

Stock Handling Fee

The proposed Stock Handling Fee of \$0.0010 per share (capped at a maximum of \$50 per trade) for the stock leg of Stock-Option Orders executed against other Stock-Option Orders in the Complex Order Book does not impose an undue burden on competition because this fee would be applied uniformly to all market participants. This fee, which is in addition to a Complex Order fee, would be applied to any market participant who executes a Complex Order.

Reduced Market Maker Complex Order Fee

The Exchange's proposed reduced fee offered to Market Makers does not impose an undue burden on competition. Priority Customers do not pay a Complex Order fee as proposed herein. Other market participants, such as a Non-Nasdaq MRX Market Maker (FarMM), a Firm Proprietary, a Broker-Dealer and a Professional Customer, would not be entitled to the same fee reduction as a Market Maker. The Exchange notes that the proposal incentivizes Market Makers through their Affiliated Members and their Appointed Members to direct Priority Customer order flow to MRX. Other market participants benefit from this proposal because they may interact with this order flow. Unlike other participants, Market Makers add value to MRX through quoting obligations⁴⁹ and their commitment of capital. Encouraging Market Makers to add greater liquidity benefits all market participants in the quality of order interaction because the Exchange believes that Market Makers will be incentivized to aggressively pursue order flow in order to receive the benefit of the reduced fee.

Marketing Fee

The Exchange's proposal to waive the Marketing Fee for Complex Orders does not impose an undue burden on competition. The Marketing Fee applies only to Market Makers. The Exchange's proposal to waive the Marketing Fee for Complex Orders would apply to uniformly to all Market Makers. As proposed, no market participant would be assessed a Marketing Fee for Complex Orders.

Relocation Options 7 Sections

The Exchange's proposal to relocate certain rule text within Options 7 does not impose an undue burden on competition. These amendments are non-substantive.

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.⁵⁰ 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. Please include File Number SR-MRX-2019-14 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-MRX-2019-14. 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-MRX-2019-14 and should be submitted on or before August 2, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁵¹

Eduardo A. Aleman,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86322; File No. SR-CboeEDGX-2019-042]

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend the Exchange's Fee Schedule Applicable to its Equities Trading Platform To Adopt a New Cross-Asset Volume Tier

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 June 25, 2019, 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.

⁵¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

⁴⁹ See MRX Rule 804.

⁵⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe EDGX Exchange, Inc. ("EDGX" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to amend the Exchange's fee schedule applicable to its equities trading platform ("EDGX Equities") to adopt a new Cross-Asset Volume Tier. The text of the proposed rule change is attached [sic] as 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 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 applicable to its equities trading platform ("EDGX Equities") to adopt a new Cross-Asset Tier, effective July 1, 2019.

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 several equity venues to which market participants may direct their order flow, and it represents a small percentage of the overall market. The Exchange in particular operates a "Maker-Taker" model whereby it pays credits to members that provide liquidity and assesses fees to those that remove liquidity. The Exchange's Fees Schedule sets forth the standard rebates and rates applied per share for orders that provide and remove liquidity, respectively. For

example, for securities at or above \$1.00 the Exchange provides a standard rebate of \$0.00170 per share for displayed orders that add liquidity³ and assesses a fee of \$0.00265 per share for displayed orders that remove liquidity. 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.

For example, pursuant to Footnote 1 of the Fees Schedule, the Exchange offers eight Add Volume Tiers for displayed orders that provide enhanced rebates, ranging from of \$0.0020 to \$0.0029 per share, for orders yielding fee codes B,⁴ V,⁵ Y,⁶ 3⁷ and 4.⁸ One such Add Volume Tier under Footnote 1 is a Cross-Asset Volume Tier, which is designed to incentivize members to achieve certain levels of participation on both the Exchange's equities and options platform ("EDGX Options"). More specifically, under the current Cross-Asset Volume Tier, a Member receives a rebate of \$0.0027 per share if that Member (i) adds an ADV⁹ greater or equal to 0.20% of the TCV¹⁰ and (ii) has an ADV in Customer orders on EDGX Options greater or equal to 0.08% of average OCV.¹¹

³ Displayed Orders which add liquidity in Tape B securities receive a standard rebate of \$0.0025 per share.

⁴ "B" is associated with displayed orders that add liquidity on EDGX for Tape B.

⁵ "V" is associated with displayed orders that add liquidity on EDGX for Tape A.

⁶ "Y" is associated with displayed orders that add liquidity on EDGX for Tape C.

⁷ "3" is associated with displayed orders that add liquidity on EDGX for Tape A or C during the post-market or pre-market trading sessions.

⁸ "4" is associated with displayed orders that add liquidity on EDGX for Tape B during the post-market or pre-market trading sessions.

⁹ "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.

¹⁰ "TCV" means total 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.

¹¹ "OCV" means, for purposes of equities pricing, the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close, using the definition of Customer as provided under the Exchange's fee schedule for EDGX Options.

The Exchange proposes to create an additional cross-asset tier ("Cross-Asset Volume Tier 2") with a different criteria combination.¹² As proposed, under the Cross-Asset Volume Tier 2, a Member would receive a rebate of \$0.0027 per share if that Member (i) adds an ADV greater or equal to 0.05% of the TCV and (ii) has an ADV in AIM¹³ orders on EDGX Options greater than or equal to 25,000 contracts. The purpose of the proposed tier is to incentivize both equities volume and participation on EDGX Options, particularly to encourage submission of AIM orders, and also to provide Members an additional opportunity to receive an enhanced rebate. Particularly, for Members who do not currently reach the current thresholds in the existing Add Volume Tiers, including the Cross-Asset Tier, the proposed tier would provide an opportunity to meet an alternative set of criteria to receive an enhanced rebate.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,¹⁴ in general, and furthers the requirements of Section 6(b)(4),¹⁵ 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. The proposed rule change 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.

In particular, the Exchange believes the proposed tier is reasonable because it provides an additional opportunity for Members to receive an enhanced rebate by providing a different set of criteria they can reach for. The Exchange notes that volume-based incentives and discounts have been widely adopted by

¹² In connection with adopting Cross-Asset Tier 2, the Exchange also proposes to rename the current tier "Cross-Asset Volume Tier 1".

¹³ "AIM" refers to the Automated Improvement Mechanism. See Exchange Rule 21.19 and Cboe EDGX Options Exchange Fee Schedule. The ADV in AIM orders includes all orders entered into or executed through AIM.

¹⁴ 15 U.S.C. 78f.

¹⁵ 15 U.S.C. 78f(b)(4).

exchanges,¹⁶ including the Exchange,¹⁷ 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. Additionally, as noted above, the Exchange operates in highly competitive market. The Exchange is only one of several equity venues to which market participants may direct their order flow, and it represents a small percentage of the overall market. It is also only one of several maker-taker exchanges. 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.¹⁸

Moreover, the Exchange believes the proposed Cross-Asset Tier 2 is a reasonable means to encourage Members to increase their liquidity on the Exchange and also their participation on EDGX Options, and particularly in AIM. The Exchange believes that adopting a tier with alternative criteria to the existing Cross-Asset Volume Tier, will encourage those Members who could not previously achieve the existing Cross-Asset Volume Tier criteria, or other available Add Volume Tiers, to increase their order flow on EDGX equities and AIM order flow on EDGX Options. Increased liquidity benefits all investors by deepening the Exchange's liquidity pool, offering additional flexibility for

all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Additionally, incentivizing the submission of AIM orders also benefits all market participants as AIM promotes price improvement. The Exchange also believes that proposed rebate is reasonable based on the difficulty of satisfying the tier's criteria and ensures the proposed rebate and threshold appropriately reflects the incremental difficulty to achieve the existing Add Volume Tiers. The proposed rebate amount also does not represent a significant departure from the rebates currently offered under the Exchange's existing Add Volume Tiers, including the existing Cross-Asset Volume Tier. Indeed, the rebate amount is the same offered as the existing Cross-Asset Volume Tier and Add Volume Tier 3 (*i.e.*, \$0.0027 per share) and within the range of the rebates offered under the remaining Add Volume Tiers for displayed orders (*i.e.*, \$0.0020–\$0.0029 per share).

The Exchange believes that the proposal represents an equitable allocation of rebates and is not unfairly discriminatory because it applies uniformly to all members. Additionally a number of members have a reasonable opportunity to satisfy the tier's criteria, which the Exchange believe is less stringent than some other existing Add Volume Tiers. Without having a view of Member's 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 this tier. However, the Exchange believes the proposed tier would provide an incentive for Members to submit additional adding liquidity on EDGX equities and AIM orders on EDGX options to qualify for the proposed rebate. To the extent a Member participates on the Exchange but not on EDGX Options, the Exchange does believe that the proposal is still reasonable, equitably allocated and non-discriminatory with respect to such Member based on the overall benefit to the Exchange resulting from the success of EDGX Options. Particularly, the Exchange believes such success allows the Exchange to continue to provide and potentially expand its existing incentive programs to the benefit of all participants on the Exchange, whether they participate on EDGX Options or not. The proposed pricing program is also fair and equitable in that membership in EDGX Options is available to all market participants,

which would provide them with access to the benefits on EDGX Options provided by the proposed change, even where a member of EDGX Options is not necessarily eligible for the proposed increased rebate on the Exchange.

The Exchange lastly notes that the proposal will not adversely impact any Member's pricing or their ability to qualify for other rebate tiers. Rather, should a Member not meet the proposed criteria, the Member will merely not receive an enhanced rebate. Furthermore, the proposed rebate would apply to all Members that meet the required criteria under proposed Cross-Asset Tier 2.

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 intramarket or intermarket 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 liquidity to a public exchange, thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities 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."¹⁹

The Exchange believes the proposed rule change does impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed change applies uniformly to market participants. As discussed above, to the extent a Member participates on the Exchange but not on EDGX Options, the Exchange notes that the proposed change can provide an overall benefit to the Exchange resulting from the success of EDGX Options. Such success enables the Exchange to continue to provide and potentially expand its existing incentive programs to the benefit of all participants on the Exchange, whether they participate on EDGX Options or not. The proposed pricing program is also fair and equitable in that membership in EDGX Options is available to all market participants. Additionally the proposed

¹⁶ See *e.g.*, Choe BZX U.S. Equities Exchange Fee Schedule, Footnote 1, Add Volume Tiers which provide enhanced rebates between \$0.0025 and \$0.0032 per share for displayed orders where Members meet certain volume thresholds.

¹⁷ See *e.g.*, Choe EDGX U.S. Equities Exchange Fee Schedule, Footnote 1, Add Volume Tiers (including a Cross-Asset Volume Tier), which provide enhanced rebates between \$0.0020 and \$0.0029 per share for displayed orders where Members meet certain volume thresholds.

¹⁸ See *e.g.*, Choe BZX U.S. Equities Exchange Fee Schedule, Footnote 1, Add Volume Tiers. Cross-Asset Add Volume Tiers which provide enhanced rebates between \$0.0028–\$0.0032 per share where Members meet a specified level of ADV as a percentage of TCV and a specified level of options add volume on BZX Options as a percentage of OCV. See also The Nasdaq Stock Market, LLC, Equity 7 Pricing Schedule, Section 118 Nasdaq Market Center Order Execution and Routing, which offers credits between \$0.0027–\$0.00305 per share if Member meets criteria requiring certain (1) volume thresholds on the Nasdaq Stock Market and (2) volume thresholds on the Nasdaq Options Market.

¹⁹ Securities Exchange Act Release No. 51808, 70 FR 37495, 37498–99 (June 29, 2005) (S7–10–04) (Final Rule).

change is designed to attract additional order flow to the Exchange and EDGX Options. Specifically, the Exchange believes that the proposed tier would incentivize market participants to direct providing displayed order flow to the Exchange and encourage entry of AIM orders on EDGX Options. Greater liquidity benefits all market participants on the Exchange by providing more trading opportunities and encourages Members to send orders, thereby contributing to robust levels of liquidity, which benefits all market participant. Incentivizing the use of AIM also benefits all market participants as AIM promotes price improvement.

Next, 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 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 12 other equities exchanges and off-exchange venues, including 32 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 18% of the market share.²⁰ 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 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.”²¹ 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’ . . .’.²² 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

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) of the Act²³ and paragraph (f) of Rule 19b-4²⁴ 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-CboeEDGX-2019-042 on the subject line.

²² *NetCoalition v. SEC*, 615 F.3d 525, 539 (DC Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782–83 (December 9, 2008) (SR–NYSEArca–2006–21)).

²³ 15 U.S.C. 78s(b)(3)(A).

²⁴ 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–CboeEDGX–2019–042. 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–CboeEDGX–2019–042 and should be submitted on or before August 2, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Dated: July 8, 2019.

Eduardo A. Aleman,
Deputy Secretary.

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²⁰ See Cboe Global Markets U.S. Equities Market Volume Summary (June 25, 2019), available at http://markets.cboe.com/us/equities/market_share/.

²¹ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

²⁵ 17 CFR 200.30–3(a)(12).