

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-88426; File No. SR-CBOE-2020-021)

March 19, 2020

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fees Schedule

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 March 17, 2020, 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 its 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 proposed rule change. The text of these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt new Footnote 12 of the Fees Schedule to govern pricing changes in the event the Exchange trading floor becomes inoperable.³ In the event the trading floor becomes inoperable, the Exchange will continue to operate in a screen-based only environment using a floorless configuration of the System that is operational while the trading floor facility is inoperable. The Exchange would operate using that configuration only until the Exchange’s trading floor facility became operational. Open outcry trading would not be available in the event the trading floor becomes inoperable.

The Exchange first proposes to provide that in the event the Cboe Options trading floor becomes inoperable, holders of a Market-Maker Floor Permit will be entitled to act as an electronic Market-Maker and holders of a Floor Broker Permit will be entitled to access the Exchange electronically to submit orders to the Exchange, at no further cost. Currently, in order to act as a Market-Maker electronically a Trading Permit Holder (“TPH”) must purchase a Market-Maker Electronic Access Permit. In order to access the Exchange electronically and submit orders to the Exchange, a TPH must purchase an “Electronic Access Permit”. Conversely, TPHs that wish to act as a Market-Maker on the floor must purchase a Market-Maker Permit and TPHs that wish to act as a Floor Broker on the floor of the Exchange must purchase a Floor

³ The Exchange originally submitted the proposed fee changes on March 16, 2020 (SR-CBOE-2020-020). On March 17, 2020, the Exchange withdrew that filing and submitted this filing.

Broker Permit. The Exchange wishes to encourage floor-based market participants to participate on the Exchange electronically if the trading floor becomes inoperable. As such, the Exchange proposes to provide that holders of a Market-Maker Floor Permit and Floor Broker Permit are entitled to operate electronically in their registered capacity at no additional cost (i.e., not charge for an additional Market-Maker Electronic Access Permit or Electronic Access Permit).

The Exchange next proposes to amend the Floor Broker ADV Discount. Under this discount program, Floor Broker Trading Permit fees are eligible for rebates based on the average customer ("C") open-outcry contracts executed per day over the course of a calendar month in all underlying symbols. In light of the Exchange's recent announcement that its trading floor would be considered inoperable starting March 16, 2020, the Exchange proposes to provide that for the month of March 2020, ADV will be based on March 1 -March 13, 2020 volume.

The Exchange next proposes to provide that in the event the trading floor becomes inoperable, the Exchange shall waive SPX and SPXW Execution Surcharges for SPX and SPXW volume executed via the Automated Improvement Mechanism ("AIM") for the duration of time the Exchange operates in a screen-based only environment. The Exchange currently assesses a SPX Execution Surcharge of \$0.21 per contract and a SPXW Execution Surcharge of \$0.13 per contract for non-Market Maker orders in SPX and SPXW, respectively that are executed electronically (with some exceptions).⁴ The Execution Surcharges were adopted to ensure that there is reasonable cost equivalence between the primary execution channels for SPX and SPXW. More specifically, the Execution Surcharges minimize the cost differentials between manual and electronic executions, which is in the interest of the Exchange as it must both maintain robust electronic systems as well as provide for economic opportunity for floor brokers

⁴ See Cboe Options Fees Schedule, Footnote 21.

to continue to conduct business, as the Exchange believes they serve an important function in achieving price discovery and customer executions.⁵ In the event the trading floor becomes inoperable, the only execution available for SPX and SPXW would be electronic executions. The Exchange still wishes to encourage floor brokers to continue to conduct business on the Exchange, albeit electronically when the floor is inoperable. To that end, in order to approximate the trading floor environment electronically, the Exchange will make AIM available for SPX/SPXW in the event the trading floor becomes inoperable. Particularly, the Exchange notes that it can determine AIM eligibility on a class-by-class basis⁶ and historically SPX and SPXW have not been designated as eligible for AIM Auctions. As such, the Exchange does not wish to discourage floor brokers from executing SPX and SPXW volume via AIM when the trading floor is inoperable by assessing the Execution Surcharges such volume. Indeed, in the absence of the trading floor being inoperable, AIM would not be available for SPX/SPX and such volume would otherwise execute on the floor and not be subject to the Execution Surcharges.

The Exchange next proposes to adopt an AIM Execution Surcharge for SPX, SPXW and VIX AIM Agency/Primary orders for all market participants which would apply only when the Exchange operates in a screen-based only environment and which would be invoiced to the executing TPH. Specifically, the Exchange proposes to adopt a \$0.05 per contract fee for SPX and SPXW AIM Agency/Primary orders and a \$0.04 per contract fee for VIX AIM Agency/Primary orders. The Exchange notes that currently, SPX, SPXW and VIX orders executed via open-outcry are assessed floor brokerage fees. Specifically, SPX/SPXW orders are

⁵ See e.g., Securities Exchange Act Release No. 71295 (January 14, 2014) 79 FR 3443 (January 21, 2014) (SR-CBOE-2013-129).

⁶ See Rule 5.37(a)(1) and 5.38(a)(1).

assessed a floor brokerage fee of \$0.04 per contract fee for non-crossed orders and a \$0.02 per contract fee for crossed orders and VIX orders are assessed a floor brokerage fee of \$0.03 per contract for non-crossed orders and \$0.015 per contract for crossed orders. The Exchange notes that in the event the trading floor becomes inoperable, volume that would otherwise be executed on the floor would have to be executed electronically. The Exchange believes it's appropriate to continue to assess this volume, notwithstanding the fact that it is being moved to an electronic channel.

The Exchange also proposes to provide that SPX/SPXW, VIX and RUT contracts executed via AIM during the time when the Exchange operates in a screen-based only environment will not count towards the 1,000 contract thresholds for the electronic SPX/SPXW, VIX and RUT Tier Appointment Fee. Currently, the Exchange assesses separate monthly Tier Appointment Fees to electronic and floor Market-Maker holding a Market-Maker Electronic Access Permit or Market-Maker Floor Permit, respectively, that trade SPX (including SPXW), VIX or RUT contracts at any time during the month. The Exchange proposes to exclude SPX/SPXW, VIX and RUT volume executed via AIM during the time when the Exchange operates in a screen-based only environment, as the Exchange does not wish to discourage the sending of such orders via AIM during that time. The Exchange notes that the electronic Tier Appointment fees are intended to be assessed to Market-Maker TPHs who act as Market-Makers electronically and engage in trading of these products (as opposed to those who normally execute volume via open outcry, but must participate electronically due to the trading floor being inoperable).

The Exchange next proposes to provide that for purposes of the Market-Maker EAP Appointments Sliding Scale, the total quantity will be determined by the highest quantity used at

any point during the month, excluding additional quantity added during the time the Exchange operates in a screen-based only environment. Currently, during Regular Trading Hours, a Market-Maker has an appointment to trade open outcry in all classes traded on the Exchange, at no charge.⁷ Electronic Market-Makers however, must select appointments and are charged for one or more “Appointment Units” (which are scaled from 1 “unit” to more than 5 “units”), depending on which classes they elect appointments in.⁸ The Exchange does not wish to subject Market-Makers to increased fees as a result of selecting appointments to trade electronically in classes during a time when the Exchange operates in a screen-based only environment that they otherwise trade, at no charge, on the floor.

Lastly, as noted above, SPX and SPXW have not historically been designated as eligible for AIM Auctions. The Exchange anticipates that it will designate SPX/SPXW as eligible for AIM Auctions in the event the trading floor becomes inoperable. The header relating to AIM in the Rate Table for Underlying Symbol List A Schedule however references only that AIM is available for (1) VIX and (2) SPX/SPXW during Global Trading Hours.⁹ As such, the Exchange proposes to clarify in proposed Footnote 12 of the Fees Schedule that AIM would be available for SPX/SPXW during Regular Trading Hours, in the event the trading floor is inoperable.

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

⁷ See Rule 5.50(e).

⁸ Appointment weights for each appointed class are set forth in Cboe Options Rule 5.50(g) and are summed for each Market-Maker in order to determine the total appointment units, to which fees will be assessed.

⁹ See Cboe Options Fees Schedule, Rate Table – Underlying Symbol List A.

particular, the requirements of Section 6(b) of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and 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 Section 6(b)(4) of the Act, 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.

The Exchange believes the proposed rule change to allow holders of Floor Trading Permits to operate in their registered capacity electronically at no further cost is reasonable as such market participants would not be subject to additional costs in the event they can only participate electronically due to the trading floor being inoperable. Indeed, in such an event, the Exchange wishes to encourage floor-based market participants to continue to participate on the Exchange electronically. The Exchange believes the proposed rule change is equitable and not unfairly discriminatory as all such floor participants will be treated equally. The Exchange also believes its proposal to base the ADV thresholds for the Floor Broker ADV Discount program on volume from March 1, through March 13, 2020 is reasonable as such discount is based on open-outcry volume only and the Exchange floor has been closed indefinitely as of March 16, 2020.

The Exchange believes the proposed rule change to waive SPX and SPXW Execution Surcharges for AIM volume in the event the trading floor becomes inoperable is reasonable because market participants will not be subject to these extra surcharge for these executions. As noted above,

the Execution Surcharges minimize the cost differentials between manual and electronic executions, which is in the interest of the Exchange as it must both maintain robust electronic systems as well as provide for economic opportunity for floor brokers to continue to conduct business, as the Exchange believes they serve an important function in achieving price discovery and customer executions. In the event the trading floor becomes inoperable, Exchange still wishes to incentivize floor brokers to conduct business on the Exchange, albeit electronically and as such does not wish to assess a surcharge on volume that was otherwise executed on floor and not via AIM. As discussed above, the Exchange wishes to make AIM available for SPX/SPXW in the event the trading floor is inoperable in order to best approximate the trading floor in an electronic environment. Indeed, the Exchange believes waiving the Execution Surcharges for volume executed via AIM in the event the trading floor is inoperable will promote and encourage trading of these products notwithstanding the fact that manual executions are no longer available. Additionally, the Exchange does not wish to assess the Execution Surcharges on AIM volume as AIM provides price improvement opportunities for these orders, similar to the opportunities that are generally available to them on the trading floor, which protects customers seeking execution of these orders. The Exchange believes the proposed change is also equitable and not unfairly discriminatory as it applies uniformly to all similarly situated market participants, as all TPHs will be able to execute electronically via AIM and be subject to equivalent execution costs while the trading floor is inoperable.

The Exchange believes the proposal to adopt an AIM Execution Surcharge for SPX/SPXW and VIX Agency/Primary orders is reasonable as the proposed rates are similar to the total rates charged for volume that is executed via open-outcry.¹⁰ The Exchange also notes that the Fees Schedule already provides for a similar scenario of such rates being assessed in the

¹⁰ See Cboe Options Fees Schedule, Floor Brokerage Fees.

event the trading floor is inoperable. For example, Footnote 15 of the Fees Schedule provides that in the event the Exchange's exclusively listed options must be traded at a Back-up Exchange pursuant to Cboe Options Rule 5.26, the Back-up Exchange has agreed to apply the per contract and per contract side fees (i.e., the Floor Brokerage fees) to such transactions. Accordingly, the Exchange believes it's similarly appropriate to adopt and apply similar fees to transactions that must occur via an electronic execution channel (instead of on a Back-Up Exchange) due to the Exchange's trading floor being inoperable. The Exchange also notes that as discussed above, it is not otherwise assessing the SPX/SPXW Execution Surcharges on AIM SPX/SPXW orders. The Exchange believes the proposed change is also equitable and not unfairly discriminatory as it applies uniformly to all similarly situated market participants, as all TPHs will be able to execute electronically via AIM and be subject to equivalent execution costs while the trading floor is inoperable.

The Exchange believes its proposal to provide that SPX/SPXW, VIX and RUT contracts executed via AIM during a time when the Exchange operates in a screen-based only environment will not count towards the 1,000 contract thresholds for the electronic SPX/SPXW, VIX and RUT Tier Appointment Fees is reasonable as Market-Makers that would otherwise meet the current contract thresholds due to the need to participate on the Exchange electronically will not be subject to an additional Tier Appointment Fee for volume executed via AIM. The Exchange believes the proposed change is reasonable as the Tier Appointment fees were intended to apply to TPHs who act as electronic Market-Makers in SPX/SPX, VIX and RUT, not those that notwithstanding the trading floor being inoperable would act as floor Market-Makers and trade these products. The Exchange anticipates Market-Maker a large portion of volume for any Market-Maker that trades in SPX/SPXW, VIX and RUT only in open cry will be executed via AIM in the event the trading floor

is inoperable. Accordingly, the Exchange does not wish to assess the Tier Appointment fees to Market-Makers who do not usually conduct significant electronic volume in these products and would not participate electronically if not for the trading floor being inoperable. Additionally, the Exchange does not wish to discourage the use of AIM for SPX/SPXW, VIX or RUT as AIM provides price improvement opportunities for these orders, similar to the opportunities that are generally available to them on the trading floor, which protects customers seeking execution of these orders. The proposed change is equitable and not unfairly discriminatory because it will apply uniformly to all similarly situated market participants, as it applies to all Market-Makers trading in these products.

The Exchange believes the proposal to not count Appointment Units added during a time when the Exchange operates in a screen-based only environment toward the total quantity of Appointment Units for purposes of calculating the Market-Maker EAP Appointments Sliding Scale is reasonable, as Market-Makers should not be subject to additional charges resulting from any additional appointments selected during a time when the trading floor is inoperable. As discussed above, floor Market-Makers have an appointment to trade open outcry in all classes traded on the Exchange at no cost. The Exchange does not wish to subject Market-Makers to increased fees as a result of selecting appointments to trade classes electronically during a time when the trading floor is inoperable, particularly classes they would otherwise trade at no charge on the trading floor. The proposed change is equitable and not unfairly discriminatory because it will apply uniformly to all similarly situated market participants, as it will apply to all Market-Makers, while also ensuring that Market-Makers who generally operate on the trading floor will not be subject to additional costs due to the unavailability of the trading floor.

Lastly, the Exchange believes its proposal to clarify in the fees schedule that AIM may be available for SPX/SPXW during Regular Trading Hours in the event the trading floor becomes inoperable will provide clarity in the Fees Schedule and alleviate potential confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

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 that are not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes the proposed changes are not intended to address any competitive issue, but rather to address fee changes it believes are reasonable in the event the trading floor becomes inoperable, thereby only permitting electronic participation on the Exchange. 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 changes apply equally to all similarly situated market participants. The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes only affect trading on the Exchange in limited circumstances.

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 Act¹¹ and paragraph (f) of Rule 19b-4¹² 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-CBOE-2020-021 on the subject line.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f).

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-2020-021. 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-2020-021 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.¹³

J. Matthew DeLesDernier
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).