

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-91269; File No. SR-CboeBZX-2021-018)

March 5, 2021

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 11.13 (Order Execution and Routing), as well as its Fee Schedule, to Delete References to the INET, RDOX, and TRIMminus Routing Options

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 1, 2021, 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 Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 INET, RDOX, and TRIMminus (“TRIM-”)⁵ routing options. The text of the proposed rule change is provided in Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

⁵ TRIM- is not a term used in Exchange Rules. However, it is described in Rule 11.13(b)(3)(G).

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 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 paragraphs (G), (H), (J), and (L) under Exchange Rule 11.13(b)(3) to delete all references to the INET, RDOX, and TRIM- routing options. The Exchange also proposes to delete all references to the INET and RDOX routing options from the BZX Fee Schedule, as provided [sic] fee codes J and D, respectively, and footnote 10. The Exchange intends to implement the proposed rule changes on March 1, 2021.

Exchange Rule 11.13(b)(3) provides for various routing options available on the Exchange. In particular, [sic] 11.13(b)(3)(G)(iv) provides for the TRIM routing option under which a User may designate that an order first checks the System⁶ for available shares, and then routes to routes to [sic] Cboe BYX Exchange, Inc. (“BYX”) followed by the other destinations on the system routing

⁶ The term “System” shall mean the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away. See Exchange Rule 1.5(aa).

table.⁷ The Exchange notes that TRIM also has a variant routing strategy (TRIM-) in that a User⁸ may designate an order to skip the Exchange and otherwise send orders to the same venues as TRIM (i.e., BYX followed by the other destinations on the system routing table).⁹ Additionally, Rule 11.13(b)(3)(J) provides for the INET routing option, under which an order checks the System for available shares and then is sent to Nasdaq. If shares remain unexecuted after routing, they are posted on the Nasdaq book, unless otherwise instructed by the User. Similarly, Exchange Rule 11.13(b)(3)(L) provides for the RDOX routing option, under which an order checks the System for available shares and then is sent to the NYSE and can be re-routed by the NYSE. If shares remain unexecuted after routing, they are posted on the NYSE book, unless otherwise instructed by the User.

The Exchange has determined because few Users select the TRIM-, INET or RDOX routing options, the current demand does not warrant the infrastructure and ongoing maintenance expenses required to support the product. Therefore, the Exchange now proposes to delete INET and RDOX as a routing option as provided by Rule 11.13(b)(3)(J) and (L), respectively, and to delete the reference to TRIM- from Rule 11.13(b)(3)(G).¹⁰

⁷ 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).

⁸ The term “User” shall mean 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).

⁹ See Exchange Rule 11.13(b)(3)(G), which provides that in connection with routing strategies (iv) and (v) below (i.e., TRIM and SLIM, respectively), a User may designate that an order first routes to BYX, checks the System for available shares, and then routes to other destinations on the System routing table.

¹⁰ TRIM will still be available, but without TRIM- there will be no option for an order to bypass the local book. The proposal would eliminate the reference to TRIM- noted in Exchange Rule 11.13(b)(3)(G). See supra note 9.

Given the proposed changes described above, the Exchange also proposes to amend Rule 11.13(b)(3)(H) to eliminate any reference to the INET and RDOX routing strategies. Specifically, Rule 11.13(b)(3)(H) provides for the Post to Away routing option, which routes the remainder of a routed order to and posts such order on the order book of a destination on the System routing table as specified by the User, and lists the specific routing options for which the Post to Away routing option may be combined. Both INET and RDOX are listed under Rule 11.13(b)(3)(H) as routing options that may be combined with the Post to Away routing option; therefore, the Exchange is proposing to eliminating [sic] all such references to INET and RDOX in Rule 11.13(b)(3)(H).

As the Exchange is proposing to eliminate the INET and RDOX routing options from the BZX Rulebook, the Exchange also proposes to eliminate any such reference to those routing options on the BZX Fee Schedule. Specifically, the Exchange proposes to eliminate RDOX from the description of Fee Code D,¹¹ and eliminate INET from the description of Fee Code J.¹² Additionally, the Exchange proposes to delete references to both RDOX and INET in footnote 10 of the Fee Schedule.¹³

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.¹⁴ Specifically, the

¹¹ Orders that yield fee code D are routed to NYSE using Destination Specific, RDOT, RDOX, or TRIM routing strategy, and are charged a fee of \$0.00280.

¹² Orders that yield fee code J are routed to Nasdaq using Destination Specific or INET routing strategy, and are charged a fee of \$0.00290.

¹³ Footnote 10 of the Fee Schedule provides that executions that add liquidity in securities priced below \$1.00 with an RDOT, RDOX, INET, and Post to Away routing option are charged no fee and given no rebate.

¹⁴ 15 U.S.C. 78f(b).

Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁵ 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 the Section 6(b)(5)¹⁶ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes the proposed rule change to remove references to the TRIM-, RDOX, and INET routing options 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 TRIM-, RDOX, and INET 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 TRIM-, RDOX, nor the INET 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

¹⁵ 15 U.S.C. 78f(b)(5).

¹⁶ Id.

impediments to the mechanism of a free and open market and protect investors by providing investors with rules that accurately reflect routing options currently available on the Exchange. Further, the Exchange does not believe that this proposal will permit unfair discrimination among customers, brokers, or dealers because the TRIM-, RDOX, and INET routing options will no longer be available to all Users.

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 TRIM-, RDOX, and INET is not designed to address any competitive issues but rather to delete the TRIM-, RDOX, and INET routing options that are rarely used on the Exchange. As stated, the Exchange has noted that few Users elect the TRIM-, RDOX, and INET 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 TRIM-, RDOX, nor the INET routing options are core product offerings by the Exchange, nor is the Exchange required by the Act to offer such products.

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 Act¹⁷ and Rule 19b-4(f)(6)¹⁸ thereunder because the proposal does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on 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.¹⁹

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act²⁰ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)²¹ 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 asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange states that waiver of the 30-day operative delay would immediately eliminate rules and references that account for services the Exchange planned to discontinue on March 1, 2021, thereby avoiding potential investor confusion during the operative delay period. Based on the foregoing, the Commission believes the waiver of the operative delay is consistent

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f)(6).

¹⁹ 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.

²⁰ 17 CFR 240.19b-4(f)(6).

²¹ 17 CFR 240.19b-4(f)(6)(iii).

with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.²²

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.²³

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-2021-018 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-2021-018. 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

²² For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²³ 15 U.S.C. 78s(b)(3)(C).

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, D.C. 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-2021-018 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.²⁴

J. Matthew DeLesDernier
Assistant Secretary

²⁴ 17 CFR 200.30-3(a)(12).