

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-100193; File No. SR-CboeBZX-2024-039)

May 21, 2024

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 13, 2024, Cboe BZX Exchange, Inc. (“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 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 BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes 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/equities/regulation/rule\\_filings/BZX/](http://markets.cboe.com/us/equities/regulation/rule_filings/BZX/)), 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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 applicable to its equities trading platform (“BZX Equities”) by modifying certain Add/Remove Volume Tiers. The Exchange proposes to implement these changes effective May 13, 2024.<sup>3</sup>

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 16 registered 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 Securities Exchange Act of 1934 (the “Act”), to which market participants may direct their order flow. Based on publicly available information,<sup>4</sup> no single registered equities exchange has more than 16% of the market share. Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow. The Exchange in particular operates a “Maker-Taker” model whereby it pays rebates to members that add liquidity and assesses fees to those that remove liquidity. The Exchange’s Fee Schedule sets forth the standard rebates and rates applied per share for orders that provide and remove liquidity, respectively. Currently, for orders in securities priced at or above \$1.00, the

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<sup>3</sup> The Exchange initially filed the proposed fee change on May 1, 2024 (SR-CboeBZX-2024-033). On May 9, 2024, the Exchange withdrew that filing and submitted SR-CboeBZX-2024-036. On May 13, 2024, the Exchange withdrew that filing and submitted this proposal.

<sup>4</sup> See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (April 23, 2024), available at [https://www.cboe.com/us/equities/market\\_statistics/](https://www.cboe.com/us/equities/market_statistics/).

Exchange provides a standard rebate of \$0.00160 per share for orders that add liquidity and assesses a fee of \$0.0030 per share for orders that remove liquidity.<sup>5</sup> For orders in securities priced below \$1.00, the Exchange does not provide a rebate for orders that add liquidity and assesses a fee of 0.30% of the total dollar value for orders that remove liquidity.<sup>6</sup> Additionally, in response to the competitive environment, the Exchange also offers tiered pricing which provides Members opportunities to qualify for higher rebates or reduced fees where certain volume criteria and thresholds are met. Tiered pricing provides an incremental incentive for Members to strive for higher tier levels, which provides increasingly higher benefits or discounts for satisfying increasingly more stringent criteria.

### **Add/Remove Volume Tiers**

Under footnote 1 of the Fee Schedule, the Exchange offers various Add/Remove Volume Tiers. In particular, the Exchange offers eight Add Volume Tiers that provide enhanced rebates for orders yielding fee codes B,<sup>7</sup> V<sup>8</sup> and Y<sup>9</sup> where a Member reaches certain add volume-based criteria. The Exchange now proposes to modify Add Volume Tier 8 by lowering the requirement in the first prong of criteria. The current criteria for Add Volume Tier 8 is as follows:

- Add Volume Tier 8 provides a rebate of \$0.0031 per share in securities priced at or above \$1.00 to qualifying orders (i.e., orders yielding fee codes B, V, or Y) where a Member: 1) has an ADAV<sup>10</sup> as a percentage of TCV<sup>11</sup>  $\geq 0.50\%$ ; and 2) Member has a

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<sup>5</sup> See BZX Equities Fee Schedule, Standard Rates.

<sup>6</sup> Id.

<sup>7</sup> Fee code B is appended to displayed orders that add liquidity to BZX in Tape B securities.

<sup>8</sup> Fee code V is appended to displayed orders that add liquidity to BZX in Tape A securities.

<sup>9</sup> Fee code Y is appended to displayed orders that add liquidity to BZX in Tape C securities.

<sup>10</sup> “ADAV” means average daily added volume calculated as the number of shares added per day. ADAV is calculated on a monthly basis.

<sup>11</sup> “TCV” means total consolidated volume calculated as the volume reported by all exchanges and trade

Tape B ADV<sup>12</sup>  $\geq$  1.50% of the Tape B TCV; and 3) Member has a Remove ADV  $\geq$  0.30% of the TCV.

The proposed criteria for Add Volume Tier 8 is as follows:

- Add Volume Tier 8 provides a rebate of \$0.0031 per share in securities priced at or above \$1.00 to qualifying orders (i.e., orders yielding fee codes B, V, or Y) where a Member: 1) has an ADAV as a percentage of TCV  $\geq$  0.42%; and 2) Member has a Tape B ADV  $\geq$  1.50% of the Tape B TCV; and 3) Member has a Remove ADV  $\geq$  0.30% of the TCV.

In addition to the Add/Remove Volume Tiers offered under footnote 1, the Exchange also offers four Non-Displayed Add Volume Tiers that each provide an enhanced rebate for Members' qualifying orders yielding fee codes HB,<sup>13</sup> HV,<sup>14</sup> or HY,<sup>15</sup> where a Member reaches certain volume-based criteria offered in each tier. The Exchange now proposes to modify Non-Displayed Add Volume Tier 1. The current criteria for Non-Displayed Add Volume Tier 1 is as follows:

- Non-Displayed Add Volume Tier 1 provides a rebate of \$0.0018 per share in securities priced at or above \$1.00 to qualifying orders (i.e., orders yielding fee codes HB, HV, or HY) where a Member adds an ADV  $\geq$  0.05% of the TCV as Non-Displayed orders that yield fee codes HB, HI,<sup>16</sup> HV or HY.

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reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

<sup>12</sup> "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day, calculated on a monthly basis.

<sup>13</sup> Fee code HB is appended to non-displayed orders that add liquidity to BZX in Tape B securities.

<sup>14</sup> Fee code HV is appended to non-displayed orders that add liquidity to BZX in Tape A securities.

<sup>15</sup> Fee code HY is appended to non-displayed orders that add liquidity to BZX in Tape C securities.

<sup>16</sup> Fee code HI is appended to non-displayed orders that add liquidity to BZX and receive price improvement.

The proposed criteria for Non-Displayed Add Volume Tier 1 is as follows:

- Non-Displayed Add Volume Tier 1 provides a rebate of \$0.0018 per share in securities priced at or above \$1.00 to qualifying orders (i.e., orders yielding fee codes HB, HV, or HY) where a Member adds an  $ADV \geq 0.06\%$  of the TCV as Non-Displayed orders that yield fee codes HB, HI, HV or HY.

The proposed, modified Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 are intended to continue to provide an additional opportunity to incentivize Members to earn an enhanced rebate by increasing their order flow to the Exchange, which further contributes to a deeper, more liquid market and provides even more execution opportunities for active market participants. While the proposed criteria for Add Volume Tier 8 is slightly less difficult than existing criteria and the proposed criteria for Non-Displayed Add Volume Tier 1 is slightly more difficult than existing criteria, the Exchange believes that both tiers continue to offer an enhanced rebate that is commensurate with the proposed criteria. Incentivizing an increase in liquidity adding volume through enhanced rebate opportunities encourages liquidity-adding Members on the Exchange to increase transactions and take execution opportunities provided by such increased liquidity, together providing for overall enhanced price discovery and price improvement opportunities on the Exchange. As such, increased overall order flow benefits all Members by contributing towards a robust and well-balanced market ecosystem.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>17</sup> Specifically, the Exchange believes the proposed rule change is

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

consistent with the Section 6(b)(5)<sup>18</sup> 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)<sup>19</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers as well as Section 6(b)(4)<sup>20</sup> 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.

As described above, 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. The Exchange believes that its proposal to modify Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 reflects a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange, which the Exchange believes would enhance market quality to the benefit of all Members. Specifically, the Exchange's proposal to introduce slightly different criteria to Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 is not a significant departure from existing criteria, is reasonably correlated to the enhanced rebate offered by the Exchange and

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<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> Id.

<sup>20</sup> 15 U.S.C. 78f(b)(4).

other competing exchanges,<sup>21</sup> and will continue to incentivize Members to submit order flow to the Exchange. Additionally, the Exchange notes that relative volume-based incentives and discounts have been widely adopted by exchanges,<sup>22</sup> including the Exchange,<sup>23</sup> and are 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 to 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, including schedules or rebates and fees that apply based upon members achieving certain volume and/or growth thresholds, as well as assess similar fees or rebates for similar types of orders, to that of the Exchange.

In particular, the Exchange believes its proposal to modify Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 is reasonable because the revised tiers will be available to all Members and provide all Members with an opportunity to receive an enhanced rebate. The Exchange further believes its proposal to modify Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 will provide a reasonable means to encourage liquidity adding displayed orders in Members' order flow to the Exchange and to incentivize Members to continue to provide liquidity adding and liquidity removing volume to the Exchange by offering them an opportunity to receive an enhanced rebate on qualifying orders. An overall increase in activity would deepen

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<sup>21</sup> See Nasdaq Price List, Add and Remove Rates, Rebate to Add Displayed Liquidity, Shares Executed at or Above \$1.00, available at <https://nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>; see also MEMX Equities Fee Schedule, Non-Display Add Tiers, available at <https://info.memxtrading.com/equities-trading-resources/us-equities-fee-schedule/>.

<sup>22</sup> See e.g., EDGX Equities Fee Schedule, Footnote 1, Add/Remove Volume Tiers.

<sup>23</sup> See e.g., BZX Equities Fee Schedule, Footnote 1, Add/Remove Volume Tiers.

the Exchange's liquidity pool, offer additional cost savings, support the quality of price discovery, promote market transparency and improve market quality, for all investors.

The Exchange believes that its proposal to modify Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 is reasonable as the proposed criteria do not represent a significant departure from the criteria currently offered in the Fee Schedule. The Exchange also believes that the proposal represents an equitable allocation of fees and rebates and is not unfairly discriminatory because all Members continue to be eligible for the proposed Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 and have the opportunity to meet the tiers' criteria and receive the corresponding enhanced rebate if such criteria is met. 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 Members qualifying for proposed Add Volume Tier 8 and Non-Displayed Add Volume Tier 1. While the Exchange has no way of predicting with certainty how the proposed changes will impact Member activity, based on the prior month's volume, the Exchange anticipates that at least one Member will be able to satisfy proposed Add Volume Tier 8 and at least three Members will be able to satisfy proposed Non-Displayed Add Volume Tier 1. The Exchange also notes that proposed changes will not adversely impact any Member's ability to qualify for enhanced rebates offered under other tiers. Should a Member not meet the proposed new criteria, the Member will merely not receive that corresponding enhanced rebate.

**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 change would encourage the submission of additional 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 changes further 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."

The Exchange believes the proposed rule changes do not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the Exchange's proposal to modify Add Volume Tier 8 and Non-Displayed Add Volume Tier 1 will apply to all Members equally in that all Members are eligible for the new and modified tiers, have a reasonable opportunity to meet the proposed tiers' criteria and will receive the enhanced rebate on their qualifying orders if such criteria is met. The Exchange does not believe the proposed changes burden competition, but rather, enhance competition as they are intended to increase the competitiveness of BZX by amending existing pricing incentives in order to attract order flow and incentivize participants to increase their participation on the Exchange, providing for additional execution opportunities for market participants and improved price transparency. Greater overall order flow, trading opportunities, and pricing transparency benefits all market participants on the Exchange by enhancing market quality and continuing to encourage Members to send orders, thereby contributing towards a robust and well-balanced market ecosystem.

Next, the Exchange believes the proposed rule changes does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes 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 other equities exchanges, 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 16% of the market share.<sup>24</sup> 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.”<sup>25</sup> 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 execution of order flow from broker dealers’ ...”<sup>26</sup> Accordingly, the Exchange does not believe

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<sup>24</sup> Supra note 4.

<sup>25</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

<sup>26</sup> *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)).

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<sup>27</sup> and paragraph (f) of Rule 19b-4<sup>28</sup> 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
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include file number SR-CboeBZX-2024-039 on the subject line.

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<sup>27</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>28</sup> 17 CFR 240.19b-4(f).

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-2024-039. 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-CboeBZX-2024-039 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.<sup>29</sup>

**Sherry R. Haywood,**  
*Assistant Secretary.*

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<sup>29</sup> 17 CFR 200.30-3(a)(12).