

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-85795; File No. SR-CboeBZX-2019-037)

May 7, 2019

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending Rule 11.13 (Order Execution and Routing) and the Fee Schedule to Delete References to the TRIM2 and SWPB Routing Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 29, 2019, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder.<sup>4</sup> 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”) proposes to amend Rule 11.13 (Order Execution and Routing), as well as its Fee Schedule, to delete references to the TRIM2 and SWPB routing options. The Exchange also proposes to amend Rule 11.13 to update references to the TRIM routing strategy. The text of the proposed rule change is provided in Exhibit 5.

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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

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 Rule 11.13(b)(3)(G) (Other Routing Strategies) to delete the TRIM2 routing option, as well as add language codifying User designation of the TRIM routing option. The Exchange also proposes to amend its fee schedule to delete references to the TRIM2 routing options under fee codes BJ, BY and TV. The Exchange also proposes to amend Rule 11.13(b)(3)(I) (SWP) to delete the SWPB routing option and to delete references to SWPB in the fee schedule under fee code SW and under footnote 9. The Exchange intends to implement the proposed rule changes on May 1, 2019.

TRIM Routing Strategies

Currently, Rule 11.13(b)(3)(G) provides for the routing options under which an order checks the System<sup>5</sup> for available shares if so instructed by the entering User<sup>6</sup> and then is sent to destinations

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<sup>5</sup> The "System" is the Exchange's electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for

on the applicable System routing table. The term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them.<sup>7</sup> Rule 11.13(b)(3)(G) currently includes TRIM2 as one of such routing options.<sup>8</sup> In addition, current fee code BJ is yielded on orders routed to EDGA using TRIM,<sup>9</sup> TRIM2 or SLIM routing strategy,<sup>10</sup> fee code BY is yielded on orders routed to BYX using Destination Specific, TRIM, TRIM2 or SLIM routing strategy,<sup>11</sup> and fee code TV is yielded on orders routed to BX using TRIM, TRIM2, or SLIM routing strategy.<sup>12</sup>

The Exchange has determined that because few Users elect the TRIM2 routing option, the current demand does not warrant the infrastructure and ongoing maintenance expenses required to support the product. Therefore, the Exchange now proposes to delete TRIM2 as a routing option under Rule 11.13(b)(3)(G)(v).<sup>13</sup> The Exchange also proposes to amend its fee schedule to delete references to the TRIM2 routing option under fee codes BJ, BY and TV. Users seeking to route to other trading centers may use alternative methods, such as utilizing other routing strategies offered by the Exchange, or connecting to those venues directly or through a third party service provider.

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ranking, execution and, when applicable, routing away. See Exchange Rule 1.5(aa).

<sup>6</sup> The term “User” is defined as “any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.” See Exchange Rule 1.5(cc).

<sup>7</sup> The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. See Exchange Rule 11.13(b)(3).

<sup>8</sup> TRIM2 routing strategy currently sends orders to: BZX + BYX + DRT Venues + BX + EDGA + EDGA. See also note 3.

<sup>9</sup> TRIM routing strategy currently sends orders to: BZX + BYX + EDGA + NYSE National + BX + NYSE American + DRT Venues. See also note 3.

<sup>10</sup> Orders that yield fee code BJ receive a rebate of \$0.0024 per share.

<sup>11</sup> Orders that yield fee code BY receive a rebate of \$0.0015 per share.

<sup>12</sup> Orders that yield fee code TV receive a rebate of \$0.0010 per share.

<sup>13</sup> The Exchange also proposes to update the subsequent numbering as a result of this proposed deletion.

The Exchange also proposes to specify under Rule 11.13(b)(3)(G) that in connection with TRIM,<sup>14</sup> a routing option currently available to all Users and provided for under current subparagraph (b)(3)(G)(iv), a User may designate that an order first routes to Cboe BYX Exchange, Inc. (“BYX”), checks the System for available shares, and then routes to other destinations on the System routing table. This proposed rule change does not create a new routing strategy, but rather codifies a routing strategy that is already offered on the Exchange.<sup>15</sup> The Exchange notes that TRIM also has a variant routing strategy (TRIM-) in that a User may designate an order to skip the Exchange and otherwise send orders to the same venues as TRIM. The TRIM routing strategy and its variation are focused on seeking execution of orders while minimizing execution costs by routing to certain low cost execution venues on the Exchange’s System routing table. TRIM currently offers Users more flexibility in routing orders consistent with Regulation NMS. No changes to the functionality of the TRIM routing strategy are proposed by this filing.<sup>16</sup>

#### SWPB Routing Strategy

Currently, Rule 11.13(b)(3)(I) provides for SWP routing options. SWP is a routing option under which an order checks the System for available displayed shares and then is sent to destinations on the System routing table. SWP orders route only to Protected Quotations and only for displayed size. Specifically, the current rule provides for two forms of SWP routing, SWPA and SWPB. A SWPA order routes to destinations on the System routing table even if at the time of entry there is an insufficient share quantity in the SWPA order to fulfill the displayed size of all Protected Quotations, whereas an entire SWPB order will be cancelled back to a User immediately if at the

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<sup>14</sup> See supra note 9.

<sup>15</sup> Available at: [https://cdn.cboe.com/resources/features/Cboe\\_USE\\_RoutingStrategies.pdf](https://cdn.cboe.com/resources/features/Cboe_USE_RoutingStrategies.pdf). See also note 3.

<sup>16</sup> See supra note 7.

time of entry there is an insufficient share quantity in the SWPB order to fulfill the displayed size of all Protected Quotations. Moreover, current fee code SW is yielded on orders routed using Parallel T, SWPA or SWPB routing strategies,<sup>17</sup> and current footnote 9 describes the fees charged for orders yielding fee code SW that remove liquidity in securities priced below \$1.00 for Parallel T, SWPA or SWPB routed executions.

Like that of TRIM2, the Exchange has determined that due to diminished User election of the SWPB routing option, which often experiences no usage for extended periods of time, the current demand does not warrant the infrastructure and ongoing maintenance expenses required to support the product. Therefore, the Exchange is decommissioning SWPB routed orders on the Exchange.<sup>18</sup> As a result, the Exchange now proposes to delete the SWPB routing option under Rule 11.3(b)(3)(I), amending the language as necessary to provide only for SWPA orders. The Exchange also proposes to delete references to SWPB under fee code SW and its accompanying footnote 9.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>19</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>20</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and

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<sup>17</sup> Orders that yield fee code SW receive a discounted fee of \$0.0033 per share.

<sup>18</sup> The Exchange notes that its affiliated exchanges, BYX, EDGA, and Cboe EDGX Exchange, Inc. (“EDGX”), are simultaneously proposing to decommission the SWPB routing option.

<sup>19</sup> 15 U.S.C. 78f(b).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

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>21</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, The Exchange does not believe that this proposal will permit unfair discrimination among customers, brokers, or dealers because the TRIM2 routing option and the SWPB routing option will no longer be available to all Users. Also, the Exchange believes the proposed rule change to remove references to TRIM2 and SWPB will remove impediments to the mechanism of a free and open market, thereby protecting investors and the public interest. As stated, the Exchange has noted that few Users elect the TRIM2 and SWPB routing options and has determined that the current demand does not warrant the infrastructure and ongoing maintenance expense required to support these products. Therefore, the Exchange is discontinuing these routing options. The Exchange notes that routing through the Exchange is voluntary and alternative routing options offered by the Exchange as well as other methods remain available to Users that wish to route to other trading centers. In addition, neither the TRIM2 nor the SWPB routing options are core product offerings by the Exchange, nor is the Exchange required by the Act to offer such products. By removing references to routing options that will no longer be offered by the Exchange, the Exchange believes the proposed rule change will remove impediments to the mechanism of a free and open market and protect investors by

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<sup>21</sup> Id.

providing investors with rules that accurately reflect routing options currently available on the Exchange.

Additionally, the Exchange believes that the amendment to codify User designation of the TRIM routing strategy, which is already available to Users,<sup>22</sup> will also benefit investors by providing investors with rules reflecting the routing strategies currently offered by the Exchange. The Exchange notes that the TRIM routing strategy (and its variant strategy) is available to all Users, thereby benefitting all Users equally.

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. The proposed rule change to remove TRIM2 and SWPB is not designed to address any competitive issues but rather to delete the TRIM2 and SWPB routing options that are rarely used on the Exchange and codify the User designation regarding an existing strategy currently provided for on the Exchange.

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>23</sup> and Rule 19b-4(f)(6)<sup>24</sup> thereunder because the proposal does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on

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<sup>22</sup> See supra note 15.

<sup>23</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>24</sup> 17 CFR 240.19b-4(f)(6).

competition; and (iii) by its terms, become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.<sup>25</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>26</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay period. The Commission believes that waiver of the 30-day operative delay period is consistent with the protection of investors and the public interest. Specifically, the Commission believes that the proposal would accurately reflect the routing options currently available on the Exchange and how those routing options would operate. For these reasons, the Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest, and designates the proposed rule change to be operative upon filing with the Commission.<sup>27</sup>

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

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<sup>25</sup> In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>26</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>27</sup> For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).



action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.<sup>28</sup>

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-CboeBZX-2019-037 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-CboeBZX-2019-037. 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

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<sup>28</sup> 15 U.S.C. 78s(b)(3)(C).

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-2019-037 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.<sup>29</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>29</sup> 17 CFR 200.30–3(a)(12).