

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85235; File No. SR-CboeBZX-2019-012)

March 1, 2019

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 21, 2019, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) 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 Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission a proposed rule change to amend the fee schedule applicable to Members and non-Members³ of the Exchange pursuant to BZX Rules 15.1(a) and (c). The text of the proposed rule change is attached as Exhibit 5 [sic].

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to amend the fee schedule applicable to its equities trading platform (“BZX Equities”) to (i) add a second Single MPID Investor Tier and (ii) eliminate the NBBO Setter Tiers.⁴

Single MPID Investor Tier 2

The Exchange currently offers a Single MPID Investor Tier under Footnote 4 of the fee schedule that provides Members with an additional way to qualify for an enhanced rebate for orders yielding fee codes B,⁵ V,⁶ or Y⁷. The distinction between the Single MPID Investor Tier and other tiers offered by the Exchange, [sic] is that the volume measured to determine whether a

⁴ The Exchange initially filed the proposed fee change on February 1, 2019 (SR-CboeBZX-2019-007). On business date February 12, 2019, the Exchange withdrew that filing and submitted SR-CboeBZX-2019-010. On business date February 21, 2019, the Exchange withdrew that filing and submitted this filing.

⁵ Fee code B is appended to displayed orders which add liquidity to Tape B and is provided a rebate of \$0.0025 per share.

⁶ Fee code V is appended to displayed orders which add liquidity to Tape A and is provided a rebate of \$0.0020 per share.

⁷ Fee code Y is appended to displayed orders which add liquidity to Tape C and is provided a rebate of \$0.0020 per share.

Member qualifies is performed on a Member Participant Identifier (“MPID”) by MPID basis. The Exchange proposes to adopt a second Single MPID Investor Tier (Tier 2), which will provide Members an opportunity to receive an enhanced rebate of \$0.0036 per share where the Member’s MPID has an ADAV⁸ as a percentage of TCV⁹ greater than or equal to 2.25% on orders yielding fee codes B, V or Y. Members that achieve the proposed Single MPID Investor Tier must therefore increase the amount of liquidity that they provide on BZX, thereby contributing to a deeper and more liquid market.

NBBO Setter Tiers

The Exchange currently offers two NBBO Setter Tiers under Footnote 19 of the fee schedule which provide an additional rebate of \$0.0003 and \$0.0004 per share for orders that establish a new National Best Bid or Offer (“NBBO”) and which are appended with fee code B, V, or Y. The Exchange no longer desires to maintain such tiers and therefore proposes to eliminate NBBO Setter Tier 1 and 2 from the fee schedule.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,¹⁰ in general, and furthers [sic] the objectives of Section 6(b)(4),¹¹ in particular, as it is [sic] designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also notes that it operates in a highly-competitive market in which market participants can readily

⁸ “ADAV” means average daily added volume calculated as the number of shares added per day. ADAV is calculated on a monthly basis.

⁹ “TCV” means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

¹⁰ 15 U.S.C. 78f.

¹¹ 15 U.S.C. 78f(b)(4).

direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange.

In particular, the Exchange notes that volume-based rebates such as that proposed herein have been widely adopted by exchanges, including the Exchange, 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 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) introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that the proposed Single MPID Investor Tier 2 is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will continue to provide Members with an incentive to reach certain thresholds on the Exchange.

More specifically, the Exchange believes the proposed additional Single MPID Investor Tier is a reasonable means to encourage Members to increase their liquidity on the Exchange in order to meet the proposed criteria to receive the proposed higher enhanced rebate. The Exchange further believes that the proposed tier represents an equitable allocation of reasonable dues, fees, and other charges because the threshold necessary to achieve the tier encourages Members to add increased liquidity to the BZX and the Exchange believes the proposed enhanced rebate is commensurate with the proposed threshold. The increased liquidity benefits all investors by deepening the Exchange's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. The Exchange also believes that the proposed

rebate is reasonable based on the difficulty of satisfying the tier's proposed criteria as compared to the existing Single MPID Investor Tier, which provides a lower rebate but less stringent criteria. Furthermore, the Exchange believes that the proposed tier is not unfairly discriminatory as it applies to all members that meet the required criteria.

The Exchange believes it's reasonable to eliminate the NBBO Setter Tiers because it is not required to provide additional rebates. Additionally, the Exchange notes that orders yielding fee codes B, V or Y have other opportunities to obtain enhanced rebates, such as via the Add Volume Tiers or the Single MPID Investor Tiers.¹² 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 does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed change to adopt a new Single MPID Investor Tier burdens competition, but rather, enhances competition as it is intended to increase the competitiveness of BZX by adopting an additional pricing incentive in order to attract order flow and incentivize participants to increase their participation on the Exchange. The Exchange 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 structures to be unreasonable or excessive. The proposed change to add a new Single MPID Investor Tier is generally intended to add an enhanced rebate for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange. The Exchange does not believe the proposed amendment would burden intramarket competition as it would be available to all Members uniformly.

¹² See Cboe BZX U.S. Equities Exchange Fee Schedule.

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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and paragraph (f) of Rule 19b-4¹⁴ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2019-012 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.

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f).

All submissions should refer to File Number SR-CboeBZX-2019-012. 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-CboeBZX-2019-012, 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.¹⁵

Eduardo A. Aleman
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).