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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-88569; File No. SR-CboeEDGX-2020-015]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule

April 6, 2020.

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 April 1, 2020, Cboe EDGX Exchange, Inc. ("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 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

Cboe EDGX Exchange, Inc. (the "Exchange" or "EDGX" or "EDGX Equities") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend its fee schedule. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/options/regulation/rule_filings/edgx/), at the Exchange's Office of the Secretary, 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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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 aspects 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 add an additional Retail Volume Tier. Additionally, the Exchange proposes to eliminate fee code "PR"[3] from the Standard Rates table as all other references to fee code PR were removed from the Exchange's fee schedule on February 3, 2020.[4] The Exchange proposes to implement the proposed changes to its fee schedule on April 1, 2020.

The Exchange first 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. More specifically, the Exchange is only one of 13 registered and operational equities exchanges, as well as a number of alternative trading systems and other off-exchange venues that do not have similar self-regulatory responsibilities under the Exchange Act, to which market participants may direct their order flow. Based on publicly available information,[5] no single registered equities exchange has more than 20% of the market share. Thus, in such a low-concentrated and highly competitive

3 Prior to February 3, 2020, fee code PR represented orders that removed liquidity from EDGX using the ROUQ routing strategy.

4 See Securities Exchange Act Release No. 88154 (February 7, 2020) 85 FR 8327 (February 13, 2020) (SR-CboeEDGX-2020-006).

5 See Cboe Global Markets, U.S. Equities Market Volume Summary (March 26, 2020), available at https://markets.cboe.com/us/equities/market_statistics/. This market share percentage is based on a Month-to-Date volume summary.

market, no single equities exchange possesses significant pricing power in the execution of order flow.

The Exchange operates a “Maker-Taker” model whereby it pays credits to Members that add liquidity and assesses fees to those that remove liquidity. The Exchange’s fee schedule sets forth the standard rebates and fees applied per share for orders that provide and remove liquidity, respectively. Particularly, for securities at or above $1.00, the Exchange provides a standard rebate of $0.00170 per share for orders that add liquidity and assesses a fee of $0.00270 per share for orders that remove liquidity. The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow, or discontinue or reduce use of certain categories of products, in response to fee changes. Accordingly, competitive forces constrain the Exchange’s transaction fees, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

In response to the competitive environment, the Exchange offers tiered pricing that provides Members opportunities to qualify for higher rebates or reduced fees where certain volume criteria and thresholds are met. Tiered pricing provides incremental incentives for Members to strive for higher or different tier levels by offering increasingly higher discounts or enhanced benefits for satisfying increasingly more stringent criteria or different criteria. For example, pursuant to footnote 3 of the fee schedule, the Exchange currently offers a Retail Volume Tier that provides Members with an enhanced rebate of $0.0037 for liquidity adding orders that yield fee code “ZA”,[6] which generally has a rebate of $0.00320. To qualify for the

[6] Fee code “ZA” is associated with retail orders that remove [sic] liquidity.

Retail Volume Tier, a Member must add retail order ADV[7] (i.e., yielding fee code ZA) of greater than or equal to 0.50% of the TCV.[8] Therefore, the Retail Volume Tier is designed to encourage Members that provide liquidity adding retail orders on the Exchange to increase their order flow, thereby contributing to a deeper and more liquid market to the benefit of all market participants.

The Exchange now proposes to add an additional Retail Volume Tier, Tier 1, and to rename the existing Retail Volume Tier to Tier 2. Proposed Tier 1 would provide an enhanced rebate of $0.0034 for liquidity adding orders that yield fee code "ZA". To qualify for proposed Tier 1, a Member must 1) have retail Step-Up Add TCV[9] from February 2020 of equal to or greater than 0.05%, and 2) add retail order ADV (i.e., yielding fee code ZA) of equal to or greater than 0.20% of the TCV. In contrast to the existing Retail Volume Tier, under the proposed Tier 1 Members must satisfy a lower retail order ADV as a percentage of TCV and must also satisfy the Step-Up Add TCV threshold, which is designed to encourage growth (i.e., Members must increase their relative liquidity each month over a predetermined baseline (in this case the month being February 2020)). Overall, the proposed criteria are designed to encourage Members to increase their order flow, thereby contributing to a deeper and more liquid market, which benefits all market participants and provides greater execution opportunities on the Exchange. The Exchange believes that this benefits all Members by enhancing overall market quality and contributing towards a robust and well-balanced market ecosystem. The Exchange

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7 "Average Daily Volume" or "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.

8 "Total Consolidated Volume" or "TCV" means 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.

9 "Step-Up Add TCV" means Average Daily Add Volume ("ADAV") as a percentage of TCB [sic] in the relevant baseline month subtracted from current ADAV as a percentage of TCV.

notes that the proposed tier is available to all Retail Member Organizations ("RMOs") and is competitively achievable for all RMOs that submit liquidity adding retail order flow, in that, all firms that submit the requisite liquidity adding retail order flow could compete to meet the tier.

Additionally, the Exchange proposes to eliminate fee code "PR" from the Standard Rates table of the Exchange's fee schedule. The PR fee code was eliminated in all other places from the Exchange's fee schedule effective February 2, 2020;[10] however, fee code PR was inadvertently not removed from the Standard Rates table. As such, the Exchange is now seeking to eliminate fee code PR from the Standard Rates table.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,[11] in general, and furthers the requirements of Section 6(b)(4),[12] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange 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.

In particular, the Exchange believes the proposed amendment to add an additional Retail Volume Tier is reasonable because it provides an additional opportunity for Members to receive an enhanced rebate by means of liquidity-adding retail orders. The Exchange notes that relative volume-based incentives and discounts have been widely adopted by other exchanges,[13] and are

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10 See supra note 3.

11 15 U.S.C. 78f.

12 15 U.S.C. 78f(b)(4).

13 See Nasdaq, Price List, Rebate to Add Displayed Designated Retail Liquidity.

reasonable, 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 (i) the value of an exchange's market quality, and (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns.

Competing equity exchanges offer similar tiered pricing structures to that of the Exchange, including schedules of rebates and fees that apply based upon Members achieving certain volume and/or growth thresholds. These competing pricing schedules, moreover, are presently comparable to those that the Exchange provides, including the pricing of comparable tiers.[14]

Moreover, the Exchange believes the proposed Retail Volume Tier is a reasonable means to encourage Members to grow their overall liquidity adding retail order flow to the Exchange based on increasing their daily total added retail order ADV above a percentage of the TCV. Particularly, the Exchange believes that adopting an additional Retail Volume Tier based on a Member's liquidity adding retail orders will encourage retail order liquidity providing Members to provide for a deeper, more liquid market, and, as a result, increased execution opportunities at improved price levels and, thus, overall order flow. The Exchange believes that these increases will benefit all Members by contributing towards a robust and well-balanced market ecosystem. Increased overall order flow benefits all investors by deepening the Exchange's liquidity pool, providing greater execution incentives and opportunities, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. The proposed enhanced rebate per share amount also does not represent a significant departure from the rebates currently offered, or required

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14 See id. Nasdaq offer rebates ranging from $0.00325 up to $0.0033 for Add Displayed Designated Retail Liquidity.

criteria, under the Exchange's existing Retail Volume Tier. For example, the rebate provided under the existing Retail Volume Tier, for which, as stated, a Member must have a daily volume add retail order ADV of 0.50% or greater than the TCV, is $0.0037 per share. In other words, under this tier, Members receive an enhanced rebate from the standard $0.0032 rebate for orders yielding fee code "ZA". Therefore, the proposed enhanced rebate under Tier 1 ($0.0034) is comparable to the enhanced rebate currently offered under the Retail Volume Tier.

The Exchange believes that the proposal represents an equitable allocation of fees and is not unfairly discriminatory because all RMOs are eligible for the proposed Retail Volume Tier, and would have the opportunity to meet the proposed Tier 1 criteria and receive the proposed enhanced rebate if such criteria is met. The proposed tier is designed as an incentive to any and all RMOs interested in meeting the tier criteria to submit additional liquidity adding retail order flow to achieve the proposed discount. Without having a view of activity on other markets and off-exchange venues, the Exchange has no way of knowing whether this proposed rule change would definitely result in any RMOs qualifying for this tier. While the proposed tier is only applicable to RMOs, the Exchange does not believe it is discriminatory as the Exchange offers similar rebates to non-RMO order flow.[15] While the Exchange has no way of predicting with certainty how the proposed tier will impact RMO activity, the Exchange anticipates that at up to three RMOs will be able to compete for and reach the proposed tier. The Exchange also notes that the proposed tier will not adversely impact any RMO's pricing or their ability to qualify for other rebate tiers. Rather, should a RMO not meet the proposed criteria, the Member will merely not receive an enhanced rebate. Furthermore, the proposed fee would uniformly apply to all RMOs that meet the required criteria under the proposed Retail Volume Tier.

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[15] See e.g., the Add Volume Tiers in the Exchange's Fee Schedule which provides an enhanced rebate to all Members that add liquidity meeting certain criteria.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, as discussed above, the Exchange believes that the proposed addition of another Retail Volume Tier would encourage the submission of additional liquidity adding retail order flow to a public exchange, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. As a result, the Exchange believes that the proposed change furthers the Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."[16]

The Exchange believes the proposed rule change does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed Retail Volume Tier change applies to all RMOs equally in that all RMOs are eligible for the proposed tier, have a reasonable opportunity to meet the tier's criteria and will all receive the enhanced rebate if such criteria is met. Additionally the proposed change is designed to attract additional order flow to the Exchange. The Exchange believes that the modified tier criteria would incentivize market participants to direct liquidity adding retail orders and, as a result, executable order flow and improved price transparency, to the Exchange. Greater overall order flow and pricing transparency benefits all market participants on the Exchange by providing more trading opportunities, enhancing market quality, and continuing to encourage Members to send orders, thereby contributing towards a robust and well-balanced market ecosystem, which benefits all market participants.

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16 Securities Exchange Act Release No. 51808, 70 FR 37495, 37498-99 (June 29, 2005) (S7-10-04) (Final Rule).

The Exchange believes the proposed rule change does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purpose of the Act. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and direct their order flow, including 12 other equities exchanges, and off-exchange venues and alternative trading systems. Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single equities exchange has more than 20% of the market share.[17] Therefore, no exchange possesses significant pricing power in the execution of order flow. Indeed, participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. Moreover, the Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies."[18] The fact that this market is competitive has also long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: "[n]o one disputes that competition for order flow is 'fierce.' … As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages

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17 See supra note 4.

18 See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'….".[19] Accordingly, the Exchange does not believe its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

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[20] and paragraph (f) of Rule 19b-4[21] thereunder. 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. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

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:

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[19] NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

[20] 15 U.S.C. 78s(b)(3)(A).

[21] 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 No. SR-CboeEDGX-2020-015 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090.

All submissions should refer to File No. SR-CboeEDGX-2020-015. 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, D.C. 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 No. SR-CboeEDGX-2020-015, 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.[22]

J. Matthew DeLesDernier,
Assistant Secretary.

[22] 17 CFR 200.30-3(a)(12).

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