

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-99983; File No. SR-CboeEDGA-2024-014)

April 17, 2024

Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fees Schedule Regarding Dedicated Cores

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 12, 2024, Cboe EDGA Exchange, Inc. (the “Exchange” or “EDGA”) 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 EDGA Exchange, Inc. (the “Exchange” or “EDGA Equities”) proposes to amend its Fees 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/](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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 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 to amend the fees and increase the maximum cap for Dedicated Cores.<sup>3</sup>

By way of background, the Exchange recently began to allow Users<sup>4</sup> to assign a Single Binary Order Entry (“BOE”) logical order entry port<sup>5</sup> to a single dedicated Central Processing Unit (CPU Core) (“Dedicated Core”). Historically, CPU Cores had 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 however, 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 offering is completely voluntary and is available to all Users that wish to purchase Dedicated Cores. Users may utilize BOE logical order entry ports on shared CPU Cores, either in lieu of, or in addition to, their use of Dedicated Core(s). As such, Users are able to operate across a mix of shared and dedicated CPU Cores which the Exchange believes provides additional risk and capacity management.

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<sup>3</sup> The Exchange initially filed the proposed rule change on April 1, 2024 (SR-CboeEDGA-2024-012). On April 12, 2024, the Exchange withdrew that filing and submitted this filing.

<sup>4</sup> 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.

<sup>5</sup> 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.

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.

The Exchange currently assesses the following monthly fees for those Users that wish to use Dedicated Cores: \$650 per Dedicated Core for the first 3 Dedicated Cores; \$1,050 per Dedicated Core for the 4th-6th Dedicated Cores; and \$1,450 per Dedicated Core for 7 or more Dedicated Cores. The proposed fees are progressive and are assessed and applied in their entirety and are not prorated. The monthly Dedicated Core fees are in addition to the standard per port fee assessed to Users for the BOE Logical Port(s) ports assigned to the Dedicated Core(s).<sup>6</sup> The Exchange notes the current standard fees assessed for BOE Logical Ports, whether used with Dedicated or shared CPU cores, are applicable and unchanged.<sup>7</sup>

Since the Exchange currently has finite amount of space in its data centers in which its servers (and therefore corresponding CPU Cores) are located, the Exchange has also prescribed a maximum limit on the number of Dedicated Cores that Users may purchase each month. Particularly, the Exchange currently provides that Members are limited to a maximum number of 10 Dedicated Cores and Sponsoring Members are limited to a maximum number of 4 Dedicated Cores for each of their Sponsored Access relationships.<sup>8</sup> The purpose of establishing these limits is to manage the allotment of Dedicated Cores in a fair manner and to prevent the Exchange from being required to expend large amounts of resources in order to provide an unlimited number of Dedicated Cores.

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<sup>6</sup> The Exchange currently assesses \$550 per port per month. See Cboe EDGA Equities Fee Schedule.

<sup>7</sup> See Cboe U.S. Equities Fees Schedules, EDGA Equities, Logical Port Fees.

<sup>8</sup> The Exchange announced the initial limit via Exchange Notice which was issued on January 29, 2024. [https://cdn.cboe.com/resources/release\\_notes/2024/Cboe-Global-Markets-to-Introduce-Cboe-Dedicated-Cores-for-EDGA-Equities.pdf](https://cdn.cboe.com/resources/release_notes/2024/Cboe-Global-Markets-to-Introduce-Cboe-Dedicated-Cores-for-EDGA-Equities.pdf).

The Exchange now proposes to amend these fees and maximum limits. First the Exchange proposes to provide up to two Dedicated Cores to all Users who wish to use Dedicated Cores, at no additional cost. The Exchange also proposes to amend the Fees such that it proposes to charge: \$650 per Dedicated Core for 3-10 Dedicated Cores; \$850 per Dedicated Core for 11 – 15 Dedicated Cores; and \$1,050 per Dedicated Core for 16 or more Dedicated Cores. The Exchange notes the proposed fees will continue to be progressive and the Exchange proposes to update the current example in the fees schedule to maintain clarity as to how they are applied.<sup>9</sup>

The Exchange also proposes to increase the current maximum number of Dedicated Cores that Users may purchase. In particular, the Exchange continually monitors market participant demand and resource availability and endeavors to adjust the limit if and when the Exchange is able to accommodate additional CPU Cores (including Dedicated Cores). In response to market participant demand and the ability to now accommodate additional Dedicated Cores, the Exchange is proposing to double the current maximum of Dedicated Cores that Users may purchase. Particularly, the Exchange proposes to provide that Members will be limited to a maximum number of 20 Dedicated Cores<sup>10</sup> and Sponsoring Members will be limited to a maximum number of 8 Dedicated Cores for each of their Sponsored Access relationships.<sup>11</sup> The

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<sup>9</sup> Particularly, the Exchange will provide that if a User were to purchase 11 Dedicated Cores, it will be charged a total of \$6,050 per month ( $\$0 * 2 + \$650 * 8 + \$850 * 1$ ).

<sup>10</sup> The prescribed maximum quantity of Dedicated Cores for Members applies regardless of whether that Member purchases the Dedicated Cores directly from the Exchange and/or through a Service Bureau. In a Service Bureau relationship, a customer allows its MPID to be used on the ports of a technology provider, or Service Bureau. One MPID may be allowed on several different Service Bureaus.

<sup>11</sup> The fee tier(s) applicable to Sponsoring Members are determined on a per Sponsored Access relationship basis and not on the combined total of Dedicated Cores across Sponsored Users. For example, under the proposed changes, a Sponsoring Member that has two Sponsored Access relationships is entitled to a total of 16 Dedicated Cores for those 2 Sponsored Access relationships but would be assessed fees separately based on the 8 Dedicated Cores for each Sponsored User (instead of combined total of 16 Dedicated Core). For example, a Sponsoring Member with 2 Sponsored Access relationships would be provided 2 Dedicated Cores at no additional cost for each Sponsored User under Tier 1 (total of 4 Dedicated Cores at no

Exchange notes that it will continue monitoring Dedicated Core interest by all Users and allotment availability with the goal of increasing these limits to meet Users' needs.

## 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.<sup>12</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>13</sup> 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)<sup>14</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4)<sup>15</sup> of the Act, which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Members and other persons using its facilities.

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additional cost) and provided an additional 6 Dedicated Cores for each Sponsored User under Tier 2 (total 12 Dedicated Cores) at \$650 per month.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> Id.

<sup>15</sup> 15 U.S.C. 78f(b)(4).

The Exchange believes the proposed changes are reasonable because they provide any Users who wishes to utilize Dedicated Cores up to two Dedicated Cores at no additional cost. Additionally, the proposed changes generally result in reduced fees for Users. For example, only the first three Dedicated Cores are currently assessed the lower \$650 per Dedicated Core rate and Dedicated Core quantities above 3 are assessed a higher rate of either \$1,050 or \$1,450, depending on how many Dedicated Cores a User purchased. As proposed, Users not only get the first two Dedicated Cores for free, but up to 8 additional Dedicated Cores at the lower \$650 rate. The Exchange also proposes to reduce the fee rates for the next two tiers as well (i.e., \$850 per Dedicated Cores for 11 – 15 Dedicated Cores and \$1,050 for 16 – 20 Dedicated Cores).

The Exchange also believes the proposed fees are reasonable as Dedicated Cores provide a valuable service that can provide reduced latency, enhanced throughput, and improved performance compared to use of a shared CPU Core since a firm using a Dedicated Core is utilizing the full processing power of a CPU Core. Dedicated Cores continue to not be necessary for trading and as noted above, are 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 believes the proposal to operate across a mix of shared and dedicated CPU Cores may further provide additional risk and capacity management. If a User finds little benefit in having Dedicated Cores however, or determines Dedicated Cores are not cost-efficient for its needs or does not provide sufficient value to the firm, such User may continue its use of the shared CPU Cores, unchanged or determine not to purchase additional Dedicated Cores. Indeed, the

Exchange has no plans to eliminate shared CPU Cores nor to require Users to purchase Dedicated Cores.

The Exchange also believes that the proposed Dedicated Core fees are equitable and not unfairly discriminatory because they continue to be assessed uniformly to similarly situated users in that all Users who choose to purchase Dedicated Cores will be subject to the same proposed tiered fee schedule. Further all Users are entitled to up to 2 Dedicated Cores at no additional cost. The Exchange believes the proposed ascending fee structure is also reasonable, equitable and not unfairly discriminatory as it is designed so that firms that use a higher allotment of the Exchange's finite number of Dedicated Cores pay higher rates, rather than placing that burden on market participants that have more modest needs who will have the flexibility of obtaining Dedicated Cores at lower price points in the lower tiers. As such, the proposed fees do not favor certain categories of market participants in a manner that would impose a burden on competition; rather, the ascending fee structure reflects the resources consumed by the various needs of market participants— that is, the lowest Dedicated Core consuming Users pay the least, and highest Dedicated Core consuming Users pay the most. Other exchanges similarly assess higher fees to those that consume more Exchange resources.<sup>16</sup> It's also designed to encourage firms to manage their needs in a fair manner and to prevent the Exchange from being required to expend large amounts of resources in order to provide an additional number of Dedicated Cores.

The Exchange also believes it's reasonable, equitable and not unfairly discriminatory to increase the maximum number of Dedicated Cores permitted because Users will be able to avail themselves of additional Dedicated Cores should they so choose. As noted above, the Exchange

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<sup>16</sup> See also Cboe U.S. Options Fees Schedule, BZX Options, Options Logical Port Fees, Ports with Bulk Quoting Capabilities.

continually monitors market participant demand and resource availability with the goal to increase the Dedicated Cores limits to meet Users' needs if and when the Exchange is able to do so. The Exchange proposes to increase the limits for Dedicated Cores based on recent market participant demand and the ability to accommodate additional Dedicated Cores as compared to when the Exchange first launched Dedicated Cores. The Exchange notes that it's reasonable to still maintain a maximum number of Dedicated Cores Users can purchase because the Exchange continues to have a finite amount of space in its data centers. The proposed limits also apply uniformly to similarly situated market participants (i.e. all Members are subject to the same Exchange-prescribed limit and all Sponsored Participants are subject to the same Exchange-prescribed limit, respectively). The Exchange believes it's not unfairly discriminatory to provide for different limits for different types of users. For example, the Exchange believes it's not unfairly discriminatory to provide for an initial lower limit to be allocated for Sponsored Participants because unlike Members, Sponsored Participants are able to access the Exchange without paying a Membership Fee. Members also have more regulatory obligations and risk that Sponsored Participants do not. For example, while Sponsored Participants must agree to comply with the Rules of the Exchange, it is the Sponsoring Member of that Sponsored Participant that remains ultimately responsible for all orders entered on or through the Exchange by that Sponsored Participant. The industry also has a history of applying fees differently to Members as compared to Sponsored Participants.

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 intramarket competition that is not necessary in furtherance of the purposes of the Act because the proposed tiered fee structure will apply equally to all similarly situated Users that choose to use Dedicated Cores. As discussed above, Dedicated Cores are optional and Users may choose



to utilize Dedicated Cores, or not, based on their views of the additional benefits and added value provided by utilizing a Dedicated Core. The Exchange believes the proposed fee will be assessed proportionately to the potential value or benefit received by Users with a greater number of Dedicated Cores and notes that Users may determine at any time to cease using Dedicated Cores. As discussed, Users can also continue to access the Exchange through shared CPU Cores at no additional cost. Finally, all Users will be entitled to two Dedicated Cores at no additional cost.

Next, the Exchange believes the proposed rule change 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, including competition for exchange memberships. Market Participants have numerous alternative venues that they may participate on, including 15 other equities exchanges, as well as off-exchange venues, where competitive products are available for trading. Indeed, participants can readily choose to submit their order flow 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.”<sup>17</sup> 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.

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<sup>17</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

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’ ....”<sup>18</sup> Accordingly, the Exchange does not believe its proposed 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 Act<sup>19</sup> and paragraph (f) of Rule 19b-4<sup>20</sup> 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.

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<sup>18</sup> 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)).

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 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](mailto:rule-comments@sec.gov). Please include file number SR-CboeEDGA-2024-014 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-2024-014. 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-2024-014 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.<sup>21</sup>

**Vanessa A. Countryman,**

*Secretary.*

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<sup>21</sup> 17 CFR 200.30-3(a)(12).