

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101476; File No. SR-CboeEDGA-2024-042)

October 30, 2024

Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Remove Certain Routing Options and Amend Certain Order Types

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 October 28, 2024, Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 proposes to move EDGA from its current inverted fee model to a maker-taker fee model, by remove certain routing options from the EDGA rulebook, and amending certain order type rules to align their behavior with the EDGX rule text, and the maker-taker functionality that currently exists on EDGX.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/edga/), 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 proposes to move EDGA from its current inverted⁵ fee model to a maker-taker fee model.⁶ The Exchange anticipates that this transition will take effect on November 1, 2024. In order to move EDGA to a maker-taker fee model, the Exchange seeks to amend Rule 11.11(g)(3)(D), Rule 11.11(g)(3)(E), 11.11(g)(12)(A), 11.11(g)(12)(B), to remove the routing options ROBB, ROCO, RMPT, and RMPL, respectively, from the EDGA rulebook, as well as amend Rule 11.11(g)(14) to remove references to ROBB and ROCO. The Exchange also seeks to align certain EDGA order type functionality with how such orders behave on EDGX (a

⁵ The inverted fee model is a pricing structure in which a market, such as an exchange, charges its participants a fee to provide liquidity in securities, and provides a rebate to participants that remove liquidity in securities. See SEC Market Structure Advisory Committee, Memorandum on “Maker-Taker Fees on Equities Exchanges,” October 20, 2015, available at: <https://www.sec.gov/spotlight/emsac/memo-maker-taker-fees-on-equities-exchanges.pdf>

⁶ The maker-taker fee model is a pricing structure in which a market, such as an exchange, generally pays its members a per share rebate to provide (i.e., “make”) liquidity in securities and assesses on them a fee to remove (i.e., “take”) liquidity. *Id.*

maker-taker exchange). These functionality changes will require amendments to EDGA Rules 11.8(d)(5), 11.8(e)(5), and 11.6(d), to fully align them with EDGX Rules, 11.8(d)(5), 11.8(g)(5), and 11.6(d), respectively.⁷ The Exchange believes these changes are non-controversial because they are identical⁸ to existing EDGX rules which were immediately effective upon filing⁹ and are already codified in the EDGX rulebook. In this regard, the proposed rule changes present no new or novel issues for consideration. Moreover, because the proposed functionality will mirror exactly the order behavior as it exists on EDGX, today, Users¹⁰ will already be familiar with the new EDGA functionality.¹¹ In addition to the filing of this proposal, the Exchange has provided Users with advance notice of these proposed changes, via a Trade Desk Notice and client letter on October 1, 2024 (i.e., one full month prior to the proposed changes), thereby providing Users with as much advanced notice of the proposed changes as possible and giving Users additional time to make any technological and operational changes necessary, on their end. Importantly, various Users have verbally expressed their support for this proposal and have verbally indicated they will be ready to trade on EDGA under a maker-taker fee model.

⁷ The Exchange notes that it has also made a related EDGA fee filing, effective November 1, 2024, to reflect EDGA's new maker-taker fee model. See SR-CboeEDGA-2024-045.

⁸ These rules will be substantively identical, absent the EDGA Rules' references to the "EDGA Book", and the EDGX Rules' references to the "EDGX Book."

⁹ See Securities Exchange Act Release No. 75479 (July 17, 2015), 80 FR 43810 (July 23, 2015) (SR-EDGX-2015-33) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.6, 11.8, 11.9, 11.10 and 11.11 to Align With Similar Rules of the BATS Exchange, Inc.) (i.e., Rule 11.6(D) and Rule 11.8(d)(5)); see also Securities Exchange Act Release No. 90713 (December 17, 2020), 85 FR 84065 (December 23, 2020) (SR-CboeEDGX-2020-063) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend EDGX Rule 11.8(g), Which Describes the Handling of MidPoint Discretionary Orders Entered on the Exchange)(i.e., Rule 11.6(e)(5)).

¹⁰ The term "User" shall mean any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. See Rule 1.5(ee).

¹¹ The Exchange notes that many EDGA Users are also EDGX Users. In this regard, the Exchange's transition to a maker-taker fee model and to EDGX functionality will not present any new or novel issues for such EDGA Users to consider, as they are already familiar with EDGX's maker-taker fee model, and EDGX's order behavior.

Rule 11.11(g) – Routing Options

The Exchange proposes to amend Rule 11.11(g)(3)(D), Rule 11.11(g)(3)(E), 11.11(g)(12)(A), 11.11(g)(12)(B), to remove the routing options ROBB, ROCO, RMPT, and RMPL, respectively, from the EDGA rulebook, as well as amend Rule 11.11(g)(14) to remove references to ROBB and ROCO. These routing options are strategies that specifically target certain equities exchanges that provide low-cost executions or rebates to liquidity *removing* orders, and route to those venues after trading with the EDGA Book – i.e., ROBB, ROCO, RMPT, and RMPL are routing options applicable only to an *inverted* market. More specifically, these routing options are targeting Users that want low-cost executions. In this regard, each of these routing options first seek liquidity from the Exchange, which is currently inverted. However, once the Exchange transitions to a maker-taker fee model, these strategies will no longer be useful for Users targeting a low-cost execution, since the first trading venue these routing options would check – EDGA – will now assess Users a full remove fee. Therefore, given the proposal to convert EDGA to a maker-taker fee structure, these routing options are no longer necessary.

EDGA Rule 11.6(d) — Order with a Discretionary Range

Current Functionality

Currently, EDGA Rule 11.6(d) provides that Discretionary Range¹² is an instruction that a User may attach to an order to buy (sell) a stated amount of a security at a specified, displayed or non-displayed ranked price with discretion to execute up (down) to another specified, non-displayed price. Moreover, resting orders with a Discretionary Range instruction will be executed at a price that uses the minimum amount of discretion necessary to execute the order

¹² See Rule 11.6(d).

against an incoming order. When an incoming order also contains a Discretionary Range instruction, an order with a Discretionary Range instruction resting on the EDGA Book will execute at its least aggressive price when it matches against such incoming order. Any contra-side order that executes against a resting order with a Discretionary Range instruction at its displayed or non-displayed ranked price, or a price in the discretionary range, will remove liquidity against the order with a Discretionary Range instruction. Furthermore, where an incoming order with a Post Only¹³ instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting order with a Discretionary Range instruction, the discretionary range of the resting order with a Discretionary Range instruction will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. As such, resting orders with a Discretionary Range instruction do not perform a liquidity swap against incoming orders (including those with a Post Only instruction), such that incoming orders always act as takers of liquidity, and the resting order with a Discretionary Range instruction always acts as the maker of liquidity, thereby ensuring that the incoming order is the taker of liquidity and is paid the applicable rebate rather than charged an unexpected fee.

Proposed Functionality

¹³ Post Only is “[a]n instruction that may be attached to an order that is to be ranked and executed on the Exchange pursuant to Rule 11.9 and Rule 11.10(a)(4) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the EDGA Book, except as described below. An order with a Post Only instruction will remove contra-side liquidity from the EDGA Book if the order is an order to buy or sell a security priced below \$1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the EDGA Book and subsequently provided liquidity, including the applicable fees charged or rebates provided. To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the EDGA Book and subsequently provided liquidity, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange.” See EDGA Rule 11.6(n)(4).

The Exchange proposes to add rule text to EDGA Rule 11.6(d) to align it with the rule text of EDGX Rule 11.6(d). As proposed, the EDGA and EDGX rule text will be identical.¹⁴ Moreover, by aligning the EDGA rule text with EDGX rule text, the behavior of EDGA orders with a Discretionary Range will be identical to how such orders behave on the maker-taker exchange, EDGX. Specifically, the Exchange proposes that a resting order with a Discretionary Range instruction would remove liquidity against: (1) an incoming Post Only order at its displayed or non-displayed ranked price that does not remove liquidity on entry pursuant to Rule 11.6(n)(4), and (2) an incoming order with a time-in-force (“TIF”) other than Immediate-or-Cancel (“IOC”)¹⁵ or Fill-or-Kill (“FOK”)¹⁶ that is priced within its Discretionary Range. All other orders follow normal handling for the execution of an incoming order and remove liquidity when trading with a resting order with a Discretionary Range instruction.¹⁷

Accordingly, the Exchange proposes to amend its current Rule by adding language to 11.6(d) discussing how an order with a Discretionary Range instruction would interact with an order with a Post Only instruction. Specifically, when an order with a Post Only instruction that is entered at the displayed or non-displayed ranked price of an order with a Discretionary Range instruction that does not remove liquidity on entry pursuant to Rule 11.6(n)(4), the order with a

¹⁴ Supra note 8.

¹⁵ The term “Immediate-or-Cancel (“IOC”)” shall mean, “An instruction the User may attach to an order stating the order is to be executed in whole or in part as soon as such order is received. The portion not executed immediately on the Exchange or another trading center is treated as cancelled and is not posted to the EDGA Book. An order with an IOC instruction that does not include a Book Only instruction and that cannot be executed in accordance with Rule 11.10(a)(4) on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 11.11.” See Rule 11.6(q)(1).

¹⁶ The term Fill-or-Kill (“FOK”) shall mean, “An instruction the User may attach to an order stating that the order is to be executed in its entirety as soon as it is received and, if not so executed, cancelled. An order with a FOK instruction is not eligible for routing away pursuant to Rule 11.11.” See Rule 11.6(q)(3).

¹⁷ For example, an incoming order that executes at the ranked price of the Discretionary Range order, or an IOC or FOK order that executes at a price within the Discretionary Range would execute as the liquidity remover.

Discretionary Range instruction would be converted to an executable order and will remove liquidity against such incoming order.

Since an order with a Discretionary Range instruction contains a more aggressive price at which it is willing to execute, the Exchange proposes to treat orders with a Discretionary Range instruction as aggressive orders that would prefer to execute rather than forego an execution, due to applicable fees or rebates. In such instances, Users of orders with Discretionary Range instructions, willing to execute at more aggressive prices, would expect to pay a fee to remove liquidity. Similarly, for example, a User who has entered a Post-Only order onto a maker-taker exchange, would not expect to immediately remove liquidity against a resting order with a Discretionary Range, and would expect instead to be treated as an adder of liquidity and receive a rebate. Accordingly, the proposed amendments align EDGA rule text with Users' expectations.

Examples – Order with a Discretionary Range Instruction Executes against an Order with a Post Only Instruction

- Assume that the National Best Bid or Offer (“NBBO”) is \$10.00 by \$10.05, and the Exchange’s BBO is \$9.99 by \$10.06.
- Assume that the Exchange receives a non-routable order to buy 100 shares at \$10.00 per share designated with discretion to pay up to an additional \$0.05 per share.

Assume further that an order would not remove any liquidity upon entry pursuant to the Exchange’s economic best interest functionality.¹⁸

¹⁸ See EDGA Rule 11.6(n), which in relevant part, provides, “...An order with a Post Only instruction will remove contra-side liquidity from the EDGA Book if the order is an order to buy or sell a security priced below \$1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the EDGA Book and subsequently provided liquidity, including the applicable fees charged or rebates provided. To determine at the time of a potential execution whether the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the EDGA Book and subsequently provided liquidity, the Exchange will use the highest

- Assume that the next order received by the Exchange is an order with a Post Only instruction to sell 100 shares of the security priced at \$10.03 per share. The order with a Post Only instruction would not remove any liquidity upon entry and would post to the EDGA Book at \$10.03. This would, in turn, trigger the discretion of the resting buy order with a Discretionary Range instruction and an execution would occur at \$10.03. The order with a Post Only instruction to sell would be treated as the adder of liquidity and the buy order with discretion would be treated as the remover of liquidity.
- Assume the same facts as above, but that the incoming order with a Post Only instruction is priced at \$10.00 instead of \$10.03. As is true in the example above, the order with a Post Only instruction would not remove any liquidity upon entry. Rather than cancelling the incoming order, with a Post Only instruction to sell, back to the User, particularly when the resting order with a Discretionary Range instruction is willing to buy the security for up to \$10.05 per share, the Exchange proposes to execute at \$10.00 the order with a Post Only instruction against the resting buy order with a Discretionary Range instruction. As is also true in the example above, the order with a Post Only instruction to sell would be treated as the liquidity adder and the buy order with discretion would be treated as the liquidity remover. As set forth in more detail below, if the incoming order was not an order with a Post Only instruction to sell, the incoming order could be executed at the ranked price of the order with a Discretionary Range instruction without restriction and would therefore be treated as the liquidity remover.

possible rebate paid and highest possible fee charged for such executions on the Exchange.”

Furthermore, the Exchange proposes to modify the description of the process by which it handles incoming orders that interact with orders with a Discretionary Range instruction. The Exchange proposes to specify in Rule 11.6(d) its proposed handling of a contra-side order that executes against a resting order with a Discretionary Range instruction at its displayed or non-displayed ranked price or that contains a time-in-force of IOC or FOK and a price in the discretionary range by stating that such an incoming order will remove liquidity against the order with a Discretionary Range instruction. The Exchange also proposes to specify in Rule 11.6(d) its handling of orders that are intended to post to the EDGA Book¹⁹ at a price within the discretionary range of an order with a Discretionary Range instruction. This includes, but is not limited to, an order with a Post Only instruction. Specifically, the Exchange proposes to specify in Rule 11.6(d) that any contra-side order with a time-in-force other than IOC or FOK and a price within the discretionary range but not at the displayed or non-displayed ranked price of an order with a Discretionary Range instruction will be posted to the EDGA Book and then the order with a Discretionary Range instruction would remove liquidity against such posted order.

Examples – Order with a Discretionary Instruction Executes against an Order Without a Post Only Instruction

- Assume that the NBBO is \$10.00 by \$10.05, and the Exchange’s BBO is \$9.99 by \$10.06. Assume that the Exchange receives an order to buy 100 shares of a security at \$10.00 per share designated with discretion to pay up to an additional \$0.05 per share.
- Assume that the next order received by the Exchange is an order with a Book Only²⁰ instruction to sell 100 shares of the security with a TIF other than IOC or FOK priced

¹⁹ The term “EDGA Book” shall mean the System’s electronic file of orders. See Rule 1.5(d).

²⁰ The term Book Only shall mean “An order instruction stating that an order will be matched against an order on the EDGA Book or posted to the EDGA Book, but will not route to an away Trading Center.” See Rule

at \$10.03 per share. The order with a Book Only instruction would not remove any liquidity upon entry and would post to the EDGA Book at \$10.03. This would, in turn, trigger the discretion of the resting buy order and an execution would occur at \$10.03. The order with a Book Only instruction to sell would be treated as the adder of liquidity and the buy order with discretion would be treated as the remover of liquidity.

- Assume the same facts as above, but that the incoming order with a Book Only instruction is priced at \$10.00 instead of \$10.03. The order with a Book Only instruction would remove liquidity upon entry at \$10.00 per share pursuant to the Exchange's order execution rule. Contrary to the examples set forth above, the order with a Book Only instruction to sell would be treated as the liquidity remover and the resting buy order with discretion would be treated as the liquidity adder. The Exchange notes that this example operates the same whether an order contains a TIF of IOC, FOK or any other TIF.

EDGA Rule 11.8(d)(5) – MidPoint Peg Order, Routing and Posting

Current Functionality

Pursuant to EDGA Rule 11.8(d), a MidPoint Peg Order²¹ may include a Book Only or Post Only instruction. MidPoint Peg Orders are not eligible for routing pursuant to Rule 11.11

11.6(n)(3).

²¹ A MidPoint Peg Order is “[a] non-displayed Market Order or Limit Order with an instruction to execute at the midpoint of the NBBO, or, alternatively, pegged to the less aggressive of the midpoint of the NBBO or one minimum price variation inside the same side of the NBBO as the order. A MidPoint Peg Order with a limit price that is more aggressive than the midpoint of the NBBO will execute at the midpoint of the NBBO or better subject to its limit price. A MidPoint Peg Order may execute at its limit price or better when its limit price is less aggressive than the midpoint of the NBBO. A MidPoint Peg Order will be ranked at the midpoint of the NBBO where its limit price is equal to or more aggressive than the midpoint of the NBBO. A MidPoint Peg Order will not be eligible for execution when an NBBO is not available. In such case, a MidPoint Peg Order would rest on the EDGA Book and would not be eligible for execution in the System until an NBBO is available. The MidPoint Peg Order will receive a new time stamp when an

unless routed utilizing the RMPT,²² RMPL,²³ or Destination Specific²⁴ routing strategy as defined in Rule 11.11(g)(13). A MidPoint Peg Order may include a Non-Displayed Swap (“NDS”)²⁵ instruction, however, when such instruction is included, a MidPoint Peg Order is not eligible for routing pursuant to Rule 11.11.

Currently, RMPL and RMPT are routing strategies under which a MidPoint Peg Order checks the System for available shares and any remaining shares are then sent to destinations on the System routing table that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the EDGA Book as a MidPoint Peg Order, unless otherwise instructed by the User.

Proposed Functionality

The Exchange proposes to amend EDGA Rule 11.8(d)(5)’s rule text to align with the rule text of EDGX Rule 11.8(d)(5).²⁶ As proposed, the EDGA and EDGX rule text will be identical²⁷, and the routing and posting behavior of MidPoint Peg Orders on EDGA will now be

NBBO becomes available and a new midpoint of the NBBO is established. In such case, pursuant to Rule 11.9, all MidPoint Peg Orders that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System. A MidPoint Peg Order will be ranked at its limit price where its limit price is less aggressive than the midpoint of the NBBO. Notwithstanding that a MidPoint Peg Order may be a Market Order or a Limit Order, its operation and available modifiers are limited to this Rule 11.8(d).” See Rule 11.8(d).

²² See Rule 11.11(g)(12)(A).

²³ See Rule 11.11(g)(12)(B).

²⁴ See Rule 11.11(g)(13).

²⁵ A Non-Displayed Swap (“NDS”) Non-Displayed Swap (“NDS”) is “[a]n instruction that may be attached to an order with a Non-Displayed instruction that when such order is resting on the EDGA Book and is locked by an incoming order with a Post Only instruction that does not remove liquidity pursuant to paragraph (4) of this rule, the order with an NDS instruction is converted to an executable order and will remove liquidity against such incoming order. An order with an NDS instruction is not eligible for routing pursuant to Rule 11.11.” See Rule 11.6(n)(7).

²⁶ Note the Exchange proposes to remove the RMPT and RMPL routing strategies from the EDGA rulebook. While the Exchange does not propose to entirely remove the Destination Specific routing option from the rulebook, EDGA does propose to prohibit the routing of Midpoint Peg Orders utilizing the Destination Specific routing option, just as it does on EDGX, today.

²⁷ Supra note 8.

identical to how such orders behave on EDGX. Specifically, as is the case under both the current EDGA and EDGX rules, MidPoint Peg Orders may contain a Book Only, Post Only, or NDS instruction. However, pursuant to the proposed EDGA Rule 11.8(d)(5), MidPoint Peg Orders entered onto EDGA will no longer be routable, thereby aligning the rule text with EDGX's rule text.

By fully adopting the EDGX Rule 11.8(d)(5) language, the Routing and Posting behavior for MidPoint Peg Order's will be identical to that of MidPoint Peg Order's entered onto EDGX, thereby aligning functionality on affiliated exchanges, EDGA and EDGX. Typically, MidPoint Peg Orders are entered with a Post Only or Book Only instruction,²⁸ which result in orders seeking to either execute on the Exchange or post to the EDGA Book, but not route to an away market. Users often prefer to use these types of instructions to help them manage trading fees they may incur when their orders are routed away from EDGA and access other markets. In this regard, the Exchange believes that the alignment of EDGA's rule text with EDGX's rule text – particularly removing the routing of EDGA MidPoint Peg Orders – will help to make MidPoint Peg Order behavior consistent with Users' expectations, as well as increase liquidity at the midpoint on EDGA.

EDGA Rule 11.8(e)(5) – MidPoint Discretionary Order (“MDO”)²⁹ Functionality

Current Functionality

²⁸ See Rule 11.8(d)(5).

²⁹ A MidPoint Discretionary Order (“MDO”) is “[a] limit order to buy that is pegged to the NBB, with or without an offset, with discretion to execute at prices up to and including the midpoint of the NBBO, or a limit order to sell that is pegged to the NBO, with or without an offset, with discretion to execute at prices down to and including the midpoint of the NBBO. An MDO's pegged price and Discretionary Range are bound by its limit price. An MDO to buy or sell with a limit price that is less (higher) than its pegged price, including any offset, is posted to the EDGA Book at its limit price. The pegged prices of an MDO are derived from the NBB or NBO, and cannot independently establish or maintain the NBB or NBO. An MDO in a stock priced at \$1.00 or more can only be executed in sub-penny increments when it executes at the midpoint of the NBBO or against a contra-side order pursuant to Rule 11.10(a)(4)(D). Notwithstanding that an MDO Order may be a Limit Order, its operation and available modifiers are limited to this Rule 11.8(e). See EDGA Rule 11.8(e).

Today, EDGA Rule 11.8(e)(5), Routing, provides only that MDOs are not eligible for routing pursuant to Rule 11.11. As such, MDOs entered onto EDGA today will typically exercise discretion and remove liquidity against eligible contra-side orders upon arrival or execute against contra-side MDOs at the NBBO midpoint and will not act as providers of liquidity. MDOs may also be entered with a Quote Depletion Protection (“QDP”)³⁰ instruction that Users may include on their MDOs to limit their orders’ ability to exercise discretion in certain circumstances. QDP restricts the exercise of discretion on MDOs in circumstances where applicable market conditions indicate that it may be less desirable to execute within an order’s Discretionary Range.³¹

Proposed Functionality

While the non-routable restriction will remain in place, the Exchange now seeks to add additional rule text to EDGA 11.8(e)(5) to align it with EDGX Rule 11.8(g)(5). As proposed, the EDGA and EDGX rule text will be identical³², and the posting behavior of MDOs on EDGA will now be identical to how such orders behave on EDGX. Specifically, the Exchange seeks to add rule text to provide that MDOs entered onto the Exchange will, by default, act as liquidity providers. However, by adding rule text that allows MDOs entered with a QDP instruction to

³⁰ Quote Depletion Protection (“QDP”) is an optional instruction that a User may include on an MDO to limit the order’s ability to exercise discretion in certain circumstances. A “QDP Active Period” will be enabled or refreshed for buy (sell) MDOs if the best bid (offer) displayed on the EDGA Book is executed below one round lot. During the QDP Active Period, an MDO entered with a QDP instruction will not exercise discretion, and is executable only at its ranked price. When a QDP Active Period is initially enabled, or refreshed by a subsequent execution or cancellation of the best bid (offer) then displayed on the EDGA Book, it will remain enabled for two milliseconds. Unless the User chooses otherwise, an MDO to buy (sell) entered with a QDP instruction will default to a Non-Displayed instruction and will include an Offset Amount equal to one Minimum Price Variation below (above) the NBB (NBO). See Rule 11.8(e)(10).

³¹ For instance, a QDP instruction would provide Users with protective features that would limit the order’s ability to exercise discretion in certain circumstances that may be indicative of a quotation that is moving against the resting MDO – i.e., a buy quotation that is moving to a lower price for MDOs to buy, or a sell quotation that is moving to a higher price for MDOs to sell.

³² Supra note 8.

remove liquidity, by default, unless a User chooses to require an MDO act only as a liquidity provider, MDOs with a QDP instruction will be able to act as a liquidity provider or remover.

In addition, the Exchange seeks to add rule text to EDGA Rule 11.8(e)(5) that would provide that if the instructions included on an MDO do not permit the order to remove liquidity, the MDO will only execute on entry against resting orders that include a Super Aggressive³³ instruction priced at the MDO's pegged price if the MDO also contains a Displayed³⁴ instruction, and against orders with an NDS instruction priced at the MDO's pegged price or within its Discretionary Range.

The Exchange also proposes to add language to EDGA Rule 11.8(e)(5) stating that if a resting contra-side order that does not include an NDS instruction is priced within the discretionary range of an incoming MDO that is not permitted to remove liquidity, then the incoming MDO will be placed on the EDGA Book and its discretionary range will be shortened to equal the limit price of the resting contra-side order.

Finally, the Exchange seeks to add language to Rule 11.8(e)(5) which provides that where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to EDGA Rule 11.6(n)(4) against a resting MDO, the discretionary range of the resting

³³ Super Aggressive is "[a]n order instruction that directs the System to route the order if an away Trading Center locks or crosses the limit price of the order resting on the EDGA Book. A User may instruct the Exchange to apply the Super Aggressive instruction solely to routable orders posted to the EDGA Book with remaining size of an Odd Lot. When any order with a Super Aggressive instruction is locked by an incoming order with a Post Only instruction that does not remove liquidity pursuant to Rule 11.6(n)(4) below, the order with a Super Aggressive instruction is converted to an executable order and will remove liquidity against such incoming order. Notwithstanding the foregoing, if an order that does not contain a Super Aggressive instruction maintains higher priority than one or more Super Aggressive eligible orders, the Super Aggressive eligible order(s) with lower priority will not be converted, as described above, and the incoming order with a Post Only instruction will be posted or cancelled in accordance with Rule 11.6(n)(4) below." See Rule 11.6(n)(2).

³⁴ Displayed is "[a]n instruction the User may attach to an order stating that the order is to be displayed by the System on the EDGA Book. Unless the User elects otherwise, all orders eligible to be displayed on the EDGA Book will be automatically defaulted by the System to Displayed. See Rule 11.6(e)(1).

MDO will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.³⁵ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)³⁶ 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)³⁷ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the proposed changes are designed to align the economics of executing under the pending EDGA maker-taker fee model, with that of the EDGX maker-taker fee model. In order to do so, though, certain amendments to EDGA order type behavior are necessary, such that EDGA adders of liquidity and removers of liquidity, receive rebates and pay fees, as expected, i.e., receive rebate to add liquidity, and pay a fee to remove liquidity. The proposed changes appropriately treat aggressive order types that would prefer to immediately execute,

³⁵ 15 U.S.C. 78f(b).

³⁶ 15 U.S.C. 78f(b)(5).

³⁷ Id.

favoring immediate executions over rebates. The Exchange believes that such Users would naturally expect to pay a fee to immediately remove liquidity. In this regard, the proposed changes are designed to promote just and equitable principles of trade, and facilitate 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 proposed changes are necessary to align EDGA rules 11.6(d), 11.8(d)(5), and 11.8(e)(5), with EDGX rules 11.6(d), 11.8(d)(5), and 11.8(g)(5), respectively, thereby making the EDGA rule text³⁸ and order behavior identical to that of EDGX, a maker-taker exchange.

Rule 11.11(g) – Routing Options

The Exchange believes that the deletion of the routing options ROBB, ROCO, RMPT, and RMPL from the EDGA rulebook are consistent with the Act and these requirements because doing so will remove impediments to the mechanism of a free and open market, thereby protecting investors and the public interest. As stated, ROBB, ROCO, RMPT, and RMPL are routing options designed for an inverted fee schedule. Because EDGA is transitioning to a maker-taker fee model, these routing options are no longer necessary. Additionally, these routing options are targeting Users that want low-cost executions. In this regard, each of these routing options first seek liquidity from the Exchange, which is currently inverted. However, once the Exchange transitions to a maker-taker fee model, these strategies will no longer be useful for Users targeting a low-cost execution, since the first trading venue these routing options would check – EDGA – will now assess Users a full fee for removing liquidity. Therefore, the Exchange is discontinuing these routing options. The Exchange notes that routing through the

³⁸ Supra note 8.

Exchange is voluntary and alternative routing options offered by the Exchange as well as other methods remain available to Users that wish to route to other trading centers. By removing references to routing options that will no longer be offered by the Exchange, the Exchange believes the proposed rule change will remove impediments to the mechanism of a free and open market and protect investors by providing investors with rules that accurately reflect routing options currently available on the Exchange. The Exchange does not believe that this proposal will permit unfair discrimination among customers, brokers, or dealers because the ROBB, ROCO, RMPT, and RMPL routing options will no longer be available to any User.

EDGA Rule 11.6(d) — Order with a Discretionary Range; EDGA Rule 11.8(d)(5) – MidPoint Peg Order, Routing and Posting; EDGA Rule 11.8(e)(5) – MidPoint Discretionary Order (“MDO”) Routing and Posting

In general, these proposed amendments to EDGA Rule 11.6(d) are intended to better align certain Exchange rules and System³⁹ functionality with that currently offered by EDGX in order to provide a consistent functionality across the Exchange and EDGX and to align the economics of these order types and executions with that of a maker-taker model (i.e., receive a rebate to add liquidity, and pay a fee to remove liquidity). Consistent functionality between the EDGA and EDGX will reduce complexity and streamline duplicative functionality, thereby resulting in simpler technology implementation, and changes and maintenance by Users of the Exchange that are also participants on EDGX.

The proposed rule changes also do not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on EDGX. The Exchange notes that the proposed rule text is based on applicable EDGX rule text, and that the

³⁹ The term “System” shall mean the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away. See Rule 1.5(cc).

proposed language of the Exchange's Rules differs only to extent necessary to conform to existing Exchange rule text or to account for minor differences, such as references to EDGA and EDGX. Where possible, the Exchange has mirrored EDGX rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Users of the Exchange that are also participants on EDGX. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. Moreover, these changes are not designed to permit unfair discrimination because they apply equally to all Users, and Users are not required to utilize the described functionality.

EDGA Rule 11.6(d) — Order with a Discretionary Range Executes Against an Order with a Post Only Instruction; EDGA Rule 11.6(d) — Order with a Discretionary Range Executes vs. an Order Without a Post Only Instruction

The Exchange believes that aligning EDGA Rule 11.6(d) with EDGX Rule 11.6(d) will provide additional clarity and specificity regarding the functionality of the System and provide Users with consistent rules between EDGA and its affiliated exchange, EDGX. In this regard, the proposed amendments would promote just and equitable principles of trade and remove impediments to a free and open market.

In particular, the Exchange believes it is consistent with the Act to execute orders with a Discretionary Range instruction against marketable liquidity (e.g., order with a Post Only instruction) when an execution would not otherwise occur is consistent with both: (i) the Act, by facilitating executions, removing impediments and perfecting the mechanism of a free and open market and national market system; and (ii) a User's instructions, which have evidenced a willingness by the User to pay applicable execution fees and/or execute at more aggressive prices

than they are currently ranked in favor of an execution. As noted above, because Users of orders with Discretionary Range instructions are willing to execute at more aggressive prices, they typically expect to pay a fee to remove liquidity. Similarly, a User who has entered a Post Only order onto a maker-taker exchange, would not expect to immediately remove liquidity against a resting order with a Discretionary Range, and would expect instead to be treated as an adder of liquidity and receive a rebate. Accordingly, in order to facilitate transactions consistent with the instructions and expectations of its Users, the Exchange proposes to execute resting orders with a Discretionary Range instruction against incoming orders, when such incoming orders would otherwise forego an execution.

Moreover, the proposed rule change to Rule 11.6(d) is not designed to permit unfair discrimination amongst Users because the proposed amendment is applicable to all Users, and the use of a Discretionary Range instruction is not required.

EDGA Rule 11.8(d)(5) – MidPoint Peg Order, Routing and Posting

The proposed amendments to Rule 11.8(d)(5) are consistent with the Act and its requirements because the MidPoint Peg Order would now operate in exactly the same fashion as the MidPoint Peg Order available on EDGX, thereby further aligning functionality across affiliated exchanges. In addition, the Exchange believes that by eliminating the routing of MidPoint Peg Orders entered on EDGA will help to increase liquidity at the midpoint of the National Best Bid or National Best Offer on EDGA, thereby improving both the potential for price improvement and execution on the Exchange. Accordingly, the Exchange believes that the proposed amendments to Rule 11.8(d)(5) would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system.

Finally, the Exchange also notes that there are minor differences between EDGA Rule 11.8(d), MidPoint Peg Order, and EDGX Rule 11.8(d), MidPoint Peg Order. Importantly, however, these differences are minor and do not change how Midpoint Peg Orders behave on EDGX and how MidPoint Peg Orders will behave on EDGA post implementation of the proposed changes. As such, the Exchange believes the proposed conforming changes to be appropriate.

EDGA Rule 11.8(e)(5) – MidPoint Discretionary Order (“MDO”) Functionality

As noted above, the Exchange seeks to add rule text to provide that MDOs entered onto the Exchange will, by default, act as liquidity providers. However, by adding rule text that allows MDOs entered with a QDP instruction to remove liquidity, by default, unless a User chooses to require an MDO act only as a liquidity provider, MDOs with a QDP instruction will be able to act as a liquidity provider or remover.

The addition of rule text providing that MDOs will act only as adders of liquidity makes sense under a maker-taker fee model, as such amendment will now align the rule text with the expectations of such Users – i.e., Users of MDOs can use MDOs to post displayed or non-displayed liquidity at the NBB or NBO with or without an offset, with a Discretionary Range extending to and including the NBBO midpoint, and receive a rebate for providing liquidity. Additionally, the proposed operation of the EDGA MDO enables Users to act as liquidity providers while increasing its opportunities to rest on the EDGA Book and potentially execute at prices more favorable than the midpoint whenever contra-side orders are priced more aggressively than the NBBO midpoint.

Therefore, the proposed operation of the EDGA MDO promotes just and equitable principles of trade and would facilitate transactions in securities and improve trading within the

national market system by increasing the potential price improvement opportunities for incoming orders that may execute against a resting MDO within its discretionary range.

Additionally, as noted above, by adding rule text that allows MDOs entered with a QDP instruction to remove liquidity, by default, unless a User chooses to require an MDO act only as a liquidity provider, MDOs with a QDP instruction will be able to act as a liquidity provider or remover. The Exchange believes adding this rule text makes sense under a maker-taker fee model because Users that enter MDOs with a QDP instruction would expect to potentially pay a remove fee if they permit their orders to remove liquidity, and to receive a rebate should they permit their orders only to add liquidity. A User that enters a MDO with a QDP instruction, and permits their order only to add liquidity, is prioritizing the provision of liquidity and receipt of a rebate, rather than maximizing execution opportunities. Conversely, a User that enters a MDO with a QDP instruction, and permits their order to remove liquidity, would value the opportunity to improve their fill rates.

Moreover, the addition of such rule text will help to increase price improvement opportunities to incoming orders, while at the same time limit the exercise of discretion in circumstances where an execution within the MDOs Discretionary Range may be undesirable. The Exchange therefore believes that the addition of the rule text regarding MDOs entered with a QDP instruction would remove impediments to and perfect the mechanism of a free and open market and a national market system. Furthermore, while the QDP instruction would be available to all Users, use of this instruction would be voluntary, meaning that Users could choose to use this instruction, or not, based on their specific needs.

As a result of the proposed changes, MDOs entered on the Exchange without a QDP instruction will only execute on entry in limited circumstances where the resting order includes a

Super Aggressive or NDS instruction that allows for a liquidity swap with the incoming MDO. The Exchange believes it is reasonable to execute resting orders with an NDS instruction within the incoming MDO's discretionary range but not execute orders with a Super Aggressive instruction within the incoming MDO's discretionary range due to the different purposes of each order instruction. Users of the Super Aggressive instruction tend to use it for best execution purposes because the order instruction enables the order to be routed away or executed locally when an order is displayed at a price equal to or better than the order's limit price. Conversely, an order with an NDS instruction is not routable and only executes against an incoming order that would lock it. The User of the NDS instruction is generally agnostic to whether the order is displayed on an away market or priced at the NBBO. It simply seeks to execute against an order that is priced at its limit price and engages in a liquidity swap to do so, even if the contra-side interest contains a NDS instruction.

Finally, the Exchange also notes that there are minor differences between EDGA Rule 11.8(e), MidPoint Discretionary Orders, and EDGX Rule 11.8(g), MidPoint Discretionary Orders. Importantly, however, these differences are minor and do not change how MDOs behave on EDGX and how MDOs will behave on EDGA post implementation of the proposed changes. As such, the Exchange believes the proposed conforming changes to be appropriate

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 intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. The elimination of the routing options ROBB, ROCO, RMPT, and RMPL is due to the fact that these routing options are not viable on a maker-taker exchange and are therefore obsolete. Additionally, the proposed changes to Discretionary Ranges, MidPoint Peg Orders, and MDOs,

will provide consistent functionality between the Exchange and EDGX, thereby reducing complexity and streamlining duplicative functionality, resulting in simpler technology implementation, as well as changes and maintenance by Users of the Exchange that are also participants on EDGX. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it is designed to achieve a consistent technology offering by affiliated exchanges.

Furthermore, the Exchange does not believe that the proposed rule changes will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the act, because the proposed changes to order type functionality, and the modification of the fee model from inverted to maker-taker, will apply equally to all Users. Users are not required to continue to trade on the Exchange following the implementation of the proposed changes, and should they wish to continue to trade on an inverted exchange, Users may continue to access the Exchange's affiliated inverted exchange, BYX, as well as other inverted exchanges offered by the Exchange's competitors

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 written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁴⁰ and Rule 19b-4(f)(6)⁴¹ thereunder. Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act⁴² and Rule 19b-4(f)(6)⁴³ thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)⁴⁴ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),⁴⁵ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately. According to the Exchange, waiver of the 30-day operative delay would assist the Exchange in transitioning from an inverted exchange to a maker-taker exchange, as well as harmonize its rules with its affiliate, EDGX. Further, the Exchange has alerted Users of these changes as well as its anticipated implementation date of

⁴⁰ 15 U.S.C. 78s(b)(3)(A).

⁴¹ 17 CFR 240.19b-4(f)(6).

⁴² 15 U.S.C. 78s(b)(3)(A).

⁴³ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

⁴⁴ 17 CFR 240.19b-4(f)(6).

⁴⁵ 17 CFR 240.19b-4(f)(6)(iii).

November 1, 2024, so that Users had additional time to make the requisite changes.⁴⁶

Based on the foregoing, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission designates the proposed rule change to be operative on November 1, 2024.⁴⁷

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeEDGA-2024-042 on the subject line.

⁴⁶ See supra notes 10-11 and accompanying text.

⁴⁷ For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-CboeEDGA-2024-042. 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-CboeEDGA-2024-042 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.⁴⁸

Sherry R. Haywood,

Assistant Secretary.

⁴⁸ 17 CFR 200.30-3(a)(12), (59).