SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100010; File No. SR-CBOE-2024-019)

April 22, 2024

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

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 April 10, 2024, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "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 Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend its Fees 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://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), 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 proposed rule change. The text of these statements may be examined at the places specified in Item

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

2 17 CFR 240.19b-4.

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 Fees Schedule.[3] Specifically, the Exchange proposes to amend the Regular Trading Hours ("RTH") XSP Lead Market-Makers ("LMMs") Incentive Program (the "Program").

By way of background, the Exchange offers several LMM Incentive Programs which provide a rebate to Trading Permit Holders ("TPHs") with LMM appointments to the respective incentive program that meet certain quoting standards in the applicable series in a month.[4] The Exchange notes that meeting or exceeding the quoting standards in each of the LMM incentive program products to receive the applicable rebate is optional for an LMM appointed to a program. Particularly, an LMM appointed to an incentive program is eligible to receive the corresponding rebate if it satisfies the applicable quoting standards, which the Exchange believes encourages appointed LMMs to provide liquidity in the applicable class and trading session (i.e., RTH or Global Trading Hours). The Exchange may consider other exceptions to the programs' quoting standards based on demonstrated legal or regulatory requirements or other mitigating circumstances. In calculating whether an LMM appointed to an incentive program meets the

3 The Exchange initially filed the proposed fee changes on April 1, 2024 (SR-CBOE-2024-016). On April 2, 2024, the Exchange withdrew that filing and submitted SR-CBOE-2024-018. On April 10, 2024, the Exchange withdrew that filing and submitted this proposal.

4 See Exchange Rule 3.55(a). In advance of the LMM Incentive Program effective date, the Exchange will send a notice to solicit applications from interested TPHs for the LMM role and will, from among those applications, select the program LMMs. Factors to be considered by the Exchange in selecting LMMs include adequacy of capital, experience in trading options, presence in the trading crowd, adherence to Exchange rules and ability to meet the obligations specified in Rule 5.55.

applicable program's quoting standards each month, the Exchange excludes from the calculation in that month the business day in which the LMM missed meeting or exceeding the quoting standards in the highest number of the applicable series.

The Exchange proposes to amend the current Program. Currently, the Program provides that if an LMM appointed to the Program provides continuous electronic quotes during RTH that meet or exceed the proposed heightened quoting standards (below) in at least 95% of the series 93% of the time in a given month, the LMM will receive (i) a payment for that month in the amount of $40,000 (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month) and (ii) a rebate of $0.27 per XSP contract that is executed in RTH in Market-Maker capacity and adds liquidity electronically contra to non-customer capacity.

The Exchange now proposes to amend the time requirement for the Program. Specifically, the Exchange proposes to update the time requirement to require an appointed LMM to provide continuous electronic quotes during RTH that meet or exceed the heightened quoting standards in at least 95% of the XSP series 90% of the time in a given month in order to receive the rebate, thereby decreasing the time requirement by 3%.

Further, the Exchange proposes to amend the heightened quoting requirements offered by the Program. The current heightened quoting requirements are as follows in the table below:

Width					
VIX Value at Prior Close ≤ 30					
Moneyness*	**Expiring Option**	**1 day**	**2 days to 5 days**	**6 days to 14 days**	**15 days to 35 days**
[> 3% ITM)	$0.20	$0.25	$0.25	$0.50	$1.00
[3% ITM to 2% ITM)	$0.10	$0.15	$0.15	$0.25	$0.75
[2% ITM to 0.25% ITM)	$0.04	$0.05	$0.05	$0.06	$0.10
[0.25% ITM to ATM)	$0.02	$0.03	$0.04	$0.05	$0.08
[ATM to 1% OTM)	$0.02	$0.02	$0.02	$0.03	$0.06
[> 1% OTM]	$0.02	$0.02	$0.02	$0.02	$0.04
VIX Value at Prior Close > 30					
[> 3% ITM)	$0.25	$0.30	$0.30	$0.55	$1.05
[3% ITM to 2% ITM)	$0.15	$0.20	$0.20	$0.30	$0.80
[2% ITM to 0.25% ITM)	$0.05	$0.06	$0.06	$0.07	$0.11
[0.25% ITM to ATM)	$0.03	$0.04	$0.05	$0.06	$0.09
[ATM to 1% OTM)	$0.03	$0.03	$0.03	$0.04	$0.07
[> 1% OTM]	$0.03	$0.03	$0.03	$0.03	$0.05

* Moneyness is calculated as 1 – strike/index for calls, strike/index – 1 for puts. Negative numbers are Out of the Money (“OTM”) and positive values are In the Money (“ITM”). A Moneyness value of zero for either calls or puts is considered At the Money (“ATM”). For example, if the index is at 400, the 396 call = 1 – 396/400 = 0.01 = 1% ITM, whereas the 396 put = 396/400 – 1 = -0.01 = 1% OTM.

Moneyness	**Size (0 to 35 days to expiry)**
[> 3% ITM)	5
[3% ITM to 2% ITM)	10
[2% ITM to 0.25% ITM)	15
[0.25% ITM to ATM)	20
[ATM to 1% OTM)	20
[>1% OTM]	20

The Exchange proposes to restructure the Program and adopt a new set of heightened quoting standards. The heightened quoting standards proposed for XSP options are as follows in the table below:

<u>Width</u>					
VIX Value at Prior Close ≤ 30					
Moneyness	**Expiring Option**	**1 day**	**2 days to 5 days**	**6 days to 14 days**	**15 days to 35 days**
[> 3% ITM)	$0.20	$0.25	$0.30	$0.40	$0.75
[3% ITM to 2% ITM)	$0.10	$0.13	$0.20	$0.25	$0.50
[2% ITM to 0.25% ITM)	$0.08	$0.10	$0.13	$0.16	$0.25
[0.25% ITM to ATM)	$0.05	$0.06	$0.08	$0.10	$0.15
[ATM to 1% OTM)	$0.03	$0.04	$0.05	$0.06	$0.10
[> 1% OTM]	$0.02	$0.03	$0.04	$0.05	$0.06

VIX Value at Prior Close > 30					
[> 3% ITM)	$0.30	$0.40	$0.50	$0.60	$1.00
[3% ITM to 2% ITM)	$0.15	$0.20	$0.25	$0.30	$0.75
[2% ITM to 0.25% ITM)	$0.12	$0.15	$0.19	$0.23	$0.40
[0.25% ITM to ATM)	$0.08	$0.09	$0.12	$0.15	$0.20
[ATM to 1% OTM)	$0.05	$0.06	$0.07	$0.09	$0.10
[> 1% OTM]	$0.03	$0.04	$0.05	$0.06	$0.07

Moneyness	**Size (0 to 35 days to expiry)**
[> 3% ITM)	5
[3% ITM to 2% ITM)	5
[2% ITM to 0.25% ITM)	10
[0.25% ITM to ATM)	20
[ATM to 1% OTM)	20
[> 1% OTM]	20

The amended time requirement and proposed heightened quoting standards are designed to incentivize LMMs appointed to the Program to provide significant liquidity in XSP options during the RTH session, which, in turn, would provide greater trading opportunities, added market transparency and enhanced price discovery for all market participants in XSP.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the

Exchange and, in particular, the requirements of Section 6(b) of the Act.[5] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[6] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[7] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,[8] which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes it is reasonable to decrease the time requirement for the Program, as the change is reasonably designed to slightly ease the difficulty in meeting the heightened quoting standards offered under the Program (for which an appointed LMM receives the respective rebates), which, in turn, provides increased incentive for LMMs appointed to the program to provide significant liquidity in XSP options. Such liquidity benefits all market participants by providing more trading opportunities, tighter spreads, and added market

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5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

7 Id.

8 15 U.S.C. 78f(b)(4).

transparency and price discovery, and signals to other market participants to direct their order flow to the market, thereby contributing to robust levels of liquidity.

Additionally, the Exchange believes that it is reasonable to amend the Program's heightened quoting standards, as the proposed new quoting requirements are overall reasonably designed to continue to encourage LMMs appointed to the Program to provide significant liquidity in XSP options, which benefits investors overall by providing more trading opportunities, tighter spreads, and overall enhanced market quality to the benefit of all market participants.

The Exchange believes that the proposed changes to width and quote sizes for the Program's heightened quoting requirements eases the heightened quoting standards in a manner that makes it easier for appointed LMMs to achieve such requirements and will incentivize an increase in quoting activity in XSP options. Particularly, by increasing certain quote widths and decreasing certain quote sizes, the Exchange believes the proposed changes will encourage appointed LMMs to post more aggressive quotes in XSP options, in order to meet the heightened quoting standards, as amended, and receive the rebates offered under the incentive program, resulting in tighter spreads and increased liquidity to the benefits of investors. The Exchange also believes that the proposed width and quote sizes are reasonable because they remain generally aligned with the current heightened standards in each program, as the proposed width and quote sizes are only marginally changed in order to incentivize an increase in quoting activity.

The Exchange believes that the proposed changes to the Program are equitable and not unfairly discriminatory. Specifically, the changes to the Program will apply equally to any and all TPHs with LMM appointments to the Program that seek to meet the Programs' quoting standards in order to receive the rebates offered. The Exchange additionally notes that, if an LMM appointed to the Program does not satisfy the corresponding heightened quoting standard for any given month, then it simply will not receive the rebate offered by the Program for that month.

Regarding the Program generally, the Exchange believes it is reasonable, equitable and not unfairly discriminatory to continue to offer financial incentives to LMMs appointed to the Program, because it benefits all market participants trading in XSP options during RTH. The incentive program encourages the appointed LMMs to satisfy the applicable quoting standards, which may increase liquidity and provide more trading opportunities and tighter spreads. Indeed, the Exchange notes that these LMMs serve a crucial role in providing quotes and the opportunity for market participants to trade XSP options, which can lead to increased volume, providing robust markets. The Exchange ultimately offers the Program, as amended, to sufficiently incentivize LMMs appointed to the Program to provide key liquidity and active markets in the XSP options during RTH and believes that the incentive program, as amended, will continue to encourage increased quoting to add liquidity in XSP options, thereby protecting investors and the public interest. The Exchange also notes that an LMM appointed to an incentive program may undertake added costs each month to satisfy that heightened quoting standards (e.g., having to purchase additional logical connectivity).

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. First, 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 changes to the Program will apply to all appointed LMMs in a uniform manner. To the extent LMMs appointed to the incentive program receive a benefit that other market participants do not, as stated, these LMMs in their role as Market-Makers on the Exchange have different obligations and are held to different standards. For example, Market-Makers play a crucial role in providing active and liquid markets in their appointed products, thereby providing a robust market which benefits all market participants. Such Market-Makers also have obligations and regulatory requirements that other participants do not have. The Exchange also notes that an LMM appointed to an incentive program may undertake added costs each month to satisfy that heightened quoting standards (e.g., having to purchase additional logical connectivity). The Exchange also notes that the incentive programs are designed to attract additional order flow to the Exchange, wherein greater liquidity benefits all market participants by providing more trading opportunities, tighter spreads, and added market transparency and price discovery, and signals to other market participants to direct their order flow to those markets, thereby contributing to robust levels of liquidity. 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."[9]

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act as the Program applies only to transactions in a product exclusively listed on the Exchange. As noted above, the incentive program is designed to attract additional order flow to the Exchange, wherein greater liquidity benefits all market participants by providing more trading opportunities, tighter spreads, and added market transparency and price discovery, and signals to

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

other market participants to direct their order flow to those markets, thereby contributing to robust levels of liquidity. The Exchange notes that it operates in a highly competitive market. TPHs have numerous alternative venues that they may participate on and direct their order flow, including 16 other options exchanges, as well as off-exchange venues, where competitive products are available for trading. Based on publicly available information, no single options exchange has more than 15% of the market share.[10] Therefore, no exchange possesses significant pricing power in the execution of option order flow. Indeed, participants can readily choose to send their orders to other exchanges, and, additionally 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."[11] 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 for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the

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10 See Cboe Global Markets U.S. Options Market Volume Summary, Month-to-Date (March 26, 2024), available at https://markets.cboe.com/us/options/market_statistics/.

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

execution of order flow from broker dealers'….".[12] 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[13] and paragraph (f) of Rule 19b-4[14] 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:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or

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12 See 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)).

13 15 U.S.C. 78s(b)(3)(A).

14 17 CFR 240.19b-4(f).

- Send an email to rule-comments@sec.gov. Please include file number SR-CBOE-2024-019 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-CBOE-2024-019. This file number should be included on the subject line if email 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 (https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CBOE-2024-019 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[15]

Sherry R. Haywood,

Assistant Secretary.

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15 17 CFR 200.30-3(a)(12).