

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-97288; File No. SR-CBOE-2023-017)

April 12, 2023

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 April 3, 2023, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 its Fees Schedule in connection with certain Lead Market-Maker (“LMM”) Incentive Programs, effective April 3, 2023. Specifically, the Exchange proposes to amend its NANOS LLM Incentive Program and Global Trading Hours (“GTH”) XSP LMM Incentive Programs.

All three LMM Incentive Programs provide a rebate to Trading Permit Holders (“TPHs”) with LMM appointments to the respective incentive program that meet certain quoting standards in the applicable series in a month. The Exchange notes that meeting or exceeding the quoting standards (both current and as proposed; described in further detail below) in each of the LMM Incentive Program products to receive the applicable rebate (both currently offered and as proposed; described in further detail below) is optional for an LMM appointed to a program. Particularly, an LMM appointed to an incentive program is eligible to receive the corresponding rebate if it satisfies the applicable quoting standards, which the Exchange believes encourages appointed LMMs to provide liquidity in the applicable class and trading session (i.e., Regular Trading Hours (“RTH”) or GTH). The Exchange may consider other exceptions to the programs’ quoting standards based on demonstrated legal or regulatory requirements or other mitigating circumstances. In calculating whether an LMM appointed to an incentive program meets the applicable program’s quoting standards each month, the Exchange excludes from the

calculation in that month the business day in which the LMM missed meeting or exceeding the quoting standards in the highest number of the applicable series.

NANOS LLM Incentive Program

The Exchange first proposes to amend the current NANOS LLM Incentive Program. Currently, the NANOS LLM Incentive Program provides that, for NANOS, if the appointed LMM provides continuous electronic quotes during RTH that meet or exceed the heightened quoting standards in at least 99% of the NANOS series 90% of the time in a given month, the LMM will receive a rebate for that month in the amount of \$17,500 (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month). The Exchange now proposes to amend the series qualification requirement for the NANOS LLM Incentive Program. Specifically, the Exchange proposes to update the series qualification requirement to require the appointed LMM to provide continuous electronic quotes during RTH that meet or exceed the heightened quoting standards in at least 98% the NANOS series 90% of the time in a given month in order to receive the rebate, thereby decreasing the series qualification requirement by 1%. In changing this requirement, the Exchange wishes to encourage LMMs appointed to the NANOS LLM Incentive Program to provide significant liquidity in NANOS options by meeting the series qualification requirements (and relevant quoting standards) under the Program in order to receive the rebate.

GTH1 and GTH2 XSP LLM Incentive Programs

The Exchange proposes to amend the GTH XSP LLM Incentive Programs. The GTH1 XSP LLM Incentive Program provides that if the appointed LMM provides continuous electronic quotes during GTH from 7:15PM CST to 2:00AM CST (“GTH1”)

that meet or exceed the proposed heightened quoting standards (below) in at least 85% of the series 90% of the time in a given month, the LMM will receive (i) a payment for that month in the amount of \$10,000 and (ii) a credit of \$0.03 per contract applied to all XSP contracts executed in a Market-Maker capacity which provide liquidity in the Simple Book during RTH (or pro-rated amounts if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month).

VIX Value at Prior Close < 20								
Premium Level	Expiring		Near Term		Mid Term		Long Term	
	7 days or less		8 days to 60 days		61 days to 270 days		271 days to 500 days	
	Width	Size	Width	Size	Width	Size	Width	Size
\$0.01 - \$1.00	\$0.04	10	\$0.05	10	\$0.07	5	\$0.15	5
\$1.01 - \$5.00	\$0.06	10	\$0.09	10	\$0.12	5	\$0.20	5
\$5.01 - \$8.00	\$0.10	10	\$0.16	10	\$0.25	5	\$0.40	5
\$8.01 - \$12.00	\$0.40	5	\$0.70	5	\$1.00	5	\$1.25	5
\$12.01 - \$20.00	\$0.80	5	\$1.20	5	\$1.60	5	\$2.00	5
> \$20.00	\$1.60	5	\$2.00	5	\$2.40	5	\$3.20	5
VIX Value at Prior Close from 20 - 30								
\$0.01 - \$1.00	\$0.06	10	\$0.07	10	\$0.09	5	\$0.17	5
\$1.01 - \$5.00	\$0.09	10	\$0.11	10	\$0.14	5	\$0.22	5
\$5.01 - \$8.00	\$0.14	10	\$0.18	10	\$0.30	5	\$0.45	5
\$8.01 - \$12.00	\$0.60	5	\$0.80	5	\$1.10	5	\$1.35	5
\$12.01 - \$20.00	\$1.00	5	\$1.30	5	\$1.80	5	\$2.20	5
> \$20.00	\$2.00	5	\$2.40	5	\$2.80	5	\$3.60	5
VIX Value at Prior Close > 30								
\$0.01 - \$1.00	\$0.07	10	\$0.09	10	\$0.11	5	\$0.20	5
\$1.01 - \$5.00	\$0.10	10	\$0.14	10	\$0.18	5	\$0.27	5
\$5.01 - \$8.00	\$0.14	10	\$0.20	10	\$0.35	5	\$0.50	5
\$8.01 - \$12.00	\$0.60	5	\$0.90	5	\$1.20	5	\$1.50	5
\$12.01 - \$20.00	\$1.20	5	\$1.50	5	\$2.00	5	\$2.40	5
> \$20.00	\$2.40	5	\$2.80	5	\$3.20	5	\$4.00	5

The GTH2 XSP LMM Incentive Program provides that if an LMM appointed to the Program provides continuous electronic quotes during GTH from 2:00AM CST to 9:15AM CST (“GTH2”) that meet or exceed the proposed heightened quoting standards set forth above (the same as GTH1, above) in at least 85% of the series 90% of the time

in a given month, the LMM will receive a payment for that month in the amount of \$20,000 (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month).

The Exchange proposes to adopt a new set of heightened quoting standards (below) under the GTH1 and GTH2 XSP LMM Incentive Programs (proposed width and sizes are denoted with an asterisk).

VIX Value at Prior Close < 20								
Premium Level	Expiring		Near Term		Mid Term		Long Term	
	7 days or less		8 days to 60 days		61 days to 270 days		271 days to 500 days	
	Width	Size	Width	Size	Width	Size	Width	Size
\$0.01 - \$1.00	\$0.08*	5*	\$0.07*	5*	\$0.10*	5	\$0.20*	5
\$1.01 - \$5.00	\$0.10*	5*	\$0.15*	5*	\$0.16*	5	\$0.30*	5
\$5.01 - \$8.00	\$0.16*	5*	\$0.25*	5*	\$0.35*	5	\$0.60*	5
\$8.01 - \$12.00	\$0.40	5	\$0.70	5	\$1.00	5	\$1.25	5
\$12.01 - \$20.00	\$0.80	5	\$1.20	5	\$1.60	5	\$2.00	5
> \$20.00	\$1.60	5	\$2.00	5	\$2.40	5	\$3.20	5
VIX Value at Prior Close from 20 - 30								
\$0.01 - \$1.00	\$0.09*	5*	\$0.10*	5*	\$0.14*	5	\$0.25*	5
\$1.01 - \$5.00	\$0.15*	5*	\$0.15*	5*	\$0.20*	5	\$0.30*	5
\$5.01 - \$8.00	\$0.20*	5*	\$0.25*	5*	\$0.40*	5	\$0.60*	5
\$8.01 - \$12.00	\$0.60	5	\$0.80	5	\$1.10	5	\$1.35	5
\$12.01 - \$20.00	\$1.00	5	\$1.30	5	\$1.80	5	\$2.20	5
> \$20.00	\$2.00	5	\$2.40	5	\$2.80	5	\$3.60	5
VIX Value at Prior Close > 30								
\$0.01 - \$1.00	\$0.14*	5*	\$0.15*	5*	\$0.15*	5	\$0.30*	5
\$1.01 - \$5.00	\$0.18*	5*	\$0.20*	5*	\$0.25*	5	\$0.40*	5
\$5.01 - \$8.00	\$0.22*	5*	\$0.30*	5*	\$0.45*	5	\$0.70*	5
\$8.01 - \$12.00	\$0.60	5	\$0.90	5	\$1.20	5	\$1.50	5
\$12.01 - \$20.00	\$1.20	5	\$1.50	5	\$2.00	5	\$2.40	5
> \$20.00	\$2.40	5	\$2.80	5	\$3.20	5	\$4.00	5

The proposed heightened quoting standards for XSP options under the GTH1 and GTH2 XSP LMM Incentive Programs are designed to continue to encourage LMMs appointed to the program to provide significant liquidity in XSP options during GTH. Specifically, the proposed rule change eases the heightened quoting standards in a

manner that makes it easier for appointed LMMs to achieve such requirements. By increasing certain quote widths and decreasing certain quote sizes, the changes are designed to incentivize LMMs appointed to the GTH1 and GTH2 LMM Incentive Programs to quote aggressively in XSP options during GTH to receive the rebate offered under the program, resulting in tighter spreads and increased liquidity during GTH to the benefit of investors.

The Exchange also proposes to increase the rebates offered by the GTH1 and GTH2 XSP LMM Incentive Programs to an LMM appointed to the program for meeting the heightened quoting standards in a given month. The Exchange proposes to increase such rebates from \$10,000 to \$20,000 for the GTH1 XSP LLM Incentive Program, and from \$20,000 to \$25,000 for the GTH2 XSP LLM Incentive Program. For the GTH1 XSP LMM Incentive Program, an LMM appointed to the program that meets the heightened quoting standard in a month will still receive the additional credit of \$0.03 per contract applied to all XSP contracts executed in a Market-Maker capacity which provide liquidity in the Simple Book during RTH (or pro-rated amounts if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month). The Exchange wishes to further incentivize the LMMs appointed to the GTH1 and GTH2 LMM Incentive Programs to provide significant liquidity in XSP options during GTH by meeting the applicable quoting standards under each program to receive the proposed increased rebates.

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.³

³ 15 U.S.C. 78f(b).

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁴ 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)⁵ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,⁶ 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 it is reasonable to decrease the series requirement for the NANOS LLM Incentive Program to 98% (from 99%), and to update the heightened quoting standards for the GTH1 and GTH2 XSP LLM Incentive Programs by decreasing certain quote size requirements and increasing certain quote width requirements, as such changes are reasonably designed to slightly ease the difficulty in meeting the heightened quoting standards offered under these programs (for which an appointed LMM receives the respective rebates), which, in turn, provides increased incentive for LMMs appointed

⁴ 15 U.S.C. 78f(b)(5).

⁵ Id.

⁶ 15 U.S.C. 78f(b)(4).

to these programs to provide significant liquidity in NANOS options and XSP options. Such liquidity benefits all market participants by providing more trading opportunities, tighter spreads, and added market transparency and price discovery, and signals to other market participants to direct their order flow to those markets, thereby contributing to robust levels of liquidity.

Further, the Exchange believes that it is reasonable to update certain quote size and width requirements under the GTH XSP LMM Incentive Programs, as the proposed rule change is generally designed to further align the lesser premium quote widths and size standards for XSP options with the more expensive premium quote width and size standards, in order to incentivize an increase in quoting activity and the provision of tighter markets.

The Exchange also believes the proposed increase to the rebates under the GTH1 and GTH2 XSP LLM Incentive Programs are reasonably designed to further incentivize an appointed LMM to meet the applicable quoting standards for XSP options, thereby providing liquid and active markets, which facilitates tighter spreads, increased trading opportunities, and overall enhanced market quality to the benefit of all market participants. The Exchange further believes that the proposed rule change is reasonable because it is comparable to and within the range of the rebates offered by other LMM Incentive Programs. For example, the GTH2 VIX LMM Programs currently offers a rebate of \$20,000 if the quoting standards are met in a given month.⁷ The Exchange believes the proposed rebates applicable to the GTH1 and GTH2 XSP LMM Incentive Programs are equitable and

⁷ See Cboe Options Fees Schedule, GTH2 VIX/VIXW LMM Incentive Program.

not unfairly discriminatory because they will continue to apply equally to any TPH that is appointed as an LMM to the Programs.

The Exchange believes that the proposed changes to the LMM Incentive Programs are equitable and not unfairly discriminatory. The Exchange believes that it is equitable and not unfairly discriminatory to amend the series qualification requirement for the NANOS LLM Incentive Program, amend certain quote widths and quote sizes in the heightened quoting standards for GTH1 and GTH2 XSP LLM Incentive Programs, and amend the monthly rebates offered under the GTH1 and GTH2 XSP LLM Incentive Programs because such series qualification requirement, heightened quoting standards, and rebates will equally apply to any and all TPHs with LMM appointments to the NANOS, GTH1 XSP, and GTH2 XSP LLM Incentive Programs, as applicable, that seek to meet the programs' heightened quoting standards in order to receive the rebates (as proposed) offered under each respective program. The Exchange additionally notes that, if an LMM appointed to any of the LMM Incentive Programs does not satisfy the corresponding heightened quoting standard for any given month, then it simply will not receive the rebate offered by the respective program for that month.

Regarding the NANOS, GTH1 XSP and GTH2 XSP LLM Incentive Programs generally, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to continue to offer these financial incentives, including as amended, to LMMs appointed to the programs, because it benefits all market participants trading in the corresponding products during RTH (for NANOS) and GTH (for XSP). These incentive programs encourage the LMMs appointed to such programs to satisfy the heightened quoting standards, which may increase liquidity and provide more trading

opportunities and tighter spreads. Indeed, the Exchange notes that these LMMs serve a crucial role in providing quotes and the opportunity for market participants to trade NANOS and XSP options, as applicable, which can lead to increased volume, providing for robust markets. The Exchange ultimately offers the LMM Incentive Programs, as amended, to sufficiently incentivize LMMs appointed to each incentive program to provide key liquidity and active markets in the corresponding program products during the corresponding trading sessions, and believes that these incentive programs, as amended, will continue to encourage increased quoting to add liquidity in each of the corresponding program products, thereby protecting investors and the public interest. The Exchange also notes that an LMM appointed to an incentive program may undertake added costs each month to satisfy that heightened quoting standards (e.g., having to purchase additional logical connectivity).

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 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 amendments to the series qualification requirement for the NANOS LLM Incentive Program, certain quote widths and quote sizes in the heightened quoting standards for the GTH1 and GTH2 XSP LLM Incentive Programs, and the monthly rebates offered under the GTH1 and GTH2 XSP LLM Incentive Programs will apply uniformly to any LMM appointment to the programs. To the extent LMMs appointed to these LLM Incentive Programs receive a benefit that other market participants do not, as stated, these LMMs in their role as Market-Makers on the

Exchange have different obligations and are held to different standards. An LMM appointed to an incentive program may also undertake added costs each month to satisfy that heightened quoting standards (e.g., having to purchase additional logical connectivity).

The Exchange also notes that the proposed changes are designed to attract additional order flow to the Exchange, wherein greater liquidity benefits all market participants by providing more trading opportunities, tighter spreads, and added market transparency and price discovery, and signals to other market participants to direct their order flow to those markets, thereby contributing to robust levels of liquidity. 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."⁸

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed programs are applicable to transactions in a product exclusively listed on the Exchange. Additionally, the Exchange notes that it operates in a highly competitive market. TPHs have numerous alternative venues that they may participate on and direct their order flow, including 15 other options exchanges, as well as off-exchange venues, where competitive products are available for trading. Based on publicly available information, no single options exchange has more than 16% of the market share.⁹ Therefore, no exchange possesses significant pricing power in the

⁸ Securities Exchange Act Release No. 51808, 70 FR 37495, 37498-99 (June 29, 2005) (S7-10-04) (Final Rule).

⁹ See Cboe Global Markets U.S. Options Market Volume Summary, Month-to-Date

execution of option order flow. Indeed, participants can readily choose to send their orders to other exchange, and, additionally 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.”¹⁰ 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’”¹¹ Accordingly, the Exchange does not

(March 29, 2023), available at https://markets.cboe.com/us/options/market_statistics/.

¹⁰ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

¹¹ *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)).

believe 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 Act¹² and paragraph (f) of Rule 19b-4¹³ 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:

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 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. Please include File Number SR-CBOE-2023-017 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-2023-017. 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-2023-017 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.¹⁴

Sherry R. Haywood

Assistant Secretary

¹⁴ 17 CFR 200.30-3(a)(12).