

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-99826; File No. SR-MEMX-2024-10)

March 21, 2024

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Exchange's Fee Schedule to Adopt a New Cross Asset Tier Rebate

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 March 14, 2024, MEMX LLC ("MEMX" or the "Exchange") 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

The Exchange is filing with the Commission a proposed rule change to amend the Exchange's fee schedule applicable to Members<sup>3</sup> (the "Fee Schedule") pursuant to Exchange Rules 15.1(a) and (c). The Exchange proposes to implement the changes to the Fee Schedule pursuant to this proposal on March 1, 2024. The text of the proposed rule change is provided in Exhibit 5.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Exchange Rule 1.5(p).

received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend the Fee Schedule to adopt a new Cross Asset Tier, in which a qualifying Member will receive an enhanced rebate for executions of orders in securities priced at or above \$1.00 per share that add displayed liquidity to the Exchange (such orders, “Added Displayed Volume”), by achieving the corresponding required volume criteria for such tier on the Exchange’s equity options platform, MEMX Options, as further described below.<sup>4</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 16 registered equities exchanges, as well as a number of alternative trading systems and other off-exchange venues, to which market participants may direct their order flow. Based on publicly available information, no single registered equities exchange currently has more than approximately 15% of the total market share of executed volume of equities trading.<sup>5</sup> Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses

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<sup>4</sup> The Exchange initially filed the proposed Fee Schedule changes on February 29, 2024 (SR-MEMX-2024-07). On March 14, 2024, the Exchange withdrew that filing and submitted this proposal.

<sup>5</sup> Market share percentage calculated as of March 14, 2024. The Exchange receives and processes data made available through consolidated data feeds (i.e., CTS and UTDF).

significant pricing power in the execution of order flow, and the Exchange currently represents approximately 3% of the overall market share.<sup>6</sup> The Exchange in particular operates a “Maker-Taker” model whereby it provides rebates to Members that add liquidity to the Exchange and charges fees to Members that remove liquidity from the Exchange. The Fee Schedule sets forth the standard rebates and fees applied per share for orders that add and remove liquidity, respectively. Additionally, in response to the competitive environment, the Exchange also offers tiered pricing, which provides Members with opportunities to qualify for higher rebates or lower 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.

The Exchange proposes to adopt a new Cross Asset Tier which is designed to incentivize Members to increase their participation on both the Exchange’s equities and options platforms. Currently, with respect to the Exchange’s equities trading platform, the Exchange provides a base rebate of \$0.0015 per share for executions of Added Displayed Volume. Under the proposed Cross Asset Tier 1, the Exchange will provide an enhanced rebate of \$0.0026 for executions of Added Displayed Volume for Members that qualify by such tier by achieving an Options ADAV<sup>7</sup> in the Customer<sup>8</sup>/Professional<sup>9</sup> capacity on

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<sup>6</sup> Id.

<sup>7</sup> As further described below, a Member’s “Options ADAV” for purposes of equities pricing means the average daily added volume calculated as a number of contracts added on MEMX Options per day by the Member, which is calculated on a monthly basis.

<sup>8</sup> As set forth on the MEMX Options Fee Schedule, “Customer” applies to any order for the account of a Priority Customer. Priority Customer shall have the meaning set forth in Rule 16.1 of the MEMX Rulebook.

<sup>9</sup> As set forth on the MEMX Options Fee Schedule, “Professional” applies to any order for the account of a Professional.

MEMX Options (i.e., both categories combined) that is equal to or greater than 20,000 contracts. The Exchange proposes to provide Members that qualify for Cross Asset Tier 1 a rebate of 0.075% of the total dollar volume of the transaction for executions of orders in securities priced below \$1.00 per share that add displayed liquidity to the Exchange, which is the same rebate that is applicable to the majority of executions on the Exchange for all Members (i.e., including those that do not qualify for any tier). In connection with the adoption of Cross Asset Tier 1, the Exchange proposes to incorporate a definition of “Options ADAV” in the definitions section of the Fee Schedule, where Options ADAV will be defined as, for purposes of equities pricing, average daily added volume calculated as a number of contracts added on MEMX Options per day, calculated on a monthly basis. The Exchange will also indicate in a note under the Cross Asset Tier table on the Fee Schedule that the definitions of “Customer” and “Professional” capacity are those that are defined in the MEMX Options Fee Schedule.

The Exchange also proposes to specify in a note under the Cross Asset Tier table on the Fee Schedule that Members that qualify for Cross Asset Tier 1 based on activity in a given month will also receive that associated Cross Asset Tier 1 rebate during the following month. Effectively, this means that if a Member executes 20,000 or more contracts in the combined Customer/Professional categories on MEMX Options during a given month, that Member will receive that rebate for the total amount of Added Displayed Volume executed on the Exchange during that month and in the following month, even if such Member does not execute 20,000 or more combined contracts in the combined Customer/Professional categories on MEMX Options during that following month. This is different from the Exchange’s current practice with respect to the

remaining of its pricing tiers, whereby the Exchange calculates Members' applicable criteria such as ADAV on a monthly basis, and Members that qualify for enhanced rebates by achieving certain criteria receive the enhanced rebate per share for all applicable executions in that previous month. Accordingly, Members do not know whether they will receive the enhanced rebate at the time of execution, but rather, receive it at the end of the month based on their activity during that month.

To illustrate, the Exchange offers the following example: As proposed, at the end of March 2024, the Exchange will calculate a Member's Options ADAV for March 2024 and if that Member executed over 20,000 contracts in the Customer and/or Professional capacity, the Member would receive the enhanced rebate of \$0.0026 per share for the Added Displayed Volume it executed in securities above \$1.00 on the Exchange in March 2024, and it would also receive the enhanced rebate of \$0.0026 per share for the Added Displayed Volume it executes on the Exchange in April 2024 (regardless of the Member's Options activity in April 2024). Accordingly, in this example, the Member will be aware of the rebate it will receive under Cross Asset Tier 1 during the month of April 2024, regardless of what their April 2024 Options ADAV is, because it is awarded based on its March 2024 Options ADAV. The Exchange notes that although the enhanced rebate of \$0.0026 per share would be provided to the Member in April 2024, if the Member in the example above did not qualify for Cross Asset Tier 1 based on their April 2024 Options ADAV, the Member would no longer qualify for the enhanced rebate of \$0.0026 per share for the Added Displayed Volume the Member executes in May 2024.

The tiered pricing structure for executions of Added Displayed Volume under the

proposed Cross Asset Tier provides an incremental incentive for Members to strive for higher volume thresholds to receive higher enhanced rebates for such executions and, as such, is intended to encourage Members to maintain or increase their order flow, primarily in the form of liquidity-adding volume, to the Exchange, thereby contributing to a deeper and more liquid market to the benefit of all Members and market participants. The Exchange believes that the proposed Cross Asset Tier reflects a reasonable and competitive pricing structure that is right-sized and consistent with the Exchange's overall pricing philosophy of encouraging added and/or displayed liquidity. Additionally, the proposed process by which the enhanced rebate will be paid under the Cross Asset Tier allows Members to anticipate whether such rebate will apply at the time of execution based on whether the criteria was achieved in the prior month. The Exchange believes this method will provide Members with additional certainty when trading on the Exchange, which in turn, will incentivize Members to increase their participation on both the Exchange and MEMX Options on an ongoing basis.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>10</sup> in general, and with Sections 6(b)(4) and 6(b)(5) of the Act,<sup>11</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As discussed above, the Exchange operates in a highly fragmented and

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<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78f(b)(4) and (5).

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, and the Exchange represents only a small percentage of the overall market. The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. 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.”<sup>12</sup>

The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products, in response to new or different pricing structures being introduced into the market. Accordingly, competitive forces constrain the Exchange’s transaction fees and rebates, including with respect to Added Displayed Volume, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable. The Exchange believes the proposal reflects a reasonable and competitive pricing structure designed to incentivize market participants to direct additional order flow to MEMX Options, which the Exchange believes would promote price discovery and enhance liquidity and market quality to the benefit of all Members and market participants.

The Exchange notes that volume-based incentives have been widely adopted by

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<sup>12</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

exchanges, including the Exchange, and are reasonable, equitable and not unfairly discriminatory because they are open to all members on an equal basis and provide additional benefits that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and the introduction of higher volumes of orders into the price and volume discovery process. The Exchange believes that the proposed Cross Asset Tier is reasonable, equitable and not unfairly discriminatory for these same reasons, as such tier would provide Members with an incremental incentive to achieve certain volume thresholds on MEMX Options, is available to all Members on an equal basis, and, as described above, is designed to encourage Members to maintain or increase their order flow on the Exchange, including in the form of displayed, liquidity-adding orders, in part due to the enhanced rebate received for executions of Added Displayed Volume on the Exchange, as applicable, thereby contributing to a deeper, more liquid and well balanced market ecosystem on the Exchange to the benefit of all Members and market participants. The Exchange also believes it is reasonable, equitable and not unfairly discriminatory to provide Members that qualify for the proposed Cross Asset Tier with same rebate for executions of orders in securities priced below \$1.00 per share that add displayed liquidity to the Exchange as is applicable to the majority of executions on the Exchange for all Members (i.e., including those that do not qualify for any tier).

To the extent a Member participates on the Exchange but not on MEMX Options, the Exchange believes that the proposal is still reasonable, equitably allocated and non-discriminatory with respect to such Member based on the overall benefit to the Exchange resulting from the success of MEMX Options. Particularly, the Exchange believes such

success allows the Exchange to continue to provide and potentially expand its existing incentive programs to the benefit of all participants on the Exchange, whether they participate on MEMX Options or not. The proposed pricing program is also fair and equitable in that membership on MEMX Options is available to all market participants which would provide them with access to the benefits on MEMX Options provided by the proposal, even where a member of MEMX Options is not necessarily eligible for the proposed enhanced rebate on the Exchange. Further, the proposed change will result in Members receiving either the same or an increased rebate than they would currently receive. The Exchange also notes that another Exchange has similar cross asset volume tiers.<sup>13</sup>

As it relates to the method by which the Exchange proposes to award the rebate under Cross Asset Tier 1, the Exchange believes it is reasonable, equitable and not unfairly discriminatory, as the tier will provide Members with incremental incentives to achieve certain volume thresholds on MEMX Options, is available to all Members on an equal basis, and, as described above, is reasonably designed to encourage Members to maintain or increase their order flow to the Exchange with an added layer of certainty in the rebate they will receive in the upcoming month, if applicable.

For the reasons discussed above, the Exchange submits that the proposal satisfies the requirements of Sections 6(b)(4) and 6(b)(5) of the Act<sup>14</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities and is not designed to unfairly discriminate between

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<sup>13</sup> See the Cboe EDGX Options fee schedule available at: [https://www.cboe.com/us/equities/membership/fee\\_schedule/edgx/](https://www.cboe.com/us/equities/membership/fee_schedule/edgx/)

<sup>14</sup> 15 U.S.C. 78f(b)(4) and (5).

customers, issuers, brokers, or dealers. As described more fully below in the Exchange's statement regarding the burden on competition, the Exchange believes that its transaction pricing is subject to significant competitive forces, and that the proposed fees and rebates described herein are appropriate to address such forces.

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

The Exchange does not believe that the proposal will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, as discussed above, the proposal is intended to incentivize market participants to direct additional order flow to MEMX Options, thereby enhancing liquidity and market quality to the benefit of all Members and market participants, as well as to generate additional revenue in a manner that is still consistent with the Exchange's overall pricing philosophy of encouraging added displayed liquidity. As a result, the Exchange believes the proposal would enhance its competitiveness as a market that attracts actionable orders, thereby making it a more desirable destination venue for its customers. For these reasons, the Exchange believes that the proposal 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."<sup>15</sup>

*Intramarket Competition*

As discussed above, the Exchange believes that the proposal would incentivize Members to submit additional order flow to MEMX Options, thereby enhancing liquidity and market quality to the benefit of all Members, as well as enhancing the attractiveness of the Exchange as a trading venue, which the Exchange believes, in turn, would continue

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<sup>15</sup> See supra note 12.

to encourage market participants to direct additional order flow to the Exchange. Greater liquidity benefits all Members by providing more trading opportunities and encourages Members to send additional orders to the Exchange, thereby contributing to robust levels of liquidity, which benefits all market participants.

The Exchange does not believe that the proposed change would impose any burden on intramarket competition because such change will apply to all Members uniformly, in that the proposed rebate for such executions would be the rebate applicable to all Members.

#### *Intermarket Competition*

As noted 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. Members have numerous alternative venues that they may participate on and direct their order flow to, including 15 other equities exchanges and numerous alternative trading systems and other off-exchange venues. As noted above, no single registered equities exchange currently has more than approximately 15% of the total market share of executed volume of equities trading. Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow. Moreover, the Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products, in response to new or different pricing structures being introduced into the market. Accordingly, competitive forces constrain the Exchange's transaction fees and rebates, including with respect to

Added Displayed Volume, and market 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. As described above, the proposed change represents a competitive proposal through which the Exchange is seeking to generate additional revenue with respect to its transaction pricing and to encourage the submission of additional order flow to the Exchange through volume-based tiers, which have been widely adopted by exchanges, including the Exchange. Accordingly, the Exchange believes the proposal would not burden, but rather promote, intermarket competition by enabling it to better compete with other exchanges that offer similar pricing incentives to market participants. Additionally, 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.”<sup>16</sup> The fact that this market is competitive has also long been recognized by the courts. In NetCoalition v. SEC, 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 for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the

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<sup>16</sup> See supra note 12.

execution of order flow from broker dealers' ....".<sup>17</sup> Accordingly, the Exchange does not believe its proposed pricing changes impose 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)(ii) of the Act<sup>18</sup> and Rule 19b-4(f)(2)<sup>19</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 shall 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:

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<sup>17</sup> 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-NYSE-2006-21)).

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>19</sup> 17 CFR 240.19b-4(f)(2).

Electronic Comments:

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-MEMX-2024-10 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-MEMX-2024-10. 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-MEMX-2024-10 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>20</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>20</sup> 17 CFR 200.30-3(a)(12).