

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 23	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2019 - * 014 Amendment No. (req. for Amendments *)
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Filing by Cboe BZX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
  
The Exchange is proposing a rule change to amend the fee schedule.

**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 \* Rebecca Last Name \* Tenuta  
Title \* Counsel  
E-mail \* rtenuta@cboe.com  
Telephone \* (312) 786-7068 Fax

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
(Title \*)  
Counsel

Date 03/01/2019  
By Rebecca Tenuta (Name \*)  
  
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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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 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> Cboe 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 February 28, 2019.

(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 Rebecca Tenuta, Counsel, (312) 786-7068.

## 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 the fee schedule applicable to its equities trading platform (“BZX Equities”) to 1) add a fourth Step-Up Tier under footnote 2, and 2) amend the second Single MPID Investor Tier under footnote 4.

#### Step-Up Tier 4

The Exchange currently offers three Step-Up Tiers that provide Members with additional ways to qualify for an enhanced rebate where they increase their relative liquidity each month over a predetermined baseline. Under the current Step-Up Tiers, a Member receives a rebate of \$0.0030 (Tier 1) or \$0.0031 (Tier 2 and Tier 3) per share for qualifying orders which yield fee codes B,<sup>4</sup> V,<sup>5</sup> or Y<sup>6</sup> if the corresponding required criteria per tier is met.

The Exchange now proposes to amend footnote 2 to add a fourth Step-Up Tier. Under the proposed Step-Up Tier 4, a Member would receive a rebate of \$0.0032 per share for their qualifying orders which yield fee codes B, V, or Y where the Member has a Step-Up Add TCV from December 2018 greater or equal to 0.50%. As currently defined in the BZX Equities fee schedule, Step-Up Add TCV means ADAV<sup>7</sup> as a

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<sup>4</sup> Fee code B is appended to displayed orders which add liquidity to Tape B and is provided a rebate of \$0.0025 per share.

<sup>5</sup> Fee code V is appended to displayed orders which add liquidity to Tape A and is provided a rebate of \$0.0020 per share.

<sup>6</sup> Fee code Y is appended to displayed orders which add liquidity to Tape C and is provided a rebate of \$0.0020 per share.

<sup>7</sup> “ADAV” means average daily volume calculated as the number of shares added per day. ADAV is calculated on a monthly basis.

percentage of TCV<sup>8</sup> in the relevant baseline month subtracted from current ADAV as a percentage of TCV.<sup>9</sup> Members that achieve the proposed Step-Up Tier 4 must therefore increase the amount of liquidity that they provide on BZX by .50% relative to their ADAV as a percentage of TCV in December 2018, thereby contributing to a deeper and more liquid market.

#### Single MPID Investor Tier 2

The Exchange currently offers two Single MPID Investor Tier under Footnote 4 of the fee schedule that provides Members with an additional way to qualify for an enhanced rebate for orders yielding fee codes B,<sup>10</sup> V,<sup>11</sup> or Y<sup>12</sup>. The distinction between the Single MPID Investor Tiers and other tiers offered by the Exchange, is that the volume measured to determine whether a Member qualifies is performed on a Member Participant Identifier (“MPID”) basis. Currently, a Member receives a \$0.0031 (Tier 1) or \$0.0036 (Tier 2) per share rebate for qualifying orders per MPID which yield the applicable fee codes if the corresponding required criteria per tier is met. Specifically,

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<sup>8</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.

<sup>9</sup> The following demonstrates how Step-Up Add TCV is calculated: In December 2018, Member A had an ADAV of 12,947,242 shares and average daily TCV was 9,248,029,751, resulting in an ADAV as a percentage of TCV of 0.14%; In February 2019, Member A had an ADAV of 46,826,572 and average daily TCV was 7,093,306,325, resulting in an ADAV as a percentage of TCV of 0.66%. Member A’s Step-Up Add TCV from December 2018 was therefore 0.52% which makes Member A eligible for the Tier 3 rebate. (i.e., 0.66% (Feb 2019) – 0.14% (Dec 2018), which is greater than 0.50% as required by Tier 3).

<sup>10</sup> See supra note 4.

<sup>11</sup> See supra note 5.

<sup>12</sup> See supra note 6.

the current Tier 2 provides Members an opportunity to receive an enhanced rebate of \$0.0036 per share where the Member's MPID has an ADAV<sup>13</sup> as a percentage of TCV<sup>14</sup> greater than or equal to 2.25% on orders yielding the applicable fee codes.

The Exchange now proposes to amend Tier 2 of the Single MPID Investor Tiers so that a Member would receive a rebate of \$0.0032 per share for qualifying orders on an MPID basis which yield fee codes B, V, or Y where the MPID has an ADAV as a percentage of TCV greater or equal to .75% on orders yielding the applicable fee codes, and where the MPID has an ADAV as a percentage of ADV<sup>15</sup> greater than or equal to 80% on orders yielding the applicable fee codes. The proposed change intends to ease Tier 2's current criteria and encourage entry of additional orders to the Exchange.

(b) Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>16</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>17</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

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<sup>13</sup> See supra note 7.

<sup>14</sup> See supra note 8.

<sup>15</sup> "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day. ADV is calculated on a monthly basis.

<sup>16</sup> 15 U.S.C. 78f.

<sup>17</sup> 15 U.S.C. 78f(b)(4).

proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange.

The Exchange notes that rebates such as those proposed herein have been widely adopted by exchanges<sup>18</sup>, including the Exchange<sup>19</sup>, 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 and (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns. The Exchange believes that the proposed fourth Step-Up Tier and the proposed amendments to the second Single MPID Investor Tier are a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because the proposed changes will continue to provide Members with an incentive to reach certain thresholds on the Exchange.

In particular, the Exchange believes the proposed Step-Up Tier 4 is a reasonable means to encourage Members to increase their liquidity on the Exchange based on increasing their relative volume above a predetermined baseline. The proposed fourth tier creates an additional opportunity for Members to receive an enhanced rebate for contributing increased liquidity as compared to the end of the previous year (2018). Increased liquidity benefits all investors by deepening the Exchange's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor

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<sup>18</sup> See e.g., NYSE Arca Equities, Fees and Charges, Step Up Tiers; NASDAQ Rule 7018(a) & Rule 7014(j).

<sup>19</sup> See Cboe BZX U.S. Equities Exchange Fee Schedule, Footnote 2, Step-Up Tiers 1-3 & Footnote 4, Single MPID Investor Tiers 1-2.

protection. The Exchange also believes that proposed rebate is reasonable based on the difficulty of satisfying the tier's criteria, using December 2018 as the predetermined baseline. Furthermore, the Exchange believes that the proposed Step-Up Tier 4 is not unfairly discriminatory as it applies to all Members that meet the required criteria.

Similarly, the Exchange believes the proposed modification decreasing the ADAV as a percentage of TCV criteria while implementing a percentage of ADV criteria that a Member must meet per MPID to receive the rebate under the second Single MPID Investor Tier is a reasonable means to further incentive Members to send a higher level of orders to the Exchange. The Exchange believes that decreasing the tier's criteria, although modestly, will encourage those Members who could not achieve the tier previously to increase their order flow as a means to receive the tier's enhanced rebate on an MPID basis. The Exchange also believes that the proposed lesser rebate than offered before is reasonable as it is commensurate with the proposed decreased criteria. In addition to this, the Exchange believes that the proposed supplementary ADAV as a percentage of ADV criteria to achieve Tier 2 is reasonable because it is related to the current criteria in Tier 1 and proposed criteria (as described above) in Tier 2, and reasonably reflects the scaled difficulty from achieving Tier 1 to achieving Tier 2. As a result, the Exchange believes that the proposed Tier 2 modifications and the additional criteria are reasonable and equitable because they will provide Members who viewed the current criteria as too high and did not previously attempt to achieve the tier's criteria with an incentive (albeit a lesser rebate than before) to add order flow to reach the new lower threshold, while ensuring that the Tier 2 threshold appropriately reflects a scaled difficulty from that of achieving Tier 1. Furthermore, the Exchange

believes that the proposed criteria to Tier 2 is non-discriminatory because it applies and is available to all Members.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed change burdens competition, but rather, enhances competition as it is intended to increase the competitiveness of BZX by adopting an additional pricing incentives and modifying existing 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. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange also notes that the proposed change is intended to enhance the rebate for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange to the benefit of all market participants. The Exchange does not believe the proposed amendment would burden intramarket competition as it 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

No written comments were either solicited or received.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>20</sup> and Rule 19b-4(f)(2) thereunder,<sup>21</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing. 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.

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.

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>21</sup> 17 CFR 240.19b-4(f)(2).

Exhibit 5 – Text of the Proposed Rule Change.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2019-014]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend the Fee Schedule Applicable to Members and Non-Members<sup>1</sup> of the Exchange Pursuant to BZX Rules 15.1(a) and (c)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on [insert date], Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the fee schedule applicable to Members and non-Members<sup>4</sup> of the Exchange pursuant to BZX Rules 15.1(a) and (c). The text of the proposed rule change is attached as Exhibit 5.

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<sup>1</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).

<sup>2</sup> 15 U.S.C. 78s(b)(1).

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</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 text of the proposed rule change is also available on the Exchange's website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

#### **1. Purpose**

The Exchange proposes to amend the fee schedule applicable to its equities trading platform ("BZX Equities") to 1) add a fourth Step-Up Tier under footnote 2, and 2) amend the second Single MPID Investor Tier under footnote 4.

#### **Step-Up Tier 4**

The Exchange currently offers three Step-Up Tiers that provide Members with additional ways to qualify for an enhanced rebate where they increase their relative liquidity each month over a predetermined baseline. Under the current Step-Up Tiers, a Member receives a rebate of \$0.0030 (Tier 1) or \$0.0031 (Tier 2 and Tier 3) per share for qualifying orders which yield fee codes B,<sup>5</sup> V,<sup>6</sup> or Y<sup>7</sup> if the corresponding required

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<sup>5</sup> Fee code B is appended to displayed orders which add liquidity to Tape B and is provided a rebate of \$0.0025 per share.

<sup>6</sup> Fee code V is appended to displayed orders which add liquidity to Tape A and is

criteria per tier is met.

The Exchange now proposes to amend footnote 2 to add a fourth Step-Up Tier. Under the proposed Step-Up Tier 4, a Member would receive a rebate of \$0.0032 per share for their qualifying orders which yield fee codes B, V, or Y where the Member has a Step-Up Add TCV from December 2018 greater or equal to 0.50%. As currently defined in the BZX Equities fee schedule, Step-Up Add TCV means ADAV<sup>8</sup> as a percentage of TCV<sup>9</sup> in the relevant baseline month subtracted from current ADAV as a percentage of TCV.<sup>10</sup> Members that achieve the proposed Step-Up Tier 4 must therefore increase the amount of liquidity that they provide on BZX by .50% relative to their ADAV as a percentage of TCV in December 2018, thereby contributing to a deeper and more liquid market.

#### Single MPID Investor Tier 2

The Exchange currently offers two Single MPID Investor Tier under Footnote 4 of the fee schedule that provides Members with an additional way to qualify for an

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provided a rebate of \$0.0020 per share.

<sup>7</sup> Fee code Y is appended to displayed orders which add liquidity to Tape C and is provided a rebate of \$0.0020 per share.

<sup>8</sup> “ADAV” means average daily volume calculated as the number of shares added per day. ADAV is calculated on a monthly basis.

<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.

<sup>10</sup> The following demonstrates how Step-Up Add TCV is calculated: In December 2018, Member A had an ADAV of 12,947,242 shares and average daily TCV was 9,248,029,751, resulting in an ADAV as a percentage of TCV of 0.14%; In February 2019, Member A had an ADAV of 46,826,572 and average daily TCV was 7,093,306,325, resulting in an ADAV as a percentage of TCV of 0.66%. Member A’s Step-Up Add TCV from December 2018 was therefore 0.52% which makes Member A eligible for the Tier 3 rebate. (i.e., 0.66% (Feb 2019) – 0.14% (Dec 2018), which is greater than 0.50% as required by Tier 3).

enhanced rebate for orders yielding fee codes B,<sup>11</sup> V,<sup>12</sup> or Y<sup>13</sup>. The distinction between the Single MPID Investor Tiers and other tiers offered by the Exchange, is that the volume measured to determine whether a Member qualifies is performed on a Member Participant Identifier (“MPID”) basis. Currently, a Member receives a \$0.0031 (Tier 1) or \$0.0036 (Tier 2) per share rebate for qualifying orders per MPID which yield the applicable fee codes if the corresponding required criteria per tier is met. Specifically, the current Tier 2 provides Members an opportunity to receive an enhanced rebate of \$0.0036 per share where the Member’s MPID has an ADAV<sup>14</sup> as a percentage of TCV<sup>15</sup> greater than or equal to 2.25% on orders yielding the applicable fee codes.

The Exchange now proposes to amend Tier 2 of the Single MPID Investor Tiers so that a Member would receive a rebate of \$0.0032 per share for qualifying orders on an MPID basis which yield fee codes B, V, or Y where the MPID has an ADAV as a percentage of TCV greater or equal to .75% on orders yielding the applicable fee codes, and where the MPID has an ADAV as a percentage of ADV<sup>16</sup> greater than or equal to 80% on orders yielding the applicable fee codes. The proposed change intends to ease Tier 2’s current criteria and encourage entry of additional orders to the Exchange.

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<sup>11</sup> See supra note 5.

<sup>12</sup> See supra note 6.

<sup>13</sup> See supra note 7.

<sup>14</sup> See supra note 8.

<sup>15</sup> See supra note 9.

<sup>16</sup> “ADV” means average daily volume calculated as the number of shares added or removed, combined, per day. ADV is calculated on a monthly basis.

## 2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>17</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>18</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.

The Exchange notes that rebates such as those proposed herein have been widely adopted by exchanges<sup>19</sup>, including the Exchange<sup>20</sup>, 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 and (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns. The Exchange believes that the proposed fourth Step-Up Tier and the proposed amendments to the second Single MPID Investor Tier are a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because the proposed changes will continue to provide Members with an incentive to reach certain

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<sup>17</sup> 15 U.S.C. 78f.

<sup>18</sup> 15 U.S.C. 78f(b)(4).

<sup>19</sup> See e.g., NYSE Arca Equities, Fees and Charges, Step Up Tiers; NASDAQ Rule 7018(a) & Rule 7014(j).

<sup>20</sup> See Cboe BZX U.S. Equities Exchange Fee Schedule, Footnote 2, Step-Up Tiers 1-3 & Footnote 4, Single MPID Investor Tiers 1-2.

thresholds on the Exchange.

In particular, the Exchange believes the proposed Step-Up Tier 4 is a reasonable means to encourage Members to increase their liquidity on the Exchange based on increasing their relative volume above a predetermined baseline. The proposed fourth tier creates an additional opportunity for Members to receive an enhanced rebate for contributing increased liquidity as compared to the end of the previous year (2018). Increased liquidity benefits all investors by deepening the Exchange's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. The Exchange also believes that proposed rebate is reasonable based on the difficulty of satisfying the tier's criteria, using December 2018 as the predetermined baseline. Furthermore, the Exchange believes that the proposed Step-Up Tier 4 is not unfairly discriminatory as it applies to all Members that meet the required criteria.

Similarly, the Exchange believes the proposed modification decreasing the ADAV as a percentage of TCV criteria while implementing a percentage of ADV criteria that a Member must meet per MPID to receive the rebate under the second Single MPID Investor Tier is a reasonable means to further incentive Members to send a higher level of orders to the Exchange. The Exchange believes that decreasing the tier's criteria, although modestly, will encourage those Members who could not achieve the tier previously to increase their order flow as a means to receive the tier's enhanced rebate on an MPID basis. The Exchange also believes that the proposed lesser rebate than offered before is reasonable as it is commensurate with the proposed decreased criteria. In addition to this, the Exchange believes that the proposed supplementary ADAV as a

percentage of ADV criteria to achieve Tier 2 is reasonable because it is related to the current criteria in Tier 1 and proposed criteria (as described above) in Tier 2, and reasonably reflects the scaled difficulty from achieving Tier 1 to achieving Tier 2. As a result, the Exchange believes that the proposed Tier 2 modifications and the additional criteria are reasonable and equitable because they will provide Members who viewed the current criteria as too high and did not previously attempt to achieve the tier's criteria with an incentive (albeit a lesser rebate than before) to add order flow to reach the new lower threshold, while ensuring that the Tier 2 threshold appropriately reflects a scaled difficulty from that of achieving Tier 1. Furthermore, the Exchange believes that the proposed criteria to Tier 2 is non-discriminatory because it applies and is available to all Members.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed change burdens competition, but rather, enhances competition as it is intended to increase the competitiveness of BZX by adopting an additional pricing incentives and modifying existing 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. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange also notes

that the proposed change is intended to enhance the rebate for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange to the benefit of all market participants. The Exchange does not believe the proposed amendment would burden intramarket competition as it 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

No written comments were either solicited or received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>21</sup> and paragraph (f) of Rule 19b-4<sup>22</sup> 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:

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<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f).

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 Number SR-CboeBZX-2019-014 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-CboeBZX-2019-014. 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-CboeBZX-2019-014 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.<sup>23</sup>

Secretary

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<sup>23</sup> 17 CFR 200.30-3(a)(12).

## EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

Rules of Cboe BZX Exchange, Inc.

Fees Schedule

Effective [February 21]March 1, 2019

\* \* \* \* \*

**Footnotes:**

\* \* \* \* \*

**2. Step-Up Tiers**

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

Tier	Rebate Per Share to Add	Required Criteria
Tier 1	(\$0.0030)	(1) Member has a Step-Up Add TCV from April 2016 $\geq$ 0.15%; and (2) Member has an ADAV as a percentage of TCV $\geq$ 0.20%
Tier 2	(\$0.0031)	(1) MPID has a Step-Up Add TCV from January 2018 $\geq$ 0.30%; and (2) MPID has an ADAV as a percentage of TCV $\geq$ 0.45%
Tier 3	(\$0.0031)	Member has a Step-Up Add TCV from December 2018 $\geq$ 0.20%
<u>Tier 4</u>	<u>(\$0.0032)</u>	<u>Member has a Step-Up Add TCV from December 2018 <math>\geq</math> 0.50%</u>

\* \* \* \* \*

**4. Single MPID Investor Tiers**

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

Tier	Rebate Per Share to Add	Required Criteria
Tier 1	(\$0.0031)	(1) MPID has an ADAV as a percentage of TCV $\geq$ 0.30%; and (2) MPID has an ADAV as a percentage of ADV $\geq$ 90%.
Tier 2	(\$0.003[6]2)	(1) MPID has an ADAV as a percentage of TCV $\geq$ [2]0.[2]75%; and (2) MPID has an ADAV as a percentage of ADV $\geq$ 80%.

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