| OMB APPROVAL |
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2018 - * 019
Amendment No. (req. for Amendments *)

Filing by Cboe EDGA Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

| Initial * | Amendment * | Withdrawal | Section 19(b)(2) * | Section 19(b)(3)(A) * | Section 19(b)(3)(B) * |
|---|---|---|---|---|---|
| ☑ | ☐ | ☐ | ☐ | ☑ | ☐ |

Rule

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| ☐ 19b-4(f)(1) | ☐ 19b-4(f)(4) |
| ☐ 19b-4(f)(2) | ☐ 19b-4(f)(5) |
| ☐ 19b-4(f)(3) | ☑ 19b-4(f)(6) |

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

### Description

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

The Exchange proposes a rule change to eliminate the liquidity swap component of the Discretionary Range instruction.

### 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.

Date 11/23/2018

By Adrian Griffiths

(Name *)

(Title *)

Assistant General Counsel

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.

agriffiths@cboe.com

*Required fields are shown with yellow backgrounds and asterisks.*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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| **Form 19b-4 Information *** <br> Add Remove View | 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 *** <br> 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 *** <br> 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, 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** <br> Add Remove View <br> Exhibit Sent As Paper Document <br> ☐ | 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** <br> Add Remove View <br> Exhibit Sent As Paper Document <br> ☐ | 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** <br> Add Remove View | 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** <br> Add Remove View | 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** <br> Add Remove View | 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 EDGA Exchange, Inc. ("EDGA" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to eliminate the liquidity swap component of the Discretionary Range instruction in connection with the recent introduction of a "high inverted" fee model. 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 rule change is attached as Exhibit 5. 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 October 23, 2018.

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

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 17 CFR 240.19b-4(f)(6)(iii).

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 eliminate the liquidity swap component of the Discretionary Range instruction in connection with the introduction of a "high inverted" fee model, as discussed in more detail below.[4] All other functionality offered by the Discretionary Range instruction would remain unchanged.

Discretionary Range is an instruction the User[5] may attach to an order to buy (sell) a stated amount of a security at a specified, displayed or non-displayed ranked price with discretion to execute up (down) to another specified, non-displayed price.[6] Because the Discretionary Range instruction indicates a willingness by the entering User to trade at prices more aggressive than the order's ranked price, orders entered with this instruction also liquidity swap with certain incoming orders. Specifically, Rule 11.6(d) provides that a resting order with a Discretionary Range instruction would remove liquidity against: (1) an incoming Post Only order at its displayed or non-displayed ranked price that does not remove liquidity on entry pursuant to Rule 11.6(n)(4), and (2) an incoming order with a time-in-force ("TIF") other than Immediate-or-Cancel ("IOC") or Fill-or-Kill ("FOK") that is priced within its discretionary range. All other

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4 A liquidity swap occurs when a resting order that is posted to the EDGA Book becomes the remover rather than the adder of liquidity for fee purposes.

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

6 See Rule 11.6(d). An order with a Discretionary Range instruction resting on the EDGA Book will execute at its least aggressive price when matched for execution against an incoming order that also contains a Discretionary Range instruction, as permitted by the terms of both the incoming and resting order. Id.

orders follow normal handling for the execution of an incoming order and remove liquidity when trading with a resting order with a Discretionary Range instruction.[7]

The Exchange proposes that a resting order with a Discretionary Range instruction would no longer perform a liquidity swap against any incoming orders, such that the incoming order would always act as the taker of liquidity, and the resting order with a Discretionary Range instruction would act as the maker of liquidity. As incoming Post Only orders always remove liquidity on entry in an inverted market where it is economically beneficial to remove liquidity,[8] this change would chiefly impact the execution of Discretionary Range orders against incoming orders with a TIF other than IOC or FOK priced within the discretionary range.

EDGA has operated with an "inverted" fee schedule whereby orders that remove liquidity are provided a rebate and orders that add liquidity pay a fee.[9] On November 1, 2018, the Exchange filed an immediately effective change to its fee schedule to introduce a "high inverted" market model that increased both the rebate provided to orders that remove liquidity and the fee paid by orders that add liquidity.[10] With the recent changes to the fee schedule, an order that removes liquidity is provided a base rebate of $0.0024 per share, and an order that adds liquidity pays a base fee of $0.0030 per share.[11]

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7 For example, an incoming order that executes at the ranked price of the Discretionary Range order, or an IOC or FOK order that executes at a price within the discretionary range would execute as the liquidity remover. Id.

8 See Rule 11.6(n)(4).

9 See Cboe EDGA U.S. Equities Exchange Fee Schedule.

10 See Securities Exchange Act Release No. 84599 (November 15, 2018), 83 FR 58795 (November 21, 2018) (SR-CboeEDGA-2018-017).

11 Members also have the opportunity to qualify for a lower fee or higher rebate based on volume executed on EDGA.

Under the current order handling, an order that executes immediately on entry, which would ordinarily be paid a rebate of $0.0024 per share based on the new high inverted fee structure, could instead end up adding liquidity and paying a fee of up to $0.0030 per share – i.e., a swing of $0.0054 per share – if the incoming order liquidity swaps when trading with a posted order that contains a Discretionary Range instruction. For example, assume the national best bid and offer is $10.00 x $10.05, and there is an order to buy on the EDGA Book priced at $10.00 with discretion to pay up to $10.03. If the Exchange were to receive an incoming Day order to sell at $10.02, the incoming order would be posted to the EDGA Book and then trade with the Discretionary Range order at $10.02 as the adder of liquidity, paying a fee of $0.0030 per share instead of receiving the expected rebate of $0.0024 per share.

Although likely to be a rare occurrence, the Exchange believes that paying a $0.0030 per share fee in this scenario may be contrary to the expectations of Users that enter an order that trades on entry, who may instead expect to receive a $0.0024 per share rebate for sending marketable order flow to EDGA. The Exchange therefore proposes to eliminate the liquidity swap component of the Discretionary Range instruction. As proposed, an order entered with a Discretionary Range instruction would never perform a liquidity swap with an incoming order. Since an order entered with a Discretionary Range instruction would not liquidity swap with an incoming order under any circumstances, the Exchange proposes to reflect this change by providing that any contra-side order that executes against a resting order with a Discretionary Range instruction at its displayed or non-displayed ranked price, or a price in the discretionary range, will remove liquidity against the order with a Discretionary Range instruction.

In addition, the Exchange proposes to describe in Rule 11.6(d) how the Exchange would handle orders entered with a Discretionary Range instruction in the event that it changes its fees such that an incoming order with a Post Only instruction does not always remove liquidity on entry. As previously discussed, the Exchange is amending the Discretionary Range instruction such that orders entered with a Discretionary Range instruction would not liquidity swap with incoming orders, including orders entered with a Post Only instruction. Instead, the Exchange proposes that where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting order with a Discretionary Range instruction, the discretionary range of the resting order with a Discretionary Range instruction would be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. While under an inverted fee schedule incoming orders with a Post Only instruction remove liquidity on entry, this language would be relevant if the Exchange were to move to a different market model (e.g., maker/taker). In such an event, the Discretionary Range instruction would behave in a manner similar to recently adopted MidPoint Discretionary Orders ("MDO") on its affiliate Cboe EDGX Exchange, Inc. ("EDGX").[12] Like the proposed handling for EDGA orders entered with a Discretionary Range instruction, MDOs on EDGX are not willing to perform a liquidity swap, and would instead have their discretionary range shortened if an order with a Post Only instruction were to be posted within the discretionary range.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b) of the Act,[13] in general, and Section 6(b)(5) of the Act,[14] in particular, in that it is

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[12] See Securities Exchange Act Release No. 84327 (October 1, 2018), 83 FR 50416 (October 5, 2018) (SR-CboeEDGX-2018-041). The Exchange also offers MDOs on EDGA that follow the handling described in this filing for orders entered with a Discretionary Range instruction. See Rule 11.8(e).

[13] 15 U.S.C. § 78f(b).

[14] 15 U.S.C. § 78f(b)(5).

designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and not to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange offers a Discretionary Range instruction that allows Users to specify a non-displayed discretionary price in addition to a displayed or non-displayed ranked price. As part of this instruction, an order entered with a discretionary price would liquidity swap in certain scenarios described in Rule 11.6(d), including when trading within the order's discretionary range against an incoming order that is entered with a TIF other than IOC or FOK. The Exchange believes that this result is undesirable under an inverted fee structure since the order that is negatively impacted by the swap from a rebate to a fee is the incoming order, and not the resting order that has opted into this handling by including a Discretionary Range instruction. Furthermore, this issue would be exacerbated under the new high inverted fee structure since the difference between the base fee for adding liquidity and base rebate for removing liquidity is now $0.0054 per share. The Exchange therefore believes that eliminating the possibility of this liquidity swap is consistent with the public interest and the protection of investors.

With this change no resting orders on EDGA would liquidity swap with an incoming order, thereby ensuring that the incoming order would be the taker of liquidity, and paid the applicable rebate rather than charged an unexpected fee. Although certain other order instructions offered by the Exchange (e.g., Super Aggressive and Non-Displayed Swap)[15] contain a liquidity swap component, those order instructions do not liquidity swap under an inverted fee structure where a Post Only order would always remove liquidity on entry. The

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15 See Rule 11.6(n)(2),(n)(7).

Exchange believes that amending its order handling, as proposed, to ensure a similar result in cases that involve the Discretionary Range instruction would promote just and equitable principles of trade.

Finally, the Exchange believes that the proposed operation of the Discretionary Range instruction where an order with a Post Only instruction posts in the discretionary range is consistent with the protection of investors and the public interest. While the Exchange currently operates under an inverted fee schedule where an incoming order with a Post Only instruction would remove liquidity on entry, the Exchange believes that it would be appropriate to shorten the discretion of a resting order with a Discretionary Range instruction if necessary due to an incoming order with a Post Only instruction posting at a price within the discretionary range, which would be possible, for example, in the event the Exchange were to introduce a maker/taker market model. Shortening the order's discretionary range in such circumstances is intended to avoid the discretionary range extending past the contra-side order's limit price, which could create a price priority issue should a later order be entered and be eligible to execute against the resting order within its discretionary range but at a price that extends beyond the contra-side order with a Post Only instruction. As mentioned in the purpose section of this proposed rule change, similar behavior is already implemented for MDOs on EDGX.[16]

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. The proposed rule change is designed to eliminate the possibility that a liquidity swap could cause an incoming order that was expecting to receive a rebate as a remover of liquidity to instead pay a

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16 See note 12 supra.

fee. The Exchange believes that the proposed handling accords with the expectation of its Users when sending order flow to EDGA, which operates under an inverted fee model that generally incentivizes marketable order flow that removes liquidity on entry. The Exchange therefore believes that the proposed rule change would promote a fair and competitive market in securities traded on EDGA.

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

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)[17] of the Act and Rule 19b-4(f)(6)[18] 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

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[17] 15 U.S.C. 78s(b)(3)(A).

[18] 17 CFR 240.19b-4(f)(6).

business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.[19]

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 ensure that incoming orders on EDGA that execute immediately would be provided a rebate as expected based on the Exchange's inverted fee structure. The proposed change conforms EDGA's rules to what the Exchange believes participants normally expect in an inverted market – i.e., to be paid a rebate for incoming orders that trade on entry. In addition, the proposed change describing order handling when an order with a Post Only instruction is posted in the discretionary range is intended to avoid priority violations in the event that the Exchange amends its fee schedule, and is consistent with existing EDGX MDO handling.[20] Therefore, the Exchange has accordingly designated this rule filing as "non-controversial" under Section 19(b)(3)(A) of the Act[21] and paragraph (f)(6) of Rule 19b-4 thereunder.[22]

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. As explained in the purpose section of this proposed rule change, the Exchange proposes to change its handling of orders entered with a Discretionary Range instruction in connection with the recent introduction of a high inverted fee model on EDGA, which became effective on November 1, 2018. Waiver of the operative delay is consistent with the protection of

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19 17 CFR 240.19b-4(f)(6)(iii).

20 See note 12 supra.

21 15 U.S.C. 78s(b)(3)(A).

22 17 C.F.R. 240.19b-4.

investors and the public interest as it would allow the Exchange to quickly eliminate the potential for a liquidity swap soon after introducing higher fees and rebates, thereby reducing the possibility that participants would be inadvertently disadvantaged by those changes.

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.

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 Federal Register.

Exhibit 5 – Text of the Proposed Rule Change

EXHIBIT 1

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeEDGA-2018-019]

[Insert date]

Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Eliminate the Liquidity Swap Component of the Discretionary Range Instruction

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 [insert date], Cboe EDGA Exchange, Inc. (the "Exchange" or "EDGA") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[3] and Rule 19b-4(f)(6) thereunder.[4] The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe EDGA Exchange, Inc. ("EDGA" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to eliminate the liquidity swap component of the Discretionary Range instruction in connection with the recent introduction of a "high inverted" fee model.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(iii).

4 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is also available on the Exchange's website (http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

#### 1. Purpose

The purpose of the proposed rule change is to eliminate the liquidity swap component of the Discretionary Range instruction in connection with the introduction of a "high inverted" fee model, as discussed in more detail below.[5] All other functionality offered by the Discretionary Range instruction would remain unchanged.

Discretionary Range is an instruction the User[6] may attach to an order to buy (sell) a stated amount of a security at a specified, displayed or non-displayed ranked price with discretion to execute up (down) to another specified, non-displayed price.[7] Because

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5 A liquidity swap occurs when a resting order that is posted to the EDGA Book becomes the remover rather than the adder of liquidity for fee purposes.

6 The term "User" means any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3. See Rule 1.5(ee).

7 See Rule 11.6(d). An order with a Discretionary Range instruction resting on the EDGA Book will execute at its least aggressive price when matched for execution against an incoming order that also contains a Discretionary Range instruction, as

the Discretionary Range instruction indicates a willingness by the entering User to trade at prices more aggressive than the order's ranked price, orders entered with this instruction also liquidity swap with certain incoming orders. Specifically, Rule 11.6(d) provides that a resting order with a Discretionary Range instruction would remove liquidity against: (1) an incoming Post Only order at its displayed or non-displayed ranked price that does not remove liquidity on entry pursuant to Rule 11.6(n)(4), and (2) an incoming order with a time-in-force ("TIF") other than Immediate-or-Cancel ("IOC") or Fill-or-Kill ("FOK") that is priced within its discretionary range. All other orders follow normal handling for the execution of an incoming order and remove liquidity when trading with a resting order with a Discretionary Range instruction.[8]

The Exchange proposes that a resting order with a Discretionary Range instruction would no longer perform a liquidity swap against any incoming orders, such that the incoming order would always act as the taker of liquidity, and the resting order with a Discretionary Range instruction would act as the maker of liquidity. As incoming Post Only orders always remove liquidity on entry in an inverted market where it is economically beneficial to remove liquidity,[9] this change would chiefly impact the execution of Discretionary Range orders against incoming orders with a TIF other than IOC or FOK priced within the discretionary range.

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permitted by the terms of both the incoming and resting order. Id.

8 For example, an incoming order that executes at the ranked price of the Discretionary Range order, or an IOC or FOK order that executes at a price within the discretionary range would execute as the liquidity remover. Id.

9 See Rule 11.6(n)(4).

EDGA has operated with an "inverted" fee schedule whereby orders that remove liquidity are provided a rebate and orders that add liquidity pay a fee.[10] On November 1, 2018, the Exchange filed an immediately effective change to its fee schedule to introduce a "high inverted" market model that increased both the rebate provided to orders that remove liquidity and the fee paid by orders that add liquidity.[11] With the recent changes to the fee schedule, an order that removes liquidity is provided a base rebate of $0.0024 per share, and an order that adds liquidity pays a base fee of $0.0030 per share.[12]

Under the current order handling, an order that executes immediately on entry, which would ordinarily be paid a rebate of $0.0024 per share based on the new high inverted fee structure, could instead end up adding liquidity and paying a fee of up to $0.0030 per share – i.e., a swing of $0.0054 per share – if the incoming order liquidity swaps when trading with a posted order that contains a Discretionary Range instruction. For example, assume the national best bid and offer is $10.00 x $10.05, and there is an order to buy on the EDGA Book priced at $10.00 with discretion to pay up to $10.03. If the Exchange were to receive an incoming Day order to sell at $10.02, the incoming order would be posted to the EDGA Book and then trade with the Discretionary Range order at $10.02 as the adder of liquidity, paying a fee of $0.0030 per share instead of receiving the expected rebate of $0.0024 per share.

Although likely to be a rare occurrence, the Exchange believes that paying a $0.0030 per share fee in this scenario may be contrary to the expectations of Users that

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10 See Cboe EDGA U.S. Equities Exchange Fee Schedule.

11 See Securities Exchange Act Release No. 84599 (November 15, 2018), 83 FR 58795 (November 21, 2018) (SR-CboeEDGA-2018-017).

12 Members also have the opportunity to qualify for a lower fee or higher rebate based on volume executed on EDGA.

enter an order that trades on entry, who may instead expect to receive a $0.0024 per share rebate for sending marketable order flow to EDGA. The Exchange therefore proposes to eliminate the liquidity swap component of the Discretionary Range instruction. As proposed, an order entered with a Discretionary Range instruction would never perform a liquidity swap with an incoming order. Since an order entered with a Discretionary Range instruction would not liquidity swap with an incoming order under any circumstances, the Exchange proposes to reflect this change by providing that any contra-side order that executes against a resting order with a Discretionary Range instruction at its displayed or non-displayed ranked price, or a price in the discretionary range, will remove liquidity against the order with a Discretionary Range instruction.

In addition, the Exchange proposes to describe in Rule 11.6(d) how the Exchange would handle orders entered with a Discretionary Range instruction in the event that it changes its fees such that an incoming order with a Post Only instruction does not always remove liquidity on entry. As previously discussed, the Exchange is amending the Discretionary Range instruction such that orders entered with a Discretionary Range instruction would not liquidity swap with incoming orders, including orders entered with a Post Only instruction. Instead, the Exchange proposes that where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting order with a Discretionary Range instruction, the discretionary range of the resting order with a Discretionary Range instruction would be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. While under an inverted fee schedule incoming orders with a Post Only instruction remove liquidity on entry, this language would be relevant if the Exchange were to move to a different market model (e.g., maker/taker). In such an event, the Discretionary Range instruction would behave in a manner similar to recently adopted MidPoint Discretionary Orders ("MDO") on its affiliate Cboe EDGX Exchange, Inc. ("EDGX").[13] Like the proposed handling for EDGA orders entered with a Discretionary Range instruction, MDOs on EDGX are not willing to perform a liquidity swap, and would instead have their discretionary range shortened if an order with a Post Only instruction were to be posted within the discretionary range.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of Section 6(b) of the Act,[14] in general, and Section 6(b)(5) of the Act,[15] in particular, in that it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and not to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange offers a Discretionary Range instruction that allows Users to specify a non-displayed discretionary price in addition to a displayed or non-displayed ranked price. As part of this instruction, an order entered with a discretionary price would liquidity swap in certain scenarios described in Rule 11.6(d), including when trading within the order's discretionary range against an incoming order that is entered with a

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13 See Securities Exchange Act Release No. 84327 (October 1, 2018), 83 FR 50416 (October 5, 2018) (SR-CboeEDGX-2018-041). The Exchange also offers MDOs on EDGA that follow the handling described in this filing for orders entered with a Discretionary Range instruction. See Rule 11.8(e).

14 15 U.S.C. § 78f(b).

15 15 U.S.C. § 78f(b)(5).

TIF other than IOC or FOK. The Exchange believes that this result is undesirable under an inverted fee structure since the order that is negatively impacted by the swap from a rebate to a fee is the incoming order, and not the resting order that has opted into this handling by including a Discretionary Range instruction. Furthermore, this issue would be exacerbated under the new high inverted fee structure since the difference between the base fee for adding liquidity and base rebate for removing liquidity is now $0.0054 per share. The Exchange therefore believes that eliminating the possibility of this liquidity swap is consistent with the public interest and the protection of investors.

With this change no resting orders on EDGA would liquidity swap with an incoming order, thereby ensuring that the incoming order would be the taker of liquidity, and paid the applicable rebate rather than charged an unexpected fee. Although certain other order instructions offered by the Exchange (e.g., Super Aggressive and Non-Displayed Swap)[16] contain a liquidity swap component, those order instructions do not liquidity swap under an inverted fee structure where a Post Only order would always remove liquidity on entry. The Exchange believes that amending its order handling, as proposed, to ensure a similar result in cases that involve the Discretionary Range instruction would promote just and equitable principles of trade.

Finally, the Exchange believes that the proposed operation of the Discretionary Range instruction where an order with a Post Only instruction posts in the discretionary range is consistent with the protection of investors and the public interest. While the Exchange currently operates under an inverted fee schedule where an incoming order with a Post Only instruction would remove liquidity on entry, the Exchange believes that

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16 See Rule 11.6(n)(2),(n)(7).

it would be appropriate to shorten the discretion of a resting order with a Discretionary Range instruction if necessary due to an incoming order with a Post Only instruction posting at a price within the discretionary range, which would be possible, for example, in the event the Exchange were to introduce a maker/taker market model. Shortening the order's discretionary range in such circumstances is intended to avoid the discretionary range extending past the contra-side order's limit price, which could create a price priority issue should a later order be entered and be eligible to execute against the resting order within its discretionary range but at a price that extends beyond the contra-side order with a Post Only instruction. As mentioned in the purpose section of this proposed rule change, similar behavior is already implemented for MDOs on EDGX.[17]

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. The proposed rule change is designed to eliminate the possibility that a liquidity swap could cause an incoming order that was expecting to receive a rebate as a remover of liquidity to instead pay a fee. The Exchange believes that the proposed handling accords with the expectation of its Users when sending order flow to EDGA, which operates under an inverted fee model that generally incentivizes marketable order flow that removes liquidity on entry. The Exchange therefore believes that the proposed rule change would promote a fair and competitive market in securities traded on EDGA.

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.

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[17] See note 13 supra.

**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. 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 Act[18] and Rule 19b-4(f)(6)[19] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

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18 15 U.S.C. 78s(b)(3)(A).

19 17 CFR 240.19b-4(f)(6).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeEDGA-2018-019 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeEDGA-2018-019. 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, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeEDGA-2018-019 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[20]

Secretary

[20] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Rules of Cboe EDGA Exchange, Inc.**

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Rule 11.6 Definitions

(a) – (c) No change.

(d) Discretionary Range. An instruction the User may attach to an order to buy (sell) a stated amount of a security at a specified, displayed or non-displayed ranked price with discretion to execute up (down) to another specified, non-displayed price. Resting orders with a Discretionary Range instruction will be executed at a price that uses the minimum amount of discretion necessary to execute the order against an incoming order. An order with a Discretionary Range instruction resting on the EDGA Book will execute at its least aggressive price when matched for execution against an incoming order that also contains a Discretionary Range instruction, as permitted by the terms of both the incoming and resting order. [To the extent an order with a Discretionary Range instruction's displayed or non-displayed ranked price is equal to an incoming order with a Post Only instruction that does not remove liquidity on entry pursuant to Rule 11.6(n)(4), the order with a Discretionary Range instruction will remove liquidity against such incoming order.] Any contra-side order that executes against a resting order with a Discretionary Range instruction at its displayed or non-displayed ranked price, or [that contains a time-in-force of Immediate-or-Cancel or Fill-or-Kill and] a price in the discretionary range, will remove liquidity against the order with a Discretionary Range instruction. Where an incoming order with a Post Only instruction does not remove liquidity on entry pursuant to Rule 11.6(n)(4) against a resting order with a Discretionary Range instruction, the discretionary range of the resting order with a Discretionary Range instruction will be shortened to equal the limit price of the incoming contra-side order with a Post Only instruction. [Any contra-side order with a time-in-force other than Immediate-or-Cancel or Fill-or-Kill and a price in the discretionary range but not at the displayed or non-displayed ranked price will be posted to the EDGA Book and then the Discretionary Order will remove liquidity against such posted order.] An order with a Discretionary Range instruction that is eligible for routing away pursuant to Rule 11.11 will be routed away from the Exchange at its full discretionary price.

(e) – (s) No change.

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