

Required fields are shown with yellow backgrounds and asterisks.

Filing by Cboe BYX Exchange, Inc.
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

The Exchange proposes to: (1) establish Purge Ports for equities trading and amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to reflect the proposed Purge Ports, and (2) modify the BYX fee schedule to identify and to set fees for Purge Ports.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Adrian Last Name * Griffiths
 Title * Assistant General Counsel
 E-mail * agriffiths@cboe.com
 Telephone * (646) 856-8723 Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)
 Assistant General Counsel

Date 09/28/2018
 By Adrian Griffiths
 (Name *)

agriffiths@cboe.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² Cboe BYX Exchange, Inc. (“BYX” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to: (1) establish Purge Ports for equities trading and amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to reflect the proposed Purge Ports, and (2) modify the BYX fee schedule to identify and to set fees for Purge Ports. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.³

The text of the proposed changes to the Interpretations and Policies to Rule 11.13 is attached as Exhibit 5A. The proposed changes to the fee schedule are attached as Exhibit 5B. The text of the proposed rule change is available on the Exchange’s website at <http://markets.cboe.com/>, at the Exchange’s principal office and at the Public Reference Room of the Commission.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on August 24, 2018.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6)(iii).

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Adrian Griffiths, Assistant General Counsel, (646) 856-8723.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The purpose of the proposed rule change is to offer Users⁴ an additional tool to manage risk and exercise additional control over their quotations in equity securities (i.e., “Purge Ports”). Specifically, the Exchange proposes to: (1) establish Purge Ports for equities trading and amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to reflect the proposed Purge Ports, and (2) modify the BYX fee schedule to identify and to set fees for Purge Ports.

Purge Ports are already available on the Exchange’s affiliated options markets – i.e., the options trading platform of Cboe BZX Exchange, Inc. (“BZX Options”), the options trading platform of Cboe EDGX Exchange, Inc. (“EDGX Options”), and Cboe C2 Exchange, Inc. (“C2”).⁵ Based on the successful experience with Purge Ports for options, and in response to demand for similar functionality for equities trading, the Exchange has determined to offer Purge Ports on BYX. The Exchange believes that the proposed Purge Port functionality will provide an effective tool for Users to manage their risk associated with equities trading.

⁴ A “User” is any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. See Rule 1.5(cc).

⁵ See Securities Exchange Act Release Nos. 79956 (February 3, 2017), 82 FR 10102 (February 9, 2017) (SR-BatsBZX-2017-05); 79957 (February 3, 2017), 82 FR 10070 (February 9, 2017) (SR-BatsEDGX-2017-07); 83201 (May 9, 2018), 83 FR 22546 (May 15, 2018) (SR-C2-2018-006).

Background

A logical port represents a port established by the Exchange within the Exchange's system for trading and billing purposes. Each logical port established is specific to a Member or non-Member and grants that Member or non-Member the ability to accomplish a specific function, such as order entry, order cancellation, or data receipt. In addition, logical ports enable Users to access information such as execution reports, execution report messages, auction notifications, and administrative data through a single feed.

Purge Ports

The Exchange now proposes to amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to identify Purge Ports, a new type of logical port that would enable Users to cancel all open orders, or a subset thereof, across multiple logical ports through a single cancel message. The Exchange also proposes to amend the BYX fee schedule to adopt fees for Purge Ports.

The proposed ports are designed to assist Users, including Market Makers,⁶ in the management of, and risk control over, their quotes, particularly if the firm is quoting a large number of securities. For example, if a Market Maker detects market indications that may influence the direction or bias of his or her quotes, the Market Maker may use the proposed Purge Port(s) to reduce uncertainty and to manage risk by purging all quotes in a number of securities. This would allow the firm to seamlessly avoid unintended executions, while continuing to evaluate the direction of the market. While Purge Ports will be available to all Users, the Exchange anticipates they will be used primarily by

⁶ A "Market Maker" is a Member that acts as a Market Maker pursuant to Chapter XI. See Rule 1.5(1).

Market Makers or firms that conduct similar business activity and are therefore exposed to a large amount of risk across a number securities.

Users may currently cancel orders through their existing logical ports. In addition, the Exchange offers risk functionality pursuant to Interpretation and Policies .01 to Rule 11.13 that permits Users to block new orders from being submitted, to cancel all open orders, or to both block new orders and cancel all open orders. In addition to the current risk functionality, which is being retained, the Exchange now proposes to expand the ability of Users to cancel orders through the proposed Purge Ports, which would enable them to cancel all open orders, or a subset thereof, across multiple logical ports through a single cancel message. The mass cancel request may be limited to a subset of orders by identifying the range of orders to be purged. Users may also request via a Purge Port that the Exchange block all or a subset of new orders submitted, and the block will remain in effect until the User requests that the Exchange remove the block.

The Exchange proposes to amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to reflect the proposed Purge Port functionality. As described above, Interpretation and Policies .01 to Rule 11.13 currently states that the Exchange offers risk functionality that permits Users to block new orders submitted, to cancel all open orders, or to both block new orders and cancel all open orders. The Exchange proposes to move this language to Interpretations and Policies .02(a) to Rule 11.13,⁷ and add additional language to describe the flexibility provided using the proposed Purge Ports. Specifically, as proposed, Interpretations and Policies .02(b) to Rule 11.13 will state that a “Purge Port” is a dedicated port that permits a User to

⁷ The Exchange also proposes to make a non-substantive change that deletes the introductory clause of this sentence.

simultaneously cancel all or a subset of its orders in one or more symbols across multiple logical ports by requesting the Exchange to effect such cancellation. The proposed rule will also provide that a User initiating such a request may also request that the Exchange block all or a subset of its new inbound orders in one or more symbols across multiple logical ports. The block will remain in effect until the User requests the Exchange remove the block.

In addition, the Exchange proposes to modify the Logical Port Fees section of the BYX fee schedule to adopt a fee for Purge Ports of \$650 per port/per month, which would compensate the Exchange for the investment that it has made in making Purge Ports available to firms that believe they would benefit from a dedicated purge mechanism. Only firms that request Purge Ports would be subject to the proposed fees, and other firms can continue to operate in exactly the same manner as they do today without dedicated Purge Ports.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.⁸ Specifically, the proposed rule change is consistent with Sections 6(b)(4) and 6(b)(5) of the Act,⁹ because 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, and is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(4) and (5).

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.

The Exchange believes that the proposed rule change would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market because offering Users, including Market Makers, designated Purge Ports would enhance their ability to manage quotes, quote traffic, and their quoting obligations,¹⁰ which would, in turn, improve their risk controls to the benefit of all market participants. The Exchange believes that the Purge Ports would foster cooperation and coordination with persons engaged in facilitating transactions in securities because designating Purge Ports for purge messages (including blocking subsequent order entry) may encourage better use of such dedicated ports. This may, concurrent with the logical ports that carry quote and other information necessary for market making activities, enable more efficient, as well as fair and reasonable, use of Market Makers' resources. Although dedicated Purge Ports are a new innovation for equities exchanges, similar connectivity and functionality is offered by options exchanges, including the Exchange's own affiliated options exchanges.¹¹ The Exchange believes that proper risk management, including the ability to efficiently cancel multiple orders at once, is similarly important to firms that trade in the equities market, including Market Makers that have heightened quoting obligations that are not applicable to other market participants.

¹⁰ See Rule 11.8(d).

¹¹ See supra note 5. See also e.g. Nasdaq ISE, LLC, Schedule of Fees, V. Connectivity Fees, C. Ports and Other Services, SQF Purge Port Fee.

The proposed rule change will not relieve Market Makers of their continuous quoting obligations under Rule 11.8(d) or firm quote obligations under Regulation NMS Rule 602.¹² Specifically, any interest that is executable against a User's or Market Maker's quotes and orders that is received by the Exchange prior to the time of the removal of quotes request will automatically execute at that price, up to the quote's size. Market Makers that purge their quotes will not be relieved of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet their continuous quoting obligation each trading day.

Dedicated Purge Ports, which were originally introduced for options trading, are a new feature in the equities market, and the Exchange is the first equities exchange to offer this functionality to Users. The Exchange has incurred additional infrastructure and technology costs in offering the proposed Purge Ports, including costs associated with the purchase of new hardware to support these dedicated ports, and software development, testing, and certification work associated with the risk management functionality made available through such ports. The Exchange also has continuing costs associated with maintenance and monitoring of the proposed ports. The Exchange believes that its proposed fees should facilitate the ability of the Exchange to recoup some costs associated with Purge Ports as well as provide, maintain, and improve Purge Ports.¹³ The proposed fees therefore directly support the introduction of new and innovative risk management features to the market.

¹² 17 CFR 242.602

¹³ Purge Ports will be fee liable on a monthly basis (and not only when such ports are active), which will help the Exchange to recoup the cost of these ports.

The Exchange believes the proposed fee for Purge Ports is equitable and reasonable. The Exchange currently charges \$550 per port/per month for logical ports.¹⁴ The Exchange believes it is equitable and reasonable to charge \$650 per month for the proposed Purge Ports as such ports were specially developed to allow for the sending of a single message to cancel multiple orders, thereby assisting firms in effectively managing risk. In addition, Purge Port requests may cancel orders submitted over numerous ports and contain added functionality to purge only a subset of these orders. Effective risk management is important both for individual market participants that choose to utilize risk features provided by the Exchange, as well as for the market in general. As a result, the Exchange believes that it is appropriate to charge fees that compensate for the development of such functionality as doing so aids in the maintenance of a fair and orderly market.

The Exchange also believes that offering such functionality at the Exchange level promotes robust risk management across the industry, and thereby facilitates investor protection. Some market participants, and, in particular, the larger firms could build similar risk functionality on their trading systems that permit the flexible cancellation of orders entered on the Exchange. Offering Exchange level protections ensures that such functionality is widely available to all firms, including smaller firms that may otherwise not be willing to incur the costs and development work necessary to support their own customized mass cancel functionality.

¹⁴ The fee for Multicast PITCH Spin Server ports provides access to a set of primary ports (A or C feed) and the fee for Multicast PITCH GRP Ports provides access to a primary port (A or C feed).

Although the Exchange is the first exchange to develop and offer dedicated Purge Ports for equities trading, the proposed rate is lower than that charged by options exchanges for similar functionality, including the fees charged by the Exchange's affiliated options exchanges for Options Purge Ports, which are billed at a rate of \$750 per month, and fees charged by unaffiliated options exchanges, such as ISE, which charges a fee of \$1,100 per month for SQF Purge Ports. The Exchange operates in a highly competitive market in which exchanges offer connectivity and related services as a means to facilitate the trading activities of Members and other participants. As the proposed Purge Ports provide voluntary risk management functionality, excessive fees would simply serve to reduce demand for this optional product.

The Exchange also believes that the proposed amendments to its fee schedule are not unfairly discriminatory because they will apply uniformly to all Members that choose to use dedicated Purge Ports. The proposed Purge Ports are completely voluntary and, as they relate solely to optional risk management functionality, no Member is required or under any regulatory obligation to utilize them. The Exchange believes that adopting separate fees for these ports ensures that the associated costs are borne exclusively by Members that determine to use them based on their business needs, including Market Makers or similarly situated market participants that enter orders simultaneously in a number of securities. All Members that voluntarily select this service option will be charged the same amount for the same services. All Members have the option to select any connectivity option, and there is no differentiation among Members with regard to the fees charged for the services offered by the Exchange.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes the proposed rule change will enhance competition because it will enable the Exchange to innovate and offer similar equities Purge Port functionality to that offered on options markets today, at a competitive price.¹⁵ The proposed Purge Ports are completely voluntary and will be made available to all Members on an equal basis. While the Exchange believes that the proposed Purge Ports provide a valuable service, Members can choose to purchase, or not purchase, these ports based on their business needs. No Member is required or under any regulatory obligation to utilize Purge Ports. Furthermore, fees for Purge Ports, and connectivity in general, are constrained by the robust competition for order flow among exchanges and non-exchange markets. Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. As a result, excessive fees for connectivity, including Purge Port fees, would serve to impair the Exchange's ability to compete for order flow rather than burdening competition. Accordingly, the Exchange believes that the proposed rule change is designed to offer appropriate risk management functionality to firms that trade on the Exchange without imposing an unnecessary or inappropriate burden on competition.

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

No comments were solicited or received on the proposed rule change.

6. Extension of Time Period for Commission Action

¹⁵ See supra note 11.

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁶ of the Act and Rule 19b-4(f)(6)¹⁷ thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for thirty (30) days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.¹⁸

The Exchange believes that the proposed rule change would not significantly affect the protection of investors or the public interest, and would not impose a significant burden on competition, as it would provide Purge Port functionality that is similar to that available on other exchanges, including the Exchange's affiliated options markets, at a reasonable cost.¹⁹ The proposed Purge Ports would enable Users to continue to effectively manage their risk, which the Exchange believes is consistent with the protection of investors and the public interest. Furthermore, since Purge Ports are already available on other exchanges, the Exchange does not believe that the proposed

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6).

¹⁸ 17 CFR 240.19b-4(f)(6)(iii).

¹⁹ See supra note 11.

rule change would introduce any unique or novel issues not already considered by the Commission. Therefore, the Exchange has accordingly designated this rule filing as “non-controversial” under Section 19(b)(3)(A) of the Act²⁰ and paragraph (f)(6) of Rule 19b-4 thereunder.²¹

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange intends to begin offering Purge Ports for equities in early October, as communicated to Members, and therefore requests that the Commission waive the operative delay. Purge Ports, which are already available on the Exchange’s affiliated options exchanges, support risk management features that the Exchange believes would be advantageous for managing the risk associated with trading equities. Waiver of the operative delay is consistent with the protection of investors and the public interest as it would allow the Exchange to expeditiously offer Purge Ports on its equities platform and thereby facilitate more robust risk management.

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 17 C.F.R. 240.19b-4.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on the rules of the Exchange's affiliated options exchanges – i.e., BZX Options, EDGX Options, and C2 – which offer Purge Port functionality that is equivalent to that proposed here for BYX.²²

9. Security Based-Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 5 – Text of the Proposed Rule Change

²² See supra note 5.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-CboeBYX-2018-022)

Self-Regulatory Organizations; Cboe BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Introduce Equities Purge Ports to (1) Establish Purge Ports for Equities Trading and Amend the Interpretations and Policies to Rule 11.10, Order Execution, to Reflect the Proposed Purge Ports, and (2) Modify the Fee Schedule Applicable to the Exchange's Equities Platform ("BYX Equities") to Identify and to Set Fees for Purge Ports

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 _____, Cboe BYX Exchange, Inc. (the "Exchange" or "BYX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. 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 is proposing to: (1) establish Purge Ports for equities trading and amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to reflect the proposed Purge Ports, and (2) modify the BYX fee schedule to identify and to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

set fees for Purge Ports.

The text of the proposed rule change is available at the Exchange's website at www.markets.cboe.com, 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 parts 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 offer Users⁵ an additional tool to manage risk and exercise additional control over their quotations in equity securities (i.e., "Purge Ports"). Specifically, the Exchange proposes to: (1) establish Purge Ports for equities trading and amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to reflect the proposed Purge Ports, and (2) modify the BYX fee schedule to identify and to set fees for Purge Ports.

Purge Ports are already available on the Exchange's affiliated options markets – i.e., the options trading platform of Cboe BZX Exchange, Inc. ("BZX Options"), the

⁵ A "User" is any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. See Rule 1.5(cc).

options trading platform of Cboe EDGX Exchange, Inc. (“EDGX Options”), and Cboe C2 Exchange, Inc. (“C2”).⁶ Based on the successful experience with Purge Ports for options, and in response to demand for similar functionality for equities trading, the Exchange has determined to offer Purge Ports on BYX. The Exchange believes that the proposed Purge Port functionality will provide an effective tool for Users to manage their risk associated with equities trading.

Background

A logical port represents a port established by the Exchange within the Exchange’s system for trading and billing purposes. Each logical port established is specific to a Member or non-Member and grants that Member or non-Member the ability to accomplish a specific function, such as order entry, order cancellation, or data receipt. In addition, logical ports enable Users to access information such as execution reports, execution report messages, auction notifications, and administrative data through a single feed.

Purge Ports

The Exchange now proposes to amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to identify Purge Ports, a new type of logical port that would enable Users to cancel all open orders, or a subset thereof, across multiple logical ports through a single cancel message. The Exchange also proposes to amend the BYX fee schedule to adopt fees for Purge Ports.

⁶ See Securities Exchange Act Release Nos. 79956 (February 3, 2017), 82 FR 10102 (February 9, 2017) (SR-BatsBZX-2017-05); 79957 (February 3, 2017), 82 FR 10070 (February 9, 2017) (SR-BatsEDGX-2017-07); 83201 (May 9, 2018), 83 FR 22546 (May 15, 2018) (SR-C2-2018-006).

The proposed ports are designed to assist Users, including Market Makers,⁷ in the management of, and risk control over, their quotes, particularly if the firm is quoting a large number of securities. For example, if a Market Maker detects market indications that may influence the direction or bias of his or her quotes, the Market Maker may use the proposed Purge Port(s) to reduce uncertainty and to manage risk by purging all quotes in a number of securities. This would allow the firm to seamlessly avoid unintended executions, while continuing to evaluate the direction of the market. While Purge Ports will be available to all Users, the Exchange anticipates they will be used primarily by Market Makers or firms that conduct similar business activity and are therefore exposed to a large amount of risk across a number securities.

Users may currently cancel orders through their existing logical ports. In addition, the Exchange offers risk functionality pursuant to Interpretation and Policies .01 to Rule 11.13 that permits Users to block new orders from being submitted, to cancel all open orders, or to both block new orders and cancel all open orders. In addition to the current risk functionality, which is being retained, the Exchange now proposes to expand the ability of Users to cancel orders through the proposed Purge Ports, which would enable them to cancel all open orders, or a subset thereof, across multiple logical ports through a single cancel message. The mass cancel request may be limited to a subset of orders by identifying the range of orders to be purged. Users may also request via a Purge Port that the Exchange block all or a subset of new orders submitted, and the block will remain in effect until the User requests that the Exchange remove the block.

⁷ A “Market Maker” is a Member that acts as a Market Maker pursuant to Chapter XI. See Rule 1.5(1).

The Exchange proposes to amend the Interpretations and Policies to Rule 11.13, Order Execution and Routing, to reflect the proposed Purge Port functionality. As described above, Interpretation and Policies .01 to Rule 11.13 currently states that the Exchange offers risk functionality that permits Users to block new orders submitted, to cancel all open orders, or to both block new orders and cancel all open orders. The Exchange proposes to move this language to Interpretations and Policies .02(a) to Rule 11.13,⁸ and add additional language to describe the flexibility provided using the proposed Purge Ports. Specifically, as proposed, Interpretations and Policies .02(b) to Rule 11.13 will state that a “Purge Port” is a dedicated port that permits a User to simultaneously cancel all or a subset of its orders in one or more symbols across multiple logical ports by requesting the Exchange to effect such cancellation. The proposed rule will also provide that a User initiating such a request may also request that the Exchange block all or a subset of its new inbound orders in one or more symbols across multiple logical ports. The block will remain in effect until the User requests the Exchange remove the block.

In addition, the Exchange proposes to modify the Logical Port Fees section of the BYX fee schedule to adopt a fee for Purge Ports of \$650 per port/per month, which would compensate the Exchange for the investment that it has made in making Purge Ports available to firms that believe they would benefit from a dedicated purge mechanism. Only firms that request Purge Ports would be subject to the proposed fees, and other firms can continue to operate in exactly the same manner as they do today

⁸ The Exchange also proposes to make a non-substantive change that deletes the introductory clause of this sentence.

without dedicated Purge Ports.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.⁹ Specifically, the proposed rule change is consistent with Sections 6(b)(4) and 6(b)(5) of the Act,¹⁰ because 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, and is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in 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.

The Exchange believes that the proposed rule change would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market because offering Users, including Market Makers, designated Purge Ports would enhance their ability to manage quotes, quote traffic, and their quoting obligations,¹¹ which would, in turn, improve their risk controls to the benefit of all market participants. The Exchange believes that the Purge Ports would foster cooperation and coordination with persons engaged in facilitating transactions in securities because

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

¹¹ See Rule 11.8(d).

designating Purge Ports for purge messages (including blocking subsequent order entry) may encourage better use of such dedicated ports. This may, concurrent with the logical ports that carry quote and other information necessary for market making activities, enable more efficient, as well as fair and reasonable, use of Market Makers' resources. Although dedicated Purge Ports are a new innovation for equities exchanges, similar connectivity and functionality is offered by options exchanges, including the Exchange's own affiliated options exchanges.¹² The Exchange believes that proper risk management, including the ability to efficiently cancel multiple orders at once, is similarly important to firms that trade in the equities market, including Market Makers that have heightened quoting obligations that are not applicable to other market participants.

The proposed rule change will not relieve Market Makers of their continuous quoting obligations under Rule 11.8(d) or firm quote obligations under Regulation NMS Rule 602.¹³ Specifically, any interest that is executable against a User's or Market Maker's quotes and orders that is received by the Exchange prior to the time of the removal of quotes request will automatically execute at that price, up to the quote's size. Market Makers that purge their quotes will not be relieved of the obligation to provide continuous two-sided quotes on a daily basis, nor will it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet their continuous quoting obligation each trading day.

¹² See supra note 7. See also e.g. Nasdaq ISE, LLC, Schedule of Fees, V. Connectivity Fees, C. Ports and Other Services, SQF Purge Port Fee.

¹³ 17 CFR 242.602

Dedicated Purge Ports, which were originally introduced for options trading, are a new feature in the equities market, and the Exchange is the first equities exchange to offer this functionality to Users. The Exchange has incurred additional infrastructure and technology costs in offering the proposed Purge Ports, including costs associated with the purchase of new hardware to support these dedicated ports, and software development, testing, and certification work associated with the risk management functionality made available through such ports. The Exchange also has continuing costs associated with maintenance and monitoring of the proposed ports. The Exchange believes that its proposed fees should facilitate the ability of the Exchange to recoup some costs associated with Purge Ports as well as provide, maintain, and improve Purge Ports.¹⁴ The proposed fees therefore directly support the introduction of new and innovative risk management features to the market.

The Exchange believes the proposed fee for Purge Ports is equitable and reasonable. The Exchange currently charges \$550 per port/per month for logical ports.¹⁵ The Exchange believes it is equitable and reasonable to charge \$650 per month for the proposed Purge Ports as such ports were specially developed to allow for the sending of a single message to cancel multiple orders, thereby assisting firms in effectively managing risk. In addition, Purge Port requests may cancel orders submitted over numerous ports and contain added functionality to purge only a subset of these orders. Effective risk

¹⁴ Purge Ports will be fee liable on a monthly basis (and not only when such ports are active), which will help the Exchange to recoup the cost of these ports.

¹⁵ The fee for Multicast PITCH Spin Server ports provides access to a set of primary ports (A or C feed) and the fee for Multicast PITCH GRP Ports provides access to a primary port (A or C feed).

management is important both for individual market participants that choose to utilize risk features provided by the Exchange, as well as for the market in general. As a result, the Exchange believes that it is appropriate to charge fees that compensate for the development of such functionality as doing so aids in the maintenance of a fair and orderly market.

The Exchange also believes that offering such functionality at the Exchange level promotes robust risk management across the industry, and thereby facilitates investor protection. Some market participants, and, in particular, the larger firms could build similar risk functionality on their trading systems that permit the flexible cancellation of orders entered on the Exchange. Offering Exchange level protections ensures that such functionality is widely available to all firms, including smaller firms that may otherwise not be willing to incur the costs and development work necessary to support their own customized mass cancel functionality.

Although the Exchange is the first exchange to develop and offer dedicated Purge Ports for equities trading, the proposed rate is lower than that charged by options exchanges for similar functionality, including the fees charged by the Exchange's affiliated options exchanges for Options Purge Ports, which are billed at a rate of \$750 per month, and fees charged by unaffiliated options exchanges, such as ISE, which charges a fee of \$1,100 per month for SQF Purge Ports. The Exchange operates in a highly competitive market in which exchanges offer connectivity and related services as a means to facilitate the trading activities of Members and other participants. As the proposed Purge Ports provide voluntary risk management functionality, excessive fees would simply serve to reduce demand for this optional product.

The Exchange also believes that the proposed amendments to its fee schedule are not unfairly discriminatory because they will apply uniformly to all Members that choose to use dedicated Purge Ports. The proposed Purge Ports are completely voluntary and, as they relate solely to optional risk management functionality, no Member is required or under any regulatory obligation to utilize them. The Exchange believes that adopting separate fees for these ports ensures that the associated costs are borne exclusively by Members that determine to use them based on their business needs, including Market Makers or similarly situated market participants that enter orders simultaneously in a number of securities. All Members that voluntarily select this service option will be charged the same amount for the same services. All Members have the option to select any connectivity option, and there is no differentiation among Members with regard to the fees charged for the services offered by the Exchange.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes the proposed rule change will enhance competition because it will enable the Exchange to innovate and offer similar equities Purge Port functionality to that offered on options markets today, at a competitive price.¹⁶ The proposed Purge Ports are completely voluntary and will be made available to all Members on an equal basis. While the Exchange believes that the proposed Purge Ports provide a valuable service, Members can choose to purchase, or not purchase, these ports based on their business needs. No Member is required or under any regulatory obligation

¹⁶ See supra note 13.

to utilize Purge Ports. Furthermore, fees for Purge Ports, and connectivity in general, are constrained by the robust competition for order flow among exchanges and non-exchange markets. Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. As a result, excessive fees for connectivity, including Purge Port fees, would serve to impair the Exchange's ability to compete for order flow rather than burdening competition. Accordingly, the Exchange believes that the proposed rule change is designed to offer appropriate risk management functionality to firms that trade on the Exchange without imposing an unnecessary or inappropriate burden on competition.

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

No comments were solicited or received on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (A) significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, become operative for 30 days from the date on which it was filed or such shorter time as the Commission may designate it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷ and paragraph (f)(6) of Rule 19b-4 thereunder,¹⁸ the Exchange has designated this rule filing as non-controversial. The Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change at least five

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4.

business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) 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 proposal 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 e-mail to rule-comments@sec.gov. Please include File No. SR-CboeBYX-2018-022 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 No. SR-CboeBYX-2018-022. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CboeBYX-2018-022 and should be submitted on or before [_____21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Robert W. Errett
Deputy Secretary

¹⁹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5A

Proposed new language is underlined; proposed deletions are in [brackets].

Rules of Cboe BYX Exchange, Inc.

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CHAPTER XI. TRADING RULES

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Rule 11.13. Order Execution and Routing

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Interpretations and Policies:

.01 The Exchange offers certain risk settings applicable to a User's activities on the Exchange. The risk settings currently offered by the Exchange include:

(a) – (h) No Change.

.02 (a) [In addition to the risk settings enumerated above, t]The Exchange also offers risk functionality that permits Users to block new orders submitted, to cancel all open orders, or to both block new orders and cancel all open orders. Furthermore, the Exchange offers risk functionality that automatically cancels a User's orders to the extent the User loses its connection to the Exchange.

(b) A "Purge Port" is a dedicated port that permits a User to simultaneously cancel all or a subset of its orders in one or more symbols across multiple logical ports by requesting the Exchange to effect such cancellation. A User initiating such a request may also request that the Exchange block all or a subset of its new inbound orders in one or more symbols across multiple logical ports. The block will remain in effect until the User requests the Exchange remove the block.

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EXHIBIT 5B

Proposed new language is underlined; proposed deletions are in [brackets].

Cboe BYX U.S. Equities Exchange Fee Schedule

Effective [September 13] September 28, 2018

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Logical Port Fees:

Service	Fee
Logical Ports (excluding <u>Purge Port</u> , Multicast PITCH Spin Server Port or GRP Port)	(No change).
<u>Purge Ports</u>	<u>\$650/port/month</u>
Multicast PITCH Spin Server	(No change).
Multicast PITCH GRP Ports	(No change).

- Logical port fees are limited to logical ports within the primary data center. No logical port fees will be assessed for redundant secondary data center ports.
- Multicast PITCH is available through one of two primary feeds, either the A or C feed. All secondary feed Multicast PITCH Spin Server and GRP Ports are provided for redundancy at no additional cost.
- New requests will be prorated for the first month of service. Cancellation requests are billed in full month increments as firms are required to pay for the service for the remainder of the month, unless the session is terminated within the first month of service.

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