

Required fields are shown with yellow backgrounds and asterisks.

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| Page 1 of * <input type="text" value="26"/> | SECURITIES AND EXCHANGE COMMISSION<br>WASHINGTON, D.C. 20549<br>Form 19b-4 | File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="023"/> | Amendment No. (req. for Amendments *) <input type="text"/> |
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Filing by Cboe BZX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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| 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"/> |
|   |   |                                     | Rule  |   |  |
| Pilot <input type="checkbox"/>                | 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 checked="" type="checkbox"/> 19b-4(f)(2) | <input type="checkbox"/> 19b-4(f)(5)                      |  |
|   |   |                                     | <input type="checkbox"/> 19b-4(f)(3)            | <input type="checkbox"/> 19b-4(f)(6)                      |  |

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| 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"/>   |  |

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| 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 a rule change related to fees.

**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 * <input type="text" value="Chris"/>                | Last Name * <input type="text" value="Solgan"/> |
| Title * <input type="text" value="Assistant General Counsel"/> |   |
| E-mail * <input type="text" value="csolgan@cboe.com"/>         |   |
| Telephone * <input type="text" value="(646) 856-8723"/>        | Fax <input type="text"/>                        |

**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 \*)

|  |  |
|--|--|
| Date <input type="text" value="03/29/2018"/> | <input type="text" value="Assistant General Counsel"/> |
| By <input type="text" value="Chris Solgan"/> | <input type="text" value=""/>                          |
| (Name *)                                     | <input type="text" value="csolgan@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 EFFF 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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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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**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 Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Bats BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the fee schedule applicable to Members and non-Members<sup>3</sup> of the Exchange pursuant to BZX Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal are effective upon filing.

The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(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 March 28, 2018.

(b) Please refer questions and comments on the proposed rule change to Patrick Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Chris Solgan, Assistant General Counsel, (646) 856-8723.

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

(a) Purpose

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

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

<sup>3</sup> A Member is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

The Exchange proposes to amend its fee schedule applicable to its equities trading platform (“BZX Equities”) to: (i) amend the rate for orders that yield fee code HA; (ii) add a Non-Displayed Add Volume Tier and amend the required criteria for current Non-Displayed Add Volume Tiers 1 and 2 under footnote 1; (iii) delete the Step-Up Add Tier under footnote 4 Single MPID Investor Tiers; (iv) delete Tier 1 under footnote 13, Tape B Volume and Quoting Tiers; and (v) delete Tier 1 and adjust the rebates for current Tiers 2 and 3 under footnote 19, NBBO Setter Tiers.

#### Fee Code HA

Fee code HA is appended to non-displayed orders that add liquidity and receive a rebate of \$0.0017 per share.<sup>4</sup> The Exchange proposes to reduce the rebate provided to orders that yield fee code HA from \$0.0017 per share to \$0.0015 per share.

#### Add Volume Tiers Under Footnote 1

The Exchange currently offers thirteen Add Volume Tiers under footnote 1, which provide an enhanced rebate of \$0.0025 to \$0.0032 per share for qualifying orders which yield fee codes B, V, and Y,<sup>5</sup> or HA. The Exchange now proposes to add a Non-Displayed Add Volume Tier and amend the required criteria for the current Non-Displayed Add Volume Tiers 1 and 2 under footnote 1 which would be available for qualifying orders which yield fee code HA.

- Under the proposed Non-Displayed Add Volume Tier 1, a Member may

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<sup>4</sup> See the Exchange’s fee schedule available at [http://markets.cboe.com/us/equities/membership/fee\\_schedule/bzx/](http://markets.cboe.com/us/equities/membership/fee_schedule/bzx/).

<sup>5</sup> Fee codes B, V, and Y are appended to displayed orders that add liquidity in tape B, A, or C, respectively. Id.

receive an enhanced rebate of \$0.0018 per share where they add an ADV<sup>6</sup> greater than or equal to 0.05% of the TCV,<sup>7</sup> as Non-Displayed orders that yield fee codes HA or HI.<sup>8</sup>

- Under the current Non-Displayed Add Volume Tier 1 (to be renumbered as Tier 2), a Member may receive an enhanced rebate of \$0.0020 per share where they add an ADV greater than or equal to 0.09% of the TCV, as Non-Displayed orders that yield fee codes HA or HI. The Exchange proposes to amend the tier's required criteria to now require that the Member add an ADV greater than or equal to 0.15% of the TCV. The Exchange does not propose to amend any other portion of the tier's required criteria or its applicable rebate.
- Under the Non-Displayed Add Volume Tier 2 (to be renumbered as Tier 3), a Member may receive an enhanced rebate of \$0.0025 per share where they add an ADV greater than or equal to 0.18% of the TCV, as Non-Displayed orders that yield fee codes HA or HI. The Exchange proposes to amend the tier's required criteria to now require that the Member add an ADV greater than or equal to 0.25% of the TCV. The Exchange does not propose to amend any other portion of the tier's required criteria or its applicable

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<sup>6</sup> "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day. ADAV and ADV are calculated on a monthly basis. Id.

<sup>7</sup> "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. Id.

<sup>8</sup> Fee code HI is appended to non-displayed orders that receive price improvement and add liquidity. Id.

rebate.

#### Single MPID Investor Tiers Under Footnote 4

The Exchange currently offers two Single MPID Investor Tier under footnote 4, which provide an enhanced rebate of \$0.0027 per share and \$0.0031 per share for qualifying orders which yield fee codes B, V, or Y. The distinction between the existing tier under footnote 4 and other tiers offered by the Exchange, is that the volume measured to determine whether a Member qualifies is performed on a Market Participant Identifier (“MPID”) by MPID basis. The Exchange now proposes to delete the Step-Up Add Tier under footnote 4 under which a Member may receive an enhanced rebate of \$0.0027 per share where the MPID has a Step-Up ADAV from November 2016, greater than or equal to 500,000 shares.

#### Tape B Volume and Quoting Tiers Under Footnote 13

The Exchange currently offers two tiers under footnote 13, which provide an enhanced rebate of \$0.0027 per share and an additional rebate of \$0.0001 per share for qualifying orders which yield fee codes B. The Exchange now proposes to delete Tier 1 under footnote 13 under which a Member may receive an enhanced rebate of \$0.0027 per share where their have a Tape B ADAV<sup>9</sup> as a percentage of TCV greater than or equal to 0.08%. The Exchange proposes to renumber existing Tier 2 as Tier 1 and to delete an “s” from the term “fee codes” in the footnote’s introductory language.

#### NBBO Setter Tiers Under Footnote 19

The Exchange currently offers three NBBO Setter Tiers under footnote 19,

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<sup>9</sup> “ADAV” means average daily added volume calculated as the number of shares added per day. See the Exchange’s fee schedule available at [http://markets.cboe.com/us/equities/membership/fee\\_schedule/bzx/](http://markets.cboe.com/us/equities/membership/fee_schedule/bzx/).

which provide an additional rebate of \$0.0001 to \$0.0004 per share for orders that establish a new National Best Bid or Offer (“NBBO”) and which are appended with fee code B, V or Y. The Exchange notes that the proposed the NBBO Setter Tiers are additive rebates, and thus, can be combined with other incentives and structures offered by the Exchange. The Exchange proposes to delete Tier 1 and adjust the rebates for current Tiers 2 and 3.

- Tier 1 provides an additional rebate of \$0.0001 in qualifying orders where a Member has a Setter Add TCV<sup>10</sup> of at least 0.05%. The Exchange proposes to delete Tier 1.
- Tier 2 (to be renumbered as Tier 1) provides an additional rebate of \$0.0002 in qualifying orders where a Member has a Setter Add TCV of at least 0.10%. The Exchange proposes to decrease the additional rebate provided by the tier to \$0.00015 per share.
- Tier 3 (to be renumbered as Tier 2) provides an additional rebate of \$0.0004 in qualifying orders where a Member has a Setter Add TCV of at least 0.15%. The Exchange only proposes to renumber the tier and does not propose to alter the tier’s required criteria or additional rebate.

#### Implementation Date

The Exchange proposes to implement these amendments to its fee schedule on April 2, 2018.

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<sup>10</sup> “Setter Add TCV” means average daily added volume calculated as the number of displayed shares added that establish a new NBBO as a percentage of TCV. Id.

(b) Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>12</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also 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. The proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange.

Fee Code HA

The Exchange believes the proposed decrease to the rebate provided to orders that yield fee code HA is reasonable, fair and equitable, because the proposed rate equals the rebate provided to identical orders on Cboe EDGX Exchange, Inc. (“EDGX”).<sup>13</sup> The proposed rebate for fee code HA is also non-discriminatory because it will be available to all Members who submit non-displayed orders that add liquidity.

Tier Modifications

The Exchange believes that the proposed modifications to the tiered pricing structure are reasonable, fair and equitable, and non-discriminatory. The Exchange

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<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> 15 U.S.C. 78f(b)(4).

<sup>13</sup> See fee code HA in the EDGX fee schedule available at [http://markets.cboe.com/us/equities/membership/fee\\_schedule/edgx/](http://markets.cboe.com/us/equities/membership/fee_schedule/edgx/) (providing a rebate of \$0.0015 per share to non-displayed orders that add liquidity).

operates in a highly competitive market in which market participants may readily send order flow to many competing venues if they deem fees at the Exchange to be excessive or incentives provided to be insufficient. The proposed structure remains intended to attract order flow to the Exchange by offering market participants a competitive pricing structure. The Exchange believes it is reasonable to offer and incrementally modify incentives intended to help to contribute to the growth of the Exchange.

Volume-based pricing such as that proposed herein have been widely adopted by exchanges, including the Exchange, and are equitable 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; (ii) associated higher levels of market activity, such as higher levels of liquidity provisions and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes.

*Add Volume Tiers.* The proposed addition of and modifications to the remaining two Non-Displayed Add Volume Tiers reinforces the purpose of the Add Volume Tier by incentivizing Members to send Non-Displayed orders to the Exchange. The proposed modifications to the current two tier required criteria are equitable and reasonable in light of the addition of a new Non-Displayed Add Volume Tier and serve to make the required criteria and related enhanced rebate reasonably related to each other and reflect the scaled difficulty in achieving each tier. Thus, the Exchange believes that the proposed modifications to the tiered pricing structure under footnote 1 are a reasonable, equitable, and not an unfairly discriminatory allocation of fees and rebates because they will provide Members with an incentive to reach certain thresholds on the Exchange by

contributing a meaningful amount of order flow and because such an incentive is open to all Members on an equal basis.

*NBBO Setter Tiers.* The Exchange believes the modification to the additional rebate provided by the one of the two remaining NBBO Setter Tiers under footnote 19 is a reasonable means to encourage Members to not only increase their liquidity on the Exchange but also to contribute to the market quality of the Exchange by offering aggressively priced liquidity. The Exchange further believes that the proposed rate represents an equitable allocation of reasonable dues, fees, and other charges because the thresholds necessary to achieve the tiers would continue to encourage Members to add additional liquidity to the Exchange. The revised additional rebate was modestly changed and continues to reasonably reflect the difficulty of achieving each tier's required criteria. The Exchange further believes that the NBBO Setter Tiers are not unreasonably discriminatory as they are equally available to all Members.

#### Elimination of Unused Tiers

The Exchange believes that the proposed modifications to eliminate tiers under footnotes 4, 13, and 19 are reasonable, fair, and equitable because the current tiers were not providing the desired result of incentivizing Members to increase their participation in BZX Equities. Therefore, eliminating these tiers will have a negligible effect on order flow and market behavior. The Exchange believes the proposed changes are not unfairly discriminatory because they will apply equally to all Members.

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

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

Act. The Exchange does not believe that any of the proposed change to the Exchange's tiered pricing structure burden competition, but instead, that they enhance competition as they are intended to increase the competitiveness of BZX by modifying pricing incentives in order to attract order flow and incentivize participants to increase their participation on the Exchange. The Exchange 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 structures to be unreasonable or excessive. The proposed changes are generally intended to enhance the rebates for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange, and to eliminate a rebate that has not achieved its desired result. The Exchange does not believe the proposed amendments would burden intramarket competition as they would be available to all Members uniformly.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

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

(a) This proposed rule change is filed pursuant to paragraph (A) of Section 19(b)(3) of the Act.

(b) This proposed rule change establishes dues, fees or other charges among its

members and, as such, may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>14</sup> and paragraph (f)(2) of Rule 19b-4 thereunder.<sup>15</sup>

(c) Inapplicable.

(d) Inapplicable.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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 Publication in the Federal Register.

Exhibit 5 – Text of the Proposed Rule Change.

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>15</sup> 17 CFR 240.19b-4(f)(2).

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-CboeBZX-2018-023)

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Transaction Fees for Use on Cboe BZX Exchange, Inc.' Equity Platform

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 \_\_\_\_\_, Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change 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 filed a proposal to amend the fee schedule applicable to Members<sup>5</sup> and non-Members of the Exchange pursuant to BZX Rules 15.1(a) and (c).

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

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

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

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

<sup>5</sup> The term "Member" is defined as "any registered broker or dealer that has been admitted to membership in the Exchange." See Exchange Rule 1.5(n).

The text of the proposed rule change is available at the Exchange's website at [www.markets.cboe.com](http://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 Exchange proposes to amend its fee schedule applicable to its equities trading platform ("BZX Equities") to: (i) amend the rate for orders that yield fee code HA; (ii) add a Non-Displayed Add Volume Tier and amend the required criteria for current Non-Displayed Add Volume Tiers 1 and 2 under footnote 1; (iii) delete the Step-Up Add Tier under footnote 4 Single MPID Investor Tiers; (iv) delete Tier 1 under footnote 13, Tape B Volume and Quoting Tiers; and (v) delete Tier 1 and adjust the rebates for current Tiers 2 and 3 under footnote 19, NBBO Setter Tiers.

Fee Code HA

Fee code HA is appended to non-displayed orders that add liquidity and receive a

rebate of \$0.0017 per share.<sup>6</sup> The Exchange proposes to reduce the rebate provided to orders that yield fee code HA from \$0.0017 per share to \$0.0015 per share.

#### Add Volume Tiers Under Footnote 1

The Exchange currently offers thirteen Add Volume Tiers under footnote 1, which provide an enhanced rebate of \$0.0025 to \$0.0032 per share for qualifying orders which yield fee codes B, V, and Y,<sup>7</sup> or HA. The Exchange now proposes to add a Non-Displayed Add Volume Tier and amend the required criteria for the current Non-Displayed Add Volume Tiers 1 and 2 under footnote 1 which would be available for qualifying orders which yield fee code HA.

- Under the proposed Non-Displayed Add Volume Tier 1, a Member may receive an enhanced rebate of \$0.0018 per share where they add an ADV<sup>8</sup> greater than or equal to 0.05% of the TCV,<sup>9</sup> as Non-Displayed orders that yield fee codes HA or HI.<sup>10</sup>
- Under the current Non-Displayed Add Volume Tier 1 (to be renumbered as Tier 2), a Member may receive an enhanced rebate of \$0.0020 per share

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<sup>6</sup> See the Exchange's fee schedule available at [http://markets.cboe.com/us/equities/membership/fee\\_schedule/bzx/](http://markets.cboe.com/us/equities/membership/fee_schedule/bzx/).

<sup>7</sup> Fee codes B, V, and Y are appended to displayed orders that add liquidity in tape B, A, or C, respectively. Id.

<sup>8</sup> "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day. ADAV and ADV are calculated on a monthly basis. Id.

<sup>9</sup> "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. Id.

<sup>10</sup> Fee code HI is appended to non-displayed orders that receive price improvement and add liquidity. Id.

where they add an ADV greater than or equal to 0.09% of the TCV, as Non-Displayed orders that yield fee codes HA or HI. The Exchange proposes to amend the tier's required criteria to now require that the Member add an ADV greater than or equal to 0.15% of the TCV. The Exchange does not propose to amend any other portion of the tier's required criteria or its applicable rebate.

- Under the Non-Displayed Add Volume Tier 2 (to be renumbered as Tier 3), a Member may receive an enhanced rebate of \$0.0025 per share where they add an ADV greater than or equal to 0.18% of the TCV, as Non-Displayed orders that yield fee codes HA or HI. The Exchange proposes to amend the tier's required criteria to now require that the Member add an ADV greater than or equal to 0.25% of the TCV. The Exchange does not propose to amend any other portion of the tier's required criteria or its applicable rebate.

#### Single MPID Investor Tiers Under Footnote 4

The Exchange currently offers two Single MPID Investor Tier under footnote 4, which provide an enhanced rebate of \$0.0027 per share and \$0.0031 per share for qualifying orders which yield fee codes B, V, or Y. The distinction between the existing tier under footnote 4 and other tiers offered by the Exchange, is that the volume measured to determine whether a Member qualifies is performed on a Market Participant Identifier ("MPID") by MPID basis. The Exchange now proposes to delete the Step-Up Add Tier under footnote 4 under which a Member may receive an enhanced rebate of \$0.0027 per share where the MPID has a Step-Up ADAV from November 2016, greater than or equal to 500,000 shares.

### Tape B Volume and Quoting Tiers Under Footnote 13

The Exchange currently offers two tiers under footnote 13, which provide an enhanced rebate of \$0.0027 per share and an additional rebate of \$0.0001 per share for qualifying orders which yield fee codes B. The Exchange now proposes to delete Tier 1 under footnote 13 under which a Member may receive an enhanced rebate of \$0.0027 per share where their have a Tape B ADAV<sup>11</sup> as a percentage of TCV greater than or equal to 0.08%. The Exchange proposes to renumber existing Tier 2 as Tier 1 and to delete an “s” from the term “fee codes” in the footnote’s introductory language.

### NBBO Setter Tiers Under Footnote 19

The Exchange currently offers three NBBO Setter Tiers under footnote 19, which provide an additional rebate of \$0.0001 to \$0.0004 per share for orders that establish a new National Best Bid or Offer (“NBBO”) and which are appended with fee code B, V or Y. The Exchange notes that the proposed the NBBO Setter Tiers are additive rebates, and thus, can be combined with other incentives and structures offered by the Exchange. The Exchange proposes to delete Tier 1 and adjust the rebates for current Tiers 2 and 3.

- Tier 1 provides an additional rebate of \$0.0001 in qualifying orders where a Member has a Setter Add TCV<sup>12</sup> of at least 0.05%. The Exchange proposes to delete Tier 1.
- Tier 2 (to be renumbered as Tier 1) provides an additional rebate of \$0.0002

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<sup>11</sup> “ADAV” means average daily added volume calculated as the number of shares added per day. See the Exchange’s fee schedule available at [http://markets.cboe.com/us/equities/membership/fee\\_schedule/bzx/](http://markets.cboe.com/us/equities/membership/fee_schedule/bzx/).

<sup>12</sup> “Setter Add TCV” means average daily added volume calculated as the number of displayed shares added that establish a new NBBO as a percentage of TCV. Id.

in qualifying orders where a Member has a Setter Add TCV of at least 0.10%. The Exchange proposes to decrease the additional rebate provided by the tier to \$0.00015 per share.

- Tier 3 (to be renumbered as Tier 2) provides an additional rebate of \$0.0004 in qualifying orders where a Member has a Setter Add TCV of at least 0.15%. The Exchange only proposes to renumber the tier and does not propose to alter the tier's required criteria or additional rebate.

#### Implementation Date

The Exchange proposes to implement these amendments to its fee schedule on April 2, 2018.

#### 2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>13</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>14</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also 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. The proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange.

#### Fee Code HA

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

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

The Exchange believes the proposed decrease to the rebate provided to orders that yield fee code HA is reasonable, fair and equitable, because the proposed rate equals the rebate provided to identical orders on Cboe EDGX Exchange, Inc. (“EDGX”).<sup>15</sup> The proposed rebate for fee code HA is also non-discriminatory because it will be available to all Members who submit non-displayed orders that add liquidity.

#### Tier Modifications

The Exchange believes that the proposed modifications to the tiered pricing structure are reasonable, fair and equitable, and non-discriminatory. The Exchange operates in a highly competitive market in which market participants may readily send order flow to many competing venues if they deem fees at the Exchange to be excessive or incentives provided to be insufficient. The proposed structure remains intended to attract order flow to the Exchange by offering market participants a competitive pricing structure. The Exchange believes it is reasonable to offer and incrementally modify incentives intended to help to contribute to the growth of the Exchange.

Volume-based pricing such as that proposed herein have been widely adopted by exchanges, including the Exchange, and are equitable 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; (ii) associated higher levels of market activity, such as higher levels of liquidity provisions and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes.

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<sup>15</sup> See fee code HA in the EDGX fee schedule available at [http://markets.cboe.com/us/equities/membership/fee\\_schedule/edgx/](http://markets.cboe.com/us/equities/membership/fee_schedule/edgx/) (providing a rebate of \$0.0015 per share to non-displayed orders that add liquidity).

*Add Volume Tiers.* The proposed addition of and modifications to the remaining two Non-Displayed Add Volume Tiers reinforces the purpose of the Add Volume Tier by incentivizing Members to send Non-Displayed orders to the Exchange. The proposed modifications to the current two tier required criteria are equitable and reasonable in light of the addition of a new Non-Displayed Add Volume Tier and serve to make the required criteria and related enhanced rebate reasonably related to each other and reflect the scaled difficulty in achieving each tier. Thus, the Exchange believes that the proposed modifications to the tiered pricing structure under footnote 1 are a reasonable, equitable, and not an unfairly discriminatory allocation of fees and rebates because they will provide Members with an incentive to reach certain thresholds on the Exchange by contributing a meaningful amount of order flow and because such an incentive is open to all Members on an equal basis.

*NBBO Setter Tiers.* The Exchange believes the modification to the additional rebate provided by the one of the two remaining NBBO Setter Tiers under footnote 19 is a reasonable means to encourage Members to not only increase their liquidity on the Exchange but also to contribute to the market quality of the Exchange by offering aggressively priced liquidity. The Exchange further believes that the proposed rate represents an equitable allocation of reasonable dues, fees, and other charges because the thresholds necessary to achieve the tiers would continue to encourage Members to add additional liquidity to the Exchange. The revised additional rebate was modestly changed and continues to reasonably reflect the difficulty of achieving each tier's required criteria. The Exchange further believes that the NBBO Setter Tiers are not unreasonably discriminatory as they are equally available to all Members.

### Elimination of Unused Tiers

The Exchange believes that the proposed modifications to eliminate tiers under footnotes 4, 13, and 19 are reasonable, fair, and equitable because the current tiers were not providing the desired result of incentivizing Members to increase their participation in BZX Equities. Therefore, eliminating these tiers will have a negligible effect on order flow and market behavior. The Exchange believes the proposed changes are not unfairly discriminatory because they will apply equally to all Members.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of the proposed change to the Exchange's tiered pricing structure burden competition, but instead, that they enhance competition as they are intended to increase the competitiveness of BZX by modifying pricing incentives in order to attract order flow and incentivize participants to increase their participation on the Exchange. The Exchange 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 structures to be unreasonable or excessive. The proposed changes are generally intended to enhance the rebates for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange, and to eliminate a rebate that has not achieved its desired result. The Exchange does not believe the proposed amendments would burden intramarket competition as they would be available to all Members uniformly.

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

The Exchange has not solicited, and does not intend to solicit, comments on this

proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f) of Rule 19b-4 thereunder.<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 necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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](mailto:rule-comments@sec.gov). Please include File No. SR-CboeBZX-2018-023 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-CboeBZX-2018-023. This file number

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

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

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-CboeBZX-2018-023 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.<sup>18</sup>

Robert W. Errett  
Deputy Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Cboe BZX U.S. Equities Exchange Fee Schedule**

Effective [March 1]April 2, 2018

\* \* \* \* \*

**Fee Codes and Associated Fees:**

| Fee Code                            | Description                         | Fee/(Rebate)             |
|-------------------------------------|-------------------------------------|--------------------------|
| 10 <sup>10</sup> - G                | (No change).                        |                          |
| HA <sup>1,5,7</sup>                 | Non-displayed order, adds liquidity | [(0.00170)]<br>(0.00150) |
| HI <sup>5,7</sup> - ZR <sup>6</sup> | (No change).                        |                          |

\* \* \* \* \*

**Footnotes:****1. Add Volume Tiers**

Applicable to the following fee codes: B, V and Y.

| Tier            | Rebate Per Share to Add | Member has an ADAV as a percentage of TCV $\geq$ |
|-----------------|-------------------------|--|
| Tier 1 - Tier 6 | (No change).            |  |

Applicable to the following fee codes: B, V and Y.

| Tier  | Rebate Per Share to Add | Required Criteria |
|---|-------------------------|-------------------|
| Market Depth Tier - Cross-Asset Add Volume Tier 4 | (No change).            |                   |

Applicable to the following fee code: HA.

| Tier                                   | Rebate Per Share to Add | Required Criteria  |
|--|-------------------------|--|
| <u>Non-Displayed Add Volume Tier 1</u> | (\$0.0018)              | <u>Member adds an ADV <math>\geq</math> 0.05% of the TCV as Non-Displayed orders that yield fee codes HA or HI</u> |
| Non-Displayed Add Volume Tier [1]2     | (\$0.0020)              | Member adds an ADV $\geq$ [0.09]0.15% of the TCV as Non-Displayed orders that yield fee codes HA or HI             |
| Non-Displayed Add Volume Tier [2]3     | (\$0.0025)              | Member adds an ADV $\geq$ [0.18]0.25% of the TCV as Non-Displayed orders that yield fee codes HA or HI             |

\* \* \* \* \*

#### 4. Single MPID Investor Tiers

Applicable to the following fee codes: B, V and Y.

| Tier              | Rebate Per Share to Add | Required Criteria   |
|-------------------|-------------------------|---|
| Tier              | (No change).            |   |
| [Step-Up Add Tier | (\$0.0027)              | MPID has a Step-Up ADAV from November 2016 $\geq$ 750,000 shares] |

\* \* \* \* \*

#### 13. Tape B Volume and Quoting Tiers

Applicable to the following fee code[s]: B.

| Tier    | Rebate Per Share to Add | Required Criteria   |
|---------|-------------------------|---|
| [Tier 1 | (\$0.0027)              | Member has a Tape B ADAV as a percentage of TCV $\geq$ 0.08%] |

LMMs in BZX-listed securities will receive the following additional rebate when adding displayed liquidity in all Tape B securities, except that such additional rebates will not be applied to the rebates set forth in footnote 14 part A:

| Tier     | Additional Rebate Per Share to Add | Required Criteria  |
|----------|------------------------------------|--|
| Tier [2] | (\$0.0001)                         | Member is enrolled in at least 50 LMP Securities for which it meets the following criteria for at least 50% of the trading days in the applicable month:<br><br>(1) Member has a NBBO Time $\geq$ 15% or a NBBO Size Time $\geq$ 25%; and<br><br>(2) Member has a Displayed Size Time $\geq$ 90% |

\* \* \* \* \*

**19. NBBO Setter Tiers**

Applicable only to orders which establish a new NBBO and which are appended with fee codes B, V or Y.

| Tier              | Additional Rebate Per Share to Add          | Required Criteria                        |
|-------------------|---|--|
| [Tier 1]          | (\$0.0001)                                  | Member has a Setter Add TCV $\geq$ 0.05% |
| Tier [2] <u>1</u> | [( <u>\$0.0002</u> )]<br><u>(\$0.00015)</u> | Member has a Setter Add TCV $\geq$ 0.10% |
| Tier [3] <u>2</u> | (\$0.0004)                                  | Member has a Setter Add TCV $\geq$ 0.15% |

\* \* \* \* \*