Item 1. **Text of the Proposed Rule Change**

(a) Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") proposes to amend its Fee Schedule. While these amendments are effective upon filing, the Exchange has designated the proposed amendment to be operative on January 2, 2025. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

Item 2. **Procedures of the Self-Regulatory Organization**

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on December 18, 2024.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Allyson Van Marter, (312) 786-7098, Cboe EDGX Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

Item 3. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) Purpose

The Exchange proposes to amend its fee schedule, effective January 2. 2025, for its equity options platform ("EDGX Options") to increase its monthly fee for Purge Ports.

By way of background, the Exchange offers a variety of logical ports, which provide users with the ability within the Exchange's System to accomplish a specific function through a connection, such as order entry and cancellation, data receipt or access to information. One such logical port the Exchange offers is the Purge Port. Purge Ports enable users to cancel/purge all open orders, or a subset thereof, across multiple logical ports through a single cancel/purge message. Purge Ports however are not the sole method through which a user may manage their open orders. Indeed, market participants may cancel orders through FIX/BOE Logical Ports. Unlike FIX/BOE Logical Ports, Purge Ports solely process purge messages and are designed to assist Members, including Market Makers, in the management of, and risk control over, their orders and quotes, particularly if the Member is dealing with a large number of options. For example, if a Member detects market indications that may influence the direction or bias of their quotes, the Member may use Purge Ports to reduce uncertainty and to manage risk by purging all quotes in a number of options seamlessly to avoid unintended executions, while continuing to adjust to market conditions. Purge messages received by the System from Purge Ports will also be handled by the System in a way that ensures minimum possible latency, thereby providing Members with a faster, more efficient means to have their quotes removed from the System and thus with an enhanced level of risk protection. Purge Ports are completely voluntary, and no Member is required, or under any regulatory obligation, to utilize them.

The Exchange currently assesses, among other things, a monthly fee of $750 per port for Purge Ports. The Exchange proposes to increase the monthly fee for Purge Ports to $850 per port. The Exchange notes the proposed fee change better enables it to continue to maintain and improve its market technology and services. Additionally, the proposed fee is less than the fee assessed on one of the Exchange's affiliated options exchanges for the same corresponding logical connectivity.[1] The proposed fees are also

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[1] See Cboe Options Exchange Fee Schedule, Logical Connectivity Fees, which assesses a monthly fee of $975 per port for Purge Ports. The Exchange notes that Cboe Options has also proposed to increase its fee for Purge Ports from $850 to $975 (SR-CBOE-2024-057).

in line with, or even lower than, amounts assessed by other exchanges for similar purge port connections.[2]

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.[3] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[4] 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)[5] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4)[6] of the Act, which requires that Exchange

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2 See e.g., NASDAQ GEMX, LLC Rulebook and NASDAQ MRX, LLC Rulebook, Options 7 Pricing Schedule, Section 6 Connectivity Fees– Ports and Other Services, which both assess a monthly fee of $1,250 per port for SQF Purge Ports, which is analogous to the Exchange's Purge Ports. See also Nasdaq Options Market, LLC Rulebook, Options 7 Pricing Schedule, Section 6 Connectivity Fees– Ports and Other Services, which assesses a tiered fee structure up to $1,500 per port per month for SQF Purge Ports which are analogous to the Exchange's Purge and, effective January 1, 2025, shall assess a tiered fee structure up to $1,650 per port per month (SR-NASDAQ-2024-081).

3 15 U.S.C. 78f(b).

4 15 U.S.C. 78f(b)(5).

5 Id.

6 15 U.S.C. 78f(b)(4).

rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Members and other persons using its facilities.

The Exchange believes the proposed fee is reasonable as it is in line with, or even lower than, fees assessed by other exchanges, for analogous connections.[7] Further, the Exchange notes that an affiliated options exchange and other exchanges that offer similar (or even higher) pricing for similar or the same connections have a comparable, or even lower, market share as the Exchange.[8]

Additionally, the Exchange believes the proposed fee increase is reasonable in light of recent and anticipated connectivity-related upgrades and changes. The Exchange and its affiliated exchanges recently launched a multi-year initiative to improve Cboe Exchange Platform performance and capacity requirements, including for its U.S. options markets, to increase competitiveness, support growth and advance a consistent world class platform. The goal of the project, among other things, is to provide faster and more consistent order handling and matching performance for options, while ensuring quicker processing time and supporting increasing volumes. For example, the Exchange is currently performing order handler and matching engine hardware upgrades across its markets to advance this goal. The Exchange anticipates that upgrades to its matching engines may result in a latency reduction up to 40% to 50% on the Exchange and that upgrades to its order handlers may offer lower variability in the processing of message, which can reduce the time a

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7 See supra notes 1 and 2.

8 See Cboe Global Markets U.S. Options Market Volume Summary (December 17, 2024), available at https://markets.cboe.com/us/options/market_statistics/. For example, Nasdaq GEMX has a market share of approximately 2.4%, Nasdaq Options Market has a market share of approximately 5.1% and Nasdaq MRX has a market share of approximately 2.4% compared to the Exchange's approximate 6% market share.

message takes to get to the matching engine. The Exchange expended, and will continue to expend, resources to innovate and modernize technology so that it may benefit its Members and continue to compete among other options markets. The Exchange also notes that neither it - nor its options exchange affiliates - have passed through or offset current or projected costs associated with these upgrades. The ability to continue to innovate with technology and offer new products to market participants allows the Exchange to remain competitive in the options space which currently has 18 options markets and potential new entrants.

The Exchange also notes market participants may continue to choose the method of connectivity based on their specific needs, and no broker-dealer is required to become a Member of or, connect directly to, the Exchange. Even for those that do, Members are able to cancel orders through BOE/FIX Logical Ports (which are assessed a lower monthly fee of $650 per port)[9], and as such, dedicated Purge Ports are not required nor necessary. Rather, Purge Ports were specially developed as an optional service to further assist firms in effectively managing risk. Accordingly, excessive fees would simply serve to reduce demand for these products, which market participants are under no regulatory obligation to utilize. The Exchange also notes that Members that choose to utilize a Purge Port may, in the future, reduce their need for additional logical ports by consolidating cancel messages to the Purge Port and thus freeing up some capacity of the existing logical ports and, therefore, allowing for increased message traffic without paying for additional logical ports. Ultimately, the amount of Purge Ports a Member chooses to purchase (or not), is determined by factors relevant and specific to each market participant, including its

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9 See EDGX Options Exchange Fee Schedule, Logical Connectivity Fees.

business model, costs of connectivity, how its business is segmented and allocated and volume of messages sent to the Exchange.

The Exchange also notes that it does not have unlimited system capacity[10] and the proposed fee change is also designed to encourage market participants to be efficient with their respective logical port usage and discourage the purchasing of large amounts of superfluous ports. There is also no requirement that any market participant maintain a specific number of logical ports (including Purge Ports) and a market participant may choose to maintain as many or as few of such ports as each deems appropriate. Further, market participants may reduce or discontinue use of these ports in response to the proposed fee change. Indeed, when the Exchange increased pricing for logical ports in 2018, the Exchange observed within the first two months that market participants did in fact reduce the number of logical ports they maintained.[11] Particularly, Logical Port quantities were reduced by approximately 20%. The Exchange similarly saw a decline in logical port quantities after a proposed rate change in January 2024 pertaining to its Multicast PITCH Spin Server Ports, GRP Ports, and Ports with Bulk Quoting Capabilities.[12] Specifically, as of May 2024, Logical Port quantities relating to the proposed rate change in January 2024 have been reduced by approximately 8% since the announcement of the proposed fee change. This demonstrates that market participants can

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10 The Exchange notes that, on average, between it and its affiliated options exchanges, the quantity of Purge Ports has increased by ~463%.

11 The Exchange has not changed the pricing of Purge Ports since the initial release of these ports on the Exchange. See Securities Exchange Act Release No. 79957 (February 3, 2017), 82 FR 1007 (February 9, 2017) (SR-BatsEDGX-2017-07).

12 See Securities Exchange Act Release No. 99350 (January 16, 2024), 89 FR 3957 (January 22, 2024) (SR-CboeEDGX-2024-006).

and do choose to disconnect, or reduce, their connectivity from the Exchange, including in response to fee increases. Moreover, the Exchange highlights that, unlike these prior fee increases for logical ports, this proposed fee change is for a purely voluntary port type as participants are able to submit cancels over existing FIX and BOE Logical Ports. The Exchange also does not assess any termination fee for a market participant to drop its connectivity or membership, nor is the Exchange aware of any other costs that would be incurred by a market participant to do so.

Finally, the Exchange believes that the proposed fee change is not unfairly discriminatory because it would be assessed uniformly across all market participants that purchase Purge Ports. All Members have the option to select any connectivity option (including Purge Ports), and there is no differentiation among Members with regard to the fees charged for the services offered by the Exchange.

Item 4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

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 believes the proposed fee change will not impact intramarket competition because it will apply to all similarly situated market participants equally (i.e, all market participants that choose to purchase Purge Ports).

The Exchange believes the proposed fees will not impact intermarket competition because they are also in line with, or even lower than some fees for similar connectivity on other exchanges, and therefore may stimulate intermarket competition by attracting additional firms to connect to the Exchange or at least should not deter interested participants from connecting directly to the Exchange. Moreover, the proposed increase here pertains to Purge Ports and do not serve as a participant's sole method to cancel orders. Participants may use FIX or BOE Logical Ports to manage their quotes and orders as well.[13]

Further, if the changes proposed herein are unattractive to market participants, the Exchange can, and likely will, see a decline in usage of Purge Ports as a result. The Exchange operates in a highly competitive market in which market participants can determine whether or not to connect directly to the Exchange based on the value received compared to the cost of doing so. Indeed, market participants have numerous alternative venues that they may participate on and direct their order flow, including 14 non-Cboe affiliated options markets, as well as off-exchange venues, where competitive products are available for trading. 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."[14] 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

13 See supra note 9. As previously discussed, the Exchange notes that Logical Ports are a monthly cost of $650 per month.

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

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'….".[15] Accordingly, the Exchange does not believe its proposed change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Item 5. **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.

Item 6. **Extension of Time Period for Commission Action**

Not applicable.

Item 7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act[16] and Rule 19b-4(f)(2)[17] thereunder.

(b) The Exchange designates that the proposed rule change establishes or changes a due, fee, or other charge imposed by the Exchange, which renders the proposed rule change effective upon filing with the Securities and Exchange Commission (the "Commission"). At any time within 60 days of the filing of this 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

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15 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)).

16 15 U.S.C. 78s(b)(3)(A).

17 17 CFR 240.19b-4(f)(2).

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.

(c) Not applicable.

(d) Not applicable.

Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Proposed rule text.