

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-82240; File No. SR-CboeEDGX-2017-003)

December 8, 2017

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Transaction Fees for Exchange's Equity Trading Platform

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 November 30, 2017, Cboe EDGX Exchange, Inc. ("EDGX" or "Exchange") 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 EDGX Rules 15.1(a) and (c).

The text of the proposed rule change is available at the Exchange's website at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

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).

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) reduce the rebate applicable to fee code ZA; and (ii) provide the enhanced rebate offered by the Investor Depth Tier under footnote 1 of the fee schedule to orders that yield fee code ZA where the Member satisfies the tier's required criteria.

Currently, the Exchange determines the liquidity adding rebate that it will provide to Members using the Exchange's fee code and tiered pricing structure. Fee code ZA is appended to Retail Orders⁶ that add liquidity on the Exchange. Retail Orders which yield fee code ZA currently receive a rebate of \$0.0034 per share in securities priced at or above \$1.00 and a rebate

⁶ "Retail Orders" are defined as "an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology." See Exchange Rule 11.21(a)(2).

of \$0.00003 per share in securities priced below \$1.00. The Exchange now proposes to reduce the rebate provided by fee code ZA from \$0.0034 per share to \$0.0032 per share for securities priced at or above \$1.00. The Exchange does not propose to amend the rebate provided by fee code ZA for securities priced below \$1.00.

The Exchange offers additional rebates depending on the volume tiers for which such Member qualifies. As is the case with any rebate on the fee schedule, to the extent that a Member qualifies for higher rebates than those provided under a volume tier, the higher rebate shall apply. Footnote 1 offers volume tiered rebates ranging from \$0.0025 to \$0.0033 per share to orders yielding fee codes B,⁷ V,⁸ Y,⁹ 3¹⁰ and 4.¹¹ Under footnote 1's Investor Depth Tier, a Member will receive a rebate of \$0.0033 per share where they: (i) add an ADV \geq 0.12% of the TCV; (ii) have an "added liquidity" as a percentage of "added plus removed liquidity" \geq 85%; and (iii) adds an ADV \geq 400,000 shares as non-displayed orders that yield fee code HA,¹² HI,¹³

⁷ Fee code B is appended to displayed orders that add liquidity in Tape B securities and are provided a rebate of \$0.0020 per share. See the Exchange's fee schedule available at http://markets.cboe.com/us/equities/membership/fee_schedule/edgx/.

⁸ Fee code V is appended to displayed orders that add liquidity in Tape A securities and are provided a rebate of \$0.0020 per share. Id.

⁹ Fee code Y is appended to displayed orders that add liquidity in Tape C securities and are provided a rebate of \$0.0020 per share. Id.

¹⁰ Fee code 3 is appended to displayed orders that add liquidity in Tape A or C securities during the post-market or pre-market sessions and are provided a rebate of \$0.0020 per share. Id.

¹¹ Fee code 4 is appended to displayed orders that add liquidity in Tape B securities during the post-market or pre-market sessions and are provided a rebate of \$0.0020 per share. Id.

¹² Fee code HA is appended to non-displayed orders that add liquidity and are provided a rebate of \$0.0015 per share. See the Exchange's fee schedule available at http://markets.cboe.com/us/equities/membership/fee_schedule/edgx/.

¹³ Fee code HI is appended to non-displayed orders that add liquidity and receive price improvement and are executed free of charge. Id.

and/or MM.¹⁴ The Exchange now proposes to also provide the rebate offered by the Investor Depth Tier to orders that yield fee code ZA where the Member satisfies the tier's required criteria. As such, Member's Retail Orders that yield fee code ZA would receive an enhanced rebate of \$0.0033 per share where that Member satisfies the tier's required criteria.

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule as of December 1, 2017.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,¹⁵ in general, and furthers the objectives of Section 6(b)(4),¹⁶ 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 also 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. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes the rates remain competitive with those charged by other venues and, therefore, reasonable and equitably allocated to Members. The Exchange further believes that the proposed amendments are non-discriminatory because they apply uniformly to all Members.

The Exchange believes it is equitable and reasonable to lower the rebate for Retail Orders

¹⁴ Fee code MM is appended to non-displayed orders that add liquidity using the Mid-Point Peg order type. Id.

¹⁵ 15 U.S.C. 78f.

¹⁶ 15 U.S.C. 78f(b)(4).

that yield fee code ZA from \$0.0034 to \$0.0032 per share as the level of rebate is either equal to or greater than the rebate offered on another exchange.¹⁷ The Exchange further believes the proposed fee change is equitable and reasonable because it continues to enable Retail Orders that add liquidity to receive an enhanced rebate by qualifying for the Investor Depth Tier under footnote 1. Doing so should encourage market participants to direct more order flow to the Exchange in attempt to qualify for the Investor Depth tier and receive an enhanced rebate for their Retail Orders. Volume-based rebates and fees such as proposed herein have been widely adopted by equities and options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts 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 introduction of higher volumes of orders into the price and volume discovery processes.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Similarly, the Exchange does not believe that the proposed change to the Exchange's tiered pricing structure burdens competition, but instead, enhances competition by modifying pricing incentives to attract order flow and incentivize participants to increase their participation on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants

¹⁷ NYSE Arca, Inc. ("NYSE Arca") provides a standard rebate of \$0.0030 per share for retail orders that add liquidity. See the NYSE Arca fee schedule [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). Cboe BZX Exchange, Inc. ("BZX") provides a rebate of \$0.0032 per share to retail orders that add liquidity. See the BZX fee schedule [available at http://markets.cboe.com/us/equities/membership/fee_schedule/bzx/](http://markets.cboe.com/us/equities/membership/fee_schedule/bzx/).

can readily direct order flow to competing venues if they deem fee structures to be unreasonable or excessive. The Exchange does not believe the proposed amendments would burden intramarket competition as they would be available to all Members uniformly.

(C) 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 rule change. The Exchange has not received any unsolicited 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 Act¹⁸ and paragraph (f) of Rule 19b-4 thereunder.¹⁹ 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

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2017-003 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeEDGX-2017-003. 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-CboeEDGX-2017-003 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.²⁰

Eduardo A. Aleman
Assistant Secretary

²⁰ 17 CFR 200.30-3(a)(12).