

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-89970; File No. SR-CboeEDGX-2020-045)

September 23, 2020

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule

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 September 11, 2020, 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. 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/options/regulation/rule\\_filings/edgx/](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

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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 applicable to its equities trading platform (“EDGX Equities”) by: 1) amending certain standard rates; 2) adding a new fee code; 3) updating the Non-Displayed Add Volume Tiers; and 4) including a Remove Volume Tier.<sup>3</sup>

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 13 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 Exchange Act, to which market participants may direct their order flow. Based on publicly available information,<sup>4</sup> no single registered equities exchange has more than 18% 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 “Maker-Taker” model whereby it pays credits to members that provide 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 priced at or above \$1.00, the Exchange provides a standard

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<sup>3</sup> The Exchange initially filed the proposed fee changes on September 1, 2020 (SR-CboeEDGX-2020-044). On September 11, 2020, the Exchange withdrew that filing and submitted this proposal.

<sup>4</sup> See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (August 24, 2020), available at [https://markets.cboe.com/us/equities/market\\_statistics/](https://markets.cboe.com/us/equities/market_statistics/).

rebate of \$0.0017 per share for orders that add liquidity and assesses a fee of \$0.0027 per share for orders that remove liquidity. For orders priced below \$1.00, the Exchange a standard rebate of \$0.00003 per share for orders that add liquidity and assesses a fee of 0.30% of Dollar Value for orders that remove liquidity. 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.

#### Proposed Amendment to Standard Rebate for Securities Under \$1.00

As stated above, the Exchange currently offers a standard rebate of \$0.00003 for orders in securities below \$1.00 that add liquidity. The Exchange proposes to amend this standard rate by providing a standard rebate of \$0.00009 for orders that add liquidity in securities priced under \$1.00 and reflects this change in the Fee Codes and Associated Fee where applicable (i.e., corresponding to fee codes 3, 4, B, V, and Y). The Exchange notes that the proposed standard rate is in line with, yet also competitive with, rates assessed by other equities exchanges on orders in securities priced below \$1.00.<sup>5</sup> The Exchange notes, too, that its affiliated exchange, Cboe BZX Exchange, Inc. (“BZX Equities”), is simultaneously submitting a fee change to amend its same current standard rate for orders that add liquidity in securities under \$1.00 in the same manner.

#### Proposed New Fee Code

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<sup>5</sup> See NYSE Price List 2020, “Transactions in stocks with a per share stock price less than \$1.00”, which either does not assess a charge or assesses a charge of 0.3% for various orders in securities priced below \$1.00; and Nasdaq Pricing, “Rebates and Fees, Shares Executed Below \$1.00”, which assesses no change for orders to add liquidity in securities priced below \$1.00 and assesses a charge of 0.30% of total dollar volume for orders to remove liquidity in securities priced below \$1.00.

The Exchange proposed to add a new type of fee code in the Fee Code and Associated Fees table in the Fee Schedule. Specifically, the proposed fee code “ZM” is appended to Retail<sup>6</sup> Day or Regular Hours Only (“RHO”)<sup>7</sup> Orders that remove liquidity on arrival and are assessed no fee. Currently, such orders in securities priced at or above \$1.00 are assessed the standard fee of \$0.0027 to remove liquidity and such orders in securities priced below \$1.00 are assessed the standard fee of 0.30% of Dollar Value to remove liquidity.

#### Proposed Updates to the Non-Displayed Add Volume Tiers

Currently, the Exchange provides for three Non-Displayed Add Volume Tiers under footnote 1 of the Fee Schedule. These tiers offer enhanced rebates on Members’ orders yielding fee codes “DM”<sup>8</sup>, “HA”<sup>9</sup>, “MM”<sup>10</sup> and “RP”<sup>11</sup> where a Member reaches certain required volume-

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<sup>6</sup> See EDGX Rule 11.21(a)(1). A “Retail Order” is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. See EDGX Rule 11.21(a)(2). Retail Orders are submitted by a “Retail Member Organization” or “RMO”, which is a member (or a division thereof) that has been approved by the Exchange to submit such orders.

<sup>7</sup> “Day” is an instruction the User may attach to an order stating that an order to buy or sell which, if not executed, expires at the end of Regular Trading Hours. Any Day Order entered into the System before the opening for business on the Exchange, or after the closing of Regular Trading Hours, will be rejected. See EDGX Rule 11.6(q)(2). “Regular Hours Only (“RHO”) is an instruction a User may attach to an order designating it for execution only during Regular Trading Hours, which includes the Opening Process and Re-Opening Process following a halt suspension or pause. See EDGX Rule 11.6(q)(6).

<sup>8</sup> Appended to orders that add liquidity using MidPoint Discretionary order within discretionary range and are provided a rebate of \$0.00100.

<sup>9</sup> Appended to non-displayed orders that add liquidity and are provided a rebate of \$0.00100.

<sup>10</sup> Appended to non-displayed orders that add liquidity using Mid-Point Peg and are provided a rebate of \$0.00100.

<sup>11</sup> Appended to non-displayed orders that add liquidity using Supplemental Peg and are provided a rebate of \$0.00100.

based criteria offered in each tier. Specifically, the Non-Displayed Add Volume Tiers are as follows:

- Tier 1 provides an enhanced rebate of \$0.0015 for a Member's qualifying orders (i.e., yielding fee codes DM, HA, MM and RP) where a Member adds an ADV<sup>12</sup> greater than or equal to 1,000,000 shares as Non-Displayed orders that yield fee codes DM, HA, HI, MM or RP.
- Tier 2 provides an enhanced rebate of \$0.0022 for a Member's qualifying orders where a Member adds an ADV greater than or equal to 2,500,000 shares as Non-Displayed orders that yield fee codes DM, HA, HI, MM or RP.
- Tier 3 provides an enhanced rebate of \$0.0025 for a Member's qualifying orders where a Member adds an ADV greater than or equal to 7,000,000 shares as Non-Displayed orders that yield fee codes DM, HA, HI, MM or RP.

The Exchange proposes to update the criteria in each of the Non-Displayed Add Volume Tiers as follows below. The Exchange notes that the enhanced rebates currently provided in each tier remain the same.

- To meet the proposed criteria in Tier 1, a Member must have an ADAV greater than or equal to 0.01% of TCV for Non-Displayed orders that yield fee codes DM, HA, HI, MM or RP.
- To meet the proposed criteria in Tier 2, a Member must have an ADAV greater than or equal to 0.02% of TCV for Non-Displayed orders that yield fee codes DM, HA, HI, MM or RP.

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<sup>12</sup> "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.

- To meet the proposed criteria in Tier 3, a Member must have an ADAV greater than or equal to 0.05% of TCV for Non-Displayed orders that yield fee codes DM, HA, HI, MM or RP.

The Exchange notes that the proposed rule change also updates the language in each Tier to state “where a Member has an ADAV”, which essentially states the same requirement as “adds an ADV”, but is more appropriately aligned with the defined terms in the Fee Schedule.<sup>13</sup> Further, the Exchange does not believe that amending the current volume over a baseline number of shares criteria to, instead, be a percentage volume over TCV poses any significant increase or decrease in difficulty in reaching the Non-Displayed Add Volume Tiers, but only changes the format of the Non-Displayed Add Volume Tier criteria to be consistent with the format of the criteria in the other volume-based tiers offered under the Fee Schedule.<sup>14</sup>

#### Proposed Remove Volume Tier

The Exchange proposes to add a new Remove Volume Tier under footnote 1 of the Fee Schedule.<sup>15</sup> The proposed Remove Volume Tier offers a reduced remove fee of \$0.0026 in securities at or above \$1.00 and 0.28% of total dollar value for orders in securities below \$1.00<sup>16</sup> for orders yielding fee code “BB”<sup>17</sup>, “N”<sup>18</sup> and “W”<sup>19</sup> where a Member has an ADAV<sup>20</sup>

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<sup>13</sup> See supra note 12; and see infra note 20.

<sup>14</sup> See EDGX Equities Fee Schedule, “Add Volume Tiers”, “Tape B Volume Tier”, and “Retail Volume Tier”.

<sup>15</sup> As a result of the new Remove Volume Tier, it also updates the title of footnote 1 to “Add/Remove Volume Tiers”.

<sup>16</sup> As a result, the Exchange proposes to update the statement under General Notes in the Fee Schedule to state that “unless otherwise indicated, variable rates provided by tiers apply only to executions in securities priced at or above \$1.00.

<sup>17</sup> Appended to orders that remove liquidity from EDGX (Tape B) and is assessed a standard fee of \$0.00270.

<sup>18</sup> Appended to orders that remove liquidity from EDGX (Tape C) and is assessed a

greater than or equal to 0.25% TCV<sup>21</sup> with displayed orders that yield fee codes B, V or Y. The proposed Remove Volume Tier is designed to incentivize Members to increase their orders that add displayed volume on the Exchange in order to receive a reduced fee on their qualifying, liquidity removing orders.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>22</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>23</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members, issuers and other persons using its facilities. 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 proposed rule changes reflect 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.

Regarding the proposed change to the standard rates, the Exchange believes that amending the standard rate for orders that add volume in securities priced below \$1.00 is reasonable because, as stated above, in order to operate in the highly competitive equities

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standard fee of \$0.00270.

<sup>19</sup> Appended to orders that remove liquidity from BZX (Tape A) and is assessed a standard fee of \$0.00270.

<sup>20</sup> “ADAV” means average daily added volume calculated as the number of shares added per day. ADAV is calculated on a monthly basis.

<sup>21</sup> “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.

<sup>22</sup> 15 U.S.C. 78f.

<sup>23</sup> 15 U.S.C. 78f(b)(4).

markets, the Exchange and its competing exchanges seek to offer similar pricing structures, including assessing comparable standard fees for orders in securities priced below \$1.00. Thus, the Exchange believes the proposed standard rate change is reasonable as it is generally aligned with and competitive with the amounts assessed for the orders in securities below \$1.00 on other equities exchanges. The Exchange also believes that amending this standard rate amount represents an equitable allocation of fees and is not unfairly discriminatory because they will continue to automatically apply to all Members' orders that add liquidity in securities less than \$1.00 uniformly.

Regarding the proposed new fee code ZM appended to Retail Day/RHO Orders that remove liquidity on arrival, the Exchange notes that the competition for Retail Order flow is particularly intense, especially as it relates to exchange versus off-exchange venues, as prominent retail brokerages tend to route a majority of their limit orders to off-exchange venues.<sup>24</sup> Accordingly, competitive forces compel the Exchange to use exchange transaction fees and credits, particularly as they relate to competing for Retail Order flow, because market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

The Exchange believes that its proposed change to adopt fee code ZM, which will assess no fee for Retail Day/RHO Orders that remove upon arrival is reasonable, equitable and not unfairly discriminatory. Specifically, the Exchange believes the proposal is reasonable as market participants will not be subject to a fee for the execution of such orders. This is consistent with, and competitive with, fees assessed for retail order flow on other equities exchanges, which

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<sup>24</sup> See Securities Exchange Release No. 86375 (July 15, 2019), 84 FR 34960 (SR-CboeEDGX-2019-045).

provide pricing incentives to retail orders in the form of lower fees and/or higher rebates.<sup>25</sup> The Exchange notes too that it currently offers a rebate of \$0.0032 per share for Retail Orders that add liquidity (i.e., yielding fee code “ZA”) as compared to the standard rebate of \$0.0017 for liquidity adding orders, as well as Retail Volume Tiers which provide various enhanced rebates specifically for Members’ Retail Order flow. The Exchange believes that adopting no charge on orders yielding fee code ZM is reasonable in that it is reasonably designed to incentivize an increase in removing Retail Order flow. Retail Orders are generally submitted in smaller sizes and tend to attract Market-Makers, as smaller size orders are easier to hedge, and Retail Order flow that removes liquidity additionally signals to liquidity providers to increase their overall provision of liquidity in the markets. Increased Market-Maker activity facilitates tighter spreads and an increase in overall liquidity provider activity provides for deeper, more robust levels of liquidity, both of which signal additional corresponding increase in order flow from other market participants, contributing towards a robust, well-balanced market ecosystem. Indeed, increased overall order flow benefits all investors by continuing to deepen the Exchange’s liquidity pool, potentially providing even greater execution incentives and opportunities, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. The Exchange notes that, like all other fee codes, ZM and the accompanying free charge will be automatically and uniformly applied to all Members’ qualifying orders. The Exchange additionally notes that while the proposed fee code and assessment of no fee is applicable only to Retail Orders, the Exchange

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<sup>25</sup> See Nasdaq Price List, Rebate to Add Displayed Designated Retail Liquidity, which offer rebates of \$0.00325 and \$0.0033 for Add Displayed Designated Retail Liquidity; and NYSE Price List, “Fees and Credits Applicable to Executions in the Retail Liquidity Program”, which offers various reduced fees, including the assessment of no charges, for various types of retail order volume, and “Transaction Fees and Credits For Tape B and C Securities”, which provides a rebate of \$0.0030 per share specifically for retail orders.

does not believe this application is discriminatory as the Exchange offers similar rebates or reduced rates to non-Retail Order flow.<sup>26</sup>

The Exchange believes that the proposed Remove Volume Tier is reasonable because it provides an additional opportunity through a new tier for Members to receive a discounted rate by means of liquidity adding orders and that the proposed changes to the Non-Displayed Liquidity Tiers are reasonable because they merely update the format of the tiers' criteria to be consistent with other volume-based tiers currently offered by the Exchange, thus maintaining existing opportunities for Members to receive a discounted rate by means of non-displayed liquidity adding orders.<sup>27</sup> The Exchange notes that relative volume-based incentives and discounts have been widely adopted by exchanges, including the Exchange, 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. Additionally, as noted above, the Exchange operates in highly competitive market. The Exchange is only one of several equity venues to which market participants may direct their order flow, and it represents a small percentage of the overall market. It is also only one of several maker-taker exchanges. 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. These competing

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<sup>26</sup> See generally, EDGX Equities Fee Schedule, Fee Codes and Associated Fees; see also "Add Volume Tiers" and "Tape B Volume Tier", both of which provide various enhanced rebates for non-Retail Order flow.

<sup>27</sup> See supra note 14.

pricing schedules, including those of the Exchange’s affiliated equities exchanges,<sup>28</sup> are presently comparable to those that the Exchange provides, including the pricing of comparable criteria and reduced fees.

Moreover, the Exchange believes the Remove Volume Tier is a reasonable means to incentivize Members to continue to provide liquidity adding, displayed volume to the Exchange by offering them a different, additional opportunity than that of the current Add Volume Tiers – to receive a reduced fee on their liquidity removing orders by meeting the proposed criteria in submitting additional add volume order flow. In addition to this, the Exchange has recently observed that trading in subdollar names has grown significantly; nearly tripling since the beginning of 2020, and that competing equities exchanges have begun offering pricing incentives for subdollar orders.<sup>29</sup> Therefore, the Exchange believes that it is reasonable and equitable to provide the proposed reduced fee under the new Remove Volume Tier for qualifying subdollar orders. Also, as noted above, the Exchange’s affiliated equities exchanges already have similar

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<sup>28</sup> See EDGA Equities Fee Schedule, footnote 7, “Add/Remove Volume Tiers”, of which the Remove Volume Tiers offers an enhanced rebate of \$0.0022 or \$0.0028 for reaching a certain threshold of ADV over TCV; BYX Equities Fee Schedule, footnote 1, “Add/Remove Volume Tiers”, of which the Remove Volume Tiers offer enhanced rebates between \$0.0015 and \$0.0018 for various criteria (Step-Up volume, ADAV of a set number of shares, ADV as a percentage of TCV, etc.); and BZX Equities Fee Schedule, footnote 1, “Add Volume Tiers”, Non-Displayed Add Volume Tiers, which provide for substantially similar enhanced rebates and non-displayed volume based criteria.

<sup>29</sup> See NYSE Price List, “Fees and Credits applicable to Designated Market Makers (“DMMs”)”, which provides, among various credits for orders in securities at or above \$1.00, additional credit of \$0.0004 for DMMs adding liquidity in securities under \$1.00; see also Securities Exchange Release No. 89607 (August 18, 2020), 85 FR 52179 (August 24, 2020) (SR-NYSEArca-2020-75), which recently adopted in its fee schedule a step up tier for ETP Holders adding liquidity in Round Lots and Odd Lots in Tapes A, B and C securities with a per share price below \$1.00 and amended the base rate for adding and removing liquidity in Round Lots and Odd Lots in Tapes A, B and C securities with a per share price below \$1.00.

Remove Volume Tiers in place, which offer similar rebates for achieving comparable criteria, in addition to their Add Volume Tiers.<sup>30</sup>

In addition to this, the Exchange believes the proposed Non-Displayed Volume Tiers are reasonable in that the proposed changes to the tiers' criteria is designed to be more consistent with the format of the criteria (i.e., percentage of volume based on TCV) currently offered under the other volume-based tiers in the Fee Schedule.<sup>31</sup> Also, as noted above, the Exchange's affiliated equities exchange, BZX Equities, currently has Non-Displayed Volume Tiers in place, which offer substantially similar enhanced rebates and criteria based on volume over TCV for its members.<sup>32</sup>

Overall, the Exchange believes that the proposed tiers, each based on a Member's liquidity adding orders, will benefit all market participants by incentivizing continuous liquidity and thus, deeper more liquid markets as well as increased execution opportunities. Particularly, the proposed Remove Volume Tier is designed to incentivize continuous displayed liquidity, which signals other market participants to take the additional execution opportunities provided by such liquidity, while the proposed Non-Displayed Add Volume Tiers remains designed to incentivize non-displayed liquidity, which further contributes to a deeper, more liquid market and provide even more execution opportunities for active market participants at improved prices. This overall increase in activity deepens the Exchange's liquidity pool, offers additional cost savings, supports the quality of price discovery, promotes market transparency and improves market quality, for all investors.

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<sup>30</sup> See supra note 28.

<sup>31</sup> See supra note 14.

<sup>32</sup> See supra note 28.

The Exchange believes that the proposal represents an equitable allocation of fees and rebates and is not unfairly discriminatory because all Members are eligible for the proposed Remove Volume Tier and Non-Displayed Add Volume Tiers and would have the opportunity to meet the tiers' criteria and would receive the proposed fee if such criteria is met. Without having a view of activity on other markets and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would definitely result in any Members qualifying for the proposed tiers. While the Exchange has no way of predicting with certainty how the proposed tier will impact Member activity, the Exchange anticipates that approximately eight Members will be able to compete for and reach the proposed Remove Volume Tier. The Exchange also notes that while the proposed changes to the criteria in the Non-Displayed Add Volume Tiers do not significantly increase or decrease the level of criteria difficulty, thus do not significantly affect Members' current ability to compete for and reach the proposed tiers, approximately three additional Members will be able to compete for and reach these tiers, as amended. The Exchange anticipates that the tiers will include various liquidity providing Member types, such as traditional Market Makers, and wholesale or consolidator firms that mainly make markets for retail orders, each providing distinct types of order flow to the Exchange to the benefit of all market participants. The Exchange also notes that proposed tiers will not adversely impact any Member's pricing or ability to qualify for other reduced fee or enhanced rebate tiers. Should a Member not meet the proposed criteria under any of the proposed tiers, the Member will merely not receive that corresponding reduced fee. Furthermore, the proposed reduced fee in the Remove Volume Tier would uniformly apply to all Members that meet the required criteria under the proposed tier. The Exchange again notes that the enhanced rebates offered under the Non-Displayed Add Volume Tiers remain the same.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule changes will impose any burden on competition 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 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 change furthers 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 change does 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 applies to all Members equally in that all Members are eligible for the proposed Remove Volume Tier and the proposed Non-Displayed Add Volume Tiers, have a reasonable opportunity to meet the tiers' criteria and will all receive the proposed fee if such criteria is met. Additionally, the proposed tiers are designed to attract additional order flow to the Exchange. The Exchange believes that the additional and updated tier criteria would incentivize market participants to direct liquidity adding order flow to the Exchange, bringing with it improved price transparency. Greater overall order flow and pricing transparency benefits all market participants on the Exchange by providing more trading opportunities, enhancing market quality, and continuing to encourage Members to send orders, thereby contributing towards a robust and well-balanced market ecosystem, which benefits all market participants. Further, the proposed standard rebate for orders that add liquidity in securities below \$1.00 and the proposed no charge for orders yielding fee code ZM will apply uniformly and automatically

to all such Members' respective orders, as all other standard rates and fee codes apply today to qualifying orders. In addition to this, and as indicated above, the Exchange does not believe that not assessing a fee for Retail Orders yielding fee code ZM imposes any burden on intramarket competition as the Exchange offers many similar rebate opportunities for non-Retail Orders in its Fee Schedule.<sup>33</sup>

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. Members have numerous alternative venues that they may participate on and direct their order flow, including 12 other equities exchanges and 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 18% of the market share. 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." The fact that this market is competitive has also long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the

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<sup>33</sup> See supra note 26.

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’....”. 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 Act<sup>34</sup> and paragraph (f) of Rule 19b-4<sup>35</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>34</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>35</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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2020-045 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-2020-045. 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 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-2020-045, 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.<sup>36</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>36</sup> 17 CFR 200.30-3(a)(12).