

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85606; File No. SR-CboeEDGX-2019-015)

April 11, 2019

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amending the Fee Schedule Applicable to Members and non-Members of the Exchange Pursuant to EDGX Rules 15.1(a) and (c)

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 March 29, 2019, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (“Commission”) a 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 EDGX Exchange, Inc. (the “Exchange” or “EDGX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the fee schedule applicable to Members and non-Members³ of the Exchange pursuant to EDGX Rules 15.1(a) and (c). 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/options/regulation/rule_filings/edgx/), 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.

³ A Member is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

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 proposes to amend its fee schedule applicable to its equities trading platform (“EDGX Equities”) to introduce a “Non-Displayed Add Volume Tier” under Footnote 1, effective April 1, 2019.

Non-Displayed Add Volume Tier

Currently, with respect to the Exchange’s equities trading platform, the Exchange determines the liquidity adding rebate that it will provide to Members using the Exchange’s tiered pricing structure. The EDGX Equities fee schedule currently contains eight Add Volume Tiers that provide enhanced rebates, ranging from of \$0.0025 to \$0.0033 per share, for displayed orders that add liquidity (i.e., yielding fee codes B,⁴ V,⁵ Y,⁶ 3⁷ and 4.⁸) The Exchange proposes

⁴ “B” is associated with displayed orders that add liquidity on EDGX for Tape B.

⁵ “V” is associated with displayed orders that add liquidity on EDGX for Tape A.

⁶ “Y” is associated with displayed orders that add liquidity on EDGX for Tape C.

⁷ “3” is associated with displayed orders that add liquidity on EDGX for Tape A or C during the post-market or pre-market trading sessions.

⁸ “4” is associated with displayed orders that add liquidity on EDGX for Tape B during the post-market or pre-market trading sessions.

to adopt a new Add Volume Tier under Footnote 1 that applies to non-displayed orders that add liquidity (i.e., orders that yield fee codes DM⁹, HA¹⁰, MM¹¹, and RP¹²) called the Non-Displayed Add Volume Tier. As proposed, under the Non-Displayed Volume Tier, a Member would receive a rebate of \$0.0026 per share if that Member adds an ADV¹³ greater or equal to 0.08% of the TCV¹⁴ as Non-Displayed orders that yield fee codes DM, HA, HI,¹⁵ MM or RP. The Exchange believes the proposed new tier will encourage Members to increase their liquidity on the exchange. The Exchange further notes that other Exchanges have similar non-displayed add volume tiers.¹⁶

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,¹⁷ in general, and furthers the requirements of Section 6(b)(4),¹⁸ in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its [sic]

⁹ “DM” is associated with non-displayed orders that add liquidity using MidPoint Discretionary order within discretionary range.

¹⁰ “HA” is associated with non-displayed orders that add liquidity.

¹¹ “MM” is associated with non-displayed orders that add liquidity using Mid-Point Peg.

¹² “RP” is associated with non-displayed orders that add liquidity using Supplemental Peg.

¹³ “ADV” means average daily volume calculated as the number of shares added to, removed from, or routed by, the Exchange, or any combination or subset thereof, per day. ADV is calculated on a monthly basis.

¹⁴ “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.

¹⁵ Fee code HI is appended to non-displayed orders that receive price improvement and add liquidity. Id.

¹⁶ See e.g., Cboe BZX U.S. Equities Exchange Fee Schedule, Footnote 1.

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(4).

In particular, the Exchange notes that volume-based rebates 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 (i) the value of an exchange's market quality; (ii) associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes the proposal to introduce a new Non-Displayed Add Volume Tier under footnote 1 is reasonable because it provides Members an additional opportunity to receive an enhanced rate for orders that add liquidity and is a reasonable means to encourage Members to increase their liquidity on the Exchange. Deepening the Exchange's liquidity pool benefits investors by encouraging more price competition and providing additional opportunities to trade. The Exchange further believes the proposed threshold is commensurate with the proposed enhanced rebate and that it will encourage members to add increased liquidity to EDGX each month. The Exchange also notes that others Exchange [sic] have similar add volume tiers for non-displayed orders.¹⁹ Lastly, the Exchange believes that the proposed Non-Displayed Add Volume Tier is not unfairly discriminatory as 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 would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the proposed change is designed to enhance competition by attracting additional liquidity and increasing the competitiveness of the Exchange. The proposed rebate tier would apply to all

¹⁹ See Cboe BZX U.S. Equities Exchange Fee Schedule, Footnote 1.

members uniformly based. The Exchange 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. The proposed rule change reflects a competitive pricing structure designed to encourage market participants to direct their order flow to the Exchange.

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 Act²⁰ and paragraph (f) of Rule 19b-4²¹ 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:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 17 CFR 240.19b-4(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2019-015 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-2019-015. 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-2019-015 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.²²

Eduardo A. Aleman
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).