SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83026; File No. SR-CboeEDGX-2018-013)

April 10, 2018

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on the Exchange's Equity Options Platform

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 April 2, 2018, Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") 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 Act[3] 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 modify its fee schedule with respect to Market Maker Fees on its equity options platform.

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.

---

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).

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its fee schedule for its equity options platform ("EDGX Options") to (i) increase the standard rate for Market-Maker orders in Penny-Pilot and Non-Penny Pilot Securities that add liquidity, (ii) modify criteria necessary to achieve Market Maker Volume Tiers ("Volume Tiers") 1, 4, 7 and 8, (iii) increase rates for Volume Tiers 1, 3, 5, 6, 7, 8 and (iv) eliminate Volume Tier 2.

By way of background, fee codes PM and NM are currently appended to all Market Maker orders in Penny Pilot Securities and Non-Penny Pilot Securities that add liquidity, and result in a standard fee of $0.19 per contract. The Exchange determines reduced fees or enhanced rebates using a tiered pricing structure under the Volume Tiers. Specifically, the Volume Tiers in footnote 2 of the Fee Schedule consist of eight separate tiers, each providing a reduced fee or rebate to a Member's Market Maker order that yields fee codes PM or NM upon satisfying the monthly volume criteria required by the respective tier.

Market Maker Standard Fee Increase

The Exchange first proposes to increase the standard fee of $0.19 per contract for Market Maker orders in Penny Pilot and Non-Penny Pilot Securities that add liquidity to $0.20 per contract. The Exchange notes that this increase is in line with the amounts assessed by other exchanges for similar transactions.[5]

Market Maker Volume Tier Criteria Modifications

Pursuant to Volume Tier 1, the lowest volume tier, a Member will pay a reduced fee (currently $0.16 per contract) if the Member has an ADV[6] in Market Maker orders equal to or greater than 0.05% of average OCV[7]. Pursuant to Volume Tier 4, a Member will pay a reduced fee (currently $0.07 per contract) if the Member has an ADV in Market Maker orders equal to or greater than 0.40% of average OCV. The Exchange proposes to modify the criteria necessary to achieve Volume Tiers 1 and 4 by increasing the ADV requirement from 0.05% of average OCV to 0.10% of average OCV and from 0.40% to 0.50%, respectively.

Pursuant to Volume Tier 7, a Member will currently be charged a reduced fee of $0.04 [sic] per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.15% of average OCV and (ii) Customer or Market Maker orders equal to or greater than 0.35% of average OCV. The Exchange proposes to amend prongs 1 and 2, as well as add new prongs 3 and 4. Particularly, the Exchange proposes to increase the ADV requirement in the first prong from greater or equal to 0.15% of average OCV to 0.30% of average OCV. The Exchange also

---

5 See e.g., Nasdaq PHLX LLC Pricing Schedule, Section II, Multiply Listed Options Fees.

6 "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day.

7 "OCV" means, the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

proposes to increase the threshold in the second prong from greater or equal to 0.35% of average OCV to 0.50% of average OCV. The Exchange proposes to add a third prong which requires that the member have an ADV in BAM Agency Orders[8] equal to or greater than 0.15% of average OCV. Lastly, the Exchange proposes to add a fourth prong that requires the member to have an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) greater or equal to 5,000 contracts. The Exchange notes that the third and fourth prongs are similar to prongs already established for Volume Tier 8.

Pursuant to Volume Tier 8, a Member will currently be charged a reduced fee of $0.02 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.30% of average OCV; (ii) Customer or Market Maker orders equal to or greater than 0.50% of average OCV; (iii) BAM Agency Orders equal to or greater than 25,000 contracts; and (iv) complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 5,000 contracts. The Exchange proposes to modify each of these criteria as follows: increase the ADV requirement of the first prong to 0.70% of average OCV, increase the ADV requirement of the second prong to 1.10% of average OCV; change the ADV requirement of the third prong to 0.15% of average OCV; and change the ADV requirement of the fourth prong to 0.20% of average OCV. The Exchange believes the proposed changes described above will encourage the entry of additional orders to the Exchange.

Volume Tier Rate Increases

The Exchange next proposes to increase the rates set forth in Volume Tiers 1, 3, 5, 6, 7, and 8. Specifically, Volume Tier 1 will increase from $0.16 per contract to $0.17 per contract;

---

8 BAM Agency Orders (yielding fee codes BC and BA) are orders represented as agent by a Member on behalf of another party and submitted to BAM for potential price improvement pursuant to Rule 21.19. See the Exchange's Fee Schedule available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

Volume Tier 3 will increase from $0.10 per contract to $0.13 per contract; Volume Tier 5 will increase from $0.02 per contract to $0.03 per contract; Volume Tier 6 will increase from a rebate of $0.01 per contract to a fee of $0.01 per contract; Volume Tier 7 will increase from $0.03 per contract to $0.04 per contract; and Volume Tier 8 will increase from $0.02 per contract to $0.03 per contract. The Exchange notes that the proposed rates still provide a discount from the standard Market Maker PM and NM rate and will continue to provide an incremental incentive for Members to strive for the higher tier levels, which provides increasingly higher discounts.

Volume Tier 2

Lastly, the Exchange proposes to eliminate Volume Tier 2 in its entirety and renumber the following Volume Tiers accordingly. The Exchange is eliminating Volume Tier 2 because it is increasing the ADV requirement in Volume Tier 1 and does not believe it's necessary to maintain a Tier that is only slightly incrementally higher.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.[9] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[10] in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls.

The Exchange believes the proposal to increase the standard fee of $0.19 per contract to $0.20 per contract for Market Maker orders in Penny Pilot and Non-Penny Pilot Securities that add liquidity is reasonable because it is only a $0.01 per contract increase and because it is still

---

9 15 U.S.C. 78f.

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

in line with what other exchanges assess for similar transactions.[11] With respect to the proposed increases to the rates in Volume Tiers 1, 3, 5, 6, 7 and 8, the proposed changes are reasonable because Market Makers still have the opportunity to receive a lower Market Maker fee that the standard rate (albeit less of a discount than before). The Exchange also believes the rates will continue to provide an incremental incentive for Members to strive for higher tier level, which provides increasingly higher discounts. The Exchange believes the proposed changes are equitable and nondiscriminatory because the proposed changes apply uniformly to all Market Makers.

The Exchange next notes that volume-based discounts such as those currently maintained on the Exchange have been widely adopted by options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. While the proposed modifications to the existing Volume Tiers make such tiers more difficult to attain, each is intended to incentivize Members to send additional Customer and/or Market Maker orders to the Exchange, and in the case of Market Maker Volume Tiers 7 and 8, also to encourage the submission of BAM Agency Orders and complex orders to the Exchange in an effort to qualify or continue to qualify for the lower fees made available by the tiers. The Exchange notes that increased volume on the Exchange provides greater trading opportunities for all market participants.

---

11 See e.g., Nasdaq PHLX LLC Pricing Schedule, Section II, Multiply Listed Options Fees.

Lastly, the Exchange believes it's reasonable to eliminate Volume Tier 2 because it is increasing the ADV requirement in Volume Tier 1 and does not believe it's necessary to maintain a Tier that is only slightly incrementally higher. Additionally, the Exchange notes that it will still provide opportunities for Market Makers to receive lower fees as it is keeping the remaining tiers.

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

The Exchange believes the proposed amendments to its fee schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

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 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 Act[12] and paragraph (f) of Rule 19b-4 thereunder.[13] At any time within 60 days of the filing of

12 15 U.S.C. 78s(b)(3)(A).

13 17 CFR 240.19b-4(f).

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 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-CboeEDGX-2018-013 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-CboeEDGX-2018-013. 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-CboeEDGX-2018-013, 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.[14]

Eduardo A. Aleman
Assistant Secretary

---

[14] 17 CFR 200.30-3(a)(12).