

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-103957; File No. SR-CboeBZX-2025-123]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fee Schedule by Revising the Additive Rebate Associated with Securities Priced below \$1.00 in LMM Add Volume Tiers 2 – 4

September 12, 2025.

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 September 2, 2025, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items 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”) proposes to amend its Fee Schedule by revising the additive rebate associated with securities priced below \$1.00 in LMM Add Volume Tiers 2 – 4. 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/) and at the Exchange’s Office of the Secretary.

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 Exchange proposes to amend its Fee Schedule applicable to its equities trading platform (“BZX Equities”) by revising the additive rebate associated with securities priced below \$1.00 in LMM Add Volume Tiers 2 – 4. The Exchange proposes to implement these changes effective September 1, 2025.

The Exchange first notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. More specifically, the Exchange is only one of 16 registered equities exchanges, as well as a number of alternative trading systems and other off-exchange venues that do not have similar self-regulatory responsibilities under the Securities Exchange Act of 1934 (the “Act”), to which market participants may direct their order flow. Based on publicly available information,³ no single registered equities exchange has more than 14% of the market share. Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order

³ See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (August 19, 2025), available at https://www.cboe.com/us/equities/market_statistics/.

flow. The Exchange in particular operates a “Maker-Taker” model whereby it pays rebates to members that add liquidity and assesses fees to those that remove liquidity. The Exchange’s Fee Schedule sets forth the standard rebates and rates applied per share for orders that provide and remove liquidity, respectively. Currently, for orders in securities priced at or above \$1.00, the Exchange provides a standard rebate of \$0.00160 per share for orders that add liquidity and assesses a fee of \$0.0030 per share for orders that remove liquidity.⁴ For orders in securities priced below \$1.00, the Exchange does not provide a rebate for orders that add liquidity and assesses a fee of 0.30% of the total dollar value for orders that remove liquidity.⁵ Additionally, in response to the competitive environment, the Exchange also offers tiered pricing which provides Members opportunities to qualify for higher rebates or reduced fees where certain volume criteria and thresholds are met. Tiered pricing provides an incremental incentive for Members to strive for higher tier levels, which provides increasingly higher benefits or discounts for satisfying increasingly more stringent criteria.

LMM Tiers

Under footnote 14 of the Fee Schedule, the Exchange details pricing for its Lead Market Makers (“LMMs”) in BZX-listed securities. In particular, the Exchange offers four LMM Add Volume Tiers that provide an additive rebate for orders yielding fee codes B,⁶ V⁷, Y⁸, HB,⁹

⁴ See BZX Equities Fee Schedule, Standard Rates.

⁵ Id.

⁶ Fee code B is appended to displayed orders that add liquidity to BZX in Tape B securities.

⁷ Fee code V is appended to displayed orders that add liquidity to BZX in Tape A securities.

⁸ Fee code Y is appended to displayed orders that add liquidity to BZX in Tape C securities.

⁹ Fee code HB is appended to non-displayed orders that add liquidity to BZX in Tape B securities

HV,¹⁰ and HY¹¹ where a Member is enrolled as an LMM in a minimum number of securities and reaches certain add volume-based criteria. Currently, the Exchange provides an additive rebate of \$0.0006 per share in all securities for orders appended with fee codes V and HV that satisfy the criteria of LMM Add Volume Tier 2. The Exchange currently provides an additive rebate of \$0.0003 per share in all securities for orders appended with fee codes B and HB that satisfy the criteria of LMM Add Volume Tier 3. Additionally, the Exchange provides an additive rebate of \$0.0006 per share in all securities for orders appended with fee codes Y and HY that satisfy the criteria of LMM Add Volume Tier 4. The Exchange does not currently offer a separate additive rebate for orders appended with the applicable fee codes that satisfy the criteria of LMM Add Volume Tiers 2 – 4 in securities priced below \$1.00.¹² The Exchange now proposes to provide a separate additive rebate of 0.15% of total dollar value in securities priced below \$1.00 appended with the applicable fee codes that satisfy the criteria of LMM Add Volume Tiers 2 – 4. The purpose of separating the additive rebate for securities priced below \$1.00 from the additive rebate paid to orders appended with the applicable fee codes that satisfy the criteria of LMM Add Volume Tiers 2 – 4 in securities priced at or above \$1.00 is for business and competitive reasons, as the Exchange believes that paying an additive rebate to LMMs that satisfy the criteria of LMM Add Volume Tiers 2 – 4 in securities priced below \$1.00 as proposed would decrease the Exchange's expenditures with respect to transaction pricing in a manner that is still consistent with the Exchange's overall pricing philosophy of encouraging added liquidity. The Exchange does not propose to amend the additive rebate currently paid to orders appended with the

¹⁰ Fee code HV is appended to non-displayed orders that add liquidity to BZX in Tape A securities

¹¹ Fee code HY is appended to non-displayed orders that add liquidity to BZX in Tape C securities

¹² Fee codes V and HV are applicable to LMM Add Volume Tier 2; fee codes B and HB are applicable to LMM Add Volume Tier 3; and fee codes Y and HY are applicable to LMM Add Volume Tier 4.

applicable fee codes that satisfy the criteria of LMM Add Volume Tiers 2 – 4 in securities priced at or above \$1.00.

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.¹³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁴ 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)¹⁵ 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)¹⁶ 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.

As described above, the Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The Exchange believes that its

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ Id.

¹⁶ 15 U.S.C. 78f(b)(4)

proposal to reduce the additive rebate associated with securities priced below \$1.00 in LMM Add Volume Tiers 2 – 4 reflects a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange, which the Exchange believes would enhance market quality to the benefit of all Members. In particular, the Exchange believes its proposal to reduce the additive rebate associated with securities priced below \$1.00 in LMM Add Volume Tiers 2 – 4 is reasonable, equitable, and consistent with the Act because such change is designed to decrease the Exchange’s expenditures with respect to transaction pricing in order to offset some of the costs associated with the Exchange’s current pricing structure, which provides various rebates for liquidity-adding orders, and the Exchange’s operations generally, in a manner that is consistent with the Exchange’s overall pricing philosophy of encouraging added liquidity. The proposed reduced additive rebate of 0.15% of total dollar value is reasonable and appropriate because while it is slightly lower than the existing rebate, it remains competitive with other fees assessed by competing Exchanges offering similar LMM Add Volume Tiers.¹⁷ The Exchange further believes that the proposed reduction to the additive rebate associated with LMM Add Volume Tiers 2 – 4 is not unfairly discriminatory because it applies to all LMMs equally, in that all LMMs will receive the lower additive rebate upon satisfying the criteria associated with LMM Add Volume Tiers 2 – 4 in securities priced below \$1.00.

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. Rather, as discussed above, the Exchange believes that the proposed change would encourage the

¹⁷ See e.g., NYSE Arca Marketplace: Market Maker Fees and Credits, LMM Transaction Fees and Credits. NYSE Arca provides enhanced credits based on the quality of the market in an assigned ETP, but limits these credits to securities priced at or above \$1.00.

submission of additional order flow to a public exchange, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. As a result, the Exchange believes that the proposed changes further 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."

The Exchange believes the proposed rule changes do not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed change to reduce the additive rebate associated with securities priced below \$1.00 in LMM Add Volume Tiers 2 – 4 does not impose an unnecessary burden as all LMMs will receive the reduced additive rebate for orders that satisfy the criteria of LMM Add Volume Tiers 2 – 4 in securities priced below \$1.00. The Exchange does not believe the proposed changes burden competition, but rather, enhances competition as it is intended to increase the competitiveness of BZX by amending existing pricing incentives in order to attract order flow and incentivize participants to increase their participation on the Exchange. Greater overall order flow, trading opportunities, and pricing transparency benefits all market participants on the Exchange by enhancing market quality and continuing to encourage LMMs to send orders, thereby contributing towards a robust and well-balanced market ecosystem.

Next, the Exchange believes the proposed rule changes do not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and direct their order flow, including other equities exchanges, off-exchange venues, and alternative trading systems.

Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single equities exchange has more than 14% of the market share.¹⁸ Therefore, no exchange possesses significant pricing power in the execution of order flow. Indeed, participants can readily choose to send their orders to other exchange and 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.”¹⁹ 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’....”²⁰ Accordingly, the Exchange does not believe its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

¹⁸ Supra note 3.

¹⁹ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

²⁰ *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)).

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 Act²¹ and paragraph (f) of Rule 19b-4²² 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-2025-123 on the subject line.

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f).

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-2025-123. 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 filing 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-2025-123 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.²³

Sherry R. Haywood,
Assistant Secretary.

²³ 17 CFR 200.30-3(a)(12).