July 16, 2018

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 2, 2018, Cboe EDGA Exchange, Inc. ("Exchange" or "EDGA") 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 Act³ and Rule 19b-4(f)(2) thereunder,⁴ 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 fee schedule applicable to Members⁵ and non-Members of the Exchange pursuant to EDGA Rules 15.1(a) and (c).

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⁵ The term "Member" is defined as "any registered broker or dealer that has been admitted to membership in the Exchange." See Exchange Rule 1.5(n).
The text of the proposed rule change is available at the Exchange’s website at 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 Exchange proposes to amend its fee schedule to (i) amend its pricing model, (ii) eliminate Add Volume Tier 1 and (iii) amend certain routing fees, effective July 2, 2018.

Currently, the Exchange utilizes a low pricing model under which it charges a low fee or provides the execution free of charge. The Exchange proposes to amend its fee schedule to replace its current low pricing model to an inverted pricing model under which the Exchange will charge a fee to add liquidity and provide a rebate to remove liquidity.

Displayed Order Fee Change

In securities priced at or above $1.00, the Exchange currently charges a fee of $0.00030 per share for Displayed orders that add or remove liquidity. The Exchange proposes to assess a standard rate of $0.00080 per share for Displayed orders that add liquidity for securities at or above $1.00 that are appended with fee codes B, V, Y, 3 or 4. The Exchange also proposes to provide a rebate of $0.00040 per share for orders that remove liquidity for securities at or above $1.00.
$1.00 that are appended with fee codes N, W, 6, or BB. All Displayed orders in securities priced below $1.00 would continue to be free.

Non-Displayed Order Fee Change

In securities priced at or above $1.00, the Exchange currently charges a fee of $0.00050 per share for Non-Displayed orders that remove liquidity other than orders that yield fee code DT and DR (i.e., orders that yield fee codes HR, MT, PT). The Exchange notes that it does not assess a fee or provide a rebate for Non-Displayed orders that remove liquidity using Midpoint Discretionary Orders within discretionary range and yield fee code DT. The Exchange does assess a fee of $0.00030 for Non-Displayed orders that remove liquidity using Midpoint Discretionary Orders that are not within discretionary range and yield fee code DR. The Exchange does not currently assess a fee or provide a rebate for Non-Displayed orders that add liquidity other than orders that yield fee code DA (i.e., orders that yield fee codes DM, HA, MM, RP, PA). The Exchange does assess a fee of $0.00030 per share for Non-Displayed orders that add liquidity using Midpoint Discretionary orders not within dictionary range and yield fee code DA. In connection with its proposal to implement an inverted pricing model, and to simplify its fee schedule, the Exchange now proposes to provide a rebate of $0.00040 per share to all Non-Displayed orders in securities priced above $1.00 that remove liquidity and to charge $0.00080 per share to all Non-Displayed orders that add liquidity. The Exchange does not propose to amend the fees charged for Non-Displayed orders in securities priced below $1.00.

Additionally, in light of the change in pricing model, the Exchange does not wish to maintain Add Volume Tier 1 and accordingly proposes to eliminate it from the fee schedule.

The Exchange next proposes to amend certain routing fees. Particularly, for securities at or above $1.00, the Exchange proposes to amend routing fees for the following orders: (i) routed
orders, pre and post market, which yield fee code 7 and are charged $0.00270 per share, (ii) routed orders to EDGX, which yield fee code I and are charged $0.00290 per share; (iii) routed orders, which yield fee code X and are charged $0.00290 per share; (iv) routed orders using ROUX routing strategy, which yield fee code RX and are charged $0.00280 per share and (v) routed orders using ROUT routing strategy, which yield fee code RT and are charged $0.00260 per share. The Exchange is proposing to amend those rates as follows: (i) the fee for routed orders, pre and post market, which yield fee code 7, would be increased to $0.00300 per share; (ii) the fee for routed orders to EDGX, which yield fee code I, would be increased to $0.00300 per share; (iii) the fee for routed orders, which yield fee code X, would be increased to $0.00300 per share; (iv) the fee for routed orders using ROUX routing strategy, which yield fee code RX, would be increased to $0.00290 per share and (v) the fee for routed orders using ROUT routing strategy, which yield fee code RT, would be increased to $0.00280 per share. The Exchange notes that the proposed amounts are in line with amounts assessed for similar transaction on other exchanges.6

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,7 in general, and furthers the objectives of Section 6(b)(4),8 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.

The Exchange believes its proposal to replace its current low fee model with a taker-
maker pricing model where it would charge a fee for adding liquidity and provide a rebate for removing liquidity is equitable and reasonable as it would serve to simplify its fee schedule to provide a standard rate for orders that add liquidity and a standard rebate for orders that remove liquidity, while also eliminating its pricing incentive under Add Volume Tier 1. The proposed fee structure provides a simple and straightforward model that would treat Displayed and Non-Displayed orders equally.

The Exchange believes providing rebates for orders removing liquidity is reasonable, equitable and not unfairly discriminatory because it provides an incentive to bring additional liquidity to the Exchange, thereby promoting price discovery and enhancing order execution opportunities for Members. The Exchange believes that assessing fees for orders that add liquidity is reasonable, equitable and not unfairly discriminatory because the Exchange must balance the cost of credits for orders that remove liquidity. The Exchange believes the proposed changes are equitable and not unfairly discriminatory because they apply equally to all members. The Exchange also notes that other exchanges utilize taker-maker pricing models and notes that the proposed fees and rebates are in line with the fees and rebates assessed on other exchanges for similar transactions.9

The elimination of Add Volume Tier 1 is also equitable and reasonable because it would aid in simplifying the fee schedule and result in all Members being charged the same rates for all transactions regardless of their monthly volumes. The proposed change also applies to all Members.

The Exchange lastly believes its proposed changes relating to certain routing fees are

9 See e.g., Cboe BYX U.S. Equities Fee Schedule, Standard Rates, for transactions that add and remove liquidity. See also NYSE National, Inc. Schedule of Fees and Rebates, Section I.A General Rates, for transaction fees for adding liquidity.
reasonable taking into account routing costs and also notes that the proposed changes are in line with amounts assessed by other exchanges.\textsuperscript{10} The Exchange believes the proposed changes to its routing fees are equitable and not unfairly discriminatory because the proposed changes apply equally to all Members. The Exchange notes that routing through the Exchange is voluntary and also notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive.

(B) \textbf{Self-Regulatory Organization’s Statement on Burden on Competition}

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that this change represents a significant departure from previous pricing offered by the Exchange’s competitors. The proposed rates and rebates would apply uniformly to all Members, and Members may opt to disfavor the Exchange’s pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. Further, excessive fees would serve to impair an exchange’s ability to compete for order flow and members rather than burdening competition. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

(C) \textbf{Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others}

The Exchange has not solicited, and does not intend to solicit, comments on this proposed

\textsuperscript{10} See e.g., Cboe EDGX U.S. Securities Fee Schedule, Fee Codes and Associated Fees. See also NYSE National, Inc. Schedule of Fees and Rebates, Section II, Routing Fees.
rule change. The Exchange has not received any written comments from members or other interested parties.

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\(^\text{11}\) and paragraph (f) of Rule 19b-4 thereunder.\(^\text{12}\) 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.

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 SR-CboeEDGA-2018-012 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-CboeEDGA-2018-012. 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. 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-CboeEDGA-2018-012 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.\textsuperscript{13}

Eduardo A. Aleman
Assistant Secretary

\textsuperscript{13} 17 CFR 200.30-3(a)(12).