule 14.13(b)(2)(E)(iii).

<sup>8</sup> A “Transfer Listing” is an ETP that transfers listing from another national securities exchange to the Exchange. See Exchange Rule 14.13(b)(1)(B)(v)(b).

investing in specified securities consistent with the fund's investment objective. At the conclusion of the first 20-year period a second pre-defined period would commence and the ETP would seek to achieve a new identical pre-defined cash distributions each month based on the specified securities of the same investment strategy of the first period. For example, \$0.0417 per outstanding share of the fund, for a total of \$0.50 per per year. At the end of the second 20-year period, the Defined Distribution Strategy ETP will have distributed substantially all of its assets and would liquidate the fund (the "planned liquidation date"). The Defined Distribution Strategy Series would include multiple ETPs that employ the same described strategy but would be applied across ETPs with planned liquidation dates occurring on a yearly basis.

With this in mind, the Exchange is proposing to cap the maximum listing fee per year for a Defined Distribution Strategy Series at \$16,000. Using the example above, if the issuer listed 10 ETPs employing the defined distribution strategy, the annual fee on a per ETP basis would be \$7,000, and assuming each of the ETPs would otherwise be subject to the Exchange's maximum annual listing fee, a total of \$70,000 for the Defined Distribution Strategy Series. Under the proposed fee cap, the Defined Distribution Strategy Series would be subject to a maximum total annual fee of \$16,000 for the Defined Distribution Strategy Series, which would result in a \$1,600 annual fee on a per ETP basis.

The proposed fee cap for Defined Distribution Strategy Series is identical to that applicable to Outcome Strategy Series<sup>9</sup> that was adopted in 2019.<sup>10</sup> The Exchange believes that applying the same fee cap is appropriate for Defined Distribution Strategy Series given its similar attributes to Outcome Strategy Series. Specifically, like Outcome Strategy Series, Defined Distribution Strategy Series involve multiple ETPs with identical strategies. While Outcome Strategy ETPs allow investors the opportunity to choose the Outcome Strategy ETP with the most appropriate pre-determined period of time (i.e., “outcome period”), Defined Distribution Strategy ETPs allow investors the opportunity to choose the Defined Distribution Strategy ETP with the most appropriate time horizon or target date. Listing numerous ETPs with different time horizons allows investors to choose the Defined Distribution Strategy ETP with the most appropriate time horizon for their investment purposes. Further, providing a cap on annual listing fees for such ETPs will ensure that listing fees will not be the basis for such additional Defined Distribution Strategy ETPs not being available to investors.

With this in mind, the Exchange is proposing to cap the maximum listing fee per year for a Defined Distribution Strategy Series at \$16,000. The Exchange does not currently list any Defined Distribution Strategy ETPs on the Exchange but expects that at least one issuer will list such ETPs on the Exchange in the coming months.

The Exchange proposes to implement these amendments upon filing.

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<sup>9</sup> An Outcome Strategy Series is comprised of multiple ETPs listed by an issuer that are designed to provide i) a pre-defined set of returns; (ii) over a specified outcome period; (iii) based on the performance of the same underlying instruments; and (iv) each employ the same outcome strategy for achieving the pre-defined set of returns (each an “Outcome Strategy ETP”). See Exchange Rule 14.13(b)(2)(E)(iii).

<sup>10</sup> See Securities Exchange Act No. 86956 (September 12, 2019) 84 FR 49128 (September 18, 2019) (SR-CboeBZX-2019-081).

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>11</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>12</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>13</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers as well as Section 6(b)(4)<sup>14</sup> 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 its ETP listing business operates in a highly-competitive market in which ETP issuers can readily transfer their listings if they deem fee levels or any other factor at a particular venue to be insufficient or excessive. The proposed rule changes reflect a competitive pricing structure designed to incentivize

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>13</sup> Id.

<sup>14</sup> 15 U.S.C. 78f(b)(4).

issuers to list new products and transfer existing products to the Exchange, which the Exchange believes will enhance competition both among ETP issuers and listing venues, to the benefit of investors.

The Proposed Fee Cap is an Equitable Allocation of Fees

The Exchange believes that the proposed cap on fees for Defined Distribution Strategy Series and the associated changes is equitable because it is available to all issuers and applies equally to all Defined Distribution Strategy Series. The Exchange believes that providing a fee cap for such ETPs is a more reasonable and equitable approach than the current fee structure based on the unique features that create the need to offer multiple ETPs based on the same strategy.

The Exchange notes that the proposed fee structure is a cap on fees for Defined Distribution Strategy Series and will only act to leave static or reduce fees for ETPs listed on the Exchange. Further, this proposal will decrease the fees associated with listing ETPs with varying time horizons on the Exchange, which will reduce the barriers to entry into the space and incentivize enhanced competition among issuers of Defined Distribution Strategy ETPs, to the benefit of investors.

The Proposed Fee Cap is not Unfairly Discriminatory

The Exchange also believes that the proposed cap on fees for Defined Distribution Strategy Series and the associated changes is not unfairly discriminatory because, while it only applies to Defined Distribution Strategy ETPs, it represents a significantly improved approach to annual listing fees for ETPs that by their nature require multiple listings. As noted above, Defined Distribution Strategy ETPs are similar to Outcome Strategy ETPs and warrant revisiting the ETP listing pricing model. Listing numerous ETPs with

different time horizons allows investors the opportunity to choose the Defined Distribution Strategy ETP with the most appropriate time horizon for their investment purposes. Providing a cap on annual listing fees for such ETPs will ensure that listing fees will not be the basis for such additional time horizons not being available to investors. The Exchange also notes that the incremental ongoing regulatory burden associated with listing an additional Defined Distribution Strategy ETP is reduced as compared to the incremental regulatory burden associated with listing additional non-Defined Distribution Strategy ETPs. Specifically, each Defined Distribution Strategy ETP in an Defined Distribution Strategy Series is based on the same reference instrument, utilizes the same investment strategy, has nearly identical holdings to the other Defined Distribution Strategy ETPs in the Defined Distribution Strategy Series, and, to the extent that such Defined Distribution Strategy ETPs are listed pursuant to an exchange rule filing, subject to the same continued listing obligations related to permissible holdings and portfolio limitations. As such, any testing, monitoring, or surveillance for compliance with continued listing standards and obligations applicable to a particular Defined Distribution Strategy ETP will be nearly identical across the entirety of the Defined Distribution Strategy Series, allowing the Exchange's regulatory personnel to leverage the same processes across each Defined Distribution Strategy ETP, which substantially reduces the regulatory burden applicable for each Defined Distribution Strategy ETP. Accordingly, the Exchange believes that the proposed cap on listing fees on Defined Distribution Strategy ETPs is not unfairly discriminatory due to their unique operation.



Further, the Exchange notes that an issuer will only receive the benefit of the annual fee cap if they accrue greater than \$16,000 in listing fees for a particular Defined Distribution Strategy Series. The Exchange notes that the proposed fee structure is a cap on fees for Defined Distribution Strategy Series and will only act to leave static or reduce fees for ETPs listed on the Exchange. This proposal will decrease the fees associated with listing Defined Distribution Strategy ETPs on the Exchange, which will reduce the barriers to entry into the space and incentivize enhanced competition among issuers of Defined Distribution Strategy ETPs, also to the benefit of investors.

#### The Proposed Fee Cap is Reasonable

The Exchange believes that the proposed cap on fees for Defined Distribution Strategy Series and the associated changes is a reasonable means to incentivize issuers to list (or transfer) Defined Distribution Strategy ETPs on the Exchange. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer ETP listings. Transfers between listing venues occur frequently for numerous reasons, including listing fees. The proposed rule changes reflect a competitive pricing structure designed to incentivize issuers to list new products and transfer existing products to the Exchange, which the Exchange believes will enhance competition both among ETP issuers and listing venues, to the benefit of investors.

The Exchange believes that this proposal represents a significantly improved approach to annual listing fees for ETPs that by their nature require multiple listings. The proposed fee structure is a cap on fees for Defined Distribution Strategy Series and will only act to leave static or reduce fees for ETPs listed on the Exchange. This proposal is intended to help the Exchange compete as an ETP listing venue. Furthermore, the

proposed fee cap is identical to that applied to Outcome Strategy Series, which similarly by their nature require multiple listings.

Based on the foregoing, the Exchange believes that the proposed rule changes are consistent with the Act.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed change burdens competition, but rather, enhances competition as it is intended to increase the competitiveness of BZX as a listing venue by providing better pricing for Defined Distribution Strategy Series. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer ETP listings. Transfers between listing venues occur frequently for numerous reasons, including listing fees. This proposal is intended to help the Exchange compete as an ETP listing venue. Accordingly, the Exchange does not believe that the proposed change will impair the ability of issuers or competing ETP listing venues to maintain their competitive standing. The Exchange also notes that the proposed change represents a competitive pricing structure designed to incentivize issuers to list new products and transfer existing products to the Exchange, which the Exchange believes will enhance competition both among ETP issuers and listing venues, to the benefit of investors. The Exchange believes that such proposed changes will directly enhance competition among ETP listing venues by reducing the costs associated with listing on the Exchange for Defined Distribution Strategy ETPs. Similarly, the Exchange believes that putting a cap on such ETPs will enhance competition both among listing venues of Defined Distribution Strategy ETPs and among issuers and issuances of

Defined Distribution Strategy ETPs through an overall reduction of annual fees for listing such products. As such, the proposal is a competitive proposal designed to enhance pricing competition among listing venues and implement pricing for listings that better reflects the revenue and expenses associated with listing ETPs on the Exchange.

The Exchange does not believe the proposed amendments would burden intramarket competition as they would be available to all issuers uniformly.

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

The Exchange neither solicited nor received comments on the proposed rule change.

**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<sup>15</sup> and paragraph (f) of Rule 19b-4<sup>16</sup> 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.

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CboeBZX-2024-083 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-2024-083. This file number should be included on the subject line if email 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 (<https://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 a.m. and 3

p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CboeBZX-2024-083 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Vanessa A Countryman,**

*Secretary.*

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<sup>17</sup> 17 CFR 200.30-3(a)(12).