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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-83200; File No. SR-CboeBZX-2018-031]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify Certain Routing Fees Related to its Equity Options Platform

May 9, 2018

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 1, 2018, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) 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 modify certain Routing Fees related to its equity options platform.

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.

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).

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 for its equity options platform ("BZX Options") to make certain changes to the following tiers: (i) Quoting Incentive Program ("QIP") Tier 2 under footnote 5; (ii) Non-Customer Non-Penny Pilot Take Volume Tiers 1 and 2 under footnote 13; and (iii) Non-Customer Penny Pilot Take Volume Tiers 1 and 3 under footnote 3, effective May 1, 2018.

QIP Volume Tier 2

The Exchange currently offers two QIP Tiers under footnote 5, which provide an additional rebate ranging from \$0.02 to \$0.04 per contract for qualifying Market Maker⁵ orders that add liquidity in: (i) Penny Pilot Securities that yield fee code PM and; (ii) Non-Penny Pilot Securities that yield fee code NM. The additional rebate per contract is for an order that adds liquidity to BZX Options in options classes in which a Member is a Market Maker registered pursuant to Exchange Rule 22.2. The Exchange now proposes to amend the required criteria for

⁵ A Market Maker must be registered with BZX Options in an average of 20% or more of the associated options series in a class in order to qualify for QIP rebates for that class.

QIP Tier 2. Particularly, under current Tier 2, a Member may receive an additional rebate of \$0.04 per contract where they have an ADAV⁶ in Market Maker orders greater than or equal to 0.35% of average OCV⁷. The Exchange proposes to amend the required criteria for Tier 2 to now require that the Member have an ADAV in Market Maker orders greater than or equal to 1.40% of average OCV.

Non-Customer Non-Penny Pilot Take Volume Tiers 1 and 2

Fee code NP is currently appended to all Non-Customer orders in Non-Penny Pilot Securities that remove liquidity, and result in a standard fee of \$1.10 per contract. The Exchange currently offers two Non-Customer Non-Penny Pilot Take Volume Tiers (“NP Volume Tiers”) under footnote 13, which provide a reduced fee of \$1.04 per contract for orders that that yield fee code NP. The Exchange proposes to increase the rates set forth in NP Volume Tiers 1 and 2. Specifically, NP Volume Tiers 1 and 2 will increase from \$1.04 per contract to \$1.07 per contract. The Exchange notes that the proposed rates still provide a discount from the standard Non-Customer NP rate and will continue to provide an incentive for Members to strive for the tier levels, which provide a discount off the standard rate.

Non-Customer Penny Pilot Take Volume Tiers 1 and 3

Fee code PP is currently appended to all Non-Customer orders in Penny Pilot Securities that remove liquidity, and result in a standard fee of \$0.50 per contract. The Exchange currently

⁶ “ADAV” means average daily added volume calculated as the number of contracts added per day. See Exchange Fee Schedule.

⁷ “OCV” means the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation (“OCC”) for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close. See Exchange Fee Schedule.

offers three Non-Customer Penny Pilot Take Volume Tiers under footnote 3, which provide reduced fees ranging from \$0.44 to \$0.47 per contract for orders that that yield fee code PP.

Pursuant to Volume Tier 1, a Member will pay a reduced fee (currently \$0.44 per contract) if the Member (i) has an ADAV in Customer orders greater than or equal to 0.80% of average OCV; (ii) has an ADAV in Market Maker orders greater than or equal to 0.35% of average OCV; and (iii) has on BZX Equities an ADAV greater than or equal to 0.30% of average TCV.⁸ The Exchange proposes to add a fourth prong that requires the member to have an ADAV in Customer Non-Penny orders greater than or equal to 0.05% of average OCV.

Pursuant to Volume Tier 3, a Member will pay a reduced fee (currently \$0.44 per contract) if the Member has an ADAV in Customer orders greater than or equal to 1.70% of average OCV. The Exchange proposes to add a second prong that requires the member to have an ADAV in Customer Non-Penny orders greater than or equal to 0.30% of average OCV. The Exchange believes the proposed changes will encourage the entry of additional orders to the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,⁹ in general, and furthers the objectives of Section 6(b)(4),¹⁰ 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.

⁸ “TCV” means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(4).

The Exchange believes the increase to the rates in NP Volume Tiers 1 and 2 is reasonable because Members submitting Non-Customer orders still have the opportunity to receive a lower fee in Non-Penny Pilot classes than the standard rate (albeit less of a discount than before). The Exchange also believes the rates will continue to provide an incentive for Members to strive for the tier levels, which provide discounts off the standard rate. The Exchange believes the proposed changes are equitable and nondiscriminatory because the proposed changes apply uniformly to all Members.

The Exchange next notes that volume-based discounts such as those currently maintained on the Exchange have been widely adopted by options exchanges and are equitable and non-discriminatory because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value of 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. While the proposed modifications to the existing QIP Tier 2 and NP Volume Tiers [sic] make such tiers more difficult to attain, each is intended to incentivize Members to send additional Market Maker and/or Customer orders, respectively, to the Exchange in an effort to qualify or continue to qualify for the lower fees made available by the tiers. As such, the Exchange also believes that the proposed changes are reasonable. The Exchange notes that increased volume on the Exchange provides greater trading opportunities for all market participants.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposed amendments to its fee schedule would 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 the proposed changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. 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 change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

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 Act¹¹ and paragraph (f) of Rule 19b-4 thereunder.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:

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f).

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-CboeBZX-2018-031 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-CboeBZX-2018-031. 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-CboeBZX-2018-031, 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.¹³

Eduardo A. Aleman
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).

