

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-84442; File No. SR-CboeEDGX-2018-047)

October 17, 2018

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Cboe EDGX 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 October 3, 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 Exchange Rules 15.1(a) and (c).

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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> A 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](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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its fee schedule to adopt new fee code DM, effective October 3, 2018. Such flag will be yielded when Members add liquidity in the discretionary range using a MidPoint Discretionary Order type (“MDO”), which order type was recently adopted by the Exchange. In sum, an MDO is a Limit Order that is executable at the National Best Bid (“NBB”) for an order to buy or the National Best Offer (“NBO”) for an order to sell while resting on the EDGX Book, with discretion to execute at prices to and including the midpoint of the National Best Bid and Offer (the “NBBO”).<sup>6</sup> MDO orders can be displayed or hidden. The MDO has two discrete components – the displayed portion that is pegged to the NBB or NBO, and a non-displayed portion which gives discretion to execute to the mid-point of

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<sup>6</sup> See Securities Exchange Act Release No. 84327 (October 1, 2018) (SR-CboeEDGX-2018-041) (notice of filing and immediate effectiveness of proposed rule change to adopt MDOs).

the NBBO, subject to certain limits. The Exchange believes the proposed pricing is reflective of this concept. Particularly, the Exchange notes that displayed MDO orders that add liquidity at the bid or offer will receive one of the existing applicable fee codes, B, V, Y, 3, or 4 and receive the standard rebate for adding liquidity. The standard rebate for adding liquidity in securities priced at or above \$1.00 is \$0.0020 per share and \$0.00003 per share for securities priced below \$1.00. Non-displayed MDO orders that add liquidity at the bid or offer will receive the existing non-displayed add fee code, HA. The rebate for orders yielding fee code HA is \$0.00150 per share for securities priced at or above \$1.00 and \$0.00003 for securities priced below \$1.00. The Exchange lastly proposes that Members that add liquidity in the discretionary range using a MDO order will receive a rebate of \$0.0015 per share for securities priced at or above \$1.00 and provide a rebate of \$0.00003 per share for securities priced below \$1.00. The Exchange notes that the proposed pricing for orders that add liquidity using MDO orders within the discretionary range is the same as the pricing for non-displayed MDO orders that add liquidity at the bid or offer (i.e., orders yielding fee code HA). The Exchange notes that pursuant to Footnote 11 of the Fees Schedule, orders that add non-displayed liquidity (e.g., orders yielding fee code HA) may not receive a rebate if the order has a Discretionary Range instruction. As such, the Exchange proposes to adopt a new fee code, DM, to be appended to all MDO orders that add liquidity within the discretionary range.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>8</sup> in particular, as

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<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4).

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 the proposed rebates for orders yielding fee code DM are reasonable because the amount of the rebates are the same as the respective rebates applied to other non-displayed orders.<sup>9</sup> The Exchange believes the proposed rebates for orders yielding DM is equitable and not unfairly discriminatory because it applies uniformly to all members. The Exchange also notes that it believes it is equitable and reasonable to provide a rebate to MDOs because MDOs add liquidity at the NBBO while offering price improvement opportunities to incoming contra-side orders that execute within its discretionary range. The Exchange believes it's equitable and not unfairly discriminatory to provide a lower rebate to non-displayed add MDO orders (i.e., orders yielding fee codes HA and DM) compared to displayed add MDO orders (i.e., orders yielding fee codes, B, V, Y, 3, or 4) because such pricing incentivizes the entry of displayed liquidity on the Exchange, which is consistent with the Exchange's pricing generally.

B. 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 or from pricing offered by the Exchange's competitors. The proposed 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

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<sup>9</sup> See e.g., Cboe EDGX U.S. Equities Exchange Fee Schedule, Fee Code and Associated Fees, Fee Code HA.

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. 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 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>10</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>11</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

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2018-047 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-CboeEDGX-2018-047. 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 this 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-CboeEDGX-2018-047 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>12</sup>

Eduardo A. Aleman  
Assistant Secretary

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