

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
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BX-2021-024 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-BX-2021-024. 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 (<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-BX-2021-024 and should be submitted on or before June 22, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

[FR Doc. 2021-11403 Filed 5-28-21; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-92012; File No. SR-NASDAQ-2021-043]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange's Transaction Credits at Equity 7, Section 118(a)

May 25, 2021.

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 19, 2021, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "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

The Exchange proposes to amend the Exchange's transaction credits at Equity 7, Section 118(a), as described further below.

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, 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 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 purpose of the proposed rule change is to amend the Exchange's

schedule of credits, at Equity 7, Section 118(a). Specifically, the Exchange proposes to (1) amend an existing credit of \$0.0030 per share executed for members that add at least a certain threshold volume of liquidity in securities in Tape B; (2) amend an existing credit of \$0.00295 per share executed for members that add at least a certain threshold volume of liquidity in securities in Tape C and in "Designated Retail Orders"<sup>3</sup> for securities in any Tape; (3) amend an existing credit of \$0.0027 per share for members that meet specified volume requirements on both Nasdaq and the Nasdaq Options Market ("NOM") when adding liquidity; and (4) amend an existing credit of \$0.0025 per share executed for orders that are routed using the "SCAR" routing option<sup>4</sup> and which ultimately execute on Nasdaq BX, Inc. ("BX").

##### Amend Existing Credit for Adding Liquidity in Tape B Securities

First, the Exchange proposes to amend an existing credit of \$0.0030 per share executed to a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.30% or more of Consolidated Volume<sup>5</sup> during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE ("Tape B Securities") that represent 0.40% or more of Consolidated Volume.

The Exchange proposes to lower the liquidity adding threshold for the credit

<sup>3</sup> Pursuant to Equity 7, Section 118, a "Designated Retail Order" is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 and that originates from a natural person and is submitted to Nasdaq by a member that designates it pursuant to this section, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology.

<sup>4</sup> Pursuant to Equity 4, Section 4758(a)(1)(A)(xv), "SCAR" is a routing option under which orders will check the System for available shares and simultaneously route to BX and Nasdaq PSX in accordance with the System routing table. If shares remain unexecuted after routing, they are posted on the book or cancelled. Once on the book, should the order subsequently be locked or crossed by another market center, the System will not route the order to the locking or crossing market center.

<sup>5</sup> Equity 7, Section 118(a) defines "Consolidated Volume" to mean the total consolidated volume reported to all consolidated transaction reporting plans by all exchanges and trade reporting facilities during a month in equity securities, excluding executed orders with a size of less than one round lot. For purposes of calculating Consolidated Volume and the extent of a member's trading activity the date of the annual reconstitution of the Russell Investments Indexes is excluded from both total Consolidated Volume and the member's trading activity.

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

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

<sup>10</sup> 17 CFR 200.30-3(a)(12).

from 1.30% of Consolidated Volume to 1.25% of Consolidated Volume. In doing so, the Exchange intends to render the credit more readily accessible to members. If more members assess that this credit is accessible to them, and they increase their liquidity adding activity on the Exchange to qualify for it, then the quality of the market will improve, to the benefit of all participants.

#### Amend Existing Credit for Adding Liquidity in Tape C Securities and in Designated Retail Orders

Second, the Exchange proposes to amend a credit it presently offers of \$0.00295 per share executed to a member that, through one or more of its Nasdaq Market Center MPIDs (i) adds shares of liquidity during the month representing at least 0.80% of Consolidated Volume during the month; (ii) adds at least 0.35% of Consolidated Volume during the month in securities in Tape C; and (iii) adds at least 0.15% of Consolidated Volume during the month in Designated Retail Orders for securities in any Tape. The Exchange proposes to amend this credit in several ways.

The Exchange proposes to lower the liquidity adding threshold for the credit from 0.80% of Consolidated Volume to 0.65% of Consolidated Volume. In doing so, the Exchange intends to render the credit more readily accessible to members. If more members assess that this credit is accessible to them, and they increase their liquidity adding activity on the Exchange to qualify for it, then the quality of the market will improve, to the benefit of all participants.

The Exchange also proposes to add a new qualifying criterion to the credit that would require members to achieve at least a 60% ratio of its liquidity adding activity to its total activity on the Exchange during the month. The Exchange proposes to add this new criterion so that the credit rewards members whose activities on the Exchange consist primarily of adding liquidity. Again, the Exchange believes that all participants will benefit from an improvement in market quality to the extent that the Exchange successfully incentivizes liquidity adding activity.

Finally, the Exchange proposes to eliminate the qualifying criterion that members must add at least 0.35% of Consolidated Volume during the month in securities in Tape C. The Exchange proposes to eliminate this criterion because the Exchange believes it already has adequate incentives for members to add liquidity in Tape C securities, such that this criterion is not necessary.

Moreover, the Exchange seeks to avoid rendering this credit overly complex and onerous for members to attain.

#### Amend Existing Credit for Adding Liquidity on Nasdaq and NOM

Third, the Exchange proposes to amend an existing credit for securities in all three Tapes that it provides (other than Supplemental Orders or Designated Retail Orders) to members that meet a specified volume threshold on Nasdaq for orders that add liquidity, and that also meet a specified volume threshold on NOM when adding liquidity. The existing credit provides that a member will receive a credit of \$0.0027 per share executed if the member (1) adds liquidity through one or more of its Nasdaq Market Center MPIDs during the month that, in all securities, represents more than 0.10% of Consolidated Volume during the month, and (2) adds Customer,<sup>6</sup> Professional,<sup>7</sup> Firm,<sup>8</sup> Non-NOM Market Maker,<sup>9</sup> and/or Broker-Dealer<sup>10</sup> liquidity of 0.40% or more of total industry ADV in the customer clearing range for Equity and ETF option contracts per day during the month on the Nasdaq Options Market.

The Exchange proposes to amend this credit by deleting the requirement that members must add a threshold percentage of liquidity on NOM that is classified as “Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer” liquidity. By eliminating this requirement, the Exchange intends to render the credit easier for members to attain, as the addition of any type of liquidity in the customer clearing range on NOM would be acceptable. The Exchange believes that if more members find the credit to be attainable, then more will seek to qualify for it by adding liquidity to the Exchange and

<sup>6</sup> The term “Customer” applies to any transaction that is identified by a participant for clearing in the Customer range at The Options Clearing Corporation (“OCC”) which is not for the account of broker or dealer or for the account of a “Professional,” as defined in Option 7, Section 1.

<sup>7</sup> A “Professional” is defined in Options 1, Section 1(a)(47) as “any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).”

<sup>8</sup> The term “Firm” or (“F”) applies to any transaction that is identified by a Participant for clearing in the Firm range at OCC.

<sup>9</sup> The term “Non-NOM Market Maker” or (“O”) is a registered market maker on another options exchange that is not a NOM Market Maker. A Non-NOM Market Maker must append the proper Non-NOM Market Maker designation to orders routed to NOM.

<sup>10</sup> The term “Broker-Dealer” or (“B”) applies to any transaction which is not subject to any of the other transaction fees applicable within a particular category.

NOM, which will improve the quality of both markets.

#### Amend Existing Credit for Routed Orders Using SCAR That Execute on BX

Finally, the Exchange proposes to lower from \$0.0025 to \$0.0016 per share executed the credit that it provides to a member that uses the SCAR order routing option and executes an order in a security in any of the three tapes on BX.

BX recently revised its pricing schedule to lower the amounts of the credits it provides to its members that remove liquidity from BX.<sup>11</sup> Currently, all of the credits that BX provides to its members are lower than \$0.0025 per share executed.<sup>12</sup> As a result, the Exchange proposes to lower its own \$0.0025 per share executed credit for SCAR routed orders that execute on BX in order to better align this credit with corresponding credits that BX provides to its own members.

#### 2. Statutory Basis

The Exchange believes that its proposals are consistent with Section 6(b) of the Act,<sup>13</sup> in general, and further the objectives of Sections 6(b)(4) and 6(b)(5) of the Act,<sup>14</sup> in particular, in that they provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility, and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The proposals are also consistent with Section 11A of the Act relating to the establishment of the national market system for securities.

#### The Proposals Are Reasonable

The Exchange’s proposals are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for equity securities transaction services that constrain its pricing determinations in that market. The fact that this market is competitive has 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

<sup>11</sup> Securities Exchange Act Release No. 91639 (April 22, 2021), 80 FR 22500 (April 28, 2021).

<sup>12</sup> See BX Equity 7 (Pricing Schedule), available at <https://listingcenter.nasdaq.com/rulebook/bx/rules/BX%20Equity%207>.

<sup>13</sup> 15 U.S.C. 78f(b).

<sup>14</sup> 15 U.S.C. 78f(b)(4) and (5).

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>15</sup>

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, 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>16</sup>

Numerous indicia demonstrate the competitive nature of this market. For example, clear substitutes to the Exchange exist in the market for equity security transaction services. The Exchange is only one of several equity venues to which market participants may direct their order flow. 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 thresholds.

Within this environment, market participants can freely and often do shift their order flow among the Exchange and competing venues in response to changes in their respective pricing schedules. Within the foregoing context, the proposals represent reasonable attempts by the Exchange to increase its liquidity and market share relative to its competitors.

The Exchange believes that it is reasonable to modify the qualification criteria for two of its transaction credits, at Equity 7, Section 118(a) because they will each encourage the addition of liquidity to the Exchange, first by making it easier for additional members to qualify for the \$0.0030 and the \$0.00295 credit, and second by specifying that the \$0.00295 per share executed credit will go to those members whose activities on the Exchange consist primarily of adding liquidity to the Exchange. If more

members seek to qualify for these credits by adding liquidity to the Exchange, and if members seek to become net adders of liquidity on the Exchange to qualify or continue to qualify for the \$0.00295 credit, then the quality of the market will improve, and the Exchange will become more attractive to existing and prospective participants.

The Exchange also believes that it is reasonable for it to eliminate the requirement for the \$0.00295 credit that members must add at least 0.35% of Consolidated Volume during the month in securities in Tape C. The Exchange believes that this proposal is reasonable because it assesses that it already has adequate incentives for members to add liquidity in Tape C securities, such that this requirement is not necessary. Moreover, the Exchange seeks to avoid rendering this credit overly complex and onerous for members to attain.

Similarly, the Exchange believes that it is reasonable to ease the qualification criteria for the \$0.0027 per share executed credit for a member that adds certain threshold volumes of liquidity on the Exchange and on NOM during a month. By eliminating the existing requirement that a member must add liquidity to NOM that consists of Customer, Professional, Firm, Non-NOM Market Maker, and/or Broker-Dealer liquidity, the Exchange again intends to render the credit easier for members to attain. If as a result of the proposal, more members find the credit to be attainable and seek to qualify for it by adding liquidity to the Exchange and NOM, then the quality of both markets will improve, and the Exchange will become more attractive to existing and prospective participants.

Finally, the Exchange believes it is reasonable to lower the \$0.0025 per share executed credit that it provides to a member that enters a SCAR routed order that executes on BX because the proposal will better align this credit with corresponding credits that BX provides to its own members that remove liquidity from that exchange. The Exchange believes that it is appropriate to periodically reassess and recalibrate its credits. In this instance, aligning the credits will help to ensure that market participants do not use the Exchange's SCAR order routing strategy solely to obtain a higher rebate on orders that are routed and executed on BX.

The Exchange notes that those market participants that are dissatisfied with the proposals are free to shift their order flow to competing venues that offer more generous pricing or less stringent qualifying criteria.

## The Proposals Are Equitable Allocations of Credits

The Exchange believes that is an equitable allocation to ease and otherwise modify the eligibility requirements for three of its transaction credits because the proposals will encourage members to add additional liquidity to the Exchange. To the extent that the Exchange succeeds in increasing liquidity on the Exchange, then the Exchange will experience improvements in its market quality, which again stands to benefit all market participants.

The Exchange believes its proposal to lower its credit for SCAR routed orders that execute on BX is an equitable allocation because the proposed amended credit amount is better aligned with liquidity removal credits that BX provides to its members.

Any participant that is dissatisfied with the proposals is free to shift their order flow to competing venues that provide more generous pricing or less stringent qualifying criteria.

## The Proposals Are Not Unfairly Discriminatory

The Exchange believes that its proposals are not unfairly discriminatory. As an initial matter, the Exchange believes that nothing about its volume-based tiered pricing model is inherently unfair; instead, it is a rational pricing model that is well-established and ubiquitous in today's economy among firms in various industries—from co-branded credit cards to grocery stores to cellular telephone data plans—that use it to reward the loyalty of their best customers that provide high levels of business activity and incent other customers to increase the extent of their business activity. It is also a pricing model that the Exchange and its competitors have long employed with the assent of the Commission. It is fair because it incentivizes customer activity that increases liquidity, enhances price discovery, and improves the overall quality of the equity markets.

The Exchange believes that its proposals to ease or otherwise amend the qualifying criteria for three of its transaction credits are not unfairly discriminatory because these credits are available to all members. Moreover, these proposals stand to improve the overall market quality of the Exchange, to the benefit of all market participants, by incentivizing members to increase the extent of their liquidity adding activity on the Exchange.

Meanwhile, the proposal to lower the amount of its credit for members that use SCAR and execute orders on BX is

<sup>15</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)).

<sup>16</sup> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) ("Regulation NMS Adopting Release").

not unfairly discriminatory because the proposed amended credit is available to all members and is in better alignment with the amounts of the credits that BX itself provides to members that remove liquidity from that exchange.

Any participant that is dissatisfied with the proposals is free to shift their order flow to competing venues that provide more generous pricing or less stringent qualifying criteria.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

#### *Intramarket Competition*

The Exchange does not believe that its proposal will place any category of Exchange participant at a competitive disadvantage.

As noted above, the proposed changes to the qualifying criteria for three of its transaction credits are intended to have market-improving effects, to the benefit of all members. Any member may elect to achieve the levels of liquidity required in order to qualify for the credits.

Likewise, the Exchange's proposal to lower the amount of the credit it provides to members that utilize the SCAR routing strategy and execute orders on BX will not competitively disadvantage any category of Exchange member. The proposal will merely ensure that the amount of the credit is better aligned with the recently lowered corresponding credits that BX provides to its own members that remove liquidity from that exchange.

The Exchange notes that its members are free to trade on other venues to the extent they believe that the proposed qualification criteria for or amounts of these credits are not attractive. As one can observe by looking at any market share chart, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. The Exchange notes that its pricing tier structure is consistent with broker-dealer fee practices as well as the other industries, as described above.

#### *Intermarket Competition*

In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more

favorable. In such an environment, the Exchange must continually adjust its credits and fees to remain competitive with other exchanges and with alternative trading systems that have been exempted from compliance with the statutory standards applicable to exchanges. Because competitors are free to modify their own credits and fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which credit or fee changes in this market may impose any burden on competition is extremely limited.

The proposed amended credits are reflective of this competition because, even as one of the largest U.S. equities exchanges by volume, the Exchange has less than 20% market share, which in most markets could hardly be categorized as having enough market power to burden competition. Moreover, as noted above, price competition between exchanges is fierce, with liquidity and market share moving freely between exchanges in reaction to fee and credit changes. This is in addition to free flow of order flow to and among off-exchange venues which comprises upwards of 44% of industry volume.

The Exchange's proposals to amend three of its transaction credits are pro-competitive in that the Exchange intends for them to increase liquidity on the Exchange, thereby rendering the Exchange a more attractive and vibrant venue to market participants. Meanwhile, the Exchange's proposal to lower the credit it offers to members that use SCAR and execute orders on BX is pro-competitive in that the proposal will result in better competitive alignment between the SCAR credit and the amounts of liquidity removal credits that BX provides to its own members that remove liquidity from that exchange.

In sum, if the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution 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*

No written comments were either solicited or received.

### **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)(ii) of the Act.<sup>17</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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 (<http://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-NASDAQ-2021-043 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-NASDAQ-2021-043. 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 (<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,

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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–NASDAQ–2021–043 and should be submitted on or before June 22, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

[FR Doc. 2021–11405 Filed 5–28–21; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–91994; File No. SR–CboeBZX–2021–039]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing of a Proposed Rule Change To List and Trade Shares of the Wise Origin Bitcoin Trust Under BZX Rule 14.11(e)(4), Commodity-Based Trust Shares

May 25, 2021.

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 May 10, 2021, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) 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 BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to list and trade shares of the Wise

Origin Bitcoin Trust (the “Trust”),<sup>3</sup> under BZX Rule 14.11(e)(4), Commodity-Based Trust Shares.

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 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 list and trade the Shares under BZX Rule 14.11(e)(4),<sup>4</sup> which governs the listing and trading of Commodity-Based Trust Shares on the Exchange.<sup>5</sup> FD Funds Management LLC is the sponsor of the Trust (“Sponsor”). The Shares will be registered with the Commission by means of the Trust’s registration statement on Form S–1 (the “Registration Statement”).<sup>6</sup>

<sup>3</sup> The Trust was formed as a Delaware statutory trust on March 17, 2021 and is operated as a grantor trust for U.S. federal tax purposes. The Trust has no fixed termination date.

<sup>4</sup> The Commission approved BZX Rule 14.11(e)(4) in Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR–BATS–2011–018).

<sup>5</sup> All statements and representations made in this filing regarding (a) the description of the portfolio, (b) limitations on portfolio holdings or reference assets, or (c) the applicability of Exchange rules and surveillance procedures shall constitute continued listing requirements for listing the Shares on the Exchange.

<sup>6</sup> See draft Registration Statement on Form S–1, dated March 24, 2021 submitted to the Commission by the Sponsor on behalf of the Trust. The descriptions of the Trust, the Shares, and the Index (as defined below) contained herein are based, in part, on information in the Registration Statement. The Registration Statement is not yet effective and the Shares will not trade on the Exchange until such time that the Registration Statement is effective.

#### Background

Bitcoin is a digital asset based on the decentralized, open source protocol of the peer-to-peer computer network launched in 2009 that governs the creation, movement, and ownership of bitcoin and hosts the public ledger, or “blockchain,” on which all bitcoin transactions are recorded (the “Bitcoin Network” or “Bitcoin”). The decentralized nature of the Bitcoin Network allows parties to transact directly with one another based on cryptographic proof instead of relying on a trusted third party. The protocol also lays out the rate of issuance of new bitcoin within the Bitcoin Network, a rate that is reduced by half approximately every four years with an eventual hard cap of 21 million. It is generally understood that the combination of these two features—a systemic hard cap of 21 million bitcoin and the ability to transact trustlessly with anyone connected to the Bitcoin Network—gives bitcoin its value.<sup>7</sup>

The first rule filing proposing to list an exchange-traded product to provide exposure to bitcoin in the U.S. was submitted by the Exchange on June 30, 2016.<sup>8</sup> At that time, blockchain technology, and digital assets that utilized it, were relatively new to the broader public. The market cap of all bitcoin in existence at that time was approximately \$10 billion. No registered offering of digital asset securities or shares in an investment vehicle with exposure to bitcoin or any other cryptocurrency had yet been conducted, and the regulated infrastructure for conducting a digital asset securities offering had not begun to develop.<sup>9</sup> Similarly, regulated U.S. bitcoin futures contracts did not exist. The Commodity Futures Trading Commission (the “CFTC”) had determined that bitcoin is a commodity,<sup>10</sup> but had not engaged in

<sup>7</sup> For additional information about bitcoin and the Bitcoin Network, see <https://bitcoin.org/en/getting-started>; <https://www.fidelitydigitalassets.com/articles/addressing-bitcoin-criticisms>; and <https://www.vaneck.com/education/investment-ideas/investing-in-bitcoin-and-digital-assets/>.

<sup>8</sup> See Securities Exchange Act Release No. 83723 (July 26, 2018), 83 FR 37579 (August 1, 2018). This proposal was subsequently disapproved by the Commission. See Securities Exchange Act Release No. 83723 (July 26, 2018), 83 FR 37579 (August 1, 2018) (the “Winklevoss Order”).

<sup>9</sup> Digital assets that are securities under U.S. law are referred to throughout this proposal as “digital asset securities.” All other digital assets, including bitcoin, are referred to interchangeably as “cryptocurrencies” or “virtual currencies.” The term “digital assets” refers to all digital assets, including both digital asset securities and cryptocurrencies, together.

<sup>10</sup> See “In the Matter of Coinflip, Inc.” (“Coinflip”) (CFTC Docket 15–29 (September 17,

Continued

<sup>18</sup> 17 CFR 200.30–3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b–4.