

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100324; File No. SR-CboeBZX-2024-049)

June 13, 2024

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Introduce a New Connectivity Offering Through Dedicated Cores

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 June 6, 2024, 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 and II below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to introduce a new connectivity offering.

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.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to introduce a new connectivity offering relating to the use of Dedicated Cores. By way of background, all Central Processing Units (“CPU Cores”) have historically been shared by logical order entry ports (i.e., multiple logical ports from multiple firms may connect to a single CPU Core). Starting June 10, 2024, the Exchange will allow Users⁵ to assign a single Binary Order Entry (“BOE”) logical order entry port⁶ to a single dedicated CPU Core (“Dedicated Core”).⁷ Use of Dedicated Cores can provide reduced latency, enhanced throughput, and improved performance since a firm using a Dedicated Core is utilizing the full processing power of a CPU Core instead of sharing that power with other firms. This

⁵ A User may be either a Member or Sponsored Participant. The term “Member” shall mean any registered broker or dealer that has been admitted to membership in the Exchange, limited liability company or other organization which is a registered broker or dealer pursuant to Section 15 of the Act, and which has been approved by the Exchange. A Sponsored Participant may be a Member or non-Member of the Exchange whose direct electronic access to the Exchange is authorized by a Sponsoring Member subject to certain conditions. See Exchange Rule 11.3.

⁶ Users may currently connect to the Exchange using a logical port available through an application programming interface (“API”), such as the Binary Order Entry (“BOE”) protocol. A BOE logical order entry port is used for order entry.

⁷ The Exchange notes that firms will not have physical access to their Dedicated Core and thus cannot make any modifications to the Dedicated Core or server. All Dedicated Cores (including servers used for this service) are owned and operated by the Exchange.

offering is completely voluntary and will be available to all Users.⁸ Users will also continue to have the option to utilize BOE logical order entry ports on shared CPU Cores as they do today, either in lieu of, or in addition to, their use of Dedicated Core(s). As such, Users will be able to operate across a mix of shared and dedicated CPU Cores which the Exchange believes provides additional risk and capacity management, especially during times of market volatility and high message traffic. Further, Dedicated Cores are not required nor necessary to participate on the Exchange and as such Users may opt not to use Dedicated Cores at all.

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.⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁰ 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)¹¹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

⁸ The Exchange intends to submit a separate rule filing to adopt monthly fees related to the use of Dedicated Cores.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ Id.

In particular, the proposal would provide Users the option to assign a single BOE logical entry port to a single Dedicated Core. As described above, CPU Cores have historically been shared by logical order entry ports (i.e., multiple logical ports from multiple firms may connect to a single CPU Core). Use of Dedicated Cores can provide reduced latency, enhanced throughput, and improved performance since a firm using a Dedicated Core is utilizing the full processing power of a CPU Core instead of sharing that power with other firms. The Exchange also emphasizes that the use of Dedicated Cores is not necessary for trading and as noted above, is entirely optional. Indeed, Users can continue to access the Exchange through shared CPU Cores at no additional cost. Depending on a firm's specific business needs, the proposal enables Users to choose to use Dedicated Cores in lieu of, or in addition to, shared CPU Cores (or as noted, not use Dedicated Cores at all). The Exchange also notes that its affiliated exchanges, Cboe EDGA Exchange, Inc., Cboe BYX Exchange, Inc., and Cboe EDGX Exchange, Inc. recently introduced Dedicated Cores and that another Exchange [sic] also provides a similar connectivity offering.¹²

Furthermore, this service is optional and is available to all Users. In this regard, some Users may determine it does not want or need Dedicated Cores and may continue their use of the shared CPU Cores, unchanged. The Exchange has no current plans to eliminate shared Cores nor require subscription to the dedicated offering.

¹² See Securities Exchange Act Release No. 99818 (March 21, 2024), 89 FR 21294 (March 27, 2024) (SR-CboeEDGA-2024-008), Securities Exchange Act Release No. 100062 (May 6, 2024), 89 FR 40517 (May 10, 2024) (SR-CboeBYX-2024-013) and Securities Exchange Act Release No. 100182 (May 20, 2024), 89 FR 45932 (May 24, 2024) (SR-CboeEDGX-2024-026). See also The Nasdaq Stock Market, Equity 7 Pricing Schedule, Section 115(g)(3), Dedicated Ouch Port Infrastructure.

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. Particularly, the Exchange believes the proposed rule change does not impose any burden on intra-market competition that is not necessary or appropriate in furtherance of the purposes of the Act because Dedicated Cores will be available to all Users. While the Exchange believes that the proposed Dedicated Cores provide a valuable service, Users can choose to purchase, or not purchase, Dedicated Cores based on their own determination of the value and their business needs. Indeed, no User is required or under any regulatory obligation to use Dedicated Cores.

Additionally, nothing in the proposal imposes any burden on the ability of other exchanges to compete. The Exchange operates in a highly competitive market in which exchanges offer various connectivity services as a means to facilitate the trading and other market activities of those market participants and at least one other exchange has an offering comparable to Dedicated Cores.¹³

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

Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days prior to date on which it was filed, or such shorter time as the

¹³ See Securities Exchange Act Release No. 99818 (March 21, 2024), 89 FR 21294 (March 27, 2024) (SR-CboeEDGA-2024-008), Securities Exchange Act Release No. 100062 (May 6, 2024), 89 FR 40517 (May 10, 2024) (SR-CboeBYX-2024-013) and Securities Exchange Act Release No. 100182 (May 20, 2024), 89 FR 45932 (May 24, 2024) (SR-CboeEDGX-2024-026). See also The Nasdaq Stock Market, Equity 7 Pricing Schedule, Section 115(g)(3), Dedicated Ouch Port Infrastructure.

Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁴ and Rule 19b-4(f)(6) thereunder.¹⁵

A proposed rule change filed under Rule 19b-4(f)(6)¹⁶ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹⁷ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Exchange states that its affiliated exchanges, Cboe EDGA Exchange, Inc., Cboe BYX Exchange, Inc., and Cboe EDGX Exchange, Inc., recently introduced Dedicated Cores and another exchange has a connectivity offering comparable to Dedicated Cores.¹⁸ The Commission believes that the proposed rule change presents no novel legal or regulatory issues, and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change operative upon filing.¹⁹

¹⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁵ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁶ 17 CFR 240.19b-4(f)(6).

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

¹⁸ See *supra* note 12.

¹⁹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 shall institute proceedings under Section 19(b)(2)(B)²⁰ of the Act 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeBZX-2024-049 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-2024-049. 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 (<https://www.sec.gov/rules/sro.shtml>).

²⁰ 15 U.S.C. 78s(b)(2)(B).

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 a.m. and 3 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-2024-049 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²¹

Sherry R. Haywood,

Assistant Secretary.

²¹ 17 CFR 200.30-3(a)(12), (59).