

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-95060; File No. SR-CboeEDGX-2022-029)

June 7, 2022

Self-Regulatory Organizations; Cboe EDGX 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 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 1, 2022, 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”) 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/options/regulation/rule_filings/edgx/) [sic], 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 (“EDGX Equity”) to modify certain tiers offered under the Add/Remove Volume Tiers, including certain Add Volume Tiers, a Growth Tier, and a Remove Volume Tier. The Exchange proposes to implement these changes effective June 1, 2022.

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 Exchange Act, to which market participants may direct their order flow. Based on publicly available information³, 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 “Maker-Taker” model whereby it pays rebates to members that add 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 in securities priced at or above \$1.00, the Exchange provides a

³ See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (May 30, 2022), available at https://www.cboe.com/us/equities/market_statistics/.

standard rebate of \$0.00160 per share for orders that add liquidity and assesses a fee of \$0.0030 per share for orders that remove liquidity. For orders in securities priced below \$1.00, the Exchange provides a standard rebate of \$0.00009 per share for orders that add liquidity and assesses a fee of 0.30% of the total 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.

Modifications to Add Volume Tiers

Under footnote 1 of the Fee Schedule, the Exchange currently offers various Add/Remove Volume Tiers. In particular, the Exchange offers four Add Volume Tiers that each provide an enhanced rebate for Members' qualifying orders yielding fee codes B⁴, V⁵, Y⁶, 3⁷ or 4⁸, where a Member reaches certain add volume-based criteria. Specifically, the Add Volume Tiers are as follows:

⁴ Orders yielding Fee Code "B" are orders adding liquidity to EDGX (Tape B).

⁵ Orders yielding Fee Code "V" are orders adding liquidity to EDGX (Tape A).

⁶ Orders yielding Fee Code "Y" are orders adding liquidity to EDGX (Tape C).

⁷ Orders yielding Fee Code "3" are orders adding liquidity to EXGX in the pre and post market (Tapes A or C).

⁸ Orders yielding Fee Code "4" are orders adding liquidity to EDGX in the pre and post market (Tape B).

- Tier 1 offers an enhanced rebate of \$0.0020 per share for qualifying orders (i.e., yielding fee codes B, V, Y, 3 or 4) where a Member adds an ADV⁹ greater than or equal to 0.20% of the TCV¹⁰.
- Tier 2 offers an enhanced rebate of \$0.0023 per share for qualifying orders (i.e., yielding fee codes B, V, Y, 3 or 4) where a Member adds an ADV greater than or equal to 0.30% of the TCV.
- Tier 3 offers an enhanced rebate of \$0.0027 per share for qualifying orders (i.e., yielding fee codes B, V, Y, 3 or 4) where a Member adds an ADV greater than or equal to 0.40% of the TCV.
- Tier 4 offers an enhanced rebate of \$0.0029 per share for qualifying orders (i.e., yielding fee codes B, V, Y, 3 or 4) where a Member adds an ADV greater than or equal to 0.65% of the TCV.

The Exchange now proposes to modify Tier 2, remove existing Tier 3, and, consequently, renumber Tier 4. Specifically, as proposed, the Tiers would provide for the following:

- Proposed Tier 2 would offer an enhanced rebate of \$0.0027 per share (instead of \$0.0023 per share) for qualifying orders (i.e., yielding fee codes B, V, Y, 3 or 4) where a Member adds an ADV greater than or equal to 0.28% of the TCV (instead of 0.30% of the TCV) or Member adds an ADV greater than or equal to 30,000,000 (not a criteria in current Tier 2).

⁹ “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.

¹⁰ “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.

- Proposed Tier 3 (current Tier 4) would offer an enhanced rebate of \$0.0029 per share for qualifying orders (i.e., yielding fee codes B, V, Y, 3 or 4) where a Member adds an ADV greater than or equal to 0.65% of the TCV.

Although the Exchange proposes to eliminate the current Tier 3, thus limiting the amount of available Add Volume Tiers and corresponding rebates available to Members, the Exchange proposes to increase the rebate in Tier 2, slightly ease the percentage of ADV over TCV, and provide an additional prong of criteria for Members to qualify for the enhanced rebate under proposed Tier 2, which serves to incentivize market participants to provide additional displayed liquidity on 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 does not propose any changes to the current Add Volume Tier 1.

Modification to Growth Volume Tier 4

In addition to the Add/Remove Volume Tiers under footnote 1 of the Fee Schedule, the Exchange offers four Growth Tiers that each provide an enhanced rebate for Members' qualifying orders yielding fee codes B, V, Y, 3 or 4, where a Member reaches certain add volume-based criteria, including "growing" its volume over a certain baseline month. Currently, Growth Tier 4 provides an enhanced rebate of \$0.0034 per share to MPIDs that (1) add a Step-Up ADAV from October 2021 equal to or greater than 0.10% of the TCV¹¹ or MPIDs that add a Step-Up ADAV from October 2021 equal to or greater than 16 million shares; and (2) MPIDs

¹¹ "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.

that add an ADV¹² equal to or greater than 0.30% of TCV or MPIDs that add an ADV equal to or greater than 30 million shares. The Exchange now proposes to amend the criteria in prong 2 of Growth Tier 4 by increasing the second add ADV criteria from greater than or equal to 30 million shares to 35 million shares.

The Exchange notes that the purpose of the Growth Volume Tiers is to encourage MPIDs to grow their volume on the Exchange as compared to a baseline month. By increasing one of the add ADV criteria in the second prong of Growth Volume Tier 4 while keeping the enhanced rebate the same, the proposed rule change slightly increases the current criteria's difficulty, which is intended to encourage liquidity adding MPIDs on the Exchange to strive to reach Growth Tier 4 by increasing the provision of liquidity to the Exchange, which increases execution opportunities and provides for overall enhanced price discovery and price improvement opportunities on the Exchange. Increased overall order flow benefits all Members by contributing towards a robust and well-balanced market ecosystem.

Modification to Remove Volume Tier

The Exchange also offers two Remove Volume Tiers under the Add/Remove Volume Tiers in footnote 1 of the Fee Schedule. The Remove Volume Tiers each assess a reduced fee for Members' qualifying orders yielding fee codes BB¹³, N¹⁴ and W¹⁵ where a Member reaches certain add volume-based criteria. Specifically, the Exchange proposes to amend Remove Volume Tier 1, which currently offers a reduced fee of \$0.00275 per share in securities priced

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 Orders yielding fee code "BB" are orders removing liquidity from EDGX (Tape B).

¹⁴ Orders yielding fee code "N" are orders removing liquidity from EDGX (Tape C).

¹⁵ Orders yielding fee code "W" are orders removing liquidity from EDGX (Tape A).

above \$1.00 and 0.28% of the total dollar value in securities priced below \$1.00 for qualifying orders (i.e., yielding fee codes BB, N or W) where (1) Member adds a Step-Up ADAV¹⁶ from June 2021 greater than or equal to 0.10% of the TCV or Member adds a Step-Up ADAV from June 2021 greater than or equal to 8,000,000; and (2) Member has a total remove ADV greater than or equal to 0.60% of the TCV or Member has a total remove ADV greater than or equal to 60,000,000. The Exchange proposes to amend the criteria in the second prong of Remove Volume Tier 1 by decreasing the second ADV remove criteria from a total remove ADV of greater than or equal to 60,000,000 to a total remove ADV of greater than or equal to 45,000,000.

The proposed amendment to Remove Volume Tier 1 would lessen the difficulty of the existing criteria while keeping the reduced fee the same. The Exchange believes lowering the total remove ADV criteria in the second prong of Remove Volume Tier 1 without changing the reduced fee available to Members will encourage Members to strive to meet the criteria by removing liquidity on the Exchange to receive the same reduced fee. An increase in remove liquidity on the Exchange signals an overall increase in activity from other market participants, contributes to a deeper, more liquid market and provides additional execution opportunities for active market participants, which benefits the entire market system. The Exchange does not propose any changes to current Remove Volume Tier 2.

¹⁶ “Step-Up ADAV” means ADAV in the relevant baseline month subtracted from current ADAV. “ADAV” means average daily volume calculated as the number of shares added per day. ADAV is calculated on a monthly basis.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the objectives of Section 6 of the Securities and Exchange Act of 1933 (the “Act”),¹⁷ in general, and furthers the objectives of Section 6(b)(4),¹⁸ in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and issuers and other persons using its facilities. The Exchange also believes that the proposed rule change is consistent with the objectives of 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, and, particularly, is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. 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 proposed rule change 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.

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(4).

¹⁹ 15 U.S.C. 78f(b)(5).

The Exchange believes that the proposed changes to certain Add/Remove Volume Tiers, specifically, Add Volume Tiers 2 and 3, Remove Volume Tier 1, and Growth Tier 4, are reasonable, equitable and not unfairly discriminatory because each tier, as modified, continues to be available to all Members and provide Members an opportunity to receive an enhanced rebate or a reduced fee. As noted above, the Exchange operates in a highly competitive market. The Exchange is only one of 16 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 rates and tiered pricing structures to that of the Exchange, including schedules of rebates and fees that apply based upon members achieving certain volume thresholds. Specifically, the Exchange notes that relative volume-based incentives and discounts have been widely adopted by exchanges²⁰, including the Exchange²¹, 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 or liquidity provision 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 the proposed rule changes to certain Add/Remove Volume Tiers are reasonable because the tiers will continue to provide Members with an opportunity to receive an enhanced rebate or reduced fee by encouraging Members to increase their order flow to the Exchange. In particular, the Exchange believes that the changes to the Add Volume Tiers will provide reasonable means for Members to receive an enhanced rebate for

²⁰ See BZX Equities Fee Schedule, Footnote 1, Add/Remove Volume Tiers.

²¹ See EDGX Equities Fee Schedule, Footnote 1, Add/Remove Volume Tiers.

adding liquidity on the Exchange. While the Exchange has proposed to remove the existing Tier 3, it believes that by proposing to lower the percentage of ADV over TCV in Tier 2 and proposing to add an additional ADV criteria to Tier 2, Members will continue to be incentivized to provide liquidity adding volume to the Exchange. The Exchange also believes that the proposed enhanced rebate for Add Volume Tier 2 continues to be commensurate with the proposed criteria. That is, the rebate reasonably reflects the difficulty in achieving the applicable criteria as amended. Furthermore, the Exchange believes that the proposed increase to one of the ADV criteria in Growth Tier 4 is reasonable because the proposal represents a modest increase in volume as compared to the previous criteria. The Growth Tiers incentivize Members to grow their add volume as compared to a baseline month in order to receive an enhanced rebate and the proposed increase in add ADV represents a reasonable incentive for MPIDs to increase their liquidity adding order flow in order to receive an enhanced rebate that reasonably reflects the difficulty in achieving the criteria. Additionally, the Exchange believes the proposed lower one of the remove ADV criteria in Remove Volume Tier 1 is reasonable because it will encourage Members to increase their remove volume on the Exchange, as the proposed change will make it easier for Members to receive a reduced fee for removing liquidity on the Exchange. The Exchange believes the proposed changes to the Add/Remove Volume Tiers are reasonably designed overall to incentivize Members to continue to add and remove liquidity on the Exchange, thus deepening the Exchange's liquidity pool, offering additional cost savings to Members, supporting the quality of price discovery, promoting market transparency, and improving market quality for all investors.

The Exchange believes the proposed changes to the various Add/Remove Volume Tiers represent an equitable allocation of rebates and fees and are not unfairly discriminatory because

all Members are eligible for those tiers and would have the opportunity to meet a tier's criteria and would receive the proposed enhanced rebate or reduced fee if such criteria is met. Without having a view of activity on other market 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 tiers will impact Member activity, the Exchange anticipates that at least one Member will be able to satisfy the criteria proposed for Add Volume Tier 2, Remove Volume Tier 1, and Growth Tier 4. The Exchange also notes that the proposed changes will not adversely impact any Member's ability to qualify for other reduced fee or enhanced rebated tiers. Should a Member not meet the proposed criteria under the modified tier, the Member will merely not receive that corresponding enhanced rebate or reduced fee. The Exchange also believes the proposal to eliminate a tier is equitable and not unfairly discriminatory because it applies to all Members, in that, such tier will not be available for any Member. The Exchange believes that the proposed changes to the Add/Remove Volume Tiers will benefit all market participants by incentivizing continuous liquidity and, thus, deeper more liquid markets as well as increased execution opportunities. Particularly, the proposals are designed to incentivize 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.

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 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 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 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 tier changes will apply to all Members equally in that all Members will continue to be eligible for Add Tier 2, Remove Volume Tier 1 and Growth Tier 4, have a reasonable opportunity to meet the tiers' criteria and will receive the enhanced rebate or reduced fee on their qualifying orders if such criteria are met. Also, as stated above, the proposal to eliminate a tier applies to all Members, in that, such tier will not be available for any Member. The Exchange does not believe the proposed changes burden competition, but rather, enhance competition as they are intended to increase the competitiveness of EDGX by 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 benefit 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 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 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 share²². 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.”²³ 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.’... 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

²² Supra note 3.

²³ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’...’.²⁴

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 Act²⁵ and paragraph (f) of Rule 19b-4²⁶ 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.

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

²⁴ 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)).

²⁵ 15 U.S.C. 78s(b)(3)(A).

²⁶ 17 CFR 240.19b-4(f).

SR-CboeEDGX-2022-029 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-2022-029. 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. 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-2022-029, 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.²⁷

J. Matthew DeLesDernier
Assistant Secretary

²⁷ 17 CFR 200.30-3(a)(12).