

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-99012; File No. SR-CboeEDGA-2023-020)

November 22, 2023

Self-Regulatory Organizations; Cboe EDGA 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 November 10, 2023, 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 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 EDGA Exchange, Inc. (the “Exchange”) 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/edga/), 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 Fee Schedule applicable to its equities trading platform (“EDGA Equities”) by modifying its Add/Remove Volume Tiers. The Exchange proposes to implement these changes effective November 1, 2023.³

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,⁴ no single registered equities exchange has more than 17% 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 flow. The Exchange in particular operates a “Taker-Maker” model whereby it pays credits to members that remove liquidity and assesses fees to those that add liquidity. The Exchange’s Fee Schedule sets forth the standard rebates and rates applied per share for orders that remove and provide liquidity, respectively. Currently, for orders in securities priced at or above \$1.00, the

³ The Exchange initially filed the proposed fee change on November 1, 2023 (SR-CboeEDGA-2023-019). On November 10, 2023, the Exchange withdrew that filing and submitted this proposal.

⁴ See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (October 27, 2023), available at https://www.cboe.com/us/equities/market_statistics/.

Exchange provides a standard rebate of \$0.00160 per share for orders that remove liquidity and assesses a fee of \$0.0030 per share for orders that add liquidity.⁵ For orders in securities priced below \$1.00, the Exchange does not assess any fees or provide any rebates for orders that add or remove liquidity.⁶ 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.

Add/Remove Volume Tiers

Under footnote 7 of the Fee Schedule, the Exchange currently offers various Add/Remove Volume Tiers. In particular, the Exchange offers three Add Volume Tiers that each assess a reduced fee for Members' qualifying orders yielding fee codes 3,⁷ 4,⁸ B,⁹ V,¹⁰ and Y,¹¹ where a Member reaches certain add volume-based criteria. The Exchange is proposing to introduce a new Add Volume Tier 4. The proposed criteria is as follows:

⁵ See EDGA Equities Fee Schedule, Standard Rates.

⁶ Id.

⁷ Fee code 3 is appended to orders that add liquidity to EDGA in Tape A or Tape C securities during the pre and post market.

⁸ Fee code 4 is appended to orders that add liquidity to EDGA in Tape B securities during the pre and post market.

⁹ Fee code B is appended to orders that add liquidity to EDGA in Tape B securities.

¹⁰ Fee code V is appended to orders that add liquidity to EDGA in Tape A securities.

¹¹ Fee code Y is appended to orders that add liquidity to EDGA in Tape C securities.

- Proposed Tier 4 assesses a reduced fee of \$0.0014 per share for securities priced at or above \$1.00 to qualifying orders (i.e., orders yielding fee codes 3, 4, B, V, or Y) where a Member adds or removes an ADV¹² \geq 0.90% of the TCV.¹³

The Exchange believes that proposed Add Volume Tier 4 will incentivize Members to add volume to and remove volume from the Exchange, thereby contributing to a deeper and more liquid market, which benefits all market participants and provides greater execution opportunities on the Exchange. The Exchange further believes the proposed reduced fee associated with proposed Add Volume Tier 4 provides a fee commensurate with the difficulty of meeting the criteria associated with the tier.

In addition to the Add Volume Tiers offered under footnote 7, the Exchange also offers three Remove Volume Tiers that each provide an enhanced rebate for Members' qualifying orders yielding fee codes N,¹⁴ W,¹⁵ 6¹⁶ and BB,¹⁷ where a Member reaches certain remove volume-based criteria. Currently Members who satisfy the criteria of Remove Volume Tier 2 receive an enhanced rebate of \$0.0022 per share for securities priced at or above \$1.00. The Exchange now proposed to revise the enhanced rebate associated with Remove Volume Tier 2. As proposed, Members who satisfy the criteria of Remove Volume Tier 2 will receive an enhanced rebate of \$0.0020 per share for securities priced at or above \$1.00. The purpose of reducing the enhanced rebate associated with Remove Volume Tier 2 is for business and

¹² "ADV" means average daily volume calculated as the number of shares added to, removed from, or routed by, the Exchange, or any combination or subset thereof, per day. ADV is calculated on a monthly basis.

¹³ "TCV" means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

¹⁴ Fee code N is appended to orders that remove liquidity from EDGA in Tape C securities.

¹⁵ Fee code W is appended to orders that remove liquidity from EDGA in Tape A securities.

¹⁶ Fee code 6 is appended to orders that remove liquidity from EDGA in all tapes in the pre and post market.

¹⁷ Fee code BB is appended to orders that remove liquidity from EDGA in Tape B securities.

competitive reasons, as the Exchange believes that reducing such rebate 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 notes that despite the modest decrease in the enhanced rebate associated with Remove Volume Tier 2, the enhanced rebate remains competitive and continues to be in-line with the enhanced rebate provided under Remove Volume Tier 1 and Remove Volume Tier 3 (discussed *infra*).

Additionally, the Exchange proposes to amend Remove Volume Tier 3. Currently, the criteria for Remove Volume Tier 3 is as follows:

- Remove Volume Tier 3 provides an enhanced rebate of \$0.0024 per share for securities priced at or above \$1.00 to qualifying orders (i.e., orders yielding fee codes N, W, 6, or BB) where 1) Member adds or removes a Step-Up ADV from May 2021 $\geq 0.05\%$ of the TCV or Member adds or removes a Step-Up ADV from May 2021 $\geq 3,000,000$ shares; and 2) Member adds an ADV $\geq 0.05\%$ or Member adds an ADV $\geq 3,000,000$ shares.

The proposed criteria for Remove Volume Tier 3 is as follows:

- Proposed Remove Volume Tier 3 provides an enhanced rebate of \$0.0022 per share for securities priced at or above \$1.00 to qualifying orders (i.e., orders yielding fee codes N, W, 6, or BB) where a Member adds or removes an ADV $\geq 0.25\%$ of the TCV.

The proposed criteria is less stringent than the current criteria as the proposed criteria does not have a Step-Up ADV component. The Exchange believes that proposed Remove Volume Tier 3 will incentivize Members to add volume to and remove volume from the

Exchange, thereby contributing to a deeper and more liquid market, which benefits all market participants and provides greater execution opportunities on the Exchange. While the proposed rebate under Remove Volume Tier 3 is less than the current rebate provided under such tier, the Exchange believes the proposed enhanced rebate associated with proposed Remove Volume Tier 3 provides a rebate commensurate with the difficulty of meeting the criteria associated with the tier and is in-line with the enhanced rebates provided under Remove Volume Tiers 1 and 2.

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.¹⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ 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)²⁰ 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)²¹ as it is designed to provide for the

¹⁸ 15 U.S.C. 78f(b).

¹⁹ 15 U.S.C. 78f(b)(5).

²⁰ Id.

²¹ 15 U.S.C. 78f(b)(4)

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 proposal to introduce Add Volume Tier 4, reduce the rebate provided under Remove Volume Tier 2, and modify Remove Volume Tier 3 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. Additionally, the Exchange notes that relative volume-based incentives and discounts have been widely adopted by exchanges,²² including the Exchange,²³ and are reasonable, equitable and non-discriminatory because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to (i) the value to an exchange's market quality and (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns. Competing equity exchanges offer similar tiered pricing structures, including schedules of rebates and fees that apply based upon members achieving certain volume and/or growth thresholds, as well as assess similar fees or rebates for similar types of orders, to that of the Exchange.

In particular, the Exchange believes its proposal to introduce Add Volume Tier 4 and modify Remove Volume Tiers 2 and 3 is reasonable because the tiers will be available to all Members and provide all Members with an additional opportunity to receive a reduced fee or an

²² See e.g., BYX Equities Fee Schedule, Footnote 1, Add/Remove Volume Tiers.

²³ See e.g., EDGA Equities Fee Schedule, Fee Codes 3 and 6.

enhanced rebate. The Exchange further believes that despite any proposed reduced rebates, the proposed Add Volume Tier 4 and modified Remove Volume Tiers 2 and 3 will provide a reasonable means to encourage adding and/or removing displayed orders in Members' order flow to the Exchange and to incentivize Members to continue to provide volume to the Exchange by offering them an additional opportunity to receive a reduced fee or an enhanced rebate on qualifying orders. An overall increase in activity would deepen the Exchange's liquidity pool, offers additional cost savings, support the quality of price discovery, promote market transparency and improve market quality, for all investors.

In addition, the Exchange believes that its proposal to lower the enhanced rebate paid to Members that satisfy the criteria of Remove Volume Tier 2 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-removing 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 lower enhanced rebate (\$0.0020 per share) is reasonable and appropriate because it represents only a modest decrease from the current enhanced rebate (\$0.0022 per share) and remains competitive with the reduced fees offered under Remove Volume Tier 1 and proposed Remove Volume Tier 3. The Exchange further believes that the proposed decrease to the enhanced rebate associated with Remove Volume Tier 2 is not unfairly discriminatory because it applies to all Members equally, in that all Members will receive the reduced fee upon satisfying the criteria of Remove Volume Tier 2.

Similarly, the Exchange believes its proposal to lower the enhanced rebate to Members that satisfy the criteria of Remove Volume Tier 3 is reasonable, equitable, and consistent with the Act because such is commensurate with the new proposed criteria. As noted above, the proposed criteria under Remove Volume Tier 3 is less stringent than the existing criteria as there is no Step-Up ADV component. The Exchange further believes that the proposed decrease to the enhanced rebate associated with Remove Volume Tier 3 is not unfairly discriminatory because it applies to all Members equally, in that all Members will receive the reduced fee upon satisfying the criteria of Remove Volume Tier 3.

The Exchange believes the proposed Add Volume Tier 4 and the proposed modified Remove Volume Tier 3 are reasonable as they do not represent a significant departure from the criteria currently offered in the Fee Schedule. The Exchange also believes that the proposal represents an equitable allocation of fees and rebates and is not unfairly discriminatory because all Members will be eligible for the new and revised tiers and have the opportunity to meet the tiers' criteria and receive the corresponding reduced fee or enhanced rebate if such criteria are met. Without having a view of activity on other markets and off-exchange venues, the Exchange has no way of knowing whether these proposed rule changes would definitely result in any Members qualifying for the new proposed tiers. While the Exchange has no way of predicting with certainty how the proposed changes will impact Member activity, based on the prior months volume, the Exchange anticipates that at least one Member will be able to satisfy proposed Add Volume Tier 4, and at least five Members will be able to satisfy proposed Remove Volume Tier 3. The Exchange also notes that the proposed changes will not adversely impact any Member's ability to qualify for reduced fees or enhanced rebates offered under other tiers. Should a

Member not meet the proposed new criteria, the Member will merely not receive that corresponding enhanced rebate or reduced fee.

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 changes would encourage the 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 introduction of Add Volume Tier 4 and the proposed changes to Remove Volume Tiers 2 and 3 will apply to all Members equally in that all Members are eligible for each of the Tiers, have a reasonable opportunity to meet the Tiers' criteria and will receive the reduced fee or enhanced rebate on their qualifying orders if such criteria are met. The Exchange does not believe the proposed changes burden competition, but rather, enhance competition. Despite any proposed reduced rebate, the Exchange's fee structure is intended to increase the competitiveness of EDGA by adopting a new pricing incentive and amending existing pricing incentives in order to attract order flow and incentivize participants to increase their participation on the Exchange, providing for additional execution opportunities for market participants and improved price transparency. Greater overall order flow, trading opportunities,

and pricing transparency benefits all market participants on the Exchange by enhancing market quality and continuing to encourage Members to send orders, thereby contributing towards a robust and well-balanced market ecosystem.

Next, the Exchange believes the proposed rule changes does 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 17% of the market share.²⁴ 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.”²⁵ 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.’ ...

²⁴ Supra note 3 [sic].

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

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’....”²⁶ 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.

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 Act²⁷ and paragraph (f) of Rule 19b-4²⁸ 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.

²⁶ 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)).

²⁷ 15 U.S.C. 78s(b)(3)(A).

²⁸ 17 CFR 240.19b-4(f).

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-CboeEDGA-2023-020 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-CboeEDGA-2023-020. 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-CboeEDGA-2023-020 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.²⁹

Christina Z. Milnor,

Assistant Secretary.

²⁹ 17 CFR 200.30-3(a)(12).