

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-85825; File No. SR-CboeBZX-2019-039)

May 10, 2019

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule Applicable to the BZX Equities Trading Platform (“BZX Equities”) as it Relates to Pricing for the Use of the TRIM Routing Strategy

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 May 1, 2019, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“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. (“BZX” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend the fee schedule applicable to the BZX equities trading platform (“BZX Equities”) as it relates to pricing for the use of the TRIM routing strategy. The text of the proposed rule change is attached as Exhibit 5. [sic]

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to amend the BZX Equities fee schedule to change the pricing applicable to orders routed using the TRIM routing strategy in connection with planned changes to the System routing table.³ TRIM is a routing strategy offered by the Exchange that is used to target certain low cost venues by routing to those venues after accessing available liquidity on the BZX Book. In February 2019, New York Stock Exchange (“NYSE”) was removed from the System routing table as a low cost protected market center, and NYSE American LLC (“NYSE American”) and NYSE National, Inc. (“NYSE National”) were added as a low cost protected market centers. Therefore, pursuant to Rule 11.13(b)(3), the Exchange has determined to modify the System routing table such that TRIM no longer routes to NYSE, and has decided to add NYSE American and NYSE National as a low cost venues under the TRIM

³ The term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Rule 11.13(b)(3). 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.

routing strategy. These changes to the TRIM routing strategy are scheduled to be introduced on May 1, 2019.

Currently, orders routed to NYSE using the TRIM routing strategy are assessed a fee of \$0.00280 per share.⁴ Orders routed using the TRIM routing strategy to BYX are provided a rebate of \$0.00150 per share,⁵ to EDGA are provided a rebate of \$0.00240 per share,⁶ and to BX and provided a rebate of \$0.00100 per share.⁷ Also, orders currently routed to NYSE American using the SLIM strategy are assessed a fee of \$0.0002 and yield fee code MX, and orders routed to NYSE National using the SLIM routing strategy are provided a rebate of \$0.00200 and yield fee code NX. The Exchange proposes a number of changes to these fees in connection with the changes to the routing table for TRIM.

In recognition of the fact that NYSE American and NYSE National can be accessed at a low cost today, the Exchange proposes to provide a fee and rebates to orders routed to these exchanges using the TRIM routing strategy, respectively. Specifically, the Exchange proposes to add TRIM to the list of routing strategies that yield fee codes MX and NX, which relate to orders routed to NYSE American and NYSE National, respectively. As proposed, orders routed using the TRIM routing strategy would be assessed a fee of \$0.00020 per share if executed on NYSE American (yielding an MX fee code). If executed on NYSE National (yielding an NX fee code), those orders using the TRIM routing strategy would be provided a rebate of \$0.00200 per share in securities priced at or above \$1.00, and no charge or rebate would be applied for securities priced below \$1.00. The fee and rebates are consistent with the fee and rebates currently offered

⁴ See Cboe BZX U.S. Equities Exchange Fee Schedule, fee code D.

⁵ See Cboe BZX U.S. Equities Exchange Fee Schedule, fee code BY.

⁶ See Cboe BZX U.S. Equities Exchange Fee Schedule, fee code BJ.

⁷ See Cboe BZX U.S. Equities Exchange Fee Schedule, fee code TV.

for orders routed to NYSE American and NYSE National using a similar low cost routing strategy, SLIM, which yield fee codes MX and NX, respectively.

In addition to this, the Exchange notes that orders routed to BYX using the TRIM or SLIM routing strategy⁸ are provided rebates that are applicable to eligible orders in all securities. BYX, however, does not provide rebates to orders that remove liquidity in securities priced below \$1.00, and instead charges a fee.⁹ As such, the Exchange proposes to amend the pricing for orders routed to BYX pursuant to fee code BY, such that no charge or rebate would be provided in securities priced below \$1.00 (i.e., the Exchange proposes to append footnote 11 to fee code BY in the Fees Codes and Associated Fees table).

Moreover, since NYSE is no longer included as a low cost protected market center, the Exchange proposes to eliminate special pricing for orders routed to NYSE using the TRIM routing strategy under fee code D. Such orders would now pay the default routing fee for orders routed using this routing strategy.¹⁰

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,¹¹ in general, and furthers the requirements of Section 6(b)(4),¹² in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among

⁸ See supra note 5. The Exchange also notes that it is simultaneously proposing to discontinue the use of the TRIM2 routing strategy, effective May 1, 2019, which is currently provided as a routing strategy that yields fee code BY.

⁹ Orders that remove liquidity on BYX in securities prices below \$1.00 are charged a fee of equal to 0.10% of the total dollar value. See Cboe BYX U.S. Equities Exchange Fee Schedule, Standard Rates.

¹⁰ Pursuant to proposed fee codes MX and NX, as well as fee codes BY, BJ and TV. See supra notes 5-7.

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(4).

its members and other persons using its facilities. The Exchange believes the proposed routing fee changes are appropriate as they reflect changes to the System routing table used to determine the order in which venues are accessed using the TRIM routing strategy. As stated, TRIM specifically targets certain equities exchanges that provide low cost executions or rebates to liquidity removing orders, and routes to those venues after trading with the BZX Book. The Exchange believes that the proposed changes reflect the intent of Members when they submit routable order flow to the Exchange using the TRIM routing strategy.

The Exchange believes that it is reasonable and equitable to assess the proposed fee on orders routed to NYSE American and proposed rebate on orders routed to NYSE National using the TRIM routing strategy. As mentioned previously, the Exchange recently added these two exchanges to its list of low cost protected market centers, and wishes to provide the benefit of the rebate or lower fee provided by those markets to BZX Members using the TRIM routing strategy. The Exchange currently offers such incentives when routing to those markets using another low cost routing strategy, SLIM. As is the case for orders routed via the SLIM routing strategy to NYSE American or NYSE National, the Exchange believes the proposed fees and rebates applicable to the TRIM routing strategy to these venues generally reflect the current transaction fees and rebates available for accessing liquidity on those markets.¹³ The Exchange believes that these changes may increase interest in the Exchange's TRIM routing strategy, in

¹³ NYSE American currently charges a fee for removing liquidity that is \$0.00020 per share in securities priced at or above \$1.00, and 0.25% of the total dollar value of the transaction in securities priced below \$1.00. See NYSE American Equities Price List, I. Transaction Fees.

NYSE National currently provides a rebate of \$0.00200 per share in securities priced at or above \$1.00 for members that achieve their taking tier. See NYSE National Schedule of Fees and Rebates, I. Transaction Fees, B. Tiered Rates. Orders that remove liquidity in securities below \$1.00 are executed without charge or rebate. See NYSE National, Schedule of Fees and Rebates, I. Transaction Fees, A. General Rates.

particular, by passing on better pricing to BZX members that choose to enter such orders on the Exchange, thereby encouraging additional order flow to be entered to the BZX Book. In addition to this, the Exchange believes that it is reasonable and equitable to eliminate special pricing for orders routed to NYSE using TRIM under fee code D, as NYSE is no longer included as a low cost protected market center.

The Exchange also believes that it is reasonable and equitable to provide free executions, rather than rebates, for orders routed to BYX using the TRIM or SLIM routing strategies¹⁴ in securities priced below \$1.00. Although BYX generally provides rebates to orders that remove liquidity, those rebates are limited to securities priced at or above \$1.00.¹⁵ For orders that remove liquidity in securities priced below \$1.00, BYX instead charges a fee.¹⁶ With the proposed change to the routing fees, the Exchange would recoup some, but not all, of the cost associated with routing orders in lower priced securities to BYX on behalf of Members that use the TRIM or SLIM routing strategies.¹⁷

Finally, the Exchange believes that the proposed changes are equitable and not unfairly discriminatory as the proposed fees and rebates would apply equally to all Members that use the Exchange to route orders using the associated routing strategy. The proposed fees are designed to reflect the fees charged and rebates offered by certain away trading centers that are accessed by Exchange routing strategies, and are being made in conjunction with changes to the System routing table designed to provide Members with low cost executions for their routable order flow. Furthermore, if Members do not favor the proposed pricing, they can send their routable

¹⁴ See supra note 8.

¹⁵ See supra note 9.

¹⁶ Id.

¹⁷ See supra note 8.

orders directly to away markets instead of using routing functionality provided by the Exchange. Routing through the Exchange is voluntary, and the Exchange operates in a competitive environment where market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed routing fee changes are designed to reflect changes being made to the System routing table used to determine where to send certain routable orders, and generally provide better pricing to Members for orders routed to low cost protected market centers using the Exchange's routing strategies. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received

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 Act¹⁸ and paragraph (f) of Rule 19b-4¹⁹ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f).

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-2019-039 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-2019-039. 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-2019-039 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.²⁰

Eduardo A. Aleman
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).