

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-101669; File No. SR-CboeEDGX-2024-076)

November 20, 2024

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 12, 2024, Cboe EDGX Exchange, Inc. (“Exchange” or “EDGX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Cboe 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/](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

Effective November 1, 2024, the Exchange proposes to amend its EDGX Fee Schedule applicable to its equities trading platform. By implementing a remove fee (as opposed to a rebate) for fee code, AA, and removing fee codes, I and RR.<sup>3</sup>

**Fee Codes**

The Exchange proposes to implement a remove fee for fee code, AA. The proposed changes are as follows:

- For securities priced above \$1.00,<sup>4</sup> fee code AA is appended to orders that are routed to EDGA using the ALLB<sup>5</sup> routing strategy. Currently, orders appended with fee code AA receive a rebate of \$0.0016.

The Exchange now proposes to amend fee code, AA, as follows:

- For securities priced above \$1.00, fee code AA will continue to be appended to orders that are routed to EDGA using the ALLB routing strategy. However, orders appended with fee code AA will now pay a fee of \$0.0030. The Exchange

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<sup>3</sup> The Exchange initially filed the proposed fee change on November 1, 2024 (SR-CboeEDGX-2024-073). On November 12, 2024, the Exchange withdrew that filing and submitted this filing.

<sup>4</sup> The Exchange notes for securities priced below \$1.00, there is no fee or rebate for removing liquidity from EDGA using the ALLB routing strategy.

<sup>5</sup> ALLB is a routing option under which an order checks the System for available shares and is then sent to Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., and/or Cboe EDGA Exchange, Inc., in accordance with the System routing table. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User. See Rule 11.11(g)(7).

does not propose to add a fee or rebate for removing liquidity for securities priced below \$1.00.

The Exchange also proposes to remove fee codes, I and RR. For orders in securities priced at \$1.00 or above, orders routed to EDGA using the routing option, ROUC, and appended with fee code I, received a rebate<sup>6</sup> of \$0.00160 for removing liquidity from the EDGA Book.<sup>7</sup> However, effective November 1, 2024,<sup>8</sup> EDGA will be transitioning from an inverted fee model<sup>9</sup> to a maker taker fee model.<sup>10</sup> As such, orders routed to EDGA that remove liquidity will now be charged a remove fee for removing liquidity from the EDGA Book. Therefore, the Exchange has elected to discontinue this fee code as Members that utilize the ROUC<sup>11</sup> strategy, and append their orders with fee code, I, will no longer receive a rebate for removing liquidity on EDGA, and EDGX does not desire to assess such orders a fee.

Similarly, orders routed to EDGA using routing option, DIRC,<sup>12</sup> received a rebate of \$0.00160 for removing liquidity from the EDGA Book. Again, because EDGA will be

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<sup>6</sup> The Exchange notes that there is no fee or rebate for removing liquidity for securities priced below \$1.00.

<sup>7</sup> The term “EDGA Book” shall mean the Systems’ electronic file of order. See Rule 1.5(d).

<sup>8</sup> See SR-CboeEDGA-2024-042; see also, SR-CboeEDGA-2024-045.

<sup>9</sup> The inverted fee model is a pricing structure in which a market, such as an exchange, charges its participants a fee to provide liquidity in securities, and provides a rebate to participants that remove liquidity in securities. See SEC Market Structure Advisory Committee, Memorandum on “Maker-Taker Fees on Equities Exchanges,” October 20, 2015, available at: <https://www.sec.gov/spotlight/emsac/memo-maker-taker-fees-on-equities-exchanges.pdf>

<sup>10</sup> The maker-taker fee model is a pricing structure in which a market, such as an exchange, generally pays its members a per share rebate to provide (i.e., “make”) liquidity in securities and assesses on them a fee to remove (i.e., “take”) liquidity. Id.

<sup>11</sup> ROUC is a routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table, Nasdaq OMX BX, and NYSE. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User. See Rule 11.11(g)(1).

<sup>12</sup> DIRC is a routing option under which an order checks the System for available shares, and then utilizes the DRT routing option to access alternative trading systems, as well as directed immediate or cancel/directed intermarket sweep orders (ISO) to access venues specified by the Member.

transitioning to a maker-taker fee model, orders removing liquidity from the EDGA Book will no longer receive a rebate, but instead will be charged a remove fee. Therefore, the Exchange has chosen to discontinue this fee code, as users of the DIRC routing option that append their order with fee code, RR, and direct their orders to EDGA, will no longer receive a rebate for removing liquidity, and EDGX does not desire to assess such orders a fee.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>13</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>14</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>15</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers as well as Section 6(b)(4)<sup>16</sup> as it is designed to 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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<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(5).

<sup>15</sup> Id.

<sup>16</sup> 15 U.S.C. 78f(b)(4)

Adjusting fee code AA from paying a rebate to assessing a removal fee, is necessary to reflect the economics of a maker-taker fee model. Prior to the November 1, 2024, orders entered onto EDGX, that were appended with fee code, AA, and were routed to EDGA using routing option ALLB, received a rebate<sup>17</sup> of \$0.0016 for removing liquidity from the EDGA Book. However, given EDGA's transition to a maker-taker fee model, orders that remove liquidity will now need to pay a liquidity removal fee, rather than receive a rebate. Accordingly, removal of the current \$0.00160 rebate associated with fee code, AA, and implementation of a \$0.0030 remove fee is appropriate and consistent with the economics of a maker-taker model, as well as the expectations of Members that remove liquidity from EDGA (i.e., Members would expect to pay a fee to remove liquidity). Moreover, the proposed fee is not unfairly discriminatory because it applies to all Members equally, in that all Members will pay the same fee for orders routed to EDGA using the ALLB routing strategy, and appended with fee code, AA.

The Exchange further believes that its proposal to now charge a fee to orders appended with the fee code, AA, is reasonable, equitable, and consistent with the Act because such change is designed to decrease the Exchange's expenditures with respect to transaction pricing in order to offset some of the costs associated with the Exchange's current pricing structure, which provides various rebates for liquidity-adding orders, and the Exchange's operations generally, in a manner that is consistent with the Exchange's overall pricing philosophy of encouraging added liquidity. Moreover, the proposed fee (\$0.0030 per share for securities priced above \$1.00) is

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<sup>17</sup> The Exchange notes that prior to November 1, 2024, there is no fee or rebate for removing liquidity from EDGA using routing option, ALLB, for securities priced below \$1.00. Moreover, the Exchange is not proposing to add a fee or rebate for removing liquidity from EDGA using routing strategy, ALLB, for securities priced below \$1.00.

reasonable and appropriate because it is consistent with EDGA's passthrough fee of \$0.0030,<sup>18</sup> and the remove fee assessed to the Exchange by other trading venues.<sup>19</sup>

The Exchange also believes that its proposal to remove fee codes I and RR, from the Fee Schedule, is reasonable, equitable, and not unfairly discriminatory as it does not change the fees or rebates assessed by the Exchange. Rather, these proposed changes merely remove fee codes that the Exchange no longer desires to support because EDGA's transition to a maker-taker fee model would result in Members that utilize these fee codes being assessed a fee for removing liquidity, and this is contrary to what Members would expect when utilizing ROUC and DIRC, which are routing strategies typically used to achieve low-cost executions when removing liquidity. Moreover, the Exchange is not required to offer fee codes I and RR to its Members. Therefore, the proposed rule change is reasonably designed to update the Fee Schedule to accurately reflect the Exchange's current product offerings and is designed to reduce any potential confusion regarding the routing of orders from EDGX to EDGA, using routing options ROUC or DIRC.

#### 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 that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed rule change merely updates the Fee Schedule to reflect that fee code, AA, is now

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<sup>18</sup> See Cboe U.S. Equities Fee Schedules, EDGA Equities, "Standard Rates – Removing Liquidity" is \$0.0030.

<sup>19</sup> NYSE Arca charges a removal fee of \$0.0030. See Section III - Standard Rates - Transactions (applicable when Tier Rates do not apply), Removing Liquidity, pg. 3, available at: [https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Marketplace\\_Fees.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf); NYSE charges a removal fee of \$0.0030 for orders that remove midpoint liquidity. See NYSE Stock Exchange Price List, "Equity per Share Charge – per transaction –MPL orders that remove liquidity from the NYSE (Adding Tier Credits do not apply) and with no Retail Modifier, as defined in Rule 13 ("Retail Modifier")", pg. 5, available at [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf); Nasdaq charges a removal fee of \$0.0030. See Fees to Remove Liquidity, Shares Executed at or above \$1.00, available at: <https://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>.

attached to a passthrough fee rather than payment of a rebate, as well as remove fee codes that the Exchange no longer wishes to, nor is required to, maintain. In this regard, the proposed changes are necessary and appropriate because they are designed to make the Fee Schedule more accurate and to reduce any potential confusion without having any impact on competition.

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>20</sup> and paragraph (f) of Rule 19b-4<sup>21</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.

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

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f).

- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CboeEDGX-2024-076 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-2024-076. 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-CboeEDGX-2024-076 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>22</sup>

**Sherry R. Haywood,**

*Assistant Secretary.*

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<sup>22</sup> 17 CFR 200.30-3(a)(12).