

**SECURITIES AND EXCHANGE COMMISSION**  
(Release No. 34-101492; File No. SR-CboeEDGA-2024-045)

October 31, 2024

Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fees Schedule by Replacing its Inverted Pricing Model with a Maker-Taker Model for Its Equity Trading Platform

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 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, 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**

Effective November 1, 2024, Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) proposes to amend its Fee Schedule. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is available on the Exchange’s website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/edga/](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

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

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

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

Many exchanges today utilize maker-taker pricing under which a rebate is provided to orders that add liquidity and a fee is assessed to orders that remove liquidity. The Exchange currently utilizes an inverse of the maker-taker pricing model referred to as a taker-maker pricing model in which a fee is provided to orders that add liquidity and a rebate is provided to orders that remove liquidity. As described below, the Exchange proposes to amend its Fee Schedule applicable to its equities trading platform ("EDGA Equities") by replacing its inverted pricing model with a maker-taker model. The Exchange proposes to implement these changes effective November 1, 2024.

The Exchange first notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. More specifically, the Exchange is only one of 16 registered equities exchanges, as well as a number of alternative trading systems and other off-exchange venues that do not have similar self-regulatory responsibilities under the Securities Exchange Act of 1934 (the "Act"), to which market participants may direct their order flow. The Exchange submits this proposal in response to industry feedback and for business and competitive reasons. Specifically, the Exchange notes that the market share of taker-maker exchanges has been steadily declining in recent years. The Exchange analyzed its internal data and found that, the market share of inverted markets has dropped from

approximately 8% in April 2020 to 2.6% in July 2024. Similarly, the average monthly notional volume of taker-maker exchanges has declined from approximately \$528.0 billion in 2021 to an average monthly notional volume of \$267.4 billion in 2024 (year-to-date). In addition to the decline in taker-maker exchanges' market share, the Exchange has received feedback from at least one Member that the economics of the inverted exchange model are no longer profitable, which has led to the Exchange to believe that a transition to a maker-taker model may help to improve the Exchange's market share. Finally, in addition to replacing its inverted pricing model with a maker-taker model, the Exchange also proposes to eliminate tiered pricing, which provides Members opportunities to qualify for higher rebates or reduced fees where certain volume criteria and thresholds are met. By eliminating tiered pricing incentives, the Exchange can instead redirect its resources and funding to focus on providing a simplified fee structure, whereby Members, regardless of their size or trading volume, can receive the same rebates and pay the same fees for certain order types.

### **Fee Code Rate Changes**

In securities priced at or above \$1.00, the Exchange currently charges a standard fee of \$0.0030 per share for orders that add liquidity to EDGA and provides a standard rebate of \$0.0016 per share for orders that remove liquidity from EDGA. Currently, for securities priced below \$1.00 the Exchange does not charge a standard fee to add or remove liquidity. The Exchange also assesses a standard fee of \$0.0030 per share in orders that route liquidity away from EDGA in securities priced at or above \$1.00 and assesses a standard fee of 0.30% of the dollar value of the transaction in orders that route liquidity away from EDGA in securities priced below \$1.00.

Effective November 1, 2024, the Exchange now proposes to provide a standard rebate of \$0.0027 per share to all orders that add liquidity in securities priced at or above \$1.00 and proposes to charge a standard fee of \$0.0030 to all orders that remove liquidity in securities priced at or above \$1.00. Certain order types that add liquidity to EDGA will receive lower rebates than the standard rate of \$0.0027 (discussed *infra*).

As a result of the proposed change, the Exchange proposes to make corresponding changes to the following fee codes for securities priced at or above \$1.00:

**Adding Liquidity Fee Codes**

- Orders appended with fee code 3, which is appended to orders that add liquidity to EDGA in Tape A or Tape C securities during the pre and post market,<sup>3</sup> are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code 3 will now receive a rebate of \$0.00270 per share.
- Orders appended with fee code 4, which is appended to orders that add liquidity to EDGA in Tape B securities during the pre and post market, are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code 4 will now receive a rebate of \$0.00270 per share.
- Orders appended with fee code B, which is appended to orders that add liquidity to EDGA in Tape B securities, are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code B will now receive a rebate of \$0.00270 per share.

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<sup>3</sup> See EDGA Equities Rules 1.5(r) and 1.5(s). The term “Post-Closing Session” shall mean the time between 4:00 p.m. and 8:00 p.m. Eastern Time. The term “Pre-Opening Session” shall mean the time between 8:00 a.m. and 9:30 a.m. Eastern Time. The Exchange notes that Post-Closing Session shall have the same meaning as “post market” on the EDGA Fee Schedule and Pre-Opening Session shall have the same meaning as “pre market” on the EDGA Fee Schedule.

- Orders appended with fee code DM, which is appended to orders that add liquidity to EDGA using MidPoint Discretionary orders (“MDOs”)<sup>4</sup> within the discretionary range, are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code DM will now receive a rebate of \$0.00200 per share.
- Orders appended with fee code DQ, which is appended to QDP Orders<sup>5</sup> that add liquidity to EDGA, are currently charged a fee of \$0.001800 per share. The Exchange proposes that orders appended with fee code DQ will now receive a rebate of \$0.00200 per share.
- Orders appended with fee code HA, which is appended to non-displayed orders<sup>6</sup> that add liquidity to EDGA, are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code HA will now receive a rebate of \$0.00250 per share.
- Orders appended with fee code MM, which is appended to non-displayed orders that add liquidity to EDGA using Mid-Point Peg<sup>7</sup>, are currently charged a fee of \$0.00100 per share. The Exchange proposes that orders appended with fee code MM will now receive a rebate of \$0.00250 per share.

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<sup>4</sup> See EDGA Equities Rule 11.8(e). 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.

<sup>5</sup> See EDGA Equities Rule 11.8(e)(10). 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.

<sup>6</sup> See EDGA Equities Rule 11.6(e)(2). Non-Displayed is an instruction the User may attach to an order stating that the order is not to be displayed by the System on the EDGA Book.

<sup>7</sup> See EDGA Equities Rule 11.8(d). 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.

- Orders appended with fee code RP, which is appended to non-displayed orders that add liquidity to EDGA using Supplemental Peg<sup>8</sup>, are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code RP will now receive a rebate of \$0.00250 per share.
- Orders appended with fee code V, which is appended to orders that add liquidity to EDGA in Tape A securities, are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code V will now receive a rebate of \$0.00270 per share.
- Orders appended with fee code Y, which is appended to orders that add liquidity to EDGA in Tape C securities, are currently charged a fee of \$0.00300 per share. The Exchange proposes that orders appended with fee code Y will now receive a rebate of \$0.00270 per share.

The Exchange notes that certain fee codes will receive a rebate that is less than the proposed standard rebate of \$0.00270 per share. In the case of fee codes DM and DQ, these fee codes are appended to MDOs that add liquidity and execute within a discretionary range or MDOs utilizing the optional QDP instruction and will receive a proposed rebate of \$0.00200, which is lower than the standard rebate. In both instances, the order being added to EDGA executes at a non-displayed price and the Exchange provides lower rebates to non-displayed orders in order to incentivize adding displayed liquidity to EDGA. The same rationale is true for non-displayed orders appended with fee codes HA, MM, and RP. For fee codes HA, MM, and RP, the Exchange proposes to provide a lower rebate of \$0.00250 per share as these fee codes

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<sup>8</sup> See EDGA Equities Rule 11.8(g). A Supplemental Peg Order is a non-displayed Limit Order that is eligible for execution at the NBB for a buy order and NBO for a sell order against an order that is in the process of being routed to an away Trading Center if such order that is in the process of being routed away is equal to or less than the aggregate size of the Supplemental Peg Order interest available at that price.

are appended to various non-displayed orders that add liquidity to EDGA. Given the Exchange seeks to encourage displayed liquidity, the Exchange believes it is reasonable to offer the proposed lower rebate for non-displayed liquidity-adding orders.

In addition to the proposed rate changes for existing fee codes described above, the Exchange proposes to introduce two new fee codes for orders that add liquidity and discontinue an existing fee code used for liquidity-adding orders. First, the Exchange proposes to introduce fee codes DD and DN. A description of each is provided below:

- Fee code DD will be appended to orders that add liquidity to EDGA using a displayed MDO that executes at a price not within the discretionary range. Orders appended with fee code DD will receive a rebate of \$0.00270 per share. There will be no rebates for securities priced below \$1.00.
- Fee code DN will be appended to orders that add liquidity to EDGA using a non-displayed MDO that executes at a price not within the discretionary range. Orders appended with fee code DN will receive a rebate of \$0.00200 per share. There will be no rebates for securities priced below \$1.00.

Next, the Exchange proposes to discontinue fee code DA, which is appended to an order that adds liquidity to EDGA using an MDO and executes outside the discretionary range. The Exchange proposes to discontinue this fee code as it has introduced fee codes DD and DN, which provide additional granularity into how an MDO may be entered and execute on EDGA. Specifically, an MDO may be entered as either a displayed or non-displayed order and may execute at a price within or outside the discretionary range.<sup>9</sup> The discretionary range appended to

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<sup>9</sup> See EDGA Equities Rule 11.8(e)(4).

an MDO is always non-displayed.<sup>10</sup> As such, when an MDO executes at a price within the discretionary range, it executes at a non-displayed price, will be appended with fee code DM, and will receive a lower rebate (\$0.00200) than a displayed order (\$0.00270). However, an MDO that executes at a price outside the discretionary range may be displayed or non-displayed. As such, introducing fee codes DD and DN will allow the Exchange to provide the standard rebate of \$0.00270 to displayed MDOs that execute outside the discretionary range and a lower rebate of \$0.00200 to non-displayed MDOs that execute outside the discretionary range. The lower, non-displayed rebate is commensurate with the rebate received by orders appended with fee code DM, which are similarly not displayed.

#### **Removing Liquidity Fee Codes**

- Orders appended with fee code 6, which is appended to orders that remove liquidity from EDGA during the pre and post market, currently receive a rebate of \$0.00160 per share. The Exchange proposes that orders appended with fee code 6 will now be charged a fee of \$0.00300 per share.
- Orders appended with fee code BB, which is appended to orders that remove liquidity from EDGA in Tape B securities, currently receive a rebate of \$0.00160 per share. The Exchange proposes that orders appended with fee code BB will now be charged a fee of \$0.00300 per share.
- Orders appended with fee code DX, which is appended to QDP orders that remove liquidity from EDGA, are currently charged a fee of \$0.00040 per share. The Exchange proposes that orders appended with fee code DX will now be charged a fee of \$0.00300 per share.

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<sup>10</sup> See EDGA Equities Rule 11.6(d).



- Orders appended with fee code HR, which is appended to non-displayed orders that remove liquidity from EDGA, currently execute at no cost. The Exchange proposes that orders appended with fee code HR will now be charged a fee of \$0.00300 per share.
- Orders appended with fee code MT, which is appended to orders that remove liquidity designated as Mid-Point Peg from EDGA, currently execute at no cost. The Exchange proposes that orders appended with fee code MT will now be charged a fee of \$0.00300 per share.
- Orders appended with fee code N, which is appended to orders that remove liquidity from EDGA in Tape C securities, currently receive a rebate of \$0.00160 per share. The Exchange proposes that orders appended with fee code N will now be charged a fee of \$0.00300 per share.
- Orders appended with fee code W, which is appended to orders that remove liquidity from EDGA in Tape A securities, currently receive a rebate of \$0.00160 per share. The Exchange proposes that orders appended with fee code W will now be charged a fee of \$0.00300 per share.

Next, the Exchange proposes to discontinue fee codes, DR and DT. The fee code DR is appended to orders that remove liquidity from EDGA using an MDO and that executes outside the discretionary range. The fee code DT is appended to orders that remove liquidity from EDGA using an MDO that executes within the discretionary range. Based on the proposal to transition EDGA to a maker-taker exchange, and the proposed changes to MDO order behavior on Exchange,<sup>11</sup> MDOs can only act as liquidity providing orders, unless they have a QDP

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<sup>11</sup> The Exchange notes that in connection with transitioning EDGA to a maker-taker fee model, certain order types, including MDOs, will behave differently. Here, MDOs entered onto EDGA will now act as liquidity

instruction. Because MDOs without a QDP instruction will only add liquidity, and a separate fee code (i.e., DX) already exists for MDOs with QDP instructions that remove liquidity, fee codes DR and DT are no longer necessary.

### **Routing Fee Codes**

#### **Fee Code Description Changes and Removal**

In addition to the proposed rate changes for certain fee codes associated with the switch to maker-taker pricing, the Exchange also proposes to amend certain fee code descriptions associated with fee codes used for routing strategies. The Exchange notes that certain routing strategies are being discontinued<sup>12</sup> and as such, will no longer be referenced in certain fee code descriptions. The proposed changes are as follows:

- Fee code BY, which is appended to orders that are routed to BYX using Destination Specific (“DIRC”),<sup>13</sup> ROUC,<sup>14</sup> ROBB<sup>15</sup> or ROCO<sup>16</sup> routing strategies will be

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providers and will not remove liquidity. The Exchange has filed a separate proposal codifying the change in behavior of MDOs, and certain other order types, as well as the removal of certain routing options. See SR-CboeEDGA-2024-042.

<sup>12</sup> Id.

<sup>13</sup> See EDGA Equities Rule 11.11(g)(13). Destination Specific is a routing option under which an order checks the System for available shares and then is sent to an away trading center or centers specified by the User.

<sup>14</sup> See EDGA Equities Rule 11.11(g)(1). ROUC is a routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table, Nasdaq OMX BX, and NYSE. If shares remain unexecuted after routing, they are posted on the EDGX (sic) Book, unless otherwise instructed by the User.

<sup>15</sup> See EDGA Equities Rule 11.11(g)(3)(D). ROBB checks the System for available shares and then sends the order to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the book, unless otherwise instructed by the User. See also Cboe US Equities FIX Specification, at p. 26, available at: [https://cdn.cboe.com/resources/membership/Cboe\\_US\\_Equities\\_FIX\\_Specification.pdf](https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf).

<sup>16</sup> See EDGA Equities Rule 11.11(g)(3)(E). ROCO checks the System for available shares and then sends the order to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the book, unless otherwise instructed by the User. See also Cboe US Equities FIX Specification, at p. 26, available at: [https://cdn.cboe.com/resources/membership/Cboe\\_US\\_Equities\\_FIX\\_Specification.pdf](https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf).

amended to remove the references to the ROBB and ROCO routing strategies, as these strategies are being removed from EDGA.

- Fee code NX, which is appended to orders routed to NYSE National using ROBB, ROCO or ROUC routing strategies will be amended to remove the references to the ROBB and ROCO routing strategies, as these strategies are being removed from EDGA.
- Fee code Z, which is appended to orders routed to a non-exchange destination using ROCO or ROUZ<sup>17</sup> routing strategies will be amended to remove the reference to the ROCO routing strategy, as this strategy is being removed from EDGA.

In addition to the description changes proposed above, the Exchange also proposes to discontinue fee codes PA,<sup>18</sup> PL,<sup>19</sup> PT,<sup>20</sup> and PX<sup>21</sup> as the RMPT<sup>22</sup> and RMPL<sup>23</sup> routing strategies are being discontinued.

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<sup>17</sup> See EDGA Equities Rule 11.11(g)(3)(C). ROUZ checks the System for available shares and then sends the order to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the book, unless otherwise instructed by the User. See also Cboe US Equities FIX Specification, at p. 26, available at: [https://cdn.cboe.com/resources/membership/Cboe\\_US\\_Equities\\_FIX\\_Specification.pdf](https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf).

<sup>18</sup> Fee code PA is appended to orders that add liquidity to EDGA using the RMPT or RMPL routing strategies.

<sup>19</sup> Fee code PL is appended to orders routed to BZX, EDGX, NYSE, NYSE Arca or Nasdaq using the RMPL routing strategy.

<sup>20</sup> Fee code PT is appended to orders that remove liquidity from EDGA using the RMPT or RMPL routing strategies.

<sup>21</sup> Fee code PX is appended to orders routed using the RMPL routing strategy to a destination not covered by Fee Code PL or routing using the RMPT routing strategy.

<sup>22</sup> See EDGA Equities Rule 11.11(g)(12)(A). RMPT utilizes a MidPoint Peg Order to check 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. See also Cboe US Equities FIX Specification, at p. 26, available at: [https://cdn.cboe.com/resources/membership/Cboe\\_US\\_Equities\\_FIX\\_Specification.pdf](https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf).

<sup>23</sup> See EDGA Equities Rule 11.11(g)(12)(B). RMPL utilizes a MidPoint Peg Order to check 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. See also Cboe US Equities

### **Routing Tier Changes**

Pursuant to footnote 1 of the Fee Schedule, the Exchange currently offers two Routing Tiers that provide a reduced fee to Members' qualifying orders where (i) a Member adds or removes a specific level of volume using certain routing strategies ("Routing Tier 1") or (ii) routes a specified level of volume using the ROUT routing option ("Routing Tier 2"). However, the Exchange no longer wishes to, nor is required to, maintain such tiers. As such, the Exchange now proposes to discontinue Routing Tier 1 and Routing Tier 2. This proposed change will enable the Exchange to redirect future resources and funding into a standard rebate that is achievable by all Members, regardless of their size or trading volume, thereby diversifying the mix of liquidity and deepening the Exchange's liquidity pool, as well as enhancing execution opportunities and price discovery and transparency for all Members. In this regard, the Exchange believes that the proposed changes further the Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."

### **Add/Remove Volume Tier Changes**

Pursuant to footnote 7 of the Fee Schedule, the Exchange currently offers certain Add/Remove Volume Tiers that provide an enhanced rebate or a reduced fee for Members' qualifying orders. Specifically, the Exchange offers four Add/Remove Volume Tiers applicable to fee codes 3, 4, B, V, and Y that each provide a reduced fee to Members' qualifying orders where a Member reaches certain add or remove volume-based criteria (the "Add Volume Tiers"). In addition, the Exchange offers one Add/Remove Volume Tier applicable to fee codes N, W, 6,

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FIX Specification, at p. 26, available at: [https://cdn.cboe.com/resources/membership/Cboe\\_US\\_Equities\\_FIX\\_Specification.pdf](https://cdn.cboe.com/resources/membership/Cboe_US_Equities_FIX_Specification.pdf).

and BB that provides an enhanced rebate to Members' qualifying orders where a Member reaches certain add or remove volume-based criteria (the "Remove Volume Tier"). The Exchange now proposes to discontinue the Add Volume Tiers and the Remove Volume Tier as the Exchange no longer wishes to, nor is required to, maintain such tiers. More specifically, this proposed change will enable the Exchange to redirect future resources and funding into a standard rebate that is achievable by all Members, regardless of their size or trading volume, thereby diversifying the mix of liquidity on the Exchange, promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members.

#### **Other Conforming Changes**

Commensurate with the proposed changes discussed earlier in the proposal, the Exchange proposes to: 1) remove the "Definitions" section of the Fee Schedule; 2) modify the "General Notes" section of the Fee Schedule; and 3) mark as "Reserved", Footnote 1. As the Exchange has proposed to discontinue the Routing Tier 1 and Routing Tier 2 and the Add/Remove Volume Tiers under footnotes 1 and 7, respectively, the Exchange now proposes to remove the Definitions section of the Fee Schedule because it is no longer applicable to the remaining footnotes of the Fee Schedule. Additionally, because the Exchange proposes to discontinue Routing Tier 1 and Routing Tier 2, as well as the Add/Remove Volume Tiers, the Exchange is removing certain notes regarding Routing Tier 1 and Routing Tier 2, and Add/Remove Tiers, from the General Notes section of the Fee Schedule. Finally, because the Exchange proposes to discontinue Routing Tier 1 and Routing Tier 2 under Footnote 1, the Exchange seeks to mark Footnote 1 as "Reserved."

## 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>24</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>25</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>26</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>27</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.

As described above, 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 or incentives to be insufficient. As previously discussed, the overall market share of exchanges offering a taker-maker pricing model has significantly declined. According to data analyzed by the Exchange, the average market share of taker-maker

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<sup>24</sup> 15 U.S.C. 78f(b).

<sup>25</sup> 15 U.S.C. 78f(b)(5).

<sup>26</sup> Id.

<sup>27</sup> 15 U.S.C. 78f(b)(4)

exchanges has declined from approximately 8% in April 2020 to approximately 2.6% in July 2024.<sup>28</sup> This trend is also seen in volumes on taker-maker exchanges, which have declined from approximately 10 billion shares per month in 2022 to approximately 7.7 billion shares year-to-date in 2024. The Exchange believes that its proposal to replace its current taker-maker pricing model with a maker-taker pricing model without volume-based pricing incentives reflects a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange, which the Exchange believes would enhance market quality to the benefit of all Members.

Specifically, the Exchange believes its proposal to remove existing volume-based pricing tiers and switch to a maker-taker pricing model, with a standard rebate achievable by all Members, regardless of their size or trading volume, will help to incentivize and diversify the mix of liquidity on the Exchange, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. As such, the proposed changes further the Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small." Competing equity exchanges provide similar rebates or assess similar fees for similar types of orders, to that of the Exchange.<sup>29</sup> In this regard, the rebates and fees proposed by the Exchange are intended to compete with the rebates and fees of other competing equities exchanges while continuing to encourage Members to submit order flow to the Exchange. Additionally, the Exchange notes that the proposed rebates and fees are

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<sup>28</sup> Source: Cboe internal data.

<sup>29</sup> For instance, LTSE pays adders of liquidity a standard rebate of \$0.0028 (\$0.0001 more than the Exchange's proposed standard rebate), and charges removers of liquidity a standard fee of \$0.0030 (the same as the Exchange's proposed standard remove fee). See LTSE Fee Schedule, Transaction Fees, available at: <https://ltse.com/trading/fee-schedules>.

reasonable, equitable and non-discriminatory because they are open to all Members on an equal basis, wherein all Members will have the same opportunity to receive the same rebate and pay the same fees without needing to satisfy volume-based criteria.

The proposed introduction of a \$0.0027 standard rebate for fee codes B, V, Y, 3, and 4 is reasonable as it is designed to be the only standard rebate available to Members on the Exchange. The Exchange is increasing EDGA's standard rebate from its current rebate of \$0.0016 to \$0.0027, in order to provide a rebate that is higher than most other competing maker-taker exchanges<sup>30</sup> and that is equally attainable by all Members regardless of their size or trading volume. In doing so, the Exchange believes the proposed standard rebate will incentivize liquidity provision and diversify its pool of liquidity providers, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. Furthermore, the Exchange believes that its proposal to introduce a standard rate of \$0.0030 applicable to fee codes N, W, 6, and BB is reasonable as it is equal to the standard fee assessed to Members on the Exchange's affiliate maker-taker exchanges.<sup>31</sup> The proposed \$0.0030 standard fee is also unchanged from the add fee assessed by the Exchange under its current inverted pricing model. As such, Members will not have to consider an increased EDGA remove fee when routing their orders to the marketplace.

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<sup>30</sup> See MIAx Pearl Equities Fee Schedule, Transaction Rebates/Fees, Standard Rates, available at [https://www.miaxglobal.com/sites/default/files/fee\\_schedule-files/MIAx\\_Pearl\\_Equities\\_Fee\\_Schedule\\_07012024.pdf](https://www.miaxglobal.com/sites/default/files/fee_schedule-files/MIAx_Pearl_Equities_Fee_Schedule_07012024.pdf) (MIAx Pearl offers a standard rebate of \$0.0022 per share in securities priced at or above \$1.00); see also Nasdaq Price List, Add Remove Rates, available at <https://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (Nasdaq offers a standard rebate of \$0.0018 per share in securities priced at or above \$1.00).

<sup>31</sup> See Cboe BZX Equity Fee Schedule, Standard Rates, available at [https://www.cboe.com/us/equities/membership/fee\\_schedule/bzx/](https://www.cboe.com/us/equities/membership/fee_schedule/bzx/). See also Cboe EDGX Equity Fee Schedule, Standard Rates, available at [https://www.cboe.com/us/equities/membership/fee\\_schedule/edgx/](https://www.cboe.com/us/equities/membership/fee_schedule/edgx/).



The Exchange continues to believe that volume-based pricing provides for benefits or discounts that are reasonably related to: (i) the value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns; and (iii) the introduction of higher volumes of orders into the price and volume discovery processes. However, given the decline in the inverted market share (discussed above), and feedback from Members that the inverted fee model is no longer as desirable (discussed above), the Exchange believes that shifting its resources and funding from tiered pricing to a simplified maker-taker model, and implementing a simplified rebate more easily attainable by all Member, regardless of size or trading volume, will help to diversify and deepen the Exchange's liquidity providers and liquidity pool, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. In this regard, the Exchange believes that the proposed changes further the Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."

In addition to the proposed standard rebate of \$0.0027 applicable to fee codes 3, 4, B, V, and Y, the Exchange has also proposed lower rebates for certain order types. Specifically, orders yielding fee codes DM, DN, and DQ will receive a lower rebate of \$0.00200 per share, while orders yielding fee codes HA, MM, and RP will receive a lower rebate of \$0.00250 per share. In general, as discussed above, the Exchange believes that providing slightly lower rebates to non-displayed orders and MDOs that utilize QDP or execute at a non-displayed price is reasonable as it is consistent with the Exchange's overall pricing philosophy of encouraging added, displayed liquidity to EDGA. More specifically, the Exchange proposes that orders yielding fee codes DM, DN, and DQ receive a slightly lower rebate than orders yielding fee codes HA, MM, and RP,

because the former fee codes are assigned to non-displayed orders designated with order features designed to prevent a Member's orders from executing at more aggressive prices – such as, Midpoint Discretionary Orders (“MDOs”)<sup>32</sup> and Quote Depletion Protection (“QDP”)<sup>33</sup> - thereby potentially limiting the instances in which they may provide liquidity on the Exchange. In contrast, orders yielding fee codes HA, MM, and RP, are assigned to non-displayed orders not entered as MDOs or with the Exchange's QDP feature, and as such, are more likely to add liquidity to the Exchange's order book.

Together, with the proposed standard rebate, the Exchange believes that its proposed fee structure will provide a reasonable means to encourage liquidity adding displayed and non-displayed orders in Members' order flow to the Exchange and to incentivize Members to continue to provide liquidity adding volume to the Exchange by offering them an opportunity to receive a rebate. By providing higher rebates for displayed liquidity, and slightly lower rebates for non-displayed liquidity, the Exchange believes the proposed fees will help encourage the

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<sup>32</sup> MidPoint Discretionary Order (“MDO”). 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 those available in Rule 11.8(e). See Rule 11.8(e).

<sup>33</sup> Quote Depletion Protection (“QDP”). 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).

entry of displayed orders, thereby deepening the Exchange's displayed liquidity pool, fostering price discovery, promoting market transparency, and improving market quality, for all investors.

The Exchange believes that its proposal to modify the description of fee codes BY, NX, and Z as well as its proposal to eliminate fee codes PA, PL, PT, and PX is reasonable, equitable, and non-discriminatory as the Exchange is discontinuing certain routing strategies as part of its transition from a taker-maker pricing structure to a maker-taker pricing structure. The revised descriptions in fee codes BY, NX, and Z will provide an accurate description of the routing strategies eligible for certain fee codes, which will be available to all Members on an equal basis. Further, the elimination of fee codes PA, PL, PT, and PX will remove these fee codes from the Fee Schedule for all Members as the routing strategies will no longer be supported.

Similarly, the Exchange believes that its proposal to eliminate fee code DA and introduce fee codes DD and DN is reasonable, equitable, and non-discriminatory as the Exchange is seeking to utilize fee codes that provide additional granularity into the usage of MDOs on the Exchange. By eliminating fee code DA and replacing it with fee codes DD and DN, the Exchange will be able to provide rebates commensurate with either displayed MDOs or non-displayed MDOs. This change benefits all Members equally in that fee code DA will no longer be available to any Member and all Members utilizing MDOs will have their orders appended with the appropriate fee code for the display option chosen for its MDO. The Exchange notes that the usage of the MDO order type is optional, and Members may choose to submit (or not submit) MDOs as part of their order flow to the Exchange. Additionally, the Exchange believes that its proposal to eliminate fee codes DR and DT is reasonable, equitable, and non-discriminatory, because as noted above, MDOs will now act only as liquidity providers, unless they have a QDP instruction. Because MDOs without a QDP instruction will only add liquidity,

and a separate fee code (i.e., DX) already exists for MDOs with QDP instructions that remove liquidity, fee codes DR and DT are no longer necessary. This change benefits all Members equally in that fee codes DR and DT will no longer be available to any Member and Members that enter MDOs with a QDP instruction permitting such orders to remove liquidity, can append their orders with fee code, DX. Finally, removing fee codes DA, DR, and DT will help to streamline the fee schedule, and make the fee schedule clearer and more accurate.

In addition, the Exchange does not propose to change the standard fee (Free) or standard rebate (Free) for securities priced below \$1.00, or the standard fee for routing orders in securities priced above \$1.00 or below \$1.00. The Exchange believes that these proposed standard rebates and fees are reasonable, equitable, and non-discriminatory, as Members have indicated that a Free/Free structure is currently a viable incentive for them to add or remove liquidity on EDGA, today. Moreover, the routing fees for both above \$1.00 and below \$1.00, are remaining unchanged, because they remain consistent with the fees typically assessed to the Exchange by other venues for routing liquidity and are also the routing fees Members are accustomed to be assessed on EDGA, today. Additionally, because these proposed fees remain unchanged, they do raise any new or novel issues not already considered by the Commission.

The Exchange also proposes to increase the remove fee for fee codes DX, HR, and MT. The Exchange believes that these proposed fees are reasonable, equitable, and non-discriminatory because they are intended to reflect the Exchange's transition to a maker-taker fee model and reflect a fee structure typical of a maker-taker model where standard remove fees are utilized to provide rebates to Members adding liquidity. Accordingly, because orders appended with these fee codes all remove liquidity, the Exchange proposes to assess them the standard remove fee of \$0.0030. In turn, the Exchange proposes to pay a standard rebate of \$0.0027 to

orders appended with fee codes DD, DM, and DN, as these orders add liquidity. The Exchange similarly believes that its proposal to eliminate the Routing Tiers and the Add/Remove Volume Tiers is reasonable because the Exchange is not required to maintain these tiers or provide Members an opportunity to receive enhanced rebates or reduced fees. The Exchange believes its proposal to eliminate these tiers is also equitable and not unfairly discriminatory because the change applies to all Members equally, in that the tiers will no longer be available for any Member. The Exchange notes that the proposed change to remove the Routing Tiers and the Add/Remove Volume Tiers merely results in Members not receiving an enhanced rebate or paying a reduced fee which, as noted above, the Exchange is not required to offer or maintain. Further, the proposed change to eliminate the Routing Tiers and the Add/Remove Volume Tiers enables the Exchange to redirect resources and funding into the Exchange's proposed fee structure, which is intended to incentivize increased order flow without the use of volume-based criteria.

The Exchange does not propose to make any changes to fee codes 7-AZ, C-D, F-G, I-J, NA, O, P, Q, RX-SW, and X. These fee codes append to routed orders and the fees associated with these codes align with the fees assessed to the Exchange by the each of the recipient trading venues. These fees are not impacted by the transition to a maker-taker fee model, and as such, the Exchange does not propose to any changes. Fee code, OO, appends to EDGA opening or re-opening orders, and the economics of such orders are not impacted by a transition from an inverted fee model to a maker-taker fee model. Accordingly, the Exchange does not propose any changes to fee code, OO. Similarly, fee code, S, appends to directed ISOs, which the Exchange routes to away trading venues. The current fee is not impacted by a transition from an inverted fee model to a maker-taker fee model, and as such, the Exchange is not proposing a change to fee

code, S. Finally, the Exchange believes that the proposed removal of the “Definitions” section of the Fee Schedule and proposed removal of content regarding Routing Tier 1 and Routing Tier 2,<sup>34</sup> and the Add/Remove Volume Tiers from the “General Notes” section of the Fee Schedule is reasonable as the changes are intended to remove references to terms and tiers that are no longer applicable due to the Exchange’s elimination of the Routing Tiers, Add/Remove Volume Tiers, and certain routing strategies. The proposed changes are equitable and non-discriminatory as they will apply to all Members equally, in that the revised “General Notes” section of the Fee Schedule will be available to all Members and the “Definitions” section of the Fee Schedule will no longer be available to any Member. Additionally, these proposed changes will help to make the fee schedule clearer and more accurate.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, as discussed above, the Exchange believes that the proposed changes would encourage the submission of additional order flow to a public exchange, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. As a result, the Exchange believes that the proposed changes further the Commission’s goal in adopting Regulation NMS of fostering competition among orders, which promotes “more efficient pricing of individual stocks for all types of orders, large and small.”

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<sup>34</sup> As the Exchange seeks to discontinue Routing Tier 1 and Routing Tier 2, noted under Footnote 1, the Exchange is marking Footnote 1 as, “Reserved.”

The Exchange believes the proposed rule changes do not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed change to a maker-taker fee structure, proposed fee code changes, elimination of Routing Tiers, and elimination of Add/Remove Volume Tiers will apply to all Members equally in that all Members are eligible for the revised fee structure and proposed fee code changes and all Members will no longer be eligible for the Routing Tiers or Add/Remove Volume Tiers. The Exchange does not believe the proposed changes burden competition, but rather, enhances competition as it is intended to increase the competitiveness of EDGA by amending existing pricing incentives in order to attract order flow and incentivize a more diverse mix of liquidity providers to increase their participation on the Exchange, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. Greater overall order flow, trading opportunities, and pricing transparency benefits all market participants on the Exchange by enhancing market quality and continuing to encourage Members to send orders, thereby contributing towards a robust and well-balanced market ecosystem.

The Exchange further believes that the proposed rule change will not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while in some circumstances different fees are assessed and different rebates are paid, these different fees and rebates are not based on the type of Member entering the orders that match or on the volume of orders submitted by a Member but on the type of order entered, and all Members may submit any type of order for any type of security and will be subject to the same fee or rebate for that type of order and security. EDGA believes that applying a simplified fee and rebate structure, that is not based on tiered volume and is equally attainable by all types

of participants, avoids imposing a burden on competition by ensuring that individual Members do not gain a competitive advantage over other Members based solely on their size or volume of orders they are able to submit to the Exchange.

Next, the Exchange believes the proposed rule changes do not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and direct their order flow, including other equities exchanges, off-exchange venues, and alternative trading systems. Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single equities exchange has more than 17% of the market share.<sup>35</sup> Therefore, no exchange possesses significant pricing power in the execution of order flow. Indeed, participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. Moreover, the Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>36</sup> The fact that this market is competitive has also long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. Circuit stated as follows: “[n]o one disputes that competition for order flow is ‘fierce.’ ...

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<sup>35</sup> See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (August 20, 2024), available at [https://www.cboe.com/us/equities/market\\_statistics/](https://www.cboe.com/us/equities/market_statistics/).

<sup>36</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).



As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’....”<sup>37</sup> Accordingly, the Exchange does not believe its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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>38</sup> and paragraph (f) of Rule 19b-4<sup>39</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>37</sup> NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

<sup>38</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>39</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-CboeEDGA-2024-045 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-CboeEDGA-2024-045. 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-2024-045 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>40</sup>

**Vanessa A. Countryman,**  
*Secretary*

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<sup>40</sup> 17 CFR 200.30-3(a)(12).