

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-86352; File No. SR-CboeEDGX-2019-044)

July 11, 2019

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Fee Schedule Applicable to Members and Non-Members of the Exchange Pursuant to EDGX Rules 15.1(a) and (c)

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 July 1, 2019, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) 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 EDGX Exchange, Inc. (the “Exchange” or “EDGX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the fee schedule applicable to Members and non-Members³ of the Exchange pursuant to EDGX Rules 15.1(a) and (c). 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.

³ A Member is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/options/regulation/rule_filings/edgx/), 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 proposes to amend its fee schedule applicable to its options trading platform ("EDGX Options") in connection with the fee assessed for Customer orders in Mini-SPX Index ("XSP") options (yielding fee code XC), as well as add certain XSP-related fee codes to the Automated Improvement Mechanism ("AIM") Pricing table, effective July 1, 2019.

The Exchange currently provides a standard rebate of \$0.05 for Customer orders in XSP (an Exchange proprietary product). The Exchange no longer wishes to provide a rebate for Customer XSP transactions and now proposes to remove the current rebate and amend the fee schedule so that Customer orders in XSP will be free. The Exchange notes that it currently assesses no charge or a marginal charge on other Customer transactions. For example, the Exchange does not charge a transaction fee for Customer Agency orders in an AIM auction (including Customer-to-Customer orders and AIM Agency orders in

XSP), for certain Customer complex orders (including complex orders leg into the Simple Book and Customer-to-Customer complex orders), and Qualified Contingent Cross (“QCC”) orders (both Agency and Contra QCC orders).

In addition to this, the Exchange also proposes to add the fee codes for AIM-related orders in XSP to Footnote 6 and add references to the fee codes in the AIM Pricing table under Footnote 6. This includes fee code XD, appended to Customer AIM orders in XSP, and fee code XB, appended to Customer-to-Customer Immediate Cross AIM orders in XSP. The AIM Pricing table summarizes AIM fees and rebates for orders that transact in an AIM Auction (specifically, orders that yield fee codes, BA⁴, BB⁵, BC⁶, BD⁷, BE⁸, and CC⁹, already provided for in the Fee Codes and Associated Fees section of the fee schedule, in a table form and includes a provision regarding AIM Break-Up Credits for such orders (as described below). By way of background, AIM includes functionality in which a Member (an “Initiating Member”) may electronically submit for execution an order it represents as agent on behalf of a Priority Customer,¹⁰ broker dealer,

⁴ Fee code BA is appended to Non-Customer AIM orders and is assessed a fee of \$0.20 per share.

⁵ Fee code BB is appended to AIM Contra orders and is assessed a fee of \$0.05 per share.

⁶ Fee code BC is appended to AIM Agency Customer orders and is provided a rebate of \$0.14 per share.

⁷ Fee code BD is appended to AIM Responder Penny Pilot orders and is assessed a fee of \$0.50 per share.

⁸ Fee code BE is appended to AIM Responder Non-Penny Pilot orders and is assessed a fee of \$1.05 per share.

⁹ Fee code CC is appended to AIM Customer-to-Customer Immediate Cross orders and is free.

¹⁰ The term “Priority Customer” means any person or entity that is not: (A) A broker or dealer in securities; or (B) a Professional. The term “Priority Customer Order” means an order for the account of a Priority Customer. See Rule 16.1.

or any other person or entity (“Agency Order”) against principal interest or against any other order it represents as agent (an “Initiating Order”) provided it submits the Agency Order for electronic execution into the AIM Auction pursuant Rule 21.19. All options traded on EDGX Options are eligible for AIM. The Exchange notes that any person or entity other than the Initiating Member may submit responses to an Auction. An AIM Auction takes into account responses to the Auction as well as interest resting on the Exchange's order book at the conclusion of the auction (“unrelated orders”), regardless of whether such unrelated orders were already present on the Exchange's order book when the Agency Order was received by the Exchange or were received after the Exchange commenced the applicable Auction. If contracts remain from one or more unrelated orders at the time the Auction ends, they will be considered for participation in the AIM order allocation process. The Exchange also applies an AIM Break-Up Credit to the Member that submits an AIM Agency Order, including a Member who routes an order to the Exchange with a Designated Give Up, when the AIM Agency Order trades with an AIM Responder Order. Currently, the AIM Break-Up Credit provided with respect to an AIM Auction in a Penny Pilot Security is \$0.25 per contract and the AIM Break-Up Credit provided with respect to an AIM Auction in a Non-Penny Pilot Security is \$0.60 per contract.

In April 2019, the Exchange added to its fee schedule certain fee codes related to orders in XSP, including for Customer AIM orders in XSP (yielding fee code XD) and AIM Customer-to-Customer Immediate Cross orders in XSP (orders yielding fee code XB). At this time, however, the Exchange inadvertently neglected to add such AIM-related Customer XSP fee codes to the AIM Pricing table and adopt AIM Break-Up

Credits for orders yielding XB and XD. The Exchange now proposes to add these fee codes to Footnote 6, including adding references in the AIM Pricing table in order to provide additional clarity to Members regarding AIM-related Customer orders in XSP, as well as apply the AIM Break-Up Credit to orders yielding fee codes XD and XB. As stated, the AIM Pricing table merely summarizes AIM fees and rebates for orders yielding certain fee codes, that are already provided for in the Fee Codes and Associated Fees section of the fee schedule, and the AIM Break-Up Credit already applies to the other AIM-related orders found within the Fee Codes and Associated Fees section.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,¹¹ in general, and furthers the requirements of Section 6(b)(4),¹² in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that its proposed change to assess no charge for Customer transactions in XSP is consistent with Section 6(b)(4) of the Act in that the proposal is reasonable, equitable and not unfairly discriminatory. The Exchange believes that it is reasonable and equitable to assess no charge for Customer transactions in XSP because Customers won't have to pay any fee for XSP transactions. Moreover, it is in line with multiple other types of Customer orders for which the Exchange does not assess a fee. As described above, the Exchange currently does not charge a transaction fee for various other Customer orders in an AIM auction, various Customer complex orders, nor for

¹¹ 15 U.S.C. 78f.

¹² 15 U.S.C. 78f(b)(4).

Customer QCC orders. The Exchange believes that, although it is eliminating the rebate for Customer XSP orders, the proposal to not assess any fees for such transactions will continue to incentivize Customer order flow in XSP, which enhances liquidity on the Exchange. This enhanced Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in Market Maker activity in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants.

The Exchange also believes that the proposed Customer transaction fee is equitable and not unfairly discriminatory because the proposed fee assessment (of no charge) will apply equally to all Customer transactions in XSP, i.e. all Customers will be assessed the same amount. Moreover, the Exchange notes that while Customer's will not be assessed any fees, as compared to other market participants¹³, the Exchange believes that the proposal to not assess any fee is equitable and not unfairly discriminatory because, as stated above, Customer order flow enhances liquidity on the Exchange, in turn providing more trading opportunities and attracting Marker-Makers to facilitate tighter spreads to the benefit of all market participants. Moreover, the options industry has a long history of providing preferential pricing to Customers, and the Exchange's

¹³ See EDGX Options Fee Schedule, "Fee Codes and Associated Fees", which assesses a fee of \$0.45 for all Firm orders in XSP, \$0.20 for all Market Maker liquidity adding orders in XSP, and \$0.48 for all Non-Market Maker/Non-Customer orders in XSP.

current Fee Schedule currently does so in many places, as do the fees structures of multiple other exchanges.¹⁴

That Exchange also believes that its proposed change to add fee codes XD and XB to the AIM Pricing table is consistent with Section 6(b)(4) of the Act in that the proposal is reasonable, equitable and not unfairly discriminatory. The Exchange believes that the proposed change is reasonable because it serves to update the AIM Pricing chart as a result of an inadvertent oversight. As stated, in April 2019, the Exchange added to its fee schedule certain fee codes related to orders in XSP, including for Customer AIM orders in XSP (yielding fee code XD) and AIM Customer-to-Customer Immediate Cross orders in XSP (orders yielding fee code XB), yet inadvertently failed to add such AIM-related Customer XSP fee codes to Footnote 6 at that time (which includes the applicability of the AIM Break-Up Credit under Footnote 6). In addition to this, the Exchange notes that the AIM Pricing table merely summarizes in table form AIM fees and rebates for orders yielding certain AIM-related fee codes, that are already provided for in the Fee Codes and Associated Fees section of the fee schedule (which currently includes fee codes XD and XB). Therefore, the Exchange believes that the proposed change to add these fee codes to the AIM Pricing table will provide additional clarity to Members by summarizing in table form the rates for their AIM-related orders in XSP, which already exist within the fee schedule. Moreover, the Exchange notes that the proposed AIM Break-Up Credits currently apply to the other AIM-related orders provided for in the Fee Codes and Associated Fees section.

¹⁴ See MIAX Options Fee Schedule, Transaction Fees, SPIKES, which gives preferential Customer [sic] treatment for transaction in MIAX Option's proprietary product, SPIKES. The Exchange notes XSP is an Exchange proprietary product.

The Exchange believes that the proposed change to add fee codes XD and XB to the AIM Pricing chart is equitable and not unfairly discriminatory because the rates for such orders yielding these fee codes are already in place, and the proposed change will not alter those rates or descriptions for such orders for any type of market participant. Instead, this change serves to provide additional clarity for all Members by adding these AIM-related fee codes to the summary table for AIM Pricing.

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 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. Specifically, the Exchange does not believe that the proposed change will impose any burden on intramarket competitions that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed change will apply uniformly to all Customers transacting in XSP. As described above, while no fee will be assessed for Customers, different market participants have different circumstances, such as the fact that preferential pricing to Customers is a long-standing options industry practice which serves to enhance Customer order flow, thereby attracting Marker-Makers to facilitate tighter spreads and trading opportunities to the benefit of all market participants. In addition to this, the Exchange notes that it currently assesses no charge for various other types of Customer orders.

In addition to this, the Exchange does not believe that the proposed change to add fee codes appended to AIM-related orders in XSP, which currently exist in the fee schedule, to Footnote 6 will impose a burden on intramarket competition. The AIM

Pricing table merely summarizes the fees and rebates for AIM-related orders that are currently found in the fee schedule and the proposed change serves to provide additional clarity regarding existing AIM-related orders in XSP by adding them to this table. Additionally, the AIM Break-Up Credits currently apply to the other AIM-related orders found within the fee schedule and the proposal to adopt AIM Break-Up Credits for orders yielding XD and XB will result in such orders being treated the same as all other AIM-related orders.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the rule change affects a proprietary product, which is traded exclusively on the Exchange and the Exchange's affiliate, Cboe Exchange, Inc.¹⁵

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 Act¹⁶ and paragraph (f) of Rule 19b-4¹⁷ 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

¹⁵ See Cboe Exchange, Inc. Fees Schedule.

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f).

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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2019-044 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-CboeEDGX-2019-044. 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, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will 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-CboeEDGX-2019-044 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
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).