

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-92635; File No. SR-CboeBZX-2021-055)

August 11, 2021

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fee 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 August 2, 2021, 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, 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 BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to amend its Fee 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://markets.cboe.com/us/equities/regulation/rule_filings/bzx/) [sic], 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Fee Schedule for its equity options platform (“BZX Options”) in connection with its Customer Penny Add Volume Tiers, Market Maker, Away Market Maker, and Professional Penny Take Volume Tiers, and Customer Non-Penny Add Volume Tiers, effective August 2, 2021.

The Exchange first notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. More specifically, the Exchange is only one of 16 options venues to which market participants may direct their order flow. Based on publicly available information, no single options exchange has more than 16% of the market share and currently the Exchange represents only approximately 8% of the market share.³ Thus, in such a low-concentrated and highly competitive market, no single options exchange, including the Exchange, possesses significant pricing power in the execution of option order flow. The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products, in response to fee changes. Accordingly, competitive forces constrain the Exchange’s transaction fees, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable. The

³ See Cboe Global Markets U.S. Options Market Month-to-Date Volume Summary (July 23, 2021), available at https://markets.cboe.com/us/options/market_statistics/.

Exchange's Fee Schedule sets forth standard rebates and rates applied per contract, which varies depending on the Member's capacity (Customer, Firm, Market Maker, etc.), whether the order adds or removes liquidity, and whether the order is in Penny or Non-Penny Program Securities.

Additionally, in response to the competitive environment, the Exchange also offers tiered pricing which provides Members with opportunities to qualify for higher rebates or reduced fees where certain volume criteria and thresholds are met. Tiered pricing provides an incremental incentive for Members to strive for higher tier levels, which provides increasingly higher benefits or discounts for satisfying increasingly more stringent criteria. Among other volume tiers, the Exchange currently offers Customer Penny Add Volume Tiers, Market Maker, Away Market Maker, and Professional Penny Take Volume Tiers, and Customer Non-Penny Add Volume Tiers, to which it proposes to make the following changes.

Customer Penny Add Volume Tiers

The Exchange currently offers seven Customer Penny Add Volume Tiers under footnote 1 of the Fee Schedule that provide enhanced rebates between \$0.35 and \$0.53 per contract for qualifying Customer orders (i.e., that yield fee code PY or XY)⁴ where a Member meets certain liquidity thresholds. The Exchange proposes to update Tier 6, which currently offers an enhanced rebate of \$0.53 per contract for qualifying orders (i.e., that yield fee code PY or XY) where a Member has an ADAV⁵ in Customer orders greater than or equal to 1.70% of average

⁴ Orders yielding fee code PY are Customer orders that add liquidity in Penny Program Securities and are offered a rebate of \$0.25, and orders yielding fee code XY are Customer orders in XSP options that add liquidity and are offered a rebate of \$0.25.

⁵ "ADAV" means average daily added volume calculated as the number of contracts added. ADAV is calculated on a monthly basis.

OCV.⁶ Specifically, the proposed rule change updates the percentage of Customer orders over average OCV from 1.70% to 2.00% and adds an additional prong of criteria that a Member must achieve in order to receive the current enhanced rebate. The proposed second prong of criteria requires a Member, in addition to meeting the existing criteria (as updated), to reach an ADAV in Customer Non-Penny orders greater than or equal to 0.50% of average OCV. The proposed rule change does not alter the existing enhanced rebate amount offered in Tier 6.

The proposed rule change also eliminates Tier 5⁷ and Tier 7. Tier 5 currently offers an enhanced rebate of \$0.53 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 0.80% of average OCV, 2) an ADAV in Market Maker orders greater than or equal to 0.35% of average OCV, and 3) on BZX Equities an ADAV greater than or equal to 0.30% of average TCV. Tier 7 currently offers the same enhanced rebate (\$0.53) per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 0.50% of average OCV, 2) an ADAV in Market Maker orders greater than or equal to 2.75% of average OCV, and 3) an ADAV in Firm Non-Penny orders greater than or equal to 0.05% of average OCV.

The Exchange proposes to eliminate Tiers 5 and 7 as no Members are currently satisfying the criteria under these tiers, nor have recently satisfied such criteria. The Exchange no longer wishes to, nor is it required to, maintain such tiers. More specifically, the proposed rule change removes these tiers as the Exchange would like to provide more consolidated, streamlined

⁶ “OCC Customer Volume” or “OCV” means the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation (“OCC”) for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

⁷ As a result of eliminating Tier 5, the proposed rule change also amends current Tier 6 to be Tier 5.

Customer Penny Add Volume Tiers by offering a single tier that provides an enhanced rebate of \$0.53 (current Tier 6/new Tier 5) and would also rather redirect future resources and funding into other programs and tiers intended to incentivize increased order flow. The Exchange believes that the proposed updated criteria in current Tier 6 (new Tier 5) is designed to provide a different opportunity for Members to achieve the tier to receive the same enhanced rebate.

Market Maker, Away Market Maker, and Professional Penny Take Volume Tiers

The Exchange currently offers three Market Maker, Away Market Maker, and Professional Take Volume Tiers under footnote 3 of the Fee Schedule that provide a reduced fee between \$0.45 and \$0.47 per contract for qualifying orders (i.e., that yield fee code PP)⁸ where a Member meets certain liquidity thresholds. The Exchange proposes to update each of the three Market Maker, Away Market Maker, and Professional Take Volume Tiers. The three tiers currently offer the following:

- Tier 1 currently offers a reduced fee of \$0.45 per contract for qualifying orders (i.e., that yield fee code PP) where a Member has 1) an ADAV in Customer orders greater than or equal to 0.80% of average OCV, 2) an ADAV in Market Maker orders greater than or equal to 0.35% of average OCV, 3) on BZX Equities an ADAV greater than or equal to 1.00% of average TCV, and 4) an ADAV in Customer Non-Penny orders greater than or equal to 0.10% of average OCV.
- Tier 2 currently offers a reduced fee of \$0.47 per contract for qualifying orders where a Member has an ADAV in Customer orders greater than or equal to 1.30% of average OCV.

⁸ Orders yielding fee code PP are Market Maker, Away Market Maker, or Professional orders that remove liquidity in Penny Program Securities and are assessed a fee of \$0.50.

- Tier 3 currently offers a reduced fee of \$0.45 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 2.00% of average OCV, and 2) an ADAV in Customer Non-Penny orders greater than or equal to 0.40% of average OCV.

The proposed rule change updates the three tiers to offer the following:

- As proposed, Tier 1 offers a new reduced fee of \$0.49 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 1.00% of average OCV, and 2) Member has an ADRV⁹ in Market Maker/Away Market Maker orders greater than or equal to 1.00% of average OCV. The proposed rule change eliminates the criteria in current prong 3 and 4.
- As proposed, Tier 2 offers a new reduced fee of \$0.48 per contract for qualifying orders where a Member achieves the existing criteria plus proposed additional criteria in new prong two — a Member also has an ADRV in Market Maker/Away Market Maker orders greater than or equal to 1.00% of average OCV.
- As proposed, Tier 3 offers a new reduced fee of \$0.47 per contract for qualifying orders where a Member achieves the existing criteria plus proposed additional criteria in new prong three — a Member also has an ADRV in Market Maker/Away Market Maker orders greater than or equal to 2.00% of average OCV.

The Exchange believes that the proposed updates to the Market Maker, Away Market Maker, and Professional Penny Take Volume Tiers will provide different and additional opportunities for such Members to achieve the corresponding reduced fees, encouraging these

⁹ “ADRV” means average daily removed volume calculated as the number of contracts removed. ADRV is calculated on a monthly basis.

liquidity providing market participants to increase their overall order flow, both add (ADAV) and remove (ADRV) volume, to the Exchange. This, in turn, may facilitate tighter spreads and more price improvement opportunities, signaling increased activity from other market participants, and thus may ultimately contribute to deeper and more liquid markets and a more robust and well-balanced market ecosystem on the Exchange, to the benefit of all market participants.

Customer Non-Penny Add Volume Tiers

The Exchange currently offers five Customer Non-Penny Add Volume Tiers¹⁰ under footnote 12 of the Fee Schedule, which provide enhanced rebates between \$0.92 and \$1.06 per contract for qualifying Customer orders (i.e., that yield fee code NY)¹¹ where a Member meets certain liquidity thresholds. The Exchange proposes to update Tier 1, Tier 4 and Tier 5. These tiers currently offer the following:

- Tier 1 currently offers an enhanced rebate of \$0.92 per contract for qualifying orders (i.e., that yield fee code NY) where a Member has 1) ADAV in Customer orders greater than or equal to 0.50% of average OCV, and 2) an ADAV in Market Maker orders greater than or equal to 2.75% of average OCV.
- Tier 4 currently offers an enhanced rebate of \$1.05 per contract for qualifying orders where a Member has an ADAV in Customer orders greater than or equal to 2.10% of average OCV.

¹⁰ The proposed rule change also makes a nonsubstantive edit by making “Customer Non-Penny Add Volume Tier” plural.

¹¹ Orders yielding fee code NY are Customer orders that add liquidity in Non-Penny Program Securities and are offered a rebate of \$0.85.

- Tier 5 currently offers an enhanced rebate of \$1.06 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 2.00% of average OCV, and 2) an ADAV in Customer Non-Penny orders greater than or equal to 1.00% of average OCV.

The proposed rule change updates Tier 1, Tier 4 and Tier 5 as follows:

- As proposed, Tier 1 offers a new enhanced rebate of \$0.90 per contract for qualifying orders where a Member has an ADAV in Customer Non-Penny orders greater than or equal to 0.25% of average OCV. The proposed rule change eliminates the second prong of criteria.
- As proposed, Tier 4 offers a new enhanced rebate of \$1.01 per contract for qualifying orders where a Member has an ADAV in Customer orders greater than or equal to 0.85% of average OCV plus proposed additional criteria in new prong two — where a Member also has an ADAV in Customer Non-Penny orders greater than or equal to 0.25% of average OCV.
- As proposed, Tier 5 offers a new enhanced rebate of \$1.02 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 0.90% of average OCV, and 2) an ADAV in Customer Non-Penny orders greater than or equal to 0.40% of average OCV.

The proposed rule change also adopts new Tier 2,¹² new Tier 6, new Tier 7 and new Tier 8, which, as proposed, offer the following:

¹² As a result of new Tier 2, the proposed rule change also amends current Tier 2 to be Tier 3.

- As proposed, Tier 2 offers an enhanced rebate of \$0.95 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 0.50% of average OCV, and 2) an ADAV in Customer Non-Penny orders greater than or equal to 0.25% of average OCV.
- As proposed, Tier 6 offers an enhanced rebate of \$1.03 per contract for qualifying orders where a Member has 1) has an ADAV in Customer orders greater than or equal to 1.00% of average OCV, and 2) an ADAV in Customer Non-Penny orders greater than or equal to 0.45% of average OCV.
- As proposed, Tier 7 offers an enhanced rebate of \$1.04 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 1.30% of average OCV, and 2) an ADAV in Customer Non-Penny orders greater than or equal to 0.50% of average OCV.
- As proposed, Tier 8 offers an enhanced rebate of \$1.05 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 1.30% of average OCV, and 2) an ADAV in Customer Non-Penny orders greater than or equal to 0.60% of average OCV.

Finally, the proposed rule change eliminates Tier 3, which currently offers an enhanced rebate of \$1.02 per contract for qualifying orders where a Member has 1) an ADAV in Customer orders greater than or equal to 0.50% of average OCV, 2) an ADAV in Market Maker orders greater than or equal to 2.75% of average OCV, and 3) an ADAV in Firm Non-Penny orders greater than or equal to 0.05% of average OCV.

The proposed updates to and addition of tiers under the Customer Non-Penny Add Volume Tiers are designed to encourage increased Customer order flow by providing different

and additional opportunities to receive an enhanced rebate. The Exchange believes that an increase in Customer order flow may attract an additional corresponding increase in order flow from other market participants, also contributing overall towards a robust and well-balanced market ecosystem, to the benefit of all market participants. Also, like the proposed elimination of certain Customer Penny Add Volume Tiers above, the Exchange proposes to eliminate Customer Non-Penny Add Volume Tier 3 as no Members are currently satisfying the criteria under this tier, nor have recently satisfied such criteria. The Exchange no longer wishes to, nor is it required to, maintain this tier, and would rather redirect future resources and funding into other programs and tiers intended to incentivize increased order flow.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,¹³ in general, and furthers the objectives of Section 6(b)(4),¹⁴ in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and issuers and other persons using its facilities. The Exchange also believes that the proposed rule change is consistent with the objectives of 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

¹³ 15 U.S.C. 78f.

¹⁴ 15 U.S.C. 78f(b)(4).

¹⁵ 15 U.S.C. 78f.(b)(5).

investors and the public interest, and, particularly, is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As described above, the Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The proposed rule change reflects a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange, which the Exchange believes would enhance market quality to the benefit of all Members. The Exchange notes that volume-based incentives and discounts have been widely adopted by exchanges,¹⁶ including the Exchange,¹⁷ and are reasonable, equitable and non-discriminatory because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to (i) the value to an exchange's market quality and (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns. Additionally, as noted above, the Exchange operates in a highly competitive market. The Exchange is only one of several options venues to which market participants may direct their order flow, and it represents a small percentage of the overall market. Competing options exchanges offer similar tiered pricing structures to that of the Exchange, including schedules of rebates and fees that apply based upon Members achieving certain volume and/or growth thresholds.

¹⁶ See, e.g., NYSE Arca Options Fee Schedule, Trade-Related charges for Standard Options, which similarly provide various ranges of credits and discounts for volume-based tiers geared toward different market participants in penny or non-penny classes, such as Customer Penny Posting Credit Tiers, Firm and Broker-Dealer Penny Posting Tiers, and Customer Posting Credit Tiers in Non-Penny Issues; and Cboe EDGX U.S. Options Exchange Fee Schedule, Footnotes, which provide for similar Customer Volume Tiers and Market Maker Volume Tiers.

¹⁷ See generally BZX Options Fee Schedule, Footnotes.

Overall, the Exchange believes that the proposed rule changes to the Customer Penny Add Volume, Market Maker, Away Market Maker, and Professional Take Volume, and Customer Non-Penny Add Volume Tiers are reasonable in that they are reasonably designed to incentivize Members to submit both add (ADAV) and remove (ADRV) order flow to the Exchange, thereby contributing to a deeper and more liquid market. More specifically, incentivizing an increase in both liquidity adding volume and in liquidity removing volume, through additional criteria and enhanced rebate opportunities, encourages liquidity adding Members on the Exchange to contribute to a deeper, more liquid market, and to increase transactions and take execution opportunities provided by such increased liquidity, together providing for overall enhanced price discovery and price improvement opportunities on the Exchange. Additionally, the Exchange believes that it is reasonable and equitable to incentivize Market Maker (including Away Market Maker), Professional and Customer order flow, as these market participants provide key liquidity to the Exchange. For instance, Market Maker (including Away Market Maker) activity facilitates tighter spreads and signals additional corresponding increase in order flow from other market participants. Increased overall order flow benefits all investors by deepening the Exchange's liquidity pool, potentially providing even greater execution incentives and opportunities. Professionals generally provide a greater competitive stream of order flow (by definition, more than 390 orders in listed options per day on average during a calendar month), thus, providing increased competitive execution and improved pricing opportunities for all market participants. Customer order flow attracts additional liquidity to the Exchange, particularly in Non-Penny classes, as proposed. Such additional liquidity provides more trading opportunities and signals an increase in Market-Maker activity, which facilitates tighter spreads. This may cause an additional corresponding increase

in order flow from other market participants, contributing overall towards a robust and well-balanced market ecosystem.

In particular, the Exchange believes that it is reasonable and equitable to eliminate Customer Penny Add Volume Tiers 5 and 7, as well as Customer Non-Penny Add Volume Tier 3, because the Exchange is not required to maintain this tier or provide Members an opportunity to receive reduced fees or enhanced rebates. As stated, no Members are currently satisfying the criteria under these tiers, nor have recently satisfied such criteria. Moreover, the Exchange believes it is reasonable to provide more consolidated, streamlined Customer Penny Add Volume Tiers by offering a single tier that provides an enhanced rebate of \$0.53 (current Tier 6/new Tier 5), and believes that the proposed updated criteria in this single tier (current Tier 6/new Tier 5) is reasonably designed to provide a different opportunity for Members to achieve the tier to receive the same enhanced rebate.

Regarding the proposed rule change to the Market Maker, Away Market Maker, and Professional Penny Take Volume Tiers, the Exchange believes that it is reasonable and equitable to incrementally increase the difficulty in meeting the tiers' criteria, by marginally increasing the volume threshold over average OCV and by adding additional prongs of criteria, as it is reasonably designed to incentivize Members to submit additional requisite liquidity to meet the updated criteria. The Exchange also believes that the marginally increased reduced fees, as proposed, offered under each of the Market Maker, Away Market Maker, and Professional Penny Take Volume Tiers continue to be a reasonable distribution of reduced fees, commensurate with the corresponding proposed criteria. The Exchange notes that it offers similar reduced rates for criteria of comparable difficulty in other volume-based tier programs. For example, Tier 2 of the Non-Customer Non-Penny Take Volume Tiers in Footnote 13 of the Fee Schedule offers a

higher reduced fee (\$1.07) than the proposed reduced fees (\$0.49, \$0.48 and \$0.47) where a Member must meet three different prongs of criteria.

The Exchange also believes that it is reasonable and equitable to update the Customer Non-Penny Add Volume Tiers to provide different criteria (which the Exchange does not believe is necessarily more or less difficult than the existing criteria) and to also provide new criteria via new tiers because these modifications and additions are reasonably designed to provide Members with increased supplementary opportunities to receive corresponding enhanced rebates. The Exchange also believes that the marginally decreased enhanced rebates, as proposed, continue to be a reasonable distribution of enhanced rebates, commensurate with the corresponding proposed criteria, as the Customer Non-Penny Add Volume Tiers continue to offer a range of enhanced rebates (\$0.90 to \$1.05, as proposed) within a comparable range as offered today (\$0.92 to \$1.06). The proposed rule change just provides additional opportunities within the proposed comparable range of enhanced rebates for Members to meet criteria and receive an enhanced rebate.

The Exchange believes that the proposed updated and new tiers represent an equitable allocation of fees and are not unfairly discriminatory because the Customer Penny Add Volume, Market Maker, Away Market Maker, and Professional Penny Take Volume, and Customer Non-Penny Add Volume Tiers Add Penny Tiers, as proposed, will continue to apply uniformly to all qualifying Members, in that all Members that submit the requisite order flow per each tier program have the opportunity to compete for and achieve the proposed tiers. The proposed changes to and additions of criteria in the Customer Penny Add Volume, Market Maker, Away Market Maker, and Professional Penny Take Volume, and Customer Non-Penny Add Volume Tiers are designed as an incentive to any and all Members interested in meeting modified and

new tier criteria to submit additional, requisite order flow directly to the Exchange's Book. Without having a view of activity on other markets and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change will definitely result in any Members qualifying for the proposed tiers. While the Exchange has no way of predicting with certainty how the proposed tiers will impact Member activity, the Exchange anticipates that: between five and six Members will be able to compete for and potentially achieve the proposed criteria in Customer Penny Add Volume Tier 5 (current Tier 6); at least two Members will be able to compete for and potentially achieve the proposed criteria in each of the updated Market Maker, Away Market Maker, and Professional Penny Take [sic] Tiers 1, 2 and 3; and at least four Members will be able to compete for and potentially achieve the proposed criteria in across the updated Customer Non-Penny Add Volume Tiers 1, 4 and 5, and new Tiers 6, 7 and 8. The Exchange also notes that the proposed tiers will not adversely impact any Member's pricing or their ability to qualify for other rebate tiers. Rather, should a Member not meet the proposed criteria for a tier, the Member will merely not receive the corresponding enhanced rebate or reduced fee, as applicable. Finally, the Exchange believes the proposal to eliminate certain tiers is equitable and not unfairly discriminatory because it applies to all Members, in that, such tiers will not be available for any Member.

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 intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, as discussed above, the Exchange believes that the proposed change would encourage the submission of additional liquidity to a public exchange, thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities for all Members. As a result, the Exchange believes that the proposed change furthers the

Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."¹⁸

The Exchange believes the proposed rule change does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed tiers apply to all Members equally, in that, all Members that submit the requisite order flow per each tier program are eligible to achieve the tiers' proposed criteria, have a reasonable opportunity to meet the tiers' proposed criteria and will all receive the corresponding reduced fees or enhanced rebates (as existing and proposed) if such criteria is met. Overall, the proposed rule change is designed to attract additional overall Customer and liquidity provider order flow to the Exchange, which, as described above, brings different, yet key, liquidity and trading activity to the Exchange, resulting in overall tighter spreads, more execution opportunities at improved prices, and/or deeper levels of liquidity, which ultimately improves price transparency, provides continuous trading opportunities and enhances market quality on the Exchange, and generally continues to encourage Members to send orders to the Exchange, thereby contributing towards a robust and well-balanced market ecosystem to the benefit of all market participants.

Next, the Exchange believes the proposed rule change does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and direct their order flow, including 15 other options exchanges and off-exchange venues. Additionally, the Exchange

¹⁸ Securities Exchange Act Release No. 51808, 70 FR 37495, 37498-99 (June 29, 2005) (S7-10-04) (Final Rule).

represents a small percentage of the overall market. Based on publicly available information, no single options exchange has more than 16% of the market share.¹⁹ Therefore, no exchange possesses significant pricing power in the execution of option order flow. Indeed, participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. Moreover, the Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”²⁰ The fact that this market is competitive has also long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. Circuit stated as follows: “[n]o one disputes that competition for order flow is ‘fierce.’ ... As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’....”²¹ Accordingly, the Exchange does not believe

¹⁹ See supra note 3.

²⁰ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

²¹ *NetCoalition v. SEC*, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 Act²² and paragraph (f) of Rule 19b-4²³ 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-CboeBZX-2021-055 on the subject line.

²² 15 U.S.C. 78s(b)(3)(A).

²³ 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-CboeBZX-2021-055. 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-2021-055 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).