

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-97480; File No. SR-CboeBZX-2023-030)

May 11, 2023

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 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 28, 2023, 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. (the “Exchange” or “BZX Options”) 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/), 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 fees Fee Schedule to modify its market data fees for BZX Options Top.³ Particularly, the Exchange proposes to modify the Professional and Non-Professional User Fees, modify the Enterprise Fee for BZX Options Top and make other clarifying, non-substantive changes.⁴

The Exchange first proposes to reduce the rates for Professional and Non-Professional User fees for BZX Options Top. The Exchange currently charges Internal Distributors and External Distributors that redistribute any of the BZX Options Data Feeds different fees for their Professional Users⁵ and Non-Professional Users⁶. The Exchange currently assesses a monthly fee

³ BZX Options Top is an uncompressed data feed that offers top of book quotations and execution information based on options orders entered into the System. Uncompressed data is disseminated “as is” in the native format by the Exchange, with no compression.

⁴ The Exchange initially filed the proposed fee changes on January 3, 2023 (SR-CboeBZX-2023-001). On March 1, 2023, the Exchange withdrew that filing and submitted SR-CboeBZX-2023-016, which was filed on February 28, 2023. On April 28, 2023, the Exchange withdrew that filing and submitted this filing.

⁵ A Professional User of an Exchange Market Data product is any User other than a Non-Professional User.

⁶ A "Non-Professional User" of an Exchange Market Data product is a natural person or qualifying trust that uses Data only for personal purposes and not for any commercial purpose and, for a natural person who works in the United States, is not: (i) registered or qualified in any capacity with the Securities and Exchange Commission, the Commodities Futures Trading Commission, any state securities agency, any securities exchange or association, or any commodities or futures contract market or association; (ii) engaged as an "investment adviser" as that term is defined in Section 202(a)(11) of the Investment Advisors Act of 1940 (whether or not registered or qualified under that Act); or (iii) employed by a bank or other organization exempt from registration under federal or state securities laws to perform functions that would require registration or

for Professional Users of \$30.00 per User and a monthly fee of \$1.00 per Non-Professional User.⁷ One User fee allows access to the BZX Options Top Feed and the BZX Options Depth Feed.⁸ The Exchange proposes to reduce the rates for the User fees for BZX Options Top. Particularly, the Exchange proposes to reduce the monthly (i) Professional User fee from \$30 per user to \$5 per user and (ii) Non-Professional User fee from \$1.00 per user to \$0.10 per user. The Exchange also proposes to start charging separate User fees for BZX Options Top and BZX Options Depth Feed. The Exchange therefore proposes to eliminate the language under the BZX Options Top table and BZX Options Depth Feed table that states one User fee allows access to the BZX Options Top Feed and the BZX Options Depth Feed.⁹

The Exchange next proposes to increase the current monthly Enterprise Fee. The Enterprise Fee permits a recipient firm (i.e., a Distributor) to purchase a monthly (and optional) Enterprise license to receive the BZX Options Top Feed for distribution to an unlimited number of Professional and Non-Professional Users.¹⁰ The Enterprise Fee is an alternative to Professional and Non-Professional User fees. Like User fees, it is also assessed in addition to the

qualification if such functions were performed for an organization not so exempt; or, for a natural person who works outside of the United States, does not perform the same functions as would disqualify such person as a Non-Professional User if he or she worked in the United States.

⁷ Distributors that receive BZX Options Data are required to count every Professional User and Non-Professional User to which they provide the data feed(s).

⁸ BZX Options Depth is an uncompressed data feed that offers depth of book quotations and execution information based on options orders entered into the System.

⁹ The Exchange is not proposing any changes to the current User Fee amounts for BZX Options Depth Feed at this time.

¹⁰ The Exchange proposes to amend the description relating to the Enterprise Fees under the BZX Options Top and Depth fee tables to clarify that Distributors are the market participant that would be purchasing the monthly Enterprise license for purposes of distribution to Professional and Non-Professional Users.

Distribution Fee.¹¹ Currently, the Exchange assesses an Enterprise Fee of \$3,500 per month for BZX Options Top Feed.¹² The Exchange proposes to increase the Enterprise Fee to \$20,000 per month. For example, if a Distributor distributes BZX Options Top to 15,000 Professional Users who each receive BZX Options Top at \$5.00 per month (as proposed), then that Distributor will pay \$75,000 per month in Professional Users fees. Under the proposed Enterprise Fee, it will pay a flat fee of \$20,000 for an unlimited number of Professional and Non-Professional Users. A Distributor must pay a separate Enterprise Fee for each entity that controls the display of BZX Options Top if it wishes for such User to be covered by the Enterprise Fee rather than by per User fees.¹³ A Distributor that pays the Enterprise Fee will not have to report its number of such Users on a monthly basis. However, every six months, it must provide the Exchange with a count of the total number of Professional and Non-Professional Users of BZX Options Top.¹⁴

The Exchange lastly proposes to make clarifying, non-substantive changes. First, the Exchange proposes to add references to “Depth” in the description of the Distribution Fees and Enterprise Fee under the BZX Options Depth Feed table to clarify which data feed such fees currently applies to, thereby alleviating potential confusion. The Exchange also proposes to

¹¹ The Exchange also proposes to clarify in the descriptions relating to the Enterprise Fees that (i) it is an alternative to “Professional and Non-Professional” User fees and (ii) is in addition to the Distribution Fee, to make clear what fees apply.

¹² The Exchange also offers a separate Enterprise license for the BZX Options Depth Feed, also priced at \$3,500 per month. If a Distributor wishes to purchase an Enterprise license for each of BZX Options Top Feed and BZX Options Depth Feed, it would be subject to a total of \$7,000 per month (\$3,500 for each Enterprise license). To date, no market participant has purchased an Enterprise license for either feed.

¹³ For example, if a Distributor (e.g., Refinitiv) that distributes BZX Options Top to Retail Brokerage Firm A and Retail Brokerage Firm B (which “entities” redistribute BZX Options Top to its respective Users) and wishes to have the Users under each entity covered by an Enterprise license, the Distributor would be subject to two Enterprise Fees.

¹⁴ See Cboe Global Markets north American Data Policies.

replace references to “Recipient firm” with “Distributors” to more accurately reflect the type of market participants the fees are applicable to, thereby alleviating potential confusion. The Exchange lastly proposes to add a reference to “Professional and Non-Professional” Users in the description of the BZX Options Depth Enterprise Fee.

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.¹⁵ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁶ 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) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes this proposal is consistent with Section 6(b)(8) of the Act, which requires that the rules of an exchange not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.¹⁷ In addition, the Exchange believes that the proposed

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

¹⁷ 15 U.S.C. 78f(b)(8).

rule change is consistent with Section 11(A) of the Act as it supports (i) fair competition among brokers and dealers, among exchange markets, and between exchange markets and markets other than exchange markets, and (ii) the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in securities.¹⁸ The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁹ which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Members and other persons using its facilities.

The Exchange first notes that it operates in a highly competitive environment. Indeed, there are currently 16 registered options exchanges that trade options. Based on publicly available information, no single options exchange has more than 18% of the market share.²⁰ The Exchange believes top-of-book quotation and transaction data is highly competitive as national securities exchanges compete vigorously with each other to provide efficient, reliable, and low-cost data to a wide range of investors and market participants. Indeed, there are several competing products offered by other national securities exchanges today, not counting products offered by the Exchange's affiliates, and each of the Exchange's affiliated U.S. options exchanges also offers similar top-of-book data.²¹ Each of those exchanges offer top-of-book quotation and last sale information based on their own quotation and trading activity that is substantially similar to the information provided by the Exchange through the BZX Options Top

¹⁸ 15 U.S.C. 78k-1.

¹⁹ 15 U.S.C. 78f(b)(4).

²⁰ See Cboe Global Markets U.S. Options Market Month-to-Date Volume Summary (April 24, 2023), available at https://markets.cboe.com/us/options/market_statistics/.

²¹ See e.g., NYSE Arca Options Proprietary Market Data Fees Schedule, MIAX Options Exchange, Fee Schedule, Section 6 (Market Data Fees), Nasdaq PHLX Options 7 Pricing Schedule, Section 10 (Proprietary Data Feed Fees) and Cboe Data Services, LLC Fees Schedule.

Feed. Further, the quote and last sale data contained in the BZX Options Top Feed is identical to the data sent to OPRA for redistribution to the public.²² Accordingly, Exchange top-of-book data is widely available today from a number of different sources.

Moreover, the BZX Options Top is distributed and purchased on a voluntary basis, in that neither the Exchange nor market data distributors are required by any rule or regulation to make this data available. Accordingly, Distributors and Users can discontinue use at any time and for any reason, including due to an assessment of the reasonableness of fees charged. As described above, market participants have a wide variety of alternative market data products from which to choose, such as similar proprietary data products offered by other exchanges and consolidated data. Further, the Exchange is not required to make any proprietary data products available or to offer any specific pricing alternatives to any customers. Moreover, persons (including broker-dealers) who subscribe to any exchange proprietary data feed must also have equivalent access to consolidated Options Information²³ from OPRA for the same classes or series of options that are included in the proprietary data feed, and proprietary data feeds cannot be used to meet that

²² The Exchange notes that it makes available the top-of-book and last sale data that is included in the BZX Options Top Data Feed no earlier than the time at which the Exchange sends that data to OPRA.

²³ “Consolidated Options Information” means consolidated Last Sale Reports combined with either consolidated Quotation Information or the BBO furnished by OPRA. Access to consolidated Options Information is deemed “equivalent” if both kinds of information are equally accessible on the same terminal or work station. See Limited Liability Company Agreement of Options Price Reporting Authority, LLC (“OPRA Plan”), Section 5.2(c)(iii). The Exchange notes that this requirement under the OPRA Plan is also reiterated under the Cboe Global Markets Global Data Agreement and Cboe Global Markets North American Data Policies, which subscribers to any exchange proprietary product must sign and are subject to, respectively. Additionally, the Exchange’s Data Order Form (used for requesting the Exchange’s market data products) requires confirmation that the requesting market participant receives data from OPRA.

particular requirement.²⁴ As such, all proprietary data feeds are purely optional and only those that deem the product to be of sufficient overall value and usefulness would purchase it.

The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Particularly, 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.”²⁵ Making similar data products available to market participants fosters competition in the marketplace, and constrains the ability of exchanges to charge supracompetitive fees. In the event that a market participant views one exchange’s data product as more or less attractive than the competition they can and do switch between similar products. The proposed fees are a result of the competitive environment, as the Exchange seeks to adopt fees to attract purchasers who may be interested in purchasing only the BZX Options Top Data Feed.

The Exchange believes the proposed changes to reduce the rates of the current Professional and Non-Professional User fees for BZX Options Top Data are reasonable as Distributors will be subject to lower User fees for the BZX Options Top Feed. Distributors who only wish to distribute BZX Options Top Feed will therefore be subject to lower User fees. Additionally, the User fees continue to be in line with and/or lower than User fees assessed by other exchanges for similar data.²⁶

²⁴ Id.

²⁵ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

²⁶ See e.g., Nasdaq PHLX Options 7 Pricing Schedule, Section 10 (Proprietary Data Feed Fees), which provides for a fee of \$40 per month to professional users and \$1.00 per

The Exchange believes that the proposed fees are equitable and not unfairly discriminatory because they will be charged uniformly to Distributors who distribute BZX Options Top. The Exchange also believes continuing to offer BZX Options Top Data to Non-Professional Users at a lower cost than Professional Users results in greater equity among data recipients, as Professional Users are categorized as such based on their employment and participation in financial markets, and thus, are compensated to participate in the markets. Although Non-Professional Users too can receive significant financial benefits through their participation in the markets, the Exchange believes it is reasonable to charge more to those Users who are more directly engaged in the markets. The Exchange believes assessing lower User fees for BZX Options Top as compared to BZX Options Depth is also equitably and not unfairly discriminatory. Particularly, the BZX Options Top Feed contains less information than BZX Options Depth (indeed, the information contained in BZX Options Top is a subset of the information that is included in BZX Options Depth). The Exchange believes it is equitable to have pricing based, in part, upon the amount of information contained in each data feed and the value of that information to market participants. Thus, the Exchange believes it's reasonable for BZX Options Top to have lower User fees than BZX Options Depth because it offers less data

month to non-professional users to cover the usage of PHLX Options (TOPO) Data, TOPO Plus Orders, PHLX Orders and PHLX Depth Data feeds. See also NYSE American Options Proprietary Market Data Fees schedule, which provides for a fee of \$50 per month to professional users and \$1.00 per month to non-professional users of American Options Top Data, American Options Deep and American Options Complex products. By comparison, the total combined Professional User fee for the Exchange's market data products is still lower at \$35 per Professional User (i.e., \$5 per Professional Users of BZX Options Top, as proposed, and \$30 per Professional User of BZX Options Depth). The Exchange's combined Non-Professional User Fee at \$1.10 per Non-Professional User (i.e., \$0.10 per Non-Professional User of BZX Options Top, as proposed, and \$1 per Non-Professional User of BZX Options Depth) is still in line with, and not a significant departure from, PHLX's and NYSE American's aforementioned Non-Professional User fees.

than BZX Options Depth.

The Exchange next notes it is not required to charge a single User fee to cover all its available data products, but none-the-less has not charged separate User Fees for both BZX Options Top and BZX Options Depth since BZX Options Top was adopted in March 2018.²⁷ However, the Exchange no longer wishes to continue to have a single fee. The Exchange believes the proposed change is reasonable, equitable and not unfairly discriminatory as the Top and Book Depth Data Feeds are purely optional. As stated above, the Exchange also believes charging separate User fees is equitable as it allows the Exchange to assess prices based on the amount of information contained in each feed, which can provide an opportunity to assess lower fees for products that contain less information. Particularly, the proposed rule change reduces fees for market participants who only want top-of-book and execution data and do not need depth-of-book data. Those who wish to receive more comprehensive depth-of-book information may still continue to do so at the current (and higher) price. Additionally, as noted above, the data contained in the BZX Options Top Feed is a subset of the data included in the BZX Options Depth Feed. As such, a User that receives BZX Options Depth Feed would not need to also receive the BZX Options Top Feed since the BZX Options Depth Feed is already inclusive of the data contained in the BZX Options Top Feed. Moreover, only those Distributors that deem the products to be of sufficient overall value and usefulness would purchase either or both of them for purposes of distribution to Users. Distributors are not required to distribute, and Users are not required to receive, any one particular data product and indeed may choose to receive none, one, or several of the Exchange's market data products. Additionally, the Exchange is not required to

²⁷ See Securities Exchange Act Release No. 82874 (March 14, 2018), 83 FR 12210 (March 20, 2018) (SR-CboeBZX-2018-017).

provide any fee waiver to Distributors of BZX Options Top, including for User Fees. In fact, another exchange similarly adopted separate fees for different data products that historically had otherwise been provided under a single fee.²⁸ The Exchange believes the proposed change is equitable and not unfairly discriminatory as it will apply uniformly to Distributors.

The proposed increased Enterprise Fee for BZX Options Top Feed is equitable and reasonable as the proposed fee could still result in a fee reduction for Distributors with a large number of Professional and Non-Professional Users. If a Distributor has a smaller number of Professional Users of BZX Options Top, then it may continue using the per User structure and benefit from the proposed per BZX Options Top User Fee reductions. By reducing prices Distributors with a large number of Professional and Non-Professional Users, the Exchange believes that more firms may choose to receive and to distribute BZX Options Top Data, thereby expanding the distribution of this market data for the benefit of investors. The Exchange notes that currently no Distributors have purchased an Enterprise license. The Exchange believes however, that the proposed lower User fees for BZX Options Top may incentivize additional External Distributors to distribute BZX Options Top and enlist additional Users. As a Distributor's User base grows, it may make sense for a Distributor to purchase the alternative Enterprise license to cap its fees. In connection with this potential increase in Users, the Exchange believes it is therefore also reasonable to increase the current amount of the Enterprise Fee. That said, the Enterprise Fee is entirely optional. A firm that does not have a sufficient number of Users to benefit from the purchase of the Enterprise license need not do so.

The Exchange further believes that the Enterprise Fee, even as amended, is reasonable

²⁸ See Securities Exchange Act Release No. 79556 (December 14, 2016), 81 FR 92935 (December 20, 2016) (SR-NASDAQ-2016-167).

because it simplifies reporting for certain Distributors that have large numbers of Professional and Non-Professional Users. Firms that pay the proposed Enterprise Fee do have to report the number of Users on a monthly basis as they currently do, but rather only have to count authorized users every six months, which is a significant reduction in administrative burden.

The Exchange lastly believes the proposed non-substantive clarifying changes will alleviate potential confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

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

The Exchange does not believe that the proposed rule change would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a highly competitive environment, and its ability to price top-of-book data is constrained by competition among exchanges that offer similar data products to their customers. For example, Top-of-book data is broadly disseminated by competing U.S. options exchanges. In this competitive environment potential Distributors are free to choose which competing product to purchase to satisfy their need for market information. Often, the choice comes down to price, as market data customers look to purchase cheaper data products, and quality, as market participants seek to purchase data that represents significant market liquidity.

The Exchange believes that the proposed fees do not put any market participants at a relative disadvantage compared to other market participants. As discussed, the proposed fees would apply to all similarly situated Distributors of BZX Options Top on an equal and non-discriminatory basis. The Exchange believes the differentiated fees for Professional and Non-Professional Users of BZX Options Top is appropriate given Professional Users are categorized as such based on their employment and participation in financial markets, and thus, are

compensated to participate in the markets. Non-Professional Users too can receive significant financial benefits through their participation in the markets, however the Exchange believes it is reasonable to charge more for those Users who are more directly engaged in the markets. The Exchange therefore believes that the proposed fee neither favors nor penalizes one or more categories of market participants in a manner that would impose an undue burden on competition.

The Exchange believes that the proposed fees do not impose a burden on competition or on other SROs that is not necessary or appropriate in furtherance of the purposes of the Act. In particular, market participants are not forced to subscribe to BZX Options Top, or any of the Exchange's data feeds, as described above. Also as described above, there are numerous substitute products offered by other national securities exchanges, as well as OPRA. Because market data customers can find suitable substitute feeds, an exchange that overprices its market data products stands a high risk that users may substitute another product. These competitive pressures ensure that no one exchange's market data fees can impose an undue burden on competition, and the Exchange's proposed fees do not do so here.

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 Act²⁹ and paragraph (f) of Rule 19b-4³⁰ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change

²⁹ 15 U.S.C. 78s(b)(3)(A).

³⁰ 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 email to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2023-030 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-2023-030. This file number should be included on the subject line if email 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. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-CboeBZX-2023-030 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.³¹

Sherry R. Haywood
Assistant Secretary

³¹ 17 CFR 200.30-3(a)(12).