

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-83925; File No. SR-CboeBYX-2018-017)

August 23, 2018

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Cboe BYX Exchange, Inc.

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 August 9, 2018, Cboe BYX Exchange, Inc. (the “Exchange” or “BYX”) 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 Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. 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 filed a proposal to amend the Exchange’s fee schedule applicable to its equities trading platform to: (1) increase the ADV requirements to qualify for Add/Remove Volume Tier 6 associated with fee codes W, BB, and N, and (2) increase the routing fee charged to orders routed to Investors Exchange LLC using the Destination Specific routing strategy under

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

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

fee code IX, and eliminate an outdated reference to the TRIM and TRIM2 routing strategies in this fee code.

The text of the proposed rule change is available at the Exchange's website at [www.markets.cboe.com](http://www.markets.cboe.com), at the principal office of the Exchange, 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 Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts 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 Exchange's fee schedule applicable to its equities trading platform ("BYX Equities") to: (1) increase the ADV<sup>5</sup>

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<sup>5</sup> "ADAV" means average daily added volume calculated as the number of shares added per day and "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day. See BYX Fee Schedule, Definitions. ADAV and ADV are calculated on a monthly basis. The Exchange excludes from its calculation of ADAV and ADV shares added or removed on any day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during regular trading hours ("Exchange System Disruption"), on any day with a scheduled early market close and on the last Friday in June (the "Russell Reconstitution Day"). Routed shares are not included in ADAV or ADV calculation. With prior notice to the Exchange, a Member may aggregate ADAV or ADV with other Members that control, are controlled by, or are under common control with such Member (as evidenced on such Member's Form BD).

requirements to qualify for Add/Remove Volume Tier 6 associated with fee codes W,<sup>6</sup> BB,<sup>7</sup> and N,<sup>8</sup> and (2) increase the routing fee charged to orders routed to Investors Exchange LLC (“IEX”) using the Destination Specific<sup>9</sup> routing strategy under fee code IX,<sup>10</sup> and eliminate an outdated reference to the TRIM and TRIM2<sup>11</sup> routing strategies in this fee code.

### **Fee Codes W, BB, and N: Add/Remove Volume Tier 6**

The Exchange provides a standard rebate of \$0.00050 for orders that remove liquidity from BYX in securities priced at or above \$1.00. Members may also qualify for a higher rebate based on the Exchange’s Add/Remove Volume Tiers, which are designed to encourage Members to bring order flow to BYX by providing higher rebates for removing liquidity and discounted fees for adding liquidity to firms based on their activity on the Exchange.<sup>12</sup> Currently, Members can qualify for a higher rebate of \$0.0015 pursuant to Tier 6 of the Add/Remove Volume Tiers if the Member has: (1) an ADV that is greater than or equal to 0.05% of TCV,<sup>13</sup> and (2) an ADAV

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<sup>6</sup> W is associated with orders that remove liquidity from BYX in Tape A securities.

<sup>7</sup> BB is associated with orders that remove liquidity from BYX in Tape B securities.

<sup>8</sup> N is associated with orders that remove liquidity from BYX in Tape C securities.

<sup>9</sup> Destination Specific is a routing option under which an order checks the System for available shares and then is sent to an away trading center or centers specified by the User. See Rule 11.13(b)(3)(E).

<sup>10</sup> IX is associated with orders routed to IEX using the Destination Specific, TRIM or TRIM2 routing strategies.

<sup>11</sup> TRIM and TRIM2 are both routing options under which an order checks the System for available shares and then is sent to destinations on the applicable System routing table. See Rule 11.13(b)(3)(G).

<sup>12</sup> See BYX Fee Schedule, footnote 1, Add/Remove Volume Tiers.

<sup>13</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. The Exchange excludes from its calculation of TCV volume on any day that the Exchange experiences an Exchange System Disruption, on any day with a scheduled early market close and the Russell Reconstitution Day.

that is greater than or equal to 500,000 shares. The Exchange proposes to increase the ADV requirement for Tier 6 so that an ADV that is greater than or equal to 0.08% of TCV would be required. The current ADAV requirement of greater than or equal to 500,000 shares would remain unchanged. The proposed change applies to fee codes W, BB, and N, which relate to orders that remove liquidity from BYX in Tapes A, B, and C, respectively.

### **Fee Code IX: IEX Routing Fees**

Currently, the fee schedule provides that orders in securities priced at or above \$1.00 routed to IEX using specified routing strategies – i.e., Destination Specific, TRIM, or TRIM2 – are charged a fee of \$0.0010 per share under fee code IX. The Exchange proposes to increase the routing fee charged to orders routed to IEX to \$0.0030 so that the Exchange can recoup increased costs associated with routing order flow to that market. Furthermore, in May 2018, the Exchange removed IEX from the System routing table for its TRIM and TRIM2 routing strategies, which are designed to route to low cost away markets, due to increased costs associated with routing to IEX. Since IEX is no longer considered as a potential routing destination for those strategies, the Exchange proposes to eliminate the reference to these routing strategies in fee code IX.

### **2. Statutory Basis**

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>14</sup> in general, and furthers the objectives of Section 6(b)(4) and 6(b)(5),<sup>15</sup> in particular, 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 and is designed to

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<sup>14</sup> 15 U.S.C. 78f.

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

promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in 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.

**Fee Codes W, BB, and N: Add/Remove Volume Tier 6**

The Exchange believes that the proposed changes to the Add/Remove Volume Tier 6 are reasonable because the proposed changes are designed to incentivize Members to bring more order flow to the Exchange. Under the Exchange's fee schedule members are eligible for a rebate for liquidity removing orders that may be increased based on meeting certain additional requirements. With respect to Add/Remove Volume Tier 6, Members that meet specified ADV and ADAV requirements are eligible for such an increased remove rebate. The Exchange is proposing to increase the ADV requirements for this rebate tier to encourage Members to send more order flow to the Exchange in order to qualify for the rebate. The Exchange believes that the rebates are still competitive with rebates provided on other equities exchanges, notwithstanding the higher volume requirements required to meet this tier. The Exchange also believes that the proposed change is equitable and not unfairly discriminatory because the proposed ADV requirements (and associated rebate) would apply equally to all Members. Furthermore, the Exchange believes that all market participants would benefit from additional trading opportunities if the Exchange is successful in incentivizing increased order flow.

**Fee Code IX: IEX Routing Fees**

As other exchanges amend the fees charged for accessing liquidity, the Exchange believes that it is appropriate to amend its own routing fees so that it can recoup costs associated with routing orders to such away markets. The Exchange believes that the proposed fees for

orders routed to IEX are reasonable because they reflect the costs associated with executing orders on IEX and additional operational expenses incurred by the Exchange. The Exchange is proposing to increase its routing fees due to an announced change in IEX's fee schedule that would result in a significant increase in the transaction fees being charged by IEX to some orders, including orders routed by the Exchange.<sup>16</sup> The Exchange believes that it is reasonable to pass these increased costs to Members that use the Exchange to route orders to that market. Members that do not wish to pay the proposed fee can send their routable orders directly to IEX instead of using routing functionality provided by the Exchange. The Exchange also believes that this change is equitable and not unfairly discriminatory because the proposed fees would apply equally to all Members that use the Exchange to route orders to IEX using the Destination Specific routing strategy. Routing through the Exchange is voluntary, and the Exchange operates in a competitive environment where market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive.

The Exchange also believes that the proposed change to eliminate references to TRIM and TRIM2 is consistent with the public interest and the protection of investors as this is a non-substantive change being made because the Exchange no longer routes to IEX using these routing strategies. The Exchange had previously routed orders to IEX using the TRIM and TRIM2 order routing strategies, which are designed to route to low cost venues, but recently stopped doing so due increased routing costs associated with trading on IEX. As such, the Exchange believes that updating the fee schedule to reflect that these two routing strategies are not available for routing to IEX will increase transparency around the operation of the Exchange to the benefit of Members and investors. Because this change merely updates a fee code to

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<sup>16</sup> See SR-IEX-2018-16 (pending publication).

remove references to routing strategies that are not in use on the Exchange, it will have no impact on the transaction fees actually assessed to Members.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed changes to the Add/Remove Tiers are designed to incentivize Members to bring more order flow to BYX as the Exchange competes for order flow with other equities markets. Furthermore, the proposed changes to the IEX routing fees are meant to recoup costs associated with executing orders on that market, and to increase transparency by properly reflecting the routing strategies available for IEX, and are therefore not designed to have any significant impact on competition. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were either solicited or received.

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>17</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>18</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f).

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.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal 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-CboeBYX-2018-017 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-CboeBYX-2018-017. 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 am and 3:00 pm. Copies of such filing will also 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-CboeBYX-2018-017 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).