

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-83027; File No. SR-CboeEDGX-2018-009)

April 10, 2018

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

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 29, 2018, Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX") 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 fee schedule applicable to Members<sup>5</sup> 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

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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).

<sup>5</sup> 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](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 Exchange proposes to amend its fee schedule applicable to its equities trading platform ("EDGX Equities") to modify the enhanced rebate provided pursuant to the Investor Depth Tier under footnote 1. The Exchange currently offers nine Add Volume Tiers under footnote 4 [sic], which provide enhanced rebates ranging from of \$0.0025 to \$0.0033 per share for qualifying orders which yield fee codes B,<sup>6</sup> V,<sup>7</sup> Y,<sup>8</sup> 3<sup>9</sup> and 4.<sup>10</sup> The Exchange proposes to

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<sup>6</sup> Fee code B is appended to displayed orders which add liquidity to Tape B and is 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/](http://markets.cboe.com/us/equities/membership/fee_schedule/edgx/).

<sup>7</sup> Fee code V is appended to displayed orders which add liquidity to Tape A and is provided a rebate of \$0.0020 per share. Id.

<sup>8</sup> Fee code Y is appended to displayed orders which add liquidity to Tape C and is provided a rebate of \$0.0020 per share. Id.

<sup>9</sup> Fee code 3 is appended to displayed orders which add liquidity to Tape A or C during the post-market or pre-market sessions and is provided a rebate of \$0.0020 per share. Id.

<sup>10</sup> Fee code 4 is appended to displayed orders which add liquidity to Tape B during the post-market or pre-market sessions and is provided a rebate of \$0.0020 per share. Id.

modify the criteria necessary to achieve the Investor Depth Tier as described below. Currently, under the Investor Depth Tier a Member may be provided an enhanced rebate of \$0.0033 per share where that Member: (i) adds an ADV<sup>11</sup> greater than or equal to 0.12% of the TCV;<sup>12</sup> (ii) has an “added liquidity” as a percentage of “added plus removed liquidity” greater than or equal to 85%; and (iii) adds an ADV greater than or equal to 400,000 shares as non-displayed orders that yield fee code HA,<sup>13</sup> HI,<sup>14</sup> and/or MM.<sup>15</sup> The Exchange now proposes to decrease the enhanced rebate provided by the Investor Depth Tier from \$0.0033 per share to \$0.0031 per share. The Exchange does not propose to amend the Investor Depth Tier’s required criteria or to make any other changes to the other tiers under footnote 1.

In light of the proposed reduction of the Investor Tier’s enhanced rebate, the Exchange also proposes to no longer make the rebate provided by the tier available to orders that yield fee code ZA. Fee code ZA is appended to Retail Orders that add liquidity and are provided a rebate of \$0.0032 per share.<sup>16</sup> Due to the Investor Tier’s rebate now proposed to be lower than the

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<sup>11</sup> “ADV” means average daily volume calculated as the number of shares added to, removed from, or routed by, the Exchange, or any combination or subset thereof, per day. ADV is calculated on a monthly basis. Id.

<sup>12</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. See the Exchange’s fee schedule available at [http://markets.cboe.com/us/equities/membership/fee\\_schedule/edgx/](http://markets.cboe.com/us/equities/membership/fee_schedule/edgx/).

<sup>13</sup> Fee code HA is appended to non-displayed orders which add liquidity on the Exchange and are provided an enhanced rebate of \$0.0015 for securities priced at or above \$1.00, and \$0.0003 [sic] for securities priced below \$1.00. Id.

<sup>14</sup> Fee code HI is appended to non-displayed orders which receive price improvement and add liquidity on the Exchange and are neither charged a fee nor provided a rebate. Id.

<sup>15</sup> Fee code MM is appended to non-displayed orders which add liquidity on the Exchange using Mid-Point Peg and are provided an enhanced rebate of \$0.0015 for securities priced at or above \$1.00, and \$0.0003 [sic] for securities priced below \$1.00. Id.

<sup>16</sup> Id.

rebate provided to orders that yield fee code ZA, it is no longer necessary to make available the Investor Tier's rebate to fee code ZA.

The Exchange proposes to implement the above change to its fee schedule on April 2, 2018.

## 2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>17</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>18</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. 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 or incentives to be insufficient. The proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange.

The Exchange believes that the proposed modifications to the tiered pricing structure are reasonable, fair and equitable, and non-discriminatory. The Exchange believes the reduced rebate for the Investor Depth Tier represents is reasonable and equitable because it is intended to reflect the difficulty in achieving the tier's required criteria. The Exchange notes that in June 2017, it eased the first prong of the tier's required by requiring the Member add an ADV greater than or equal to 0.12% of the TCV, rather than 0.15% as previously required.<sup>19</sup> At that time, the Exchange did not make a corresponding change to the tier's rebate and now proposes to reduce

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<sup>17</sup> 15 U.S.C. 78f.

<sup>18</sup> 15 U.S.C. 78f(b)(4).

<sup>19</sup> See Securities Exchange Act Release No. 80977 (June 20, 2017), 82 FR 28924 (June 26, 2017) (SR-BatsEDGX-2017-30).

the rebate to reflect the difficulty in achieving the tier's required criteria. The Exchange operates in a highly competitive market in which market participants may readily send order flow to many competing venues if they deem fees at the Exchange to be excessive or incentives provided to be insufficient. The proposed structure remains intended to attract order flow to the Exchange by offering market participants a competitive pricing structure. The Exchange believes it is reasonable to offer and incrementally modify incentives intended to help to contribute to the growth of the Exchange.

Volume-based pricing such as that proposed herein have been widely adopted by exchanges, including the Exchange, 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: (i) the value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provisions and/or growth patterns; and (iii) 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. The Exchange does not believe that the proposed change to the Exchange's tiered pricing structure burdens competition because it is designed to amend the rebate to reasonably reflect the tier's required criteria. The Exchange 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 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 Act<sup>20</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>21</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2018-009 on the subject line.

Paper Comments:

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f).

- 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-CboeEDGX-2018-009. 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-2018-009 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.<sup>22</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>22</sup> 17 CFR 200.30-3(a)(12).