

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-101479; File No. SR-CboeBZX-2024-102)

October 30, 2024

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fees Applicable to Certain Exchange-Traded Products Listed on the Exchange, which are Set Forth in BZX Rule 14.13, Company Listing Fees

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 October 18, 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, 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 (“Commission” or “SEC”) a proposed rule change to amend the fees applicable to certain exchange-traded products listed on the Exchange, which are set forth in BZX Rule 14.13, Company Listing Fees. The text of the proposed rule change is provided in Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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 submits this proposal³ to adopt new Rule 14.13(b)(2)(E)(v) in order to adopt a new annual fee applicable to exchange-traded products (“ETPs”)⁴ that consist only of an American Depositary Receipt (“ADR”) and instruments designed to hedge the ETP’s foreign currency exposure in the ADR (an “ADR Hedge”).⁵ The

³ The Exchange initially filed the proposed fee change on September 26, 2024 (SR-CboeBZX-2024-092). On October 4, 2024, the Exchange withdrew that filing and submitted SR-CboeBZX-2024-096. On October 16, 2024, the Exchange withdrew that filing and submitted SR-CboeBZX-2024-100. On October 18, 2024 the Exchange withdrew that filing and submitted this proposal.

⁴ As defined in Rule 11.8(e)(1)(A), the term “ETP” means any security listed pursuant to Exchange Rule 14.11.

⁵ An ADR Hedge is an ETP designed to provide investors with exposure to individual international companies without the currency exposure associated with traditional means of individual international company investing. Therefore, an ADR Hedge consists of a U.S.-listed ADR on an underlying international company (e.g., Toyota Motors) and a currency contract designed to mitigate the currency risk resulting from variable foreign exchange rates between the local currency of the international shares (e.g., Japanese Yen) and the U.S. Dollar. Three ADR Hedges are listed on the Exchange under Exchange Rule 14.11(l) (Exchange-Traded Fund Shares). Exchange Rule 14.11(l) is applicable to ETPs that are eligible to operate in reliance on Rule 6c-11 under the Investment Company Act of 1940 (“Rule 6c-11”).

Exchange is also proposing to make a corresponding non-substantive numbering change to make current Rule 14.13(b)(2)(E)(v) become 14.13(b)(2)(E)(vi) and to add language to proposed Rule 14.13(b)(2)(E)(vi) in order to make clear that ETPs that are subject to the new pricing for an ADR Hedge would not be subject to the standard annual fees applicable under Rule 14.13(b)(2)(E)(vi)⁶ in the same way that Legacy Listings,⁷ New Listings,⁸ an Outcome Strategy ETP⁹ subject to Rule 14.13(b)(2)(E)(iii), a Defined Distribution Strategy ETP¹⁰ subject to Rule 14.13(b)(2)(E)(iv), and Transfer Listings¹¹ are not subject to such fees.

Annual fees for ETPs (not including Legacy Listings, New Listings, an Outcome Strategy ETP subject to Rule 14.13(b)(2)(E)(iii), a Defined Distribution Strategy ETP subject to Rule 14.13(b)(2)(E)(iv), and Transfer Listings) are generally based on the

⁶ Instead, these products are assessed annual fees as provided under Rules 14.13(b)(2)(E)(i) through (v), as applicable.

⁷ A “Legacy Listing” is an ETP that was listed on the Exchange prior to January 1, 2019. See Exchange Rule 14.13(b)(2)(E)(i).

⁸ A “New Listing” is an ETP that first lists on the Exchange or has been listed on for fewer than three calendar months on the ETP’s first trading day of the year. See Exchange Rule 14.13(b)(2)(E)(ii).

⁹ An “Outcome Strategy Series” are multiple ETPs listed by the same issuer that are each designed to provide (i) a pre-defined set of returns; (ii) over a specified outcome period; (iii) based on the performance of the same underlying instruments; and (iv) each employ the same outcome strategy for achieving the pre-defined set of returns (each an “Outcome Strategy ETP” and, collectively, an “Outcome Strategy Series”). See Exchange Rule 14.13(b)(2)(E)(iii).

¹⁰ A “Defined Distribution Strategy Series” are multiple ETPs listed by the same issuer that are each designed to provide (i) pre-defined set of cash distributions; (ii) over two specified periods with the first period beginning at inception until a pre-defined date and the second period beginning at that pre-defined date until another pre-defined date by which the ETP intends to distribute substantially all of its assets and liquidate the fund; (iii) where the first period defined distributions are based on the market conditions at the beginning of the first period, and the second period defined distributions are based on the market conditions at the beginning of the second period; and (iv) each employ the same strategy for achieving the pre-defined distributions (each a “Defined Distribution Strategy ETP” and, collectively, a “Defined Distribution Strategy Series”). See Exchange Rule 14.13(b)(2)(E)(iv).

¹¹ A “Transfer Listing” is an ETP that transfers listing from another national securities exchange to the Exchange. See Exchange Rule 14.13(b)(1)(B)(v)(b).

consolidated average daily volume (“CADV”) of the ETP in the fourth quarter of the preceding calendar year and range from \$5,000 up to \$7,000 per ETP.¹²

Now, the Exchange proposes to adopt an annual fee of \$9,000 for ADR Hedges. The Exchange is proposing to adopt this fee in in order to provide uniform pricing for all ADR Hedges listed on the Exchange. The Exchange believes that these higher proposed fees are appropriate for this new product type because of the higher Exchange costs associated with issuer services, listing administration, and product development that have historically come along with the introduction of new product types on the Exchange. Specifically, based on prior experience with listing new product types, the Exchange believes that these could include adding ADR Hedge products to a liquidity incentive program, e.g. the Liquidity Enhancement Program,¹³ educating market participants about the product type, and any other unanticipated needs, each of which would require time and/or Exchange resources to accommodate. Without the ability to increase its fees in such instances, the Exchange will be less able to support innovation and changes in the marketplace. The Exchange also notes that this proposed fee is only \$2,000 more than the highest tier of the Exchange’s standard fee schedule and is significantly less than the standard fees charged by another exchange.¹⁴ To the extent that any issuer finds the

¹² See Exchange Rule 14.13(b)(2)(E)(v).

¹³ See LEP Tier 1 under Footnote 13 of the BZX Fee Schedule; Securities Exchange Act No. 99147 (December 12, 2023) 88 FR 87476 (December 18, 2023) (SR-CboeBZX-2023-099) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule Applicable to Members and Non-Members of the Exchange Pursuant to BZX Rules 15.1(a) and (c) in Order To Adopt a New Tier Under Footnote 13 (Tape B Volume and Quoting) Specific to Single-Stock Exchange Traded Funds (“Single-Stock ETFs”). The Exchange would not add ADR Hedges to the Liquidity Enhancement Program without first submitting an exchange rule filing to the SEC.

¹⁴ See NYSE Arca, Inc. (“Arca”) Schedule of Fees and Charges for Exchange Services as of January 10, 2024, Annual Fees, Item 6. If an ADR Hedge listed on Arca, the listing fee would be between \$10,000 and \$35,000, depending on the number of shares outstanding.

Exchange's fees to be excessive, they could choose to list the ADR Hedge product on another national securities exchange.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with 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)¹⁷ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers as well as Section 6(b)(4)¹⁸ as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities.

The Exchange also notes that its ETP listing business operates in a highly-competitive market in which ETP issuers can readily transfer their listings if they deem

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

¹⁷ Id.

¹⁸ 15 U.S.C. 78f(b)(4).

fee levels or any other factor at a particular venue to be insufficient or excessive. The proposed rule changes reflect a competitive pricing structure designed to incentivize issuers to list new products and transfer existing products to the Exchange, which the Exchange believes will enhance competition both among ETP issuers and listing venues, to the benefit of investors.

The Exchange believes that it is reasonable to charge higher annual fees for an ADR Hedge because the proposed fees better correlate with the anticipated higher Exchange costs associated with issuer services, listing administration, and product development that generally come along with the introduction of any new product type. Specifically, based on prior experience with listing new product types, the Exchange believes that these could include adding ADR Hedge products to a liquidity incentive program, e.g. the Liquidity Enhancement Program,¹⁹ educating market participants about the product type, and any other unanticipated needs, each of which would require time and/or Exchange resources to accommodate. Without the ability to increase its fees in such instances, the Exchange will be less able to support innovation and changes in the marketplace. The Exchange also notes that this proposed fee is only \$2,000 more than the highest tier of the Exchange's standard fee schedule and is significantly less than the standard fees charged by another exchange.²⁰ The Exchange also notes that another

¹⁹ See LEP Tier 1 under Footnote 13 of the BZX Fee Schedule; Securities Exchange Act No. 99147 (December 12, 2023) 88 FR 87476 (December 18, 2023) (SR-CboeBZX-2023-099) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule Applicable to Members and Non-Members of the Exchange Pursuant to BZX Rules 15.1(a) and (c) in Order To Adopt a New Tier Under Footnote 13 (Tape B Volume and Quoting) Specific to Single-Stock Exchange Traded Funds ("Single-Stock ETFs").

²⁰ See Arca Schedule of Fees and Charges for Exchange Services as of January 10, 2024, Annual Fees, Item 6. If an ADR Hedge listed on Arca, the listing fee would be between \$10,000 and \$35,000, depending on the number of shares outstanding.

exchange charges a higher annual fee for certain sub-categories of ETPs that are eligible to operate in reliance on Rule 6c-11 citing the higher costs associated with issuer services, listing administration, product development and regulatory oversight.²¹ As such, the Exchange believes it is reasonable to charge a higher annual fee for ADR Hedges than other ETPs because such a fee better correlates with costs associated with the listing and supporting of ADR Hedges and the inability to increase its fees in such instances would leave the Exchange less able to both support innovation and changes in the marketplace and to compete with other venues that already have disparate pricing arrangements.

The Exchange believes its proposal equitably allocates its fees among its market participants. In the prevailing competitive environment, issuers can readily favor competing venues or transfer listings if they deem fee levels at a particular venue to be excessive, or discount opportunities available at other venues to be more favorable. The proposed annual fee for ADR Hedges is only \$2,000 more than the highest tier of the Exchange's standard fee schedule and is significantly less than the standard fees charged by Arca, that charge up to \$35,000.²² The proposed annual fees for ADR Hedges are equitable because the proposed increased annual fees would apply uniformly to all issuers. As noted above, the Exchange is proposing to adopt this fee in in order to provide uniform pricing for all ADR Hedges listed on the Exchange.

²¹ See Arca Schedule of Fees and Charges for Exchange Services as of January 10, 2024, Annual Fees, Item 6b. Specifically, Arca differentiates its annual listing fee for ETPs based on whether the ETP tracks an index, regardless of whether the ETP may rely on Rule 6c-11. See e.g., Securities Exchange Act No. 90988 (January 26, 2021) 86 FR 7754 (February 1, 2021) (SR-NYSEArca-2021-04) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Schedule of Fees and Charges To Establish Annual Fees for Exchange Traded Products).

²² See Arca Schedule of Fees and Charges for Exchange Services as of January 10, 2024, Annual Fees, Item 6b.

The Exchange believes that the proposal is not unfairly discriminatory. In the prevailing competitive environment, issuers are free to list elsewhere if they believe that alternative venues offer them better value. The Exchange believes it is not unfairly discriminatory to apply a higher annual fee to ADR Hedges because the proposed fee would be offered on an equal basis to all issuers listing an ADR Hedge on the Exchange. Even though the proposed annual fee for ADR Hedges is higher than the standard ETP annual fee, the Exchange believes that the proposal is not unfairly discriminatory because of the higher Exchange costs associated with issuer services, listing administration, and product development that have historically come along with the introduction of new product types on the Exchange. As discussed above, based on prior experience with listing new product types, the Exchange believes that these could include potentially adding ADR Hedge products to a liquidity incentive program, e.g. the Liquidity Enhancement Program, educating market participants about the product type, and any other unanticipated needs, each of which would require time and/or Exchange resources to accommodate. Without the ability to increase its fees in such instances, the Exchange will be less able to support innovation and changes in the marketplace. Finally, the Exchange believes that it is subject to significant competitive forces, as described below in the Exchange's statement regarding the burden on competition.

For the foregoing reasons, the Exchange believes that the proposal is consistent with the Act.

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 proposal ensures that the fees charged by the Exchange accurately reflect

the services provided and benefits realized by listed issuers. The market for listing services is extremely competitive. Issuers have the option to list their securities on these alternative venues based on the fees charged and the value provided by each listing exchange. Because issuers have a choice to list their securities on a different national securities exchange, the Exchange does not believe that the proposed fee changes impose a burden on competition.

Intramarket Competition. The Exchange's listing fees are designed to attract additional listings to the Exchange. The Exchange believes that the proposed changes would continue to incentivize issuers to develop and list new products, transfer existing products to the Exchange, and maintain listings on the Exchange. The proposed fees would be applicable to all issuers that list ADR Hedges on the Exchange, and, as such, the proposed change would not impose a disparate burden on competition among market participants listing ADR Hedges on the Exchange. Further, the Exchange is proposing to adopt this fee in in order to provide uniform pricing for all ADR Hedges listed on the Exchange.

While the proposed annual fee for ADR Hedges is higher than the standard annual ETP fee, 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. As discussed above, the Exchange believes that these higher proposed fees are appropriate for this new product type because of the higher Exchange costs associated with issuer services, listing administration, and product development that have historically come along with the introduction of new product types on the Exchange. Based on prior experience with listing new product types, the Exchange believes that

these could include potentially adding ADR Hedge products to a liquidity incentive program, e.g. the Liquidity Enhancement Program, educating market participants about the product type, and any other unanticipated needs, each of which would require time and/or Exchange resources to accommodate. Without the ability to increase its fees in such instances, the Exchange will be less able to support innovation and changes in the marketplace.

Intermarket Competition. The Exchange operates in a highly competitive listings market in which issuers can readily choose alternative listing venues. In such an environment, the Exchange must adjust its fees and discounts to remain competitive with other exchanges competing for the same listings. Because competitors are free to modify their own fees and discounts in response, and because issuers may readily adjust their listing decisions and practices, the Exchange does not believe its proposed fee change can impose any burden on intermarket competition. As such, the proposal is a competitive proposal designed to enhance pricing competition among listing venues and implement pricing for Fund Shares to reflect the revenue and expenses associated with listing on the Exchange.

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 Act²³ and paragraph (f) of Rule 19b-4²⁴ 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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeBZX-2024-102 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.

²³ 15 U.S.C. 78s(b)(3)(A).

²⁴ 17 CFR 240.19b-4(f).

All submissions should refer to file number SR-CboeBZX-2024-102. 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>). 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-2024-102 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.²⁵

Sherry R. Haywood,

Assistant Secretary.

²⁵ 17 CFR 200.30-3(a)(12).