SECURITIES AND EXCHANGE COMMISSION
(Release No 34-86213; File No. SR-CboeBZX-2019-058)

June 27, 2019

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Cboe BZX Exchange, Inc.

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 June 14, 2019, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the fee schedule applicable to its equities trading platform ("BZX Equities") to replace the rebates applicable to Lead Market Makers ("LMMs") in BZX-listed securities with daily incentives that are directly tied to meeting market quality metrics without regard to transactions executed.

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.

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

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

2 17 CFR 240.19b-4.

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 replace the rebates applicable to Lead Market Makers ("LMMs") in BZX-listed securities with daily incentives that are directly tied to meeting market quality metrics without regard to transactions executed. The Exchange believes that these changes would encourage LMMs to maintain better market quality in BZX-listed securities, and, in particular, in lower volume securities where transaction-based compensation (i.e., rebates) may not be sufficient.

The Exchange currently offers an LMM Incentive Program in which it provides LMMs in securities for which the LMM is a Qualified LMM[3] ("Qualified ETPs") with enhanced rebates,[4]

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3 As defined in the fee schedule, the term "Qualified LMM" means an LMM that meets the Minimum Performance Standards, as defined in Rule 11.8(e)(1)(D). As defined in Rule 11.8(e)(1)(D), the term "Minimum Performance Standards" means a set of standards applicable to an LMM that may be determined from time to time by the Exchange. Such standards will vary between LMM Securities depending on the price, liquidity, and volatility of the LMM Security in which the LMM is registered. The performance measurements will include: (A) percent of time at the NBBO; (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread. The Exchange will share the details of the Minimum Performance Standards with the Commission prior to implementation of the amendments proposed herein and further will provide the Commission with updates as any of the Minimum Performance Standards are changed.

4 Currently, the Exchange's fee schedule provides that, unless an LMM otherwise qualifies for a higher rebate, they will receive the following rebates for securities in which they are a Qualified LMM, based on the ETP's consolidated average daily volume ("CADV"): where the CADV is less than 1 million, $0.0045 per share; where the CADV is 1 million

reduced fees,[5] and free transactions in closing auctions[6] in its Qualified ETPs. In addition, the Exchange offers LMM Credit Tiers in which it provides LMMs that have at least 25 Qualified ETPs with enhanced rebates for all transactions in which the LMM adds liquidity to the Exchange. Such rebates gradually increase as the LMM's number of Qualified ETPs increases.[7] Both of these programs offer incentives to LMMs only on a transaction by transaction basis. The Exchange is proposing to eliminate both the LMM Incentive Program and the LMM Credit Tiers, although the Exchange notes that it is not proposing to eliminate free transactions in closing auctions to LMMs in each of their respective Qualified ETPs.

The Exchange is now proposing to implement daily incentives for LMMs that are not dependent on the number of transactions in a particular security, but rather based on whether the LMM meets the Minimum Performance Standards. Specifically, the Exchange is proposing to provide each LMM with a daily incentive based on how many Qualified ETPs the LMM has and the average aggregate daily auction volume in the BZX-listed securities for which the Member is

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to 5 million, $0.0040 per share; and where the CADV is greater than 5 million, $0.0035 per share.

5 Currently, the Exchange's fee schedule provides that LMMs will pay $0.0025 per share to remove liquidity in securities for which they are a Qualified LMM.

6 Currently, the Exchange's fee schedule provides that LMMs will receive free transactions in closing auctions in ETPs for which they are a Qualified LMM.

7 Currently, LMMs in BZX-listed securities will receive the following additional rebates per share when adding displayed liquidity for adding liquidity, based on the Member's number of Qualified ETPs, capped at a total of $100,000 per month and not applied to the rebates set forth in the LMM Incentive Program:

Qualified ETPs	Tape A	Tape B	Tape C
25	$0.0001	$0.0002	$0.0001
50	$0.0002	$0.0004	$0.0002
75	$0.0003	$0.0006	$0.0003
125	$0.0004	$0.0008	$0.0004

the LMM (the "LMM Securities"). The Exchange is proposing to provide such incentives as follows:

	Average Aggregate Daily Auction Volume in LMM Securities					
	0-10,000	10,001-100,000	100,001-500,000	500,001-1,000,000	1,000,001-3,000,000	3,000,001 or greater
Daily Incentive for each Qualified ETP 1-5	$10	$25	$40	$50	$150	$200
Daily Incentive for each Qualified ETP 6-25	$10	$25	$25	$30	$100	$150
Daily Incentive for each Qualified ETP 26-50	$10	$10	$20	$25	$75	$100
Daily Incentive for each Qualified ETP 51-100	$10	$10	$15	$20	$50	$75
Daily Incentive for each Qualified ETP Greater Than 100	$10	$10	$15	$15	$25	$50

As described in the chart above, the Exchange is proposing to provide LMMs with a daily incentive per Qualified ETP which increases along with the average aggregate daily auction volume in the LMM's LMM Securities. For instance, if an LMM has 30 LMM Securities, each of which is a Qualified ETP, 10 of which each have an average daily auction volume of 5,000 shares (combined between the opening and closing auction), 10 of which each have an average daily auction volume of 50,000 shares (combined between the opening and closing auction), and 10 of which each have an average daily auction volume of 200,000 shares (combined between the opening and closing auction), then the LMM would fall into the fifth column (10*5,000 + 10*50,000 + 10*200,000 = 2,550,000 average aggregate daily auction volume). As such, the LMM would receive $150 each for five Qualified ETPs, $100 each for Qualified ETPs 6-25, and $75 each for Qualified ETPs 26-30. This would result in a daily payment of ($150*5) + ($100*20) + ($75*5) = $3,125 to the LMM.

The Exchange is also proposing to provide an additional daily incentive for LMMs based on the number of Qualified ETPs for which the LMM meets a more stringent set of Minimum Performance Standards ("Enhanced ETPs") and the average aggregate daily auction volume in LMM Securities. The Exchange is proposing to provide such incentives as follows:

	Average Aggregate Daily Auction Volume in LMM Securities					
	0-10,000	10,001-100,000	100,001-500,000	500,001-1,000,000	1,000,001-3,000,000	3,000,001 or greater
Daily Incentive for each Enhanced ETP 1-5	$2.50	$6.25	$10	$12.50	$37.50	$50
Daily Incentive for each Enhanced ETP 6-25	$2.50	$6.25	$6.25	$7.50	$25	$37.50
Daily Incentive for	$2.50	$2.50	$5	$6.25	$18.75	$25

each Enhanced ETP 26-50						
Daily Incentive for each Enhanced ETP 51-100	$2.50	$2.50	$3.75	$5	$12.50	$18.75
Daily Incentive for each Enhanced ETP Greater Than 100	$2.50	$2.50	$3.75	$3.75	$6.25	$12.50

Using the same example as above, where the LMM has 30 LMM Securities, 10 of which are Enhanced ETPs, which have 2,550,000 shares of average aggregate daily auction volume in LMM Securities, the issuer would fall into the fifth column. As such, the LMM would receive an additional $37.50 for each of its first five Enhanced ETPs and an additional $25 each for Enhanced ETPs 6-10. This would result in an additional daily payment of ($37.50*5) + ($25*5) = $312.50 to the LMM.

The Exchange is also proposing to provide LMMs with free transactions in closing auctions in ETPs for which they are the LMM instead of only those securities for which they are a Qualified LMM. This will eliminate the current disincentive for LMMs to provide liquidity in the closing auction for LMM Securities where they have not met the Minimum Performance Standards.

Policy Discussion

The Exchange submits this proposal because it believes that the LMM Liquidity Provision Rates will enhance market quality on all Exchange-listed ETPs by incentivizing LMMs to meet the Minimum Performance Standards across all of their LMM Securities instead of only those with higher trading volume. The proposal will accomplish this by: (i) compensating LMMs for meeting Minimum Performance Standards instead of on a transaction by transaction basis; (ii) providing LMMs with a more predictable and reliable model for anticipating revenue and costs associated with meeting the Minimum Performance Standards; (iii) allowing the Exchange to increase the Minimum Performance Standards; and (iv) generally encouraging all participants to act as an LMM in Exchange-listed ETPs.

First, the proposal will allow the Exchange to compensate LMMs for providing enhanced market quality in ETPs listed on the Exchange instead of on a transaction by transaction basis. Historically, both on the Exchange and elsewhere LMMs have been compensated on a transaction by transaction basis as long as they meet the Minimum Performance Standards for that particular security. While rebates are an important tool used to incentivize liquidity provision, the proposed market quality incentives would allow the Exchange to provide more meaningful incentives in ETPs with lower trading volumes.

Further, for newly listed and other lower volume ETPs, the cost to a firm of making a market as an LMM, such as holding inventory in the security, is often not fully offset by the revenue provided through enhanced LMM rebates that it receives from the Exchange. In such cases, LMMs often take on the role as LMM despite the negative economics based on the hope, without guarantee, that the costs for acting as an LMM will eventually be reduced to a level lower than the enhanced LMM rebates. Without an LMM taking this risk to make markets in these new ETPs, the products would likely be significantly less liquid, to the detriment of investors.

Other LMMs may opt to operate at a loss in new and other lower volume ETPs in order to maintain relationships with issuers and hope that such losses are offset by the compensation for ETPs with higher trading volume. Even where an LMM may choose to provide enhanced market quality in a lower volume security, the current LMM rebate structure creates stronger financial incentives to be an LMM in higher trading volume securities than in lower trading volume securities. In reality, the ETPs that need an LMM creating a tight and deep market are the lower volume securities and higher volume securities generally already have tight spreads and inside depth.

As proposed, LMMs would be compensated on a per-ETP basis where they meet certain market quality metrics, regardless of the trading volume in the associated ETP. While the amount of compensation is dependent on average aggregate daily auction volume in the LMM's LMM Securities (which generally corresponds to the trading volume in a security), the payments are made on a security by security basis, so an LMM is incentivized to meet the Minimum Performance Standards across all ETPs for which they are an LMM and not just in those ETPs that have higher trading volume. As such, the economic benefits to LMMs that previously accrued almost exclusively to those products with greater trading volume will immediately be spread among all of the LMM's LMM Securities and the proposed liquidity provision payments would immediately eliminate the potential disincentives for LMMs to meet the Minimum Performance Standards for lower volume ETPs.

The Exchange also believes that the proposal will provide LMMs with a more predictable and reliable model for anticipating revenue and expenses associated with acting as an LMM and meeting the Minimum Performance Standards, which will both encourage existing LMMs to take on additional ETPs and encourage other market participants to register with the Exchange as an LMM. As described above, LMMs often take on LMM Securities based on the hope, without guarantee, that the costs for acting as an LMM will eventually be reduced to a level lower than the enhanced LMM rebates. By providing predictable revenue for each LMM Security for which an LMM meets the Minimum Performance Standards, both existing and new LMMs will be certain that they will receive a much more predictable payment for acting as an LMM and meeting the Minimum Performance Standards (as opposed to hoping that there is enough trading volume in the LMM Security to sufficiently offset costs). Further, the more LMM Securities that an LMM accumulates, the more auction volume they will have in their LMM Securities, providing the LMM with additional revenue potential. As such, the proposal will encourage firms to newly register with the Exchange as an LMM and existing LMMs to take on more LMM Securities on the Exchange. This will benefit all investors by both increasing competition among LMMs and encouraging greater market quality in securities listed on the Exchange.

The proposal will also allow the Exchange to increase the market quality requirements necessary to receive the daily payment. As noted above, the economics associated with acting as an LMM in new and lower volume ETPs can disincentivize LMMs from meeting the Minimum Performance Standards. By providing payouts on a per-product basis, the Exchange is able to increase the Minimum Performance Standards and LMMs are able to commit to providing better market quality in all LMM Securities. The Exchange believes that this will result in better market quality across all of its listed ETPs and enhanced competition among both LMMs and ETP issuers to the benefit of investors.

Simply stated, for new ETPs and other low volume ETPs, providing consistent payments based on LMMs meeting the Minimum Performance Standards will allow LMMs to more reliably anticipate their revenue for acting as an LMM and will both incentivize LMMs to meet the Minimum Performance Standards for their LMM Securities and encourage other market participants to participate in the Exchange’s LMM program. Further, it will allow the Exchange to increase the Minimum Performance Standards and LMMs will be able to commit to providing better market quality in all LMM Securities. Because the Exchange makes the majority of its revenue from ETP listings based on the auction volume in its listed ETPs, basing these payments on the average aggregate daily auction volume in the LMM's LMM Securities will allow the Exchange to offer incentives to LMMs to meet the Minimum Performance Standards commensurate with the Exchange's revenue in a particular LMM's LMM Securities and provides a strong incentive for LMMs to meet the Minimum Performance Standards in all of their respective LMM Securities instead of only those with higher trading volume. While there will be a range of outcomes for LMMs, the Exchange generally expects that most LMMs will receive payments comparable to what they currently receive, with the potential for additional upside where they take on additional new ETPs and/or existing ETPs that transfer to the Exchange.

Tier Discussion

The daily payment amounts are based specifically on the Exchange's revenue model. For ETPs with greater auction volume, the Exchange generally makes more money and, thus, is able to offer LMMs with LMM Securities that have higher average aggregate daily auction volume higher payments. As designed, the Exchange has created six separate buckets based on auction volume and five buckets based on how many Qualified ETPs an LMM has. The buckets and payments are modeled based both on current revenue and product distribution among LMMs as well as expected revenue and product distribution in the future including organic growth among existing products, ETPs transferring to the Exchange, and additional participants in the LMM Program. The Exchange believes that it is fair and reasonable to offer different pricing between the different auction volume tiers because those tiers and possible payments are specifically tailored to the Exchange's expected revenue from that auction volume.

Specifically, the proposed payment per Qualified ETP (and thus the total payment to an LMM) generally goes up as the CADV moves from left to right because as the average aggregate daily auction volume in LMM Securities increases, the Exchange will generate additional revenue and can thus support increased payments to LMMs. Similarly, the proposed payments per Qualified ETP generally go down as the number of Qualified ETPs goes up in order to ensure that the daily incentive payments do not exceed the Exchange's revenue for that LMM's LMM Securities while still providing incentives for LMMs to take on additional ETPs. The Exchange has designed this program to be sustainable over the long-term and generally expects that its expenditures under the proposed LMM Liquidity Provision Rates will be very similar to what it currently provides LMMs under existing LMM Pricing.

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule on August 1, 2019.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,[8] in general, and furthers the objectives of Section 6(b)(4) and 6(b)(5),[9] in particular, 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. The Exchange also notes that its ETP listing business operates in a highly-competitive market in which market participants, which includes both ETP issuers and LMMs, can readily transfer their listings or opt not to participate, respectively, if they deem fee levels, liquidity provision incentive programs, or

8 15 U.S.C. 78f.

9 15 U.S.C. 78f(b)(4) and (5).

any other factor at a particular venue to be insufficient or excessive. The proposed rule changes reflect a competitive pricing structure designed to incentivize issuers to list new products and transfer existing products to the Exchange and market participants to enroll and participate as LMMs on the Exchange, which the Exchange believes will enhance market quality in all ETPs listed on the Exchange.

The Proposed Incentives are Reasonable

The Exchange believes that the proposal to adopt market quality based incentives under the LMM Liquidity Provision Rates is a reasonable means to incentivize liquidity provision in ETPs listed on the Exchange. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer ETP listings. Transfers between listing venues occur frequently[10] for numerous reasons, including market quality. This proposal is intended to help the Exchange compete as an ETP listing venue. Further, the Exchange notes that the proposed incentives are not transaction fees, nor are they fees paid by participants to access the Exchange. Rather, the proposed payments are based on achieving certain objective market quality metrics. As stated above, providing consistent payments based on LMMs meeting the Minimum Performance Standards will allow LMMs to more reliably anticipate their revenue for acting as an LMM and will both incentivize LMMs to meet the Minimum Performance Standards for their LMM Securities and encourage other market participants to participate in the Exchange's LMM program. The Exchange expects the Minimum Performance Standards to include: (i) registration as a market maker in good standing with the Exchange; (ii) time at the inside requirements (generally between 3% and 15% of Regular Trading Hours for Qualified

[10] For example, 16 ETPs transferred their listings to the Exchange on May 13, 2019. See http://ir.cboe.com/~/media/Files/C/CBOE-IR-V2/press-release/2019/cboe-welcomes-16-barclays-etns.pdf.

ETPs and between 5% to 50% for Enhanced ETPs, depending on the average daily volume of the applicable LMM Security); (iii) auction participation requirements (generally requiring that the auction price is between 3% and 5% of the last Reference Price, as defined in Rule 11.23(a)(19), for a Qualified ETP and 1%-3% for an Enhanced ETP); (iv) market-wide NBB and NBO spread and size requirements (generally requiring between 200 and 750 shares at both the NBB and NBO for both Qualified ETPs and Enhanced ETPs with an NBBO spread between 1% and 10% for a Qualified ETP and .25% to 4% for Enhanced ETPs, depending on price of the ETP and underlying asset class); and (v) depth of book requirements (generally requiring between $25,000 and $250,000 of displayed posted liquidity for both Qualified ETPs and Enhanced ETPs within 1% to 10% of both the NBB and NBO for Qualified ETPs and 0.25% and 5% for Enhanced ETPs, depending on price of the ETP and underlying asset class). Before diverging significantly from the ranges described above, the Exchange will submit a rule filing to the Commission describing such proposed changes.

Further, it will allow the Exchange to increase the Minimum Performance Standards and LMMs will be able to commit to providing better market quality in all LMM Securities. Because the Exchange makes the majority of its revenue from ETP listings based on the auction volume in its listed ETPs, basing these payments on the average aggregate daily auction volume in the LMM's LMM Securities will allow the Exchange to offer incentives to LMMs to meet the Minimum Performance Standards commensurate with the Exchange's revenue in a particular LMM's LMM Securities and provides a strong incentive for LMMs to meet the Minimum Performance Standards in all of their respective LMM Securities instead of only those with higher trading volume. While there will be a range of outcomes for LMMs, the Exchange generally expects that most LMMs will receive payments comparable to what they currently receive, with the potential for additional upside where they take on additional new ETPs and/or existing ETPs that transfer to the Exchange.

The Exchange believes that eliminating the existing LMM Incentive Program and LMM Credit Tiers for Tape B is reasonable because the Exchange is not required to maintain the program and the Exchange is proposing to implement the new LMM Liquidity Provision Rates in its place, as discussed above.

The Exchange believes that offering LMMs free transactions in closing auctions in ETPs for which they are the LMM instead of only those securities for which they are a Qualified LMM is reasonable because it will eliminate the current disincentive for LMMs to provide liquidity in the closing auction for LMM Securities where they have not met the Minimum Performance Standards.[11]

The Proposed Incentives are an Equitable Allocation of Payments

The Exchange believes that the proposal represents an equitable allocation of payments because, while the proposed payments apply only to LMMs, such LMMs must meet rigorous Minimum Performance Standards in order to receive the payments, as outlined above. Where an LMM does not meet the Minimum Performance Standards, they will not receive the payments. Further, registration as an LMM is available equally to all Members and allocation of listed ETPs between LMMs is governed by Exchange Rule 11.8(e)(2). If an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange's discretion.

11 The Exchange notes that, pursuant to Rule 11.8(e)(2)(C), where an LMM does not meet the Minimum Performance Standards for three out of four months, such LMM is subject to forfeiture of LMM status for that LMM Security. As such, an LMM generally must meet the Minimum Performance Standards with some regularity in order to receive such favorable pricing in the closing auction.

Further, the daily payment amounts are based specifically on the Exchange's revenue model. For ETPs with greater auction volume, the Exchange generally makes more money and, thus, is able to offer LMMs with LMM Securities that have higher average aggregate daily auction volume higher payments. As designed, the Exchange has created six separate buckets based on auction volume and five buckets based on how many Qualified ETPs an LMM has. The buckets and payments are modeled based both on current revenue and product distribution among LMMs as well as expected revenue and product distribution in the future including organic growth among existing products, ETPs transferring to the Exchange, and additional participants in the LMM Program. The Exchange believes that it is fair and reasonable to offer different pricing between the different auction volume tiers because those tiers and possible payments are specifically tailored to the Exchange's expected revenue from that auction volume.

Specifically, the proposed payment per Qualified ETP (and thus the total payment to an LMM) generally goes up as the CADV moves from left to right because as the average aggregate daily auction volume in LMM Securities increases, the Exchange will generate additional revenue and can thus support increased payments to LMMs. Similarly, the proposed payments per Qualified ETP generally go down as the number of Qualified ETPs goes up in order to ensure that the daily incentive payments do not exceed the Exchange's revenue for that LMM's LMM Securities while still providing incentives for LMMs to take on additional ETPs. The Exchange has designed this program to be sustainable over the long-term and generally expects that its expenditures under the proposed LMM Liquidity Provision Rates will be very similar to what it currently provides LMMs under existing LMM Pricing. As such, the Exchange believes that the proposal represents an equitable allocation of payments.

The Exchange believes that eliminating the existing LMM Incentive Program and LMM Credit Tiers for Tape B is equitable because the Exchange is not required to maintain the program and the Exchange is eliminating the program for all Members.

The Exchange believes that offering LMMs free transactions in closing auctions in ETPs for which they are the LMM instead of only those securities for which they are a Qualified LMM is equitable because it will eliminate the current disincentive for LMMs to provide liquidity in the closing auction for LMM Securities where they have not met the Minimum Performance Standards, which will benefit all participants by providing an incentive to enhance liquidity in all closing auctions for BZX-listed ETPs.[12]

The Proposed Incentives are not Unfairly Discriminatory

The Exchange believes that the proposal is not unfairly discriminatory because, while the proposed payments apply only to LMMs, such LMMs must meet rigorous Minimum Performance Standards in order to receive the payments, as described above. Where an LMM does not meet the Minimum Performance Standards, they will not receive the payments. Further, registration as an LMM is available equally to all Members and allocation of listed ETPs between LMMs is governed by Exchange Rule 11.8(e)(2). If an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange's discretion.

Further, the daily payment amounts are based specifically on the Exchange's revenue model. For ETPs with greater auction volume, the Exchange generally makes more money and,

12 As noted above, pursuant to Rule 11.8(e)(2)(C), where an LMM does not meet the Minimum Performance Standards for three out of four months, such LMM is subject to forfeiture of LMM status for that LMM Security. As such, an LMM generally must meet the Minimum Performance Standards with some regularity in order to receive such favorable pricing in the closing auction.

thus, is able to offer LMMs with LMM Securities that have higher average aggregate daily auction volume higher payments. As designed, the Exchange has created six separate buckets based on auction volume and five buckets based on how many Qualified ETPs an LMM has. The buckets and payments are modeled based both on current revenue and product distribution among LMMs as well as expected revenue and product distribution in the future including organic growth among existing products, ETPs transferring to the Exchange, and additional participants in the LMM Program. The Exchange believes that it is fair and reasonable to offer different pricing between the different auction volume tiers because those tiers and possible payments are specifically tailored to the Exchange's expected revenue from that auction volume.

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The Exchange believes that eliminating the existing LMM Incentive Program and LMM Credit Tiers for Tape B is not unreasonably discriminatory because the Exchange is not required to maintain the program and the Exchange is eliminating the program for all Members.

The Exchange believes that offering LMMs free transactions in closing auctions in ETPs for which they are the LMM instead of only those securities for which they are a Qualified LMM is reasonable because it will eliminate the current disincentive for LMMs to provide liquidity in the closing auction for LMM Securities where they have not met the Minimum Performance Standards, which will benefit all participants by providing an incentive to enhance liquidity in all closing auctions for BZX-listed ETPs.[13]

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed change burdens competition, but rather, enhances competition as it is intended to increase the competitiveness of BZX both among Members by incentivizing Members to become LMMs in BZX-listed ETPs and as a listing venue by enhancing market quality in BZX-listed ETPs. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer ETP listings. Transfers between listing venues occur frequently[14] for numerous reasons, including market quality. This proposal is intended to help the Exchange compete as an ETP listing venue. Accordingly, the Exchange does not believe that the proposed change will impair the ability of issuers, LMMs, or competing ETP listing venues to maintain their competitive standing. The Exchange also notes that the proposed change is intended to enhance market quality in BZX-

13 As noted above, pursuant to Rule 11.8(e)(2)(C), where an LMM does not meet the Minimum Performance Standards for three out of four months, such LMM is subject to forfeiture of LMM status for that LMM Security. As such, an LMM generally must meet the Minimum Performance Standards with some regularity in order to receive such favorable pricing in the closing auction.

14 For example, 16 ETPs transferred their listings to the Exchange on May 13, 2019. See http://ir.cboe.com/~/media/Files/C/CBOE-IR-V2/press-release/2019/cboe-welcomes-16-barclays-etns.pdf.

listed ETPs, to the benefit of all investors in BZX-listed ETPs. The Exchange does not believe the proposed amendment would burden intramarket competition as it would be available to all Members uniformly. Registration as an LMM is available equally to all Members and allocation of listed ETPs between LMMs is governed by Exchange Rule 11.8(e)(2). Further, if an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange's discretion.

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 is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act[15] and subparagraph (f)(2) of Rule 19b-4[16] thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

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 under Section 19(b)(2)(B) of the Act[17] to determine whether the proposed rule change should be approved or disapproved.

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

16 17 CFR 240.19b-4(f)(2).

17 15 U.S.C. 78s(b)(2)(B).

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-2019-058 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-2019-058. 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-2019-058, 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.[18]

Eduardo A. Aleman
Deputy Secretary

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[18] 17 CFR 200.30-3(a)(12).