SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83846; File No. SR-CboeEDGX-2018-032)

August 14, 2018

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on August 8, 2018, Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act[3] and Rule 19b-4(f)(2) thereunder,[4] which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange filed a proposal to amend the fee schedule applicable to Members[5] and non-Members of the Exchange pursuant to EDGX Rules 15.1(a) and (c).

The text of the proposed rule change is available at the Exchange's website at

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

4 17 CFR 240.19b-4(f)(2).

5 The term "Member" is defined as "any registered broker or dealer that has been admitted to membership in the Exchange." See Exchange Rule 1.5(n).

www.markets.cboe.com, at the principal office of the Exchange, 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 parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its fee schedule for its equity options platform ("EDGX Options") to (i) reduce the standard rebates for Complex Orders, Customer (contra Non-Customer) in Penny Pilot ("Penny") and Non-Penny Pilot ("Non-Penny") Securities; (ii) increase the standard rates for Market-Maker orders that remove liquidity in Penny and Non-Penny Securities; (iii) increase the standard rate for BAM Contra orders; (iv) amend the Customer Volume Tiers; (v) amend the Complex Customer Penny Tiers; (vi) amend the Complex Customer Non-Penny Tiers; and (vii) and eliminate the Complex Market-Maker Penny and Non-Penny Tiers.[6]

Complex Order, Customer (Contra Non-Customer) Penny and Non-Penny Rebates

Currently, the Exchange applies fee code ZA to Customer complex orders that are

6 The Exchange initially filed the proposed fee changes on August 1, 2018 (SR-CboeEDGX-2018-026) for August 1, 2018 effectiveness. On business date August 8, 2018, the Exchange withdrew that filing and submitted this filing.

executed on the complex order book ("COB") with a non-Customer[7] as the contra-party in Penny Securities and provides such orders a rebate of $0.47 per contract. The Exchange also currently applies fee code ZB to Customer complex orders that are executed on the COB with a non-Customer as the contra-party in Non-Penny Securities and provides such orders a rebate of $0.97 per contract. The Exchange proposes to reduce the rebates for these orders. Particularly, the Exchange proposes to reduce the rebate for Customer complex orders with a non-Customer as the contra party in Penny Securities from $0.47 per contract to $0.45 per contract. The Exchange proposes to reduce the rebate for Customer complex orders with a non-Customer as the contra party in Non-Penny Securities from $0.97 per contract to $0.80 per contract.

Market Maker Remove Rate, Penny and Non-Penny

By way of background, fee codes PT and NT are currently appended to all Market Maker orders in Penny Securities and Non-Penny Securities, respectively, that remove liquidity, and result in a standard fee of $0.19 per contract. The Exchange proposes to increase the standard fee of $0.19 per contract for Market Maker orders in Penny and Non-Penny Securities that remove liquidity to $0.23 per contract. The Exchange notes that this increase is in line with the amounts assessed by other exchanges for similar transactions.[8]

BAM Contra Rate

Fee code BB is currently appended to all Bats Auction Mechanism ("BAM") Contra

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7 "Non-Customer" applies to any transaction that is not a Customer order. See EDGX Options Exchange Fee Schedule.

8 See e.g., Nasdaq PHLX LLC Pricing Schedule, Section II, Multiply Listed Options Fees. See also NYSE Arca Options Fees and Charges, NYSE Arca Options: Trade-Related Charges for Standard Options, Transaction Fee for Electronic Executions – Per Contract.

Orders[9] executed in a BAM auction and is currently assessed $0.04 per contract. The Exchange proposes to increase the rate from $0.04 per contract to $0.05 per contract. The Exchange notes that the proposed rate is still in line with relevant rates related to price improvement auctions offered by other options exchanges.[10]

Customer Volume Tiers

By way of background, fee codes PC and NC are currently appended to all Customer orders in Penny Securities and Non-Penny Securities, respectively, and result in a standard rebate of $0.01 per contract. The Customer Volume Tiers in footnote 1 consist of four separate tiers, each providing an enhanced rebate to a Member's Customer orders that yield fee codes PC or NC upon satisfying monthly volume criteria required by the respective tier. The Exchange proposes to amend the volume criteria in Customer Volume Tiers 1-4. Particularly, Customer Volume Tier 1 provides an enhanced rebate of $0.10 per contract where a Member has an ADV[11] in Customer orders greater than or equal to 0.20% of average OCV. The Exchange proposes to increase the ADV requirement from 0.20% of average OCV[12] to 0.35% of average OCV. Customer Volume Tier 2 provides an enhanced rebate of $0.16 per contract where a Member has

9 "BAM Contra Order" or "Initiating Order" is an order submitted by a Member entering a BAM Agency Order for execution within BAM that will potentially execute against the BAM Agency Order pursuant to Rule 21.19. See EDGX Options Exchange Fee Schedule.

10 See e.g., Miami International Securities Exchange, LLC ("MIAX") Fee Schedule, MIAX Price Improvement Mechanism ("PRIME") Fees.

11 "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. ADV is calculated on a monthly basis. See EDGX Options Exchange Fee Schedule.

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

an ADV in Customer orders greater than or equal to 0.40% of average OCV. The Exchange proposes to increase the ADV requirement of Customer Volume Tier 2 from 0.40% of average OCV to 0.45% of average OCV. Customer Volume Tier 3 provides an enhanced rebate of $0.21 per contract where a Member has an ADV in Customer orders greater than or equal to 0.65% of average OCV. The Exchange proposes to increase the ADV requirement of Customer Volume Tier 3 from 0.65% of average OCV to 0.75% of average OCV. Lastly, Customer Volume Tier 4 provides an enhanced rebate of $0.21 per contract where a Member (i) has an ADV in Customer orders greater than or equal to 0.30% of average OCV and (ii) has an ADV in Customer or Market Maker orders greater than or equal to 0.50% of average OCV. The Exchange proposes to increase the ADV requirements in both prongs from 0.30% of average OCV to 0.60% of average OCV in the first prong and from 0.50% of average OCV to 1.00% of average OCV in the second prong. The Exchange lastly proposes to reduce the enhanced rebate in Customer Tier Volume 2 from $0.16 per contract to $0.13 per contract.

Complex Customer Penny Rebates and Tiers

As noted above, fee code ZA is currently appended to all Customer complex orders executed on the COB with a non-Customer as the contra-party in Penny Securities and currently results in a standard rebate of $0.47 per contract (as discussed above however, the Exchange is proposing to reduce the standard rebate for these orders to $0.45 per contract). The Complex Customer Tiers for Penny Securities in footnote 1 consist of three separate tiers, each providing an enhanced rebate to a Member's Customer orders that yield fee code ZA upon satisfying monthly volume criteria required by the respective tier. The Exchange proposes to amend the volume criteria thresholds in Complex Customer Penny Tiers 1-3. Particularly, Complex Customer Penny Tier 1 currently provides an enhanced rebate of $0.48 per contract where a

Member has an ADV in Customer orders greater than or equal to 0.30% of average OCV. The Exchange proposes to increase the ADV requirement from 0.30% of average OCV to 0.40% of average OCV. Complex Customer Penny Tier 2 currently provides an enhanced rebate of $0.49 per contract where a Member has an ADV in Customer orders greater than or equal to 0.40% of average OCV. The Exchange proposes to increase the ADV requirement of Complex Customer Penny Tier 2 from 0.40% of average OCV to 0.55% of average OCV. Complex Customer Penny Tier 3 currently provides an enhanced rebate of $0.50 per contract where a Member has an ADV in Customer orders greater than or equal to 0.65% of average OCV. The Exchange proposes to increase the ADV requirement of Complex Customer Penny Tier 3 from 0.65% of average OCV to 0.75% of average OCV.

The Exchange also proposes to amend the enhanced rebates in each of the Complex Customer Penny Tiers. Particularly, the Exchange proposes to reduce the rates as follows: in Complex Customer Penny Tier 1, reduce the rebate from $0.48 per contract to $0.47 per contract; in Complex Customer Penny Tier 2, reduce the rebate from $0.49 per contract to $0.48 per contract; and in Complex Customer Penny Tier 3, reduce the rebate from $0.50 per contract to $0.49 per contract.

Complex Customer Non-Penny Rebates and Tiers

As noted above, fee code ZB is currently appended to all Customer complex orders executed on the COB with a non-Customer as the contra-party in Non-Penny Securities and currently results in a standard rebate of $0.97 per contract (as discussed above however, the Exchange is proposing to reduce the standard rebate for these orders to $0.80 per contract). The Complex Customer Tiers for Non-Penny Securities in footnote 1 consist of three separate tiers, each providing an enhanced rebate to a Member’s Customer orders that yield fee code ZB upon satisfying monthly volume criteria required by the respective tier. The Exchange proposes to amend the volume criteria thresholds in Complex Customer Non-Penny Tiers 1-3. Particularly, Complex Customer Non-Penny Tier 1 currently provides an enhanced rebate of $0.98 per contract where a Member has an ADV in Customer orders greater than or equal to 0.30% of average OCV. The Exchange proposes to increase the ADV requirement from 0.30% of average OCV to 0.40% of average OCV. Complex Customer Non-Penny Tier 2 currently provides an enhanced rebate of $0.99 per contract where a Member has an ADV in Customer orders greater than or equal to 0.40% of average OCV. The Exchange proposes to increase the ADV requirement of Complex Customer Non-Penny Tier 2 from 0.40% of average OCV to 0.55% of average OCV. Complex Customer Non-Penny Tier 3 currently provides an enhanced rebate of $1.00 per contract where a Member has an ADV in Customer orders greater than or equal to 0.65% of average OCV. The Exchange proposes to increase the ADV requirement of Complex Customer Non-Penny Tier 3 from 0.65% of average OCV to 0.75% of average OCV.

The Exchange also proposes to reduce the enhanced rebates in each of the Complex Customer Non-Penny Tiers. Particularly, the Exchange proposes to reduce the rates as follows: in Complex Customer Non-Penny Tier 1, reduce the rebate from $0.98 per contract to $0.85 per contract; in Complex Customer Non-Penny Tier 2, reduce the rebate from $0.99 per contract to $0.87 per contract; and in Complex Customer Non-Penny Tier 3, reduce the standard rebate from $1.00 per contract to $0.95 per contract.

<u>Complex Market Maker Penny and Non-Penny Tiers</u>

By way of background, fee codes ZM and ZN are currently appended to all complex Market Maker orders in Penny Securities and Non-Penny Securities, respectively that add liquidity, and result in a standard fee of $0.50 and $1.10 per contract, respectively. The Complex

Market Maker Volume Tiers for Penny and Non-Penny Securities under footnote 2 consist of one tier for each program respectively, each providing a reduced rate to a Member's Market Makers orders that yield fee code ZM and ZN upon satisfying monthly volume criteria required by the respective tier. The Exchange no longer wishes to maintain these particular programs. Accordingly, the Exchange proposes to eliminate both Complex Market Maker Penny Tier 1 and Complex Market Maker Non-Penny Tier 1.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.[13] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[14] in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls.

First, the Exchange believes that it is reasonable to reduce the rebates for Customer complex orders that interact with non-Customer orders on the COB in both Penny and Non-Penny Securities, because these Customer complex orders still receive a rebate (albeit a lesser rebate than before) and because the Exchange believes these rebates will continue to encourage participation on the COB by entry of Customer orders to the Exchange. The Exchange believes the proposed changes are equitable and not unfairly discriminatory because they apply uniformly to all Customers. The Exchange notes rebates for Customer complex orders are designed to

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[13] 15 U.S.C. 78f.

[14] 15 U.S.C. 78f(b)(4).

encourage Customer orders entered into the Exchange, which orders benefit all market participants by providing additional trading opportunities. This attracts liquidity providers and an increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow originating from other market participants.

Next, the Exchange believes the proposal to increase the standard fee of $0.19 per contract to $0.23 per contract for Market Maker orders in Penny and Non-Penny Securities that remove liquidity is reasonable because the proposed amount is still in line with the amounts assessed by other exchanges for similar transactions.[15] The Exchange believes the proposed changes are equitable and not unfairly discriminatory because they apply uniformly to all Market Makers.

The Exchange believes the proposed increase to the BAM contra rate is reasonable because it is a slight increase and because it is still in line with what other exchanges assess for similar transactions.[16] Additionally the proposed rate change applies to all market participants uniformly.

The Exchange next notes that volume-based discounts such as those currently maintained on the Exchange have been widely adopted by options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to (i) the value of an exchange's market quality; (ii) associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns; and

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15 See e.g., Nasdaq PHLX LLC Pricing Schedule, Section II, Multiply Listed Options Fees. See also NYSE Arca Options Fees and Charges, NYSE Arca Options: Trade-Related Charges for Standard Options, Transaction Fee for Electronic Executions – Per Contract.

16 See e.g., Miami International Securities Exchange, LLC ("MIAX") Fee Schedule, MIAX Price Improvement Mechanism ("PRIME") Fees.

(iii) introduction of higher volumes of orders into the price and volume discovery processes. While the proposed modifications to the existing (i) Customer Volume Tiers and (ii) Complex Customer Tiers in Penny and Non-Penny Securities, make such tiers more difficult to attain, each is intended to incentivize Members to send additional Customer orders (and/or Market Maker orders in the case of Customer Volume Tier 4) to the Exchange in an effort to qualify or continue to qualify for the enhanced rebates made available by the tiers. The Exchange notes that increased volume on the Exchange provides greater trading opportunities for all market participants. The Exchange believes the proposed changes are equitable and nondiscriminatory because the proposed changes apply uniformly to all Customers.

With respect to the proposal to reduce rebates under (i) Customer Volume Tier 2, (ii) Complex Customer Penny Tiers 1, 2, and 3, and (iii) Complex Customer Non-Penny Tiers 1, 2, and 3, the Exchange believes the proposed changes are reasonable because Customers still have the opportunity to receive enhanced rebates (albeit lesser amounts than before). The Exchange believes the rebates still provide an incremental incentive for Customers to strive for higher tier levels, which provides increasingly higher rebates. The Exchange believes the proposed changes are equitable and nondiscriminatory because the proposed changes apply uniformly to all Customers.

The Exchange believes that the proposal to eliminate the Complex Market Maker Penny Tier 1 and Complex Market Maker Non-Penny Tier 1 is reasonable, fair, and equitable because the Exchange no longer desires to maintain such discounts and notes that it is not required to provide such discounts. The Exchange believes it's equitable and not unfairly discriminatory because it applies uniformly to all Members.

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

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

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[17] and paragraph (f) of Rule 19b-4 thereunder.[18] 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.

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17 15 U.S.C. 78s(b)(3)(A).

18 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 (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2018-032 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeEDGX-2018-032. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeEDGX-2018-032 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[19]

Robert W. Errett
Deputy Secretary

[19] 17 CFR 200.30-3(a)(12).