

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87808; File No. SR-CBOE-2019-125)

December 19, 2019

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Silexx Trading Platform (“Silexx” or the “Platform”) Fees Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 18, 2019, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) proposes to amend the Silexx trading platform (“Silexx” or the “platform”) Fees Schedule. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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

---

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

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

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of this filing is to amend the Silexx Fees Schedule to adopt a new “drop copy” fee.<sup>3</sup>

By way of background, the Silexx platform consists of a “front-end” order entry and management trading platform (also referred to as the “Silexx terminal”) for listed stocks and options that supports both simple and complex orders,<sup>4</sup> and a “back-end” platform which provides a connection to the infrastructure network. From the Silexx platform (i.e., the collective front-end and back-end platform), a Silexx user has the capability to send option orders to U.S. options exchanges, send stock orders to U.S. stock exchanges (and other trading centers), input parameters to control the size, timing, and other variables of their trades, and also includes access to real-time options and stock market data, as well as access to certain historical data. The Silexx platform is designed so that a user may enter orders into the platform to send to an executing broker (including Trading Permit Holders (“TPHs”)) of its choice with connectivity to the platform, which broker will then send the orders to Cboe Options (if the broker is a TPH) or

---

<sup>3</sup> The Exchange initially filed the proposed fee changes on December 2, 2019 (SR-CBOE-2019-113). On December 12, 2019, the Exchange withdrew that filing and refiled the proposed fee changes (SR-CBOE-2019-121). On December 18, 2019 the Exchange withdrew that filing and submitted this filing (SR-CBOE-2019-125).

<sup>4</sup> The platform also permits users to submit orders for commodity futures, commodity options and other non-security products to be sent to designated contract markets, futures commission merchants, introducing brokers or other applicable destinations of the users' choice.

other U.S. exchanges (and trading centers) in accordance with the user’s instructions.<sup>5</sup> The Silexx front-end and back-end platforms are a software application that are installed locally on a user’s desktop. Silexx grants users licenses to use the platform, and a firm or individual does not need to be a TPH to license the platform. Use of Silexx is completely optional.

In an effort to integrate Silexx and the PULSe drop copy network, the Exchange established a method by which a TPH or non-TPH market participant may connect to the Silexx back-end platform through a third-party terminal (i.e., a front-end platform other than a Silexx or PULSe terminal. Such a TPH or non-TPH market participant is hereinafter referred to as a “Silexx integrated partner”). Specifically, such a Silexx integrated partner may access the Silexx back-end platform through a third-party front-end which will only provide the Silexx integrated partner with access to the PULSe drop copy network via a Financial Information eXchange (“FIX”) hub.<sup>6</sup> FIX is an industry-standard, non-proprietary application program interface (“API”) that permits market participants to connect to exchanges. FIX language-based connectivity, upon request, provides customers (both TPHs and non-TPHs) of TPHs that are brokers and PULSe<sup>7</sup> users (“PULSe brokers”) with the ability to receive “drop copy” order fill messages from their

---

<sup>5</sup> Silexx does not allow users to send orders directly to the Exchange or other market centers; however, an additional version of the Silexx platform, Silexx FLEX, supports the trading of FLEX Options and allows authorized Users with direct access to the Exchange. See Securities Exchange Act Release No. 87028 (September 19, 2019) 84 FR 50529 (September 25, 2019) (SR-CBOE-2019-061).

<sup>6</sup> The Exchange notes that a Silexx integrated partner will have no access to Silexx front-end platform functionality. A Silexx integrated partner will only have access to the back-end platform, which provides connectivity to the PULSe drop copy network through a FIX hub.

<sup>7</sup> The PULSe workstation is a front-end order entry system designed for use with respect to orders that may be sent to the trading systems of the Exchange. TPHs may make PULSe workstations available to their customers, which may include TPHs, non-broker dealer public customers, and non-TPH broker dealers.

PULSe brokers. These fill messages allow customers to update positions, risk calculations, and streamline back-office functions.

As a result of the recent integration between Silexx and the PULSe drop copy network, Silexx front-end users and Silexx integrated partners have access to the PULSe drop copy network. Therefore, both Silexx users and Silexx integrated partners may send notice execution messages to the PULSe drop copy network, who will then forward such messages (i.e., drop copies) on to a PULSe or Silexx-user customer (the “customer”) for which it has a connection. The Exchange proposes to adopt a fee applicable to the Silexx integrated partner, given this new functionality, which would allow a customer to receive drop copies via the PULSe drop copy network from a non-PULSe, non-Silexx terminal (i.e., a Silexx integrated partner). Particularly, the Exchange proposes to adopt a fee of \$500 per month for each customer connection to which a Silexx integrated partner will submit drop copies from non-PULSe, non-Silexx terminals. At this time, the Exchange proposes no fee to the customer receiving the drop copies from the Silexx integrated partner. To illustrate the manner in which the fee would be assessed, consider the following examples.

Example #1

Consider a PULSe or Silexx user (the “customer”) sends its order to a Silexx integrated partner that is also a TPH (the “Silexx integrated TPH”) for execution via a third-party front-end platform (i.e., a terminal other than Silexx or PULSe). The Silexx integrated TPH then submits the order to the Exchange or another market center through its own third-party front-end system. Under the new functionality, for a \$500/month fee the Silexx integrated TPH may establish a connection to the Silexx back-end platform which will provide connectivity to the PULSe drop copy network and allow the Silexx integrated TPH to send fill messages back to its customer.

The connection fee would be assessed to the Silexx integrated TPH on a per customer connection basis.<sup>8</sup>

### Example #2

Consider a PULSe or Silexx user (the “customer”) sends its order to a Silexx integrated partner that is a non-TPH (the “Silexx integrated non-TPH”) for execution via a third-party front-end platform (i.e., a terminal other than Silexx or PULSe). The Silexx integrated non-TPH then submits the order to another market center (or to the Exchange through a third-party TPH) through its own front-end system. Under the new functionality, for a \$500/month fee the Silexx integrated non-TPH may establish a connection to the Silexx back-end platform which will provide connectivity to the PULSe drop copy network and allow the Silexx integrated non-TPH to send fill messages back to its customer. The connection fee would be assessed to the Silexx integrated non-TPH on a per customer connection basis.<sup>9</sup>

## 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>10</sup> Specifically, the

---

<sup>8</sup> The Exchange notes that the Silexx integrated TPH must establish a connection for each applicable customer to receive drop copies via the PULSe drop copy network. Thus, the fee is applied on a per customer or per connection basis. For example, if a Silexx integrated TPH has two customers that receive drop copies via the PULSe drop copy network, the Silexx integrated TPH would be assessed a monthly fee of \$1,000 (\$500 x 2).

<sup>9</sup> The Exchange notes that the Silexx integrated non-TPH must establish a connection for each applicable customer to receive drop copies via the PULSe drop copy network. Thus, the fee is applied on a per customer or per connection basis. For example, if a Silexx integrated non-TPH has two customers that receive drop copies via the PULSe drop copy network, the Silexx integrated non-TPH would be assessed a monthly fee of \$1,000 (\$500 x 2).

<sup>10</sup> 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>11</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed fee is reasonable as it is similar to other established PULSe fees related to drop-copy functionality.<sup>12</sup> For example, the PULSe Fees Schedule provides for a drop copy fee of \$425 per month payable by the TPH customer receiving the drop copies. Specifically, for each PULSe-using TPH broker that provides a TPH customer drop copies, such receiving TPH customer incurs a fee of \$425 per month. Similarly, the PULSe Fees schedule provides for a drop copy fee of \$0.02/contract (capped at \$400 per month) payable by the TPH sending the drop copies to its non-TPH customers. Specifically, for each non-TPH PULSe-using customer for which a TPH broker provides drop copies, the TPH broker incurs a fee of \$0.02/contract (capped at \$400 per month). The proposed fee is slightly higher than the comparable PULSe fees because Silexx Integrated Partners are paying no additional fees, such as a PULSe or Silexx terminal fee.

Additionally, the proposed fee would support the introduction of a new drop copy functionality that provides an alternative means for customers to receive their fill messages. Particularly, the new drop copy functionality provides a Silexx integrated partner with the ability to leverage the existing infrastructure of the PULSe drop copy network, which provides customers with the ability to receive valuable information about transactions executed across the market place. By utilizing the existing infrastructure, customers already connected to the PULSe

---

<sup>11</sup> 15 U.S.C. 78f(b)(4).

<sup>12</sup> See e.g., PULSe Fees Schedule drop copy fees.

drop copy network may experience cost savings by eliminating the need to connect to another platform to receive drop copies. Further, customers will not be charged an additional fee to receive such drop copies via the PULSe drop copy network. Additionally, Silexx integrated partners may experience lower fees than those of competitor providers charging for drop copies. As noted above, the drop copy fill messages allow customers to update positions, risk calculations, and streamline back-office functions. The Exchange notes that the decision as to whether or not to utilize the PULSe drop copy network is entirely optional for all users.

The Exchange believes that assessing the proposed fee to Silexx integrated partners using non-PULSe, non-Silexx terminals is equitable and not unfairly discriminatory as PULSe and Silexx terminal users already pay monthly fees related to the use of such workstations and access to the PULSe drop copy network. The Exchange believes the fee is equitable and not unfairly discriminatory because the monthly fee is assessed uniformly to any market participant who sends drop copies through the PULSe drop copy network from non-PULSe, non-Silexx terminals. Further, the Exchange believes the fee is equitable and not unfairly discriminatory because, as discussed above, the fee is similar to fees assessed to PULSe users utilizing the PULSe drop copy network.

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

Cboe Options 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 Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed drop copy fee is assessed equally to similarly situated Silexx integrated TPHs or non-TPHs electing to use the drop copy functionality.

The Exchange does not believe that the proposed change will cause any unnecessary burden on intermarket competition because the proposed fee relates to the use of an Exchange-supported order entry management system. To the extent that any proposed change makes Silexx a more attractive platform for market participants, such market participants are welcome to become Silexx users or Silexx integrated partners.

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>13</sup> and paragraph (f) of Rule 19b-4<sup>14</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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:

---

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f).



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-CBOE-2019-125 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-CBOE-2019-125. 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-CBOE-2019-125 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>15</sup>

J. Matthew DeLesDernier  
Assistant Secretary

---

<sup>15</sup> 17 CFR 200.30-3(a)(12)