

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83855; File No. SR-CboeEDGA-2018-014)

August 15, 2018

Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Cboe EDGA Exchange, Inc.

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 August 1, 2018, Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) 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 Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposed rule change effective upon filing with the Commission. 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

The Exchange filed a proposal to amend the Exchange’s fee schedule applicable to its equities trading platform to: (1) eliminate rebates provided to orders in securities priced above \$1.00 that remove liquidity from the Exchange’s order book under fee codes DR, DT, HR, MT, and PT, and (2) increase the routing fee charged to orders routed to Investors Exchange LLC using the DIRC routing strategy under fee code IX.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

The text of the proposed rule change is available at the Exchange’s website at www.markets.cboe.com, at the principal office of the Exchange, 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 parts of such statements.

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

1. Purpose

The purpose of the proposed rule change is to amend the Exchange’s fee schedule applicable to its equities trading platform (“EDGA Equities”) to: (1) eliminate rebates provided to orders in securities priced above \$1.00 that remove liquidity from the Exchange’s order book under fee codes DR,⁵ DT,⁶ HR,⁷ MT,⁸ and PT,⁹ and (2) increase the routing fee charged to orders

⁵ DR and DT are associated with MidPoint Discretionary Orders (“MDOs”) that remove liquidity, either not within discretionary range (i.e., DR) or within discretionary range (i.e., DT).

⁶ Id.

⁷ HR is associated with Non-Displayed orders that remove liquidity.

⁸ MT is associated with Non-Displayed orders that remove liquidity using Mid-Point Peg.

⁹ PT is associated with orders that remove liquidity from EDGA using RMPT or RMPL routing strategy.

routed to Investors Exchange LLC (“IEX”) using the DIRC¹⁰ routing strategy under fee code IX.¹¹

Fee Codes DR, DT, HR, MT, and PT: Non-Displayed Remove Fee

The Exchange charges fees based on an inverted fee structure where orders are provided rebates for removing liquidity and charged a fee for adding liquidity. Currently, both displayed and non-displayed orders in securities priced at or above \$1.00 are provided a rebate of \$0.00040 for removing liquidity. The Exchange proposes to eliminate the rebate for orders that remove liquidity from the Exchange’s order book under fee codes DR, DT, HR, MT, and PT, which all relate to liquidity removing orders that contain either an explicit non-displayed instruction or a non-displayed discretionary component.¹² Orders executed under these fee codes will receive free executions instead of a rebate.

Fee Code IX: IEX Routing Fees

Currently, the fee schedule provides that orders in securities priced at or above \$1.00 routed to IEX using the Destination Specific (i.e., “DIRC”) routing strategy are charged a fee of \$0.0010 per share under fee code IX. The Exchange proposes to increase the routing fee charged to orders routed to IEX to \$0.0030 so that the Exchange can recoup increased costs associated with routing order flow to that market.

2. Statutory Basis

¹⁰ Destination Specific or “DIRC” is a routing option under which an order checks the System for available shares and then is sent to an away trading center or centers specified by the User. See Rule 11.11(g)(14).

¹¹ IX is associated with orders routed to IEX using the DIRC routing strategy.

¹² While MDOs may be displayed or non-displayed, these orders contain a non-displayed discretionary component to execute at prices up (down) to and including the midpoint of the NBBO. See Rule 11.8(e).

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,¹³ in general, and furthers the objectives of Section 6(b)(4),¹⁴ in particular, 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.

Fee Codes DR, DT, HR, MT, and PT: Non-Displayed Remove Fee

The Exchange believes that the proposed fees for non-displayed orders are reasonable. While the Exchange currently provides a rebate for both displayed and non-displayed orders that remove liquidity, the Exchange has determined to instead charge no fee for non-displayed orders. This change is designed to incentivize Members to enter displayed liquidity on the Exchange since displayed orders would be eligible for rebates when removing liquidity while non-displayed orders would not. Furthermore, the Exchange's inverted fee structure would continue to incentivize liquidity takers since orders that remove liquidity would remain eligible for better pricing – including rebates for displayed orders and free executions for non-displayed orders – than orders that add liquidity and are charged a fee. In addition, the Exchange believes that this change is equitable and not unfairly discriminatory because the proposed taker fees would apply equally to all Members that choose to enter non-displayed orders. Members that would prefer to receive a rebate for orders that remove liquidity can utilize a range of displayed order types offered by the Exchange, thereby promoting a more transparent market.

Fee Code IX: IEX Routing Fees

As other exchanges amend the fees charged for accessing liquidity, the Exchange believes that it is appropriate to amend its own routing fees so that it can recoup costs associated

¹³ 15 U.S.C. 78f.

¹⁴ 15 U.S.C. 78f(b)(4).

with routing orders to such away markets. The Exchange believes that the proposed fees for orders routed to IEX are reasonable and equitable because they reflect the costs associated with executing orders on IEX and additional operational expenses incurred by the Exchange. The Exchange is proposing to increase its routing fees due to an announced change in IEX's fee schedule that would result in a significant increase in the transaction fees being charged by IEX to some orders, including orders routed by the Exchange.¹⁵ The Exchange believes that it is reasonable and equitable to pass these increased costs to Members that use the Exchange to route orders to that market. Members that do not wish to pay the proposed fee can send their routable orders directly to IEX instead of using routing functionality provided by the Exchange. The Exchange also believes that this change is equitable and not unfairly discriminatory because the proposed fees would apply equally to all Members that use the Exchange to route orders to IEX using the DIRC routing strategy. 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 changes to the non-displayed remove fees are designed to incentivize displayed liquidity, which the Exchange believes will benefit all market participants by encouraging a transparent and competitive market. Furthermore, the proposed change to the IEX routing fee is meant to recoup costs associated with executing orders on that market, and is therefore not designed to have any significant impact on competition. The Exchange operates in

¹⁵ See SR-IEX-2018-16 (pending publication).

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 Act¹⁶ and paragraph (f) of Rule 19b-4 thereunder.¹⁷ 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.

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-CboeEDGA-2018-014 on the subject line.

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 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-CboeEDGA-2018-014. 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 this filing will also 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-CboeEDGA-2018-014 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.¹⁸

Eduardo A. Aleman
Assistant Secretary

¹⁸ 17 CFR 200.30-3(a)(12).