

Required fields are shown with yellow backgrounds and asterisks.

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

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

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

Description

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

The Exchange proposes a rule change to amend Rule 11.8(e) related to the Exchange's Lead Market Maker Program and to make corresponding changes to its 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 * Kyle	Last Name * Murray
Title * VP, Associate General Counsel	
E-mail * kmurray@cboe.com	
Telephone * (913) 815-7121	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 *)

Date 04/08/2020	VP, Associate General Counsel
By Kyle Murray	
(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 *

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 *

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 *

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

Add Remove View

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

Add Remove View

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

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

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

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 Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² Cboe BZX Exchange, Inc. (the “Exchange,” “Cboe,” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 11.8(e) related to the Exchange’s Lead Market Maker Program and to make corresponding changes to its Fee Schedule.

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 7, 2020.

(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 Kyle Murray, Vice President, Associate General Counsel, (913) 815-7121.

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

(a) Purpose

The Exchange proposes to amend Rule 11.8(e) applicable to the Exchange’s Lead

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Market Maker (“LMM”) Program³ for Cboe-listed securities to include Primary Equity Securities⁴ and Closed-End Funds⁵ and to make corresponding changes to its Fee Schedule.⁶ Currently, the LMM Program includes only ETPs⁷ listed on the Exchange. The Exchange believes that the proposal will enhance liquidity in Cboe-listed Primary Equity Securities and Closed-End Funds by offering daily incentives that are directly tied to an LMM meeting market quality metrics in such securities, as further described below. The Exchange is not proposing to make any changes to the LMM Program itself other than to include Primary Equity Securities and Closed-End Funds and to establish the performance standards applicable to such securities.⁸

Current LMM Program

³ See Securities Exchange Act Release No. 86213 (June 27, 2019), 84 FR 31951 (July 3, 2019) (the “Original LMM Filing”).

⁴ As defined in Rule 14.1(a), the term “Primary Equity Security” means a Company’s first class of Common Stock, Ordinary Shares, Shares or Certificates of Beneficial Interest of Trust, Limited Partnership Interests or American Depositary Receipts (“ADRs”) or Shares (“ADSs”).

⁵ As provided in Rule 14.8(a), the term “Closed-End Funds” means closed-end management investment companies registered under the Investment Company Act of 1940.

⁶ The Exchange notes that there is currently only one Primary Equity Security listed on the Exchange (Cboe Global Markets, Inc., ticker “CBOE”) and zero Closed-End Funds.

⁷ As defined in Rule 11.8(e)(1)(A), the term “ETP” means any security listed pursuant to Exchange Rule 14.11.

⁸ The Exchange notes that the Designated Market Maker (“DMM”) Program on the New York Stock Exchange LLC (“NYSE”) is comparable to the Exchange’s LMM Program in that it is designed to incentivize liquidity provision and create enhanced market quality in listed securities. The DMM Program applies to all securities that may be listed on NYSE, which includes ETPs, Primary Equity Securities, and Closed-End Funds, consistent with this proposal, among others. See NYSE Rule 104, “Dealings and Responsibilities of DMMs.”

Under the LMM Program, the Exchange offers daily incentives for LMMs in ETPs listed on the Exchange for which the LMM meets certain Minimum Performance Standards.⁹ Such daily incentives are determined based on the number of Cboe-listed ETPs for which the LMM meets such Minimum Performance Standards and the average auction volume across such securities. Generally speaking, the more LMM Securities¹⁰ for which the LMM meets the Minimum Performance Standards and the higher the auction volume across those ETPs, the greater the total daily payment to the LMM. Such daily incentives are structured as follows:

	Average Aggregate Daily Auction Volume in LMM Securities					
	0-10,000	10,001-100,000	100,001-500,000	500,001-1,000,000	1,000,001-3,000,000	3,000,001 or greater
Daily Incentive for each Qualified ETP 1-5	\$10	\$25	\$40	\$50	\$150	\$200
Daily Incentive for each Qualified ETP 6-25	\$10	\$25	\$25	\$30	\$100	\$150
Daily Incentive for each Qualified ETP 26-50	\$10	\$10	\$20	\$25	\$75	\$100
Daily Incentive for each Qualified ETP 51-100	\$10	\$10	\$15	\$20	\$50	\$75

⁹ As defined in Rule 11.8(e)(1)(D), the term “Minimum Performance Standards” means a set of standards applicable to an LMM that may be determined from time to time by the Exchange. Such standards will vary between LMM Securities depending on the price, liquidity, and volatility of the LMM Security in which the LMM is registered. The performance measurements will include: (A) percent of time at the NBBO; (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread. For additional detail, see Original LMM Filing.

¹⁰ As defined in Rule 11.8(e)(1)(C), the term “LMM Security” means an ETP that has an LMM.

Daily Incentive for each Qualified ETP Greater Than 100	\$10	\$10	\$15	\$15	\$25	\$50
---	------	------	------	------	------	------

By way of example, if an LMM has 30 LMM Securities, each of which is a Qualified ETP,¹¹ 10 of which each have an average daily auction volume of 5,000 shares (combined between the opening and closing auction), 10 of which each have an average daily auction volume of 50,000 shares (combined between the opening and closing auction), and 10 of which each have an average daily auction volume of 200,000 shares (combined between the opening and closing auction), then the LMM would fall into the fifth column ($10 \times 5,000 + 10 \times 50,000 + 10 \times 200,000 = 2,550,000$ average aggregate daily auction volume). As such, the LMM would receive \$150 each for five Qualified ETPs, \$100 each for Qualified ETPs 6-25, and \$75 each for Qualified ETPs 26-30. This would result in a daily payment of $(\$150 \times 5) + (\$100 \times 20) + (\$75 \times 5) = \$3,125$ to the LMM.

LMMs that meet a more stringent set of standards also receive enhanced daily incentives, as follows:

	Average Aggregate Daily Auction Volume in LMM Securities					
	0-10,000	10,001-100,000	100,001-500,000	500,001-1,000,000	1,000,001-3,000,000	3,000,001 or greater
Daily Incentive for each Enhanced ETP 1-5	\$2.50	\$6.25	\$10	\$12.50	\$37.50	\$50
Daily Incentive for each Enhanced ETP 6-25	\$2.50	\$6.25	\$6.25	\$7.50	\$25	\$37.50
Daily Incentive for each Enhanced ETP 26-50	\$2.50	\$2.50	\$5	\$6.25	\$18.75	\$25
Daily Incentive for each Enhanced	\$2.50	\$2.50	\$3.75	\$5	\$12.50	\$18.75

¹¹ As provided in footnote 14 of the Fee Schedule, a “Qualified ETP” is an ETP for which an LMM is a Qualified LMM.

ETP 51-100						
Daily Incentive for each Enhanced ETP Greater Than 100	\$2.50	\$2.50	\$3.75	\$3.75	\$6.25	\$12.50

Using the same example as above, where the LMM has 30 LMM Securities, 10 of which are Enhanced ETPs,¹² which have 2,550,000 shares of average aggregate daily auction volume in LMM Securities, the issuer would fall into the fifth column. As such, the LMM would receive an additional \$37.50 for each of its first five Enhanced ETPs and an additional \$25 each for Enhanced ETPs 6-10. This would result in an additional daily payment of $(\$37.50*5) + (\$25*5) = \$312.50$ to the LMM.

LMMs also receive free transactions in closing auctions in ETPs for which they are the LMM in order to incentivize LMMs to provide liquidity in the closing auction for their LMM Securities.

Proposed Changes

As noted above, the Exchange is proposing to make several limited changes to Rule 11.8(e) and its Fee Schedule in order to add Primary Equity Securities and Closed-End Funds to the existing LMM Program and to establish the performance standards applicable to such securities. The Exchange is not proposing to change any of the functionality or pricing associated with the current LMM Program.

Specifically, the Exchange is proposing to add a new definition under Rule 11.8(e)(1) for the term “Listed Security,” which would mean “any ETP or any Primary Equity Security or Closed-End Fund listed on the Exchange pursuant to Rule 14.8 or 14.9.” The Exchange is also proposing to amend the definition of “LMM Security” under

¹² As defined in footnote 14 of the Fee Schedule, an “Enhanced ETP” a Qualified ETP for which an LMM also meets certain enhanced market quality standards.

Rule 11.8(e)(1) such that it would be defined as “a Listed Security that has an LMM,” instead of “an ETP that has an LMM.” The Exchange is also proposing to make certain numbering changes in order to facilitate the addition of the definition of “Listed Security.”

The Exchange is also proposing to amend Rule 11.8(e)(2) such that one of the factors that will be used as the basis for selecting LMMs shall be “experience with making markets in the applicable security type” instead of “experience making markets in ETPs.”

The Exchange is also proposing to replace each instance of the term “ETP” under footnote 14 of its Fee Schedule with “Security” in order to make clear that such pricing applies to all LMM Securities and not just ETPs.

Finally, the Exchange is proposing to add specific requirements around what constitutes a Qualified Security and Enhanced Security for Primary Equity Securities and Closed End Funds. Specifically, the Exchange is proposing to amend the definition of Minimum Performance Standards in current Rule 11.8(e)(1)(D) such that for Primary Equity Securities and Closed-End Funds, Minimum Performance Standards will specifically require the following:

- (i) registration as a market maker in good standing with the Exchange;
- (ii) time at the inside requirements, which, for Qualified Securities, require that an LMM maintain quotes at the NBB and the NBO at least 5% of Regular Trading Hours where the security has a consolidated average daily volume equal to or greater than 500,000 shares and at least 15% of Regular Trading Hours where the security has a consolidated average

daily volume of less than 500,000 shares. For Enhanced Securities, an LMM must quote at the NBB and the NBO at least 5% of Regular Trading Hours where the security has a consolidated average daily volume equal to or greater than 500,000 shares and at least 40% of Regular Trading Hours where the security has a consolidated average daily volume of less than 500,000 shares;

- (iii) auction participation requirements, which, for a Qualified Security, require that the Opening Auction price is within 4% of the last Reference Price, as defined in Rule 11.23(a)(19), and 2% for an Enhanced Security. For a Qualified Security, such requirements provide that the Closing Auction price must be within 3% of the last Reference Price and 1% for an Enhanced Security;
- (iv) market-wide NBB and NBO spread and size requirements, which require 300 shares at both the NBB and NBO during at least 50% of Regular Trading Hours for both Qualified Securities and Enhanced Securities. For Qualified Securities, the NBBO spread of such shares must be no wider than 2% for a security priced equal to or greater than \$5 and no wider than 7% for a security priced less than \$5. For Enhanced Securities, the NBBO spread of such shares must be no wider than 1% for securities priced equal to or greater than \$5 and no wider than 2% for securities priced less than \$5; and
- (v) depth of book requirements, which, for securities priced equal to or greater than \$5 requires at least \$150,000 of displayed posted liquidity on both the

buy and the sell side within the percentages described below during at least 90% of Regular Trading Hours and, for securities priced less than \$5, at least \$50,000 of displayed posted liquidity on both the buy and the sell side within the percentages described below during at least 90% of Regular Trading Hours. For Qualified Securities, such liquidity must be within 2% of both the NBB and NBO for securities priced equal to or greater than \$5 and within 7% of both the NBB and NBO for securities priced less than \$5. For Enhanced Securities, such liquidity must be within 1% of both the NBB and NBO for securities priced equal to or greater than \$5 and within 2% of both the NBB and NBO for securities priced less than \$5.

As a follow-on to the examples above and to reiterate that the Exchange is not proposing to make any changes to the LMM Program, but only to include Primary Equity Securities and Closed-End Funds in the existing LMM Program and to establish the performance standards applicable to such securities, if an LMM has 30 LMM Securities, each of which is a Qualified Security, 10 of which each have an average daily auction volume of 5,000 shares (combined between the opening and closing auction), 10 of which each have an average daily auction volume of 50,000 shares (combined between the opening and closing auction), and 10 of which each have an average daily auction volume of 200,000 shares (combined between the opening and closing auction), then the LMM would fall into the fifth column ($10 \times 5,000 + 10 \times 50,000 + 10 \times 200,000 = 2,550,000$ average aggregate daily auction volume). As such, the LMM would receive \$150 each for five Qualified Securities, \$100 each for Qualified Securities 6-25, and \$75 each for

Qualified Securities 26-30. This would result in a daily payment of $(\$150*5) + (\$100*20) + (\$75*5) = \$3,125$ to the LMM. The Exchange notes that this example is identical to the first example above and that this would be the outcome regardless of the breakdown of how many of the Qualified Securities are ETPs, Primary Equity Securities, and Closed-End Funds, as would the example above related to Enhanced ETPs.

Implementation Date

The Exchange proposes to implement these amendments immediately.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁴ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁵ as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ Id.

Members and other persons using its facilities. The Exchange also notes that its listing business operates in a highly-competitive market in which market participants, which includes both issuers of securities and LMMs, can readily transfer their listings or opt not to participate, respectively, if they deem fee levels, liquidity provision incentive programs, or any other factor at a particular venue to be insufficient or excessive. The proposed rule changes reflect a competitive pricing structure designed to incentivize issuers to list new products and transfer existing products to the Exchange and market participants to enroll and participate as LMMs on the Exchange, which the Exchange believes will enhance market quality in all ETPs, Primary Equity Securities, and Closed-End Funds listed on the Exchange.

The Exchange believes that the proposal to include Primary Equity Securities and Closed-End Funds in the LMM Program is consistent with the Act for the same reasons that ETPs are currently include in the LMM Program: because it will enhance market quality in Cboe-listed Primary Equity Securities and Closed-End Funds both throughout the day and in the closing auction by incentivizing liquidity provision on the Exchange and requiring LMMs to meet the Minimum Performance Standards. Specifically, the Exchange believes that the proposal will enhance market quality in Cboe-listed Primary Equity Securities and Closed-End Funds by incentivizing liquidity provision on the Exchange in such securities and requiring LMMs to meet the Minimum Performance Standards in order to receive daily incentives in such securities in the same way that the LMM Program provides enhanced market quality on the Exchange in ETPs. Further, the Exchange believes that adding Primary Equity Securities and Closed-End Funds will further act to strengthen the LMM Program by providing additional potential securities

for an LMM to take on in order to increase their average aggregate daily auction volume in their LMM Securities, allowing both new and existing LMMs with the possibility of receiving increased daily incentives. The Exchange also believes that it is appropriate to include Primary Equity Securities and Closed-End Funds in the LMM Program, which currently only applies to ETPs, because, despite being issued by different types of Companies,¹⁶ the metrics used to measure market quality as Minimum Performance Standards in ETPs under the current LMM Program are generally the same metrics that are used to measure market quality for Primary Equity Securities and Closed-End Funds.¹⁷ Specifically, tighter spreads, deeper liquidity, and enhanced auction executions result in better overall market quality in an LMM Security and result in better executions for investors, regardless of whether the instrument the investor is buying or selling as a Primary Equity Security, a Closed-End Fund, or an ETP. Further to this point, the term ETP encapsulates all securities listed on the Exchange pursuant to Rule 14.11, which includes securities issued by varying types of trusts, debt instruments issued by banks, among others, that hold or track varying types of instruments including U.S. and foreign equity securities, Closed-End Funds, corporate debt, treasury securities, commodities, and more. The term ETP is already a broad term and the Exchange believes that adding Primary Equity Securities and Closed-End Funds to the LMM Program is generally

¹⁶ As defined in Rule 14.1(a)(3), the term Company means the issuer of a security listed or applying to list on the Exchange. For purposes of Chapter XIV, the term “Company” includes an issuer that is not incorporated, such as, for example, a limited partnership.

¹⁷ To this point, the Exchange notes that all of the proposed Minimum Performance Standards applicable to Primary Equity Securities and Closed-End Funds as provided in proposed Rule 11.8(e)(1)(E)(i)-(v) fall within the ranges currently applicable to ETPs as provided in the Original LMM Filing.

consistent with the rationale underlying the LMM Program applying to ETPs. In addition, adding Primary Equity Securities and Closed-End Funds to the existing LMM Program will further incentivize existing LMMs to act as LMM for Primary Equity Securities and Close-End Funds by: (i) allowing an LMM apply the pricing applicable to its existing average aggregate daily auction volume in its LMM Securities to any new Primary Equity Securities and Closed-End Funds; and (ii) keeping the administration of the LMM Program as straight-forward as possible by simply adding Primary Equity Securities and Closed-End Funds to the structure that LMMs are already familiar with.

The Exchange believes that these changes will both enhance liquidity in Cboe-listed Primary Equity Securities and Closed-End Funds and help the Exchange to compete as a primary listing venue for such products. Similarly, the Exchange believes that it will allow it to better compete as a listing venue in that it will allow the Exchange to implement a liquidity provision program that includes security types already included in a liquidity provision program on its competitor, as described above.

The Exchange also believes that the proposal to add Primary Equity Securities and Closed-End Funds to the LMM Program is a reasonable means to incentivize liquidity provision in such securities listed on the Exchange. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings for ETPs, Primary Equity Securities, and Closed-End Fund. Transfers between listing venues occur frequently¹⁸ for numerous reasons, including market quality. This proposal is intended to help the Exchange compete as a listing venue.

¹⁸ For example, 16 ETPs transferred their listings to the Exchange on May 13, 2019. See <http://ir.cboe.com/~media/Files/C/CBOE-IR-V2/press-release/2019/cboe-welcomes-16-barclays-etns.pdf>.

Further, the Exchange notes that the proposed incentives are not transaction fees, nor are they fees paid by participants to access the Exchange. Rather, the proposed payments are based on achieving certain objective market quality metrics.

Further, the Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to add Primary Equity Securities and Closed-End Funds to the LMM Program. Specifically, the Exchange believes that the proposal is reasonable, equitable, and not unfairly discriminatory because it will enhance market quality in Cboe-listed Primary Equity Securities and Closed-End Funds by incentivizing liquidity provision on the Exchange in such securities and requiring LMMs to meet the Minimum Performance Standards in order to receive daily incentives in such securities. While the proposed payments apply only to LMMs, such LMMs must meet rigorous Minimum Performance Standards in order to receive even the lower Qualified Security payments, resulting in better market quality in Exchange-listed securities and better executions for investors. Further, in order to qualify as an Enhanced Security and receive an additional payment above the payment for Qualified Securities, an LMM must meet even more rigorous market quality metrics in the security, which further enhances market quality and investor executions in Exchange-listed securities. Where an LMM does not meet the Minimum Performance Standards, they will not receive the payments. Further, registration as an LMM is available equally to all Members and allocation of listed securities between LMMs is governed by Exchange Rule 11.8(e)(2). If an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange's discretion.

Further, the daily payment amounts are based specifically on the Exchange's revenue model. For securities with greater auction volume, the Exchange generally makes more money and, thus, is able to offer LMMs with LMM Securities that have higher average aggregate daily auction volume higher payments. The buckets and payments are modeled based both on current revenue and product distribution among LMMs as well as expected revenue and product distribution in the future including organic growth among existing products, securities transferring to the Exchange, and additional participants in the LMM Program. The Exchange believes that it is fair and reasonable and not unfairly discriminatory to offer different pricing between the different auction volume tiers because those tiers and possible payments are specifically tailored to the Exchange's expected revenue from that auction volume.

Specifically, the proposed payment per Qualified Security (and thus the total payment to an LMM) generally goes up as the CADV moves from left to right because as the average aggregate daily auction volume in LMM Securities increases, the Exchange will generate additional revenue and can thus support increased payments to LMMs. Similarly, the proposed payments per Qualified Security generally go down as the number of Qualified Securities goes up in order to ensure that the daily incentive payments do not exceed the Exchange's revenue for that LMM's LMM Securities while still providing incentives for LMMs to take on additional ETPs, Primary Equity Securities, and Closed-End Funds. As such, the Exchange believes that the proposal represents an equitable allocation of payments.

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 both among Members by incentivizing Members to become LMMs in BZX-listed securities and as a listing venue by enhancing market quality in BZX-listed securities. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings. Transfers between listing venues occur frequently¹⁹ for numerous reasons, including market quality. This proposal is intended to help the Exchange compete as a listing venue. Accordingly, the Exchange does not believe that the proposed change will impair the ability of issuers, LMMs, or competing listing venues to maintain their competitive standing. The Exchange also notes that the proposed change is intended to enhance market quality in BZX-listed Primary Equity Securities and Closed-End Funds, to the benefit of all investors in such BZX-listed securities. The Exchange does not believe the proposed amendment would burden intramarket competition as it would be available to all Members uniformly. Registration as an LMM is available equally to all Members and allocation of listed securities between LMMs is governed by Exchange Rule 11.8(e)(2). Further, if an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange's discretion.

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

¹⁹ For example, 16 ETPs transferred their listings to the Exchange on May 13, 2019. See <http://ir.cboe.com/~media/Files/C/CBOE-IR-V2/press-release/2019/cboe-welcomes-16-barclays-etns.pdf>.

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)

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of Act²⁰ and Rule 19b-4(f)(6)²¹ thereunder.

(b) The Exchange designates that the proposed rule change effects a change that (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 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. Additionally, the Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.²²

As described above, the proposed change to include Primary Equity Securities and Closed-End Funds in the LMM Program is generally consistent with the DMM Program on NYSE in that both programs are market making programs designed to designate and incentivize specific market makers to provide enhanced liquidity in

²⁰ 15 U.S.C. 78s(b)(3)(A).

²¹ 17 CFR 240.19b-4(f)(6).

²² 17 C.F.R. 240.19b-4(f)(6)(iii).

exchange-listed securities. As noted above, the DMM Program currently applies to all NYSE-listed securities, including ETPs, Primary Equity Securities, and Closed-End Funds, while the LMM Program only applies to ETPs. As such, expanding the Exchange's liquidity provision program to include Primary Equity Securities and Closed-End Funds is generally consistent with functionality already in place at NYSE and does not raise any unique issues for the Commission to consider. Further, the Exchange is not proposing to make any changes to the LMM Program itself and only to make the changes necessary to include Primary Equity Securities and Closed-End Funds to the LMM Program and to establish the performance standards applicable to such securities. Therefore, the proposed rule changes do not present any unique issues not previously considered by the Commission, and the Exchange has accordingly designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act²³ and paragraph (f)(6) of Rule 19b-4 thereunder.²⁴

For the foregoing reasons, this rule filing qualifies as a "non-controversial" rule change under Rule 19b-4(f)(6)(iii), which renders the proposed rule change effective upon filing with the Commission. At any time within 60 days of the filing of this 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

²³ 15 U.S.C. 78s(b)(3)(A).

²⁴ 17 C.F.R. 240.19b-4.

proceedings to determine whether the proposed rule change should be approved or disapproved.

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. Waiver of the operative delay will allow the Exchange to implement the proposal on April 8, 2020, and, thus, both provide the expected market quality enhancements and help the Exchange to compete as a listing venue for Primary Equity Securities and Closed-End Funds without undue delay.

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.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2020-032]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 11.8(e) Related to the Exchange's Lead Market Maker Program and to Make Corresponding Changes to its Fee Schedule

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 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 Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ 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

The Exchange proposes a rule change to amend Rule 11.8(e) related to the Exchange's Lead Market Maker Program and to make corresponding changes to its Fee Schedule.

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://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 Rule 11.8(e) applicable to the Exchange's Lead Market Maker ("LMM") Program⁵ for Cboe-listed securities to include Primary Equity Securities⁶ and Closed-End Funds⁷ and to make corresponding changes to its Fee

⁵ See Securities Exchange Act Release No. 86213 (June 27, 2019), 84 FR 31951 (July 3, 2019) (the "Original LMM Filing").

⁶ As defined in Rule 14.1(a), the term "Primary Equity Security" means a Company's first class of Common Stock, Ordinary Shares, Shares or Certificates of Beneficial Interest of Trust, Limited Partnership Interests or American Depositary Receipts ("ADRs") or Shares ("ADSs").

⁷ As provided in Rule 14.8(a), the term "Closed-End Funds" means closed-end management investment companies registered under the Investment Company Act of 1940.

Schedule.⁸ Currently, the LMM Program includes only ETPs⁹ listed on the Exchange. The Exchange believes that the proposal will enhance liquidity in Cboe-listed Primary Equity Securities and Closed-End Funds by offering daily incentives that are directly tied to an LMM meeting market quality metrics in such securities, as further described below. The Exchange is not proposing to make any changes to the LMM Program itself other than to include Primary Equity Securities and Closed-End Funds and to establish the performance standards applicable to such securities.¹⁰

Current LMM Program

Under the LMM Program, the Exchange offers daily incentives for LMMs in ETPs listed on the Exchange for which the LMM meets certain Minimum Performance Standards.¹¹ Such daily incentives are determined based on the number of Cboe-listed

⁸ The Exchange notes that there is currently only one Primary Equity Security listed on the Exchange (Cboe Global Markets, Inc., ticker “CBOE”) and zero Closed-End Funds.

⁹ As defined in Rule 11.8(e)(1)(A), the term “ETP” means any security listed pursuant to Exchange Rule 14.11.

¹⁰ The Exchange notes that the Designated Market Maker (“DMM”) Program on the New York Stock Exchange LLC (“NYSE”) is comparable to the Exchange’s LMM Program in that it is designed to incentivize liquidity provision and create enhanced market quality in listed securities. The DMM Program applies to all securities that may be listed on NYSE, which includes ETPs, Primary Equity Securities, and Closed-End Funds, consistent with this proposal, among others. See NYSE Rule 104, “Dealings and Responsibilities of DMMs.”

¹¹ As defined in Rule 11.8(e)(1)(D), the term “Minimum Performance Standards” means a set of standards applicable to an LMM that may be determined from time to time by the Exchange. Such standards will vary between LMM Securities depending on the price, liquidity, and volatility of the LMM Security in which the LMM is registered. The performance measurements will include: (A) percent of time at the NBBO; (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread. For additional detail, see Original LMM Filing.

ETPs for which the LMM meets such Minimum Performance Standards and the average auction volume across such securities. Generally speaking, the more LMM Securities¹² for which the LMM meets the Minimum Performance Standards and the higher the auction volume across those ETPs, the greater the total daily payment to the LMM. Such daily incentives are structured as follows:

	Average Aggregate Daily Auction Volume in LMM Securities					
	0-10,000	10,001-100,000	100,001-500,000	500,001-1,000,000	1,000,001-3,000,000	3,000,001 or greater
Daily Incentive for each Qualified ETP 1-5	\$10	\$25	\$40	\$50	\$150	\$200
Daily Incentive for each Qualified ETP 6-25	\$10	\$25	\$25	\$30	\$100	\$150
Daily Incentive for each Qualified ETP 26-50	\$10	\$10	\$20	\$25	\$75	\$100
Daily Incentive for each Qualified ETP 51-100	\$10	\$10	\$15	\$20	\$50	\$75
Daily Incentive for each Qualified ETP Greater Than 100	\$10	\$10	\$15	\$15	\$25	\$50

By way of example, if an LMM has 30 LMM Securities, each of which is a Qualified ETP,¹³ 10 of which each have an average daily auction volume of 5,000 shares (combined between the opening and closing auction), 10 of which each have an average daily auction volume of 50,000 shares (combined between the opening and closing auction), and 10 of which each have an average daily auction volume of 200,000 shares

¹² As defined in Rule 11.8(e)(1)(C), the term “LMM Security” means an ETP that has an LMM.

¹³ As provided in footnote 14 of the Fee Schedule, a “Qualified ETP” is an ETP for which an LMM is a Qualified LMM.

(combined between the opening and closing auction), then the LMM would fall into the fifth column ($10 \times 5,000 + 10 \times 50,000 + 10 \times 200,000 = 2,550,000$ average aggregate daily auction volume). As such, the LMM would receive \$150 each for five Qualified ETPs, \$100 each for Qualified ETPs 6-25, and \$75 each for Qualified ETPs 26-30. This would result in a daily payment of $(\$150 \times 5) + (\$100 \times 20) + (\$75 \times 5) = \$3,125$ to the LMM.

LMMs that meet a more stringent set of standards also receive enhanced daily incentives, as follows:

	Average Aggregate Daily Auction Volume in LMM Securities					
	0-10,000	10,001-100,000	100,001-500,000	500,001-1,000,000	1,000,001-3,000,000	3,000,001 or greater
Daily Incentive for each Enhanced ETP 1-5	\$2.50	\$6.25	\$10	\$12.50	\$37.50	\$50
Daily Incentive for each Enhanced ETP 6-25	\$2.50	\$6.25	\$6.25	\$7.50	\$25	\$37.50
Daily Incentive for each Enhanced ETP 26-50	\$2.50	\$2.50	\$5	\$6.25	\$18.75	\$25
Daily Incentive for each Enhanced ETP 51-100	\$2.50	\$2.50	\$3.75	\$5	\$12.50	\$18.75
Daily Incentive for each Enhanced ETP Greater Than 100	\$2.50	\$2.50	\$3.75	\$3.75	\$6.25	\$12.50

Using the same example as above, where the LMM has 30 LMM Securities, 10 of which are Enhanced ETPs,¹⁴ which have 2,550,000 shares of average aggregate daily auction volume in LMM Securities, the issuer would fall into the fifth column. As such, the LMM would receive an additional \$37.50 for each of its first five Enhanced ETPs and

¹⁴ As defined in footnote 14 of the Fee Schedule, an “Enhanced ETP” a Qualified ETP for which an LMM also meets certain enhanced market quality standards.

an additional \$25 each for Enhanced ETPs 6-10. This would result in an additional daily payment of $(\$37.50*5) + (\$25*5) = \$312.50$ to the LMM.

LMMs also receive free transactions in closing auctions in ETPs for which they are the LMM in order to incentivize LMMs to provide liquidity in the closing auction for their LMM Securities.

Proposed Changes

As noted above, the Exchange is proposing to make several limited changes to Rule 11.8(e) and its Fee Schedule in order to add Primary Equity Securities and Closed-End Funds to the existing LMM Program and to establish the performance standards applicable to such securities. The Exchange is not proposing to change any of the functionality or pricing associated with the current LMM Program.

Specifically, the Exchange is proposing to add a new definition under Rule 11.8(e)(1) for the term “Listed Security,” which would mean “any ETP or any Primary Equity Security or Closed-End Fund listed on the Exchange pursuant to Rule 14.8 or 14.9.” The Exchange is also proposing to amend the definition of “LMM Security” under Rule 11.8(e)(1) such that it would be defined as “a Listed Security that has an LMM,” instead of “an ETP that has an LMM.” The Exchange is also proposing to make certain numbering changes in order to facilitate the addition of the definition of “Listed Security.”

The Exchange is also proposing to amend Rule 11.8(e)(2) such that one of the factors that will be used as the basis for selecting LMMs shall be “experience with making markets in the applicable security type” instead of “experience making markets in ETPs.”

The Exchange is also proposing to replace each instance of the term “ETP” under footnote 14 of its Fee Schedule with “Security” in order to make clear that such pricing applies to all LMM Securities and not just ETPs.

Finally, the Exchange is proposing to add specific requirements around what constitutes a Qualified Security and Enhanced Security for Primary Equity Securities and Closed End Funds. Specifically, the Exchange is proposing to amend the definition of Minimum Performance Standards in current Rule 11.8(e)(1)(D) such that for Primary Equity Securities and Closed-End Funds, Minimum Performance Standards will specifically require the following:

- (i) registration as a market maker in good standing with the Exchange;
- (ii) time at the inside requirements, which, for Qualified Securities, require that an LMM maintain quotes at the NBB and the NBO at least 5% of Regular Trading Hours where the security has a consolidated average daily volume equal to or greater than 500,000 shares and at least 15% of Regular Trading Hours where the security has a consolidated average daily volume of less than 500,000 shares. For Enhanced Securities, an LMM must quote at the NBB and the NBO at least 5% of Regular Trading Hours where the security has a consolidated average daily volume equal to or greater than 500,000 shares and at least 40% of Regular Trading Hours where the security has a consolidated average daily volume of less than 500,000 shares;
- (iii) auction participation requirements, which, for a Qualified Security, require that the Opening Auction price is within 4% of the last Reference Price, as

defined in Rule 11.23(a)(19), and 2% for an Enhanced Security. For a Qualified Security, such requirements provide that the Closing Auction price must be within 3% of the last Reference Price and 1% for an Enhanced Security;

- (iv) market-wide NBB and NBO spread and size requirements, which require 300 shares at both the NBB and NBO during at least 50% of Regular Trading Hours for both Qualified Securities and Enhanced Securities. For Qualified Securities, the NBBO spread of such shares must be no wider than 2% for a security priced equal to or greater than \$5 and no wider than 7% for a security priced less than \$5. For Enhanced Securities, the NBBO spread of such shares must be no wider than 1% for securities priced equal to or greater than \$5 and no wider than 2% for securities priced less than \$5; and
- (v) depth of book requirements, which, for securities priced equal to or greater than \$5 requires at least \$150,000 of displayed posted liquidity on both the buy and the sell side within the percentages described below during at least 90% of Regular Trading Hours and, for securities priced less than \$5, at least \$50,000 of displayed posted liquidity on both the buy and the sell side within the percentages described below during at least 90% of Regular Trading Hours. For Qualified Securities, such liquidity must be within 2% of both the NBB and NBO for securities priced equal to or greater than \$5 and within 7% of both the NBB and NBO for securities priced less than \$5. For Enhanced Securities, such liquidity must be within

1% of both the NBB and NBO for securities priced equal to or greater than \$5 and within 2% of both the NBB and NBO for securities priced less than \$5.

As a follow-on to the examples above and to reiterate that the Exchange is not proposing to make any changes to the LMM Program, but only to include Primary Equity Securities and Closed-End Funds in the existing LMM Program and to establish the performance standards applicable to such securities, if an LMM has 30 LMM Securities, each of which is a Qualified Security, 10 of which each have an average daily auction volume of 5,000 shares (combined between the opening and closing auction), 10 of which each have an average daily auction volume of 50,000 shares (combined between the opening and closing auction), and 10 of which each have an average daily auction volume of 200,000 shares (combined between the opening and closing auction), then the LMM would fall into the fifth column ($10 \times 5,000 + 10 \times 50,000 + 10 \times 200,000 = 2,550,000$ average aggregate daily auction volume). As such, the LMM would receive \$150 each for five Qualified Securities, \$100 each for Qualified Securities 6-25, and \$75 each for Qualified Securities 26-30. This would result in a daily payment of $(\$150 \times 5) + (\$100 \times 20) + (\$75 \times 5) = \$3,125$ to the LMM. The Exchange notes that this example is identical to the first example above and that this would be the outcome regardless of the breakdown of how many of the Qualified Securities are ETPs, Primary Equity Securities, and Closed-End Funds, as would the example above related to Enhanced ETPs.

Implementation Date

The Exchange proposes to implement these amendments immediately.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁵ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁶ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁷ 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 its listing business operates in a highly-competitive market in which market participants, which includes both issuers of securities and LMMs, can readily transfer their listings or opt not to participate, respectively, if they deem fee levels, liquidity provision incentive programs, or any other factor at a particular venue to be insufficient or excessive. The proposed rule changes reflect a competitive pricing structure designed to incentivize issuers to list new products and transfer existing products to the Exchange and market participants to enroll and participate as LMMs on the Exchange, which the Exchange believes will enhance market quality in all ETPs, Primary Equity Securities, and Closed-End Funds listed on the Exchange.

¹⁵ 15 U.S.C. 78f(b).

¹⁶ 15 U.S.C. 78f(b)(5).

¹⁷ Id.

The Exchange believes that the proposal to include Primary Equity Securities and Closed-End Funds in the LMM Program is consistent with the Act for the same reasons that ETPs are currently include in the LMM Program: because it will enhance market quality in Cboe-listed Primary Equity Securities and Closed-End Funds both throughout the day and in the closing auction by incentivizing liquidity provision on the Exchange and requiring LMMs to meet the Minimum Performance Standards. Specifically, the Exchange believes that the proposal will enhance market quality in Cboe-listed Primary Equity Securities and Closed-End Funds by incentivizing liquidity provision on the Exchange in such securities and requiring LMMs to meet the Minimum Performance Standards in order to receive daily incentives in such securities in the same way that the LMM Program provides enhanced market quality on the Exchange in ETPs. Further, the Exchange believes that adding Primary Equity Securities and Closed-End Funds will further act to strengthen the LMM Program by providing additional potential securities for an LMM to take on in order to increase their average aggregate daily auction volume in their LMM Securities, allowing both new and existing LMMs with the possibility of receiving increased daily incentives. The Exchange also believes that it is appropriate to include Primary Equity Securities and Closed-End Funds in the LMM Program, which currently only applies to ETPs, because, despite being issued by different types of Companies,¹⁸ the metrics used to measure market quality as Minimum Performance Standards in ETPs under the current LMM Program are generally the same metrics that

¹⁸ As defined in Rule 14.1(a)(3), the term Company means the issuer of a security listed or applying to list on the Exchange. For purposes of Chapter XIV, the term “Company” includes an issuer that is not incorporated, such as, for example, a limited partnership.

are used to measure market quality for Primary Equity Securities and Closed-End Funds.¹⁹ Specifically, tighter spreads, deeper liquidity, and enhanced auction executions result in better overall market quality in an LMM Security and result in better executions for investors, regardless of whether the instrument the investor is buying or selling as a Primary Equity Security, a Closed-End Fund, or an ETP. Further to this point, the term ETP encapsulates all securities listed on the Exchange pursuant to Rule 14.11, which includes securities issued by varying types of trusts, debt instruments issued by banks, among others, that hold or track varying types of instruments including U.S. and foreign equity securities, Closed-End Funds, corporate debt, treasury securities, commodities, and more. The term ETP is already a broad term and the Exchange believes that adding Primary Equity Securities and Closed-End Funds to the LMM Program is generally consistent with the rationale underlying the LMM Program applying to ETPs. In addition, adding Primary Equity Securities and Closed-End Funds to the existing LMM Program will further incentivize existing LMMs to act as LMM for Primary Equity Securities and Close-End Funds by: (i) allowing an LMM apply the pricing applicable to its existing average aggregate daily auction volume in its LMM Securities to any new Primary Equity Securities and Closed-End Funds; and (ii) keeping the administration of the LMM Program as straight-forward as possible by simply adding Primary Equity Securities and Closed-End Funds to the structure that LMMs are already familiar with.

¹⁹ To this point, the Exchange notes that all of the proposed Minimum Performance Standards applicable to Primary Equity Securities and Closed-End Funds as provided in proposed Rule 11.8(e)(1)(E)(i)-(v) fall within the ranges currently applicable to ETPs as provided in the Original LMM Filing.

The Exchange believes that these changes will both enhance liquidity in Cboe-listed Primary Equity Securities and Closed-End Funds and help the Exchange to compete as a primary listing venue for such products. Similarly, the Exchange believes that it will allow it to better compete as a listing venue in that it will allow the Exchange to implement a liquidity provision program that includes security types already included in a liquidity provision program on its competitor, as described above.

The Exchange also believes that the proposal to add Primary Equity Securities and Closed-End Funds to the LMM Program is a reasonable means to incentivize liquidity provision in such securities listed on the Exchange. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings for ETPs, Primary Equity Securities, and Closed-End Fund. Transfers between listing venues occur frequently²⁰ for numerous reasons, including market quality. This proposal is intended to help the Exchange compete as a listing venue. Further, the Exchange notes that the proposed incentives are not transaction fees, nor are they fees paid by participants to access the Exchange. Rather, the proposed payments are based on achieving certain objective market quality metrics.

Further, the Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to add Primary Equity Securities and Closed-End Funds to the LMM Program. Specifically, the Exchange believes that the proposal is reasonable, equitable, and not unfairly discriminatory because it will enhance market quality in Cboe-listed Primary Equity Securities and Closed-End Funds by incentivizing liquidity provision on the Exchange in such securities and requiring LMMs to meet the Minimum Performance Standards in order to receive daily incentives in such securities. While the proposed payments apply only to LMMs, such LMMs

²⁰ For example, 16 ETPs transferred their listings to the Exchange on May 13, 2019. See <http://ir.cboe.com/~media/Files/C/CBOE-IR-V2/press-release/2019/cboe-welcomes-16-barclays-etns.pdf>.

must meet rigorous Minimum Performance Standards in order to receive even the lower Qualified Security payments, resulting in better market quality in Exchange-listed securities and better executions for investors. Further, in order to qualify as an Enhanced Security and receive an additional payment above the payment for Qualified Securities, an LMM must meet even more rigorous market quality metrics in the security, which further enhances market quality and investor executions in Exchange-listed securities. Where an LMM does not meet the Minimum Performance Standards, they will not receive the payments. Further, registration as an LMM is available equally to all Members and allocation of listed securities between LMMs is governed by Exchange Rule 11.8(e)(2). If an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange's discretion.

Further, the daily payment amounts are based specifically on the Exchange's revenue model. For securities with greater auction volume, the Exchange generally makes more money and, thus, is able to offer LMMs with LMM Securities that have higher average aggregate daily auction volume higher payments. The buckets and payments are modeled based both on current revenue and product distribution among LMMs as well as expected revenue and product distribution in the future including organic growth among existing products, securities transferring to the Exchange, and additional participants in the LMM Program. The Exchange believes that it is fair and reasonable and not unfairly discriminatory to offer different pricing between the different auction volume tiers because those tiers and possible payments are specifically tailored to the Exchange's expected revenue from that auction volume.

Specifically, the proposed payment per Qualified Security (and thus the total payment to an LMM) generally goes up as the CADV moves from left to right because as

the average aggregate daily auction volume in LMM Securities increases, the Exchange will generate additional revenue and can thus support increased payments to LMMs. Similarly, the proposed payments per Qualified Security generally go down as the number of Qualified Securities goes up in order to ensure that the daily incentive payments do not exceed the Exchange's revenue for that LMM's LMM Securities while still providing incentives for LMMs to take on additional ETPs, Primary Equity Securities, and Closed-End Funds. As such, the Exchange believes that the proposal represents an equitable allocation of payments.

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 both among Members by incentivizing Members to become LMMs in BZX-listed securities and as a listing venue by enhancing market quality in BZX-listed securities. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings. Transfers between listing venues occur frequently²¹ for numerous reasons, including market quality. This proposal is intended to help the Exchange compete as a listing venue. Accordingly, the Exchange does not believe that the proposed change will impair the ability of issuers, LMMs, or competing listing venues to maintain their competitive standing. The Exchange also notes that the

²¹ For example, 16 ETPs transferred their listings to the Exchange on May 13, 2019. See <http://ir.cboe.com/~media/Files/C/CBOE-IR-V2/press-release/2019/cboe-welcomes-16-barclays-etns.pdf>.

proposed change is intended to enhance market quality in BZX-listed Primary Equity Securities and Closed-End Funds, to the benefit of all investors in such BZX-listed securities. The Exchange does not believe the proposed amendment would burden intramarket competition as it would be available to all Members uniformly. Registration as an LMM is available equally to all Members and allocation of listed securities between LMMs is governed by Exchange Rule 11.8(e)(2). Further, if an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange's discretion.

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

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 Act²² and Rule 19b-4(f)(6)²³ 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

²² 15 U.S.C. 78s(b)(3)(A).

²³ 17 CFR 240.19b-4(f)(6).

otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2020-032 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-2020-032. 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-2020-032 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.²⁴

Secretary

²⁴ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

Rules of Cboe BZX Exchange, Inc.

CHAPTER XI. TRADING RULES

Rule 11.8. Obligations of Market Makers

(a)-(d) (No changes.)

(e) Lead Market Maker Program

(1) *Definitions.* For purposes of this paragraph (e), the terms set forth below shall have the following meanings:

(A) (No change.)

(B) The term “Listed Security” means any ETP or any Primary Equity Security or Closed-End Fund listed on the Exchange pursuant to Rule 14.8 or 14.9.

(C) The term “LMM” means a Market Maker registered with the Exchange for a particular LMM Security that has committed to maintain Minimum Performance Standards in the LMM Security.

~~(C)~~The term “LMM Security” means a[n ETP] Listed Security that has an LMM.

~~(D)~~The term “Minimum Performance Standards” means a set of standards applicable to an LMM that may be determined from time to time by the Exchange. Such standards will vary between LMM Securities depending on the price, liquidity, and volatility of the LMM Security in which the LMM is registered. The performance measurements will include: (A) percent of time at the NBBO; (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread. For Primary Equity Securities and Closed-End Funds, such Minimum Performance Standards will specifically include the following:

(i) Registration as a market maker in good standing with the Exchange;

(ii) Time at the inside requirements, which, for Qualified Securities, require that an LMM maintain quotes at the NBB and the NBO at least 5% of Regular Trading Hours where the security has a consolidated average daily volume equal to or greater than 500,000 shares and at least 15% of Regular Trading Hours where the security has a consolidated average daily volume of less than 500,000 shares. For Enhanced Securities, an LMM must quote at the NBB and the NBO at least 5% of Regular Trading Hours where the security has a consolidated average daily volume equal to or greater than 500,000 shares and at least 40% of Regular Trading Hours where the security has a consolidated average daily volume of less than 500,000 shares;

(iii) Auction participation requirements, which, for a Qualified Security, require that the Opening Auction price is within 4% of the last Reference Price, as defined in Rule 11.23(a)(19), and 2% for an Enhanced Security. For a Qualified Security, such requirements provide that the Closing Auction price must be within 3% of the last Reference Price and 1% for an Enhanced Security;

(iv) Market-wide NBB and NBO spread and size requirements, which require 300 shares at both the NBB and NBO during at least 50% of Regular Trading Hours for both Qualified Securities and Enhanced Securities. For Qualified Securities, the NBBO spread of such shares must be no wider than 2% for a security priced equal to or greater than \$5 and no wider than 7% for a security priced less than \$5. For Enhanced Securities, the NBBO spread of such shares must be no wider than 1% for securities priced equal to or greater than \$5 and no wider than 2% for securities priced less than \$5; and

(v) Depth of book requirements, which, for securities priced equal to or greater than \$5 requires at least \$150,000 of displayed posted liquidity on both the buy and the sell side within the percentages described below during at least 90% of Regular Trading Hours and, for securities priced less than \$5, at least \$50,000 of displayed posted liquidity on both the buy and the sell side within the percentages described below during at least 90% of Regular Trading Hours. For Qualified Securities, such liquidity must be within 2% of both the NBB and NBO for securities priced equal to or greater than \$5 and within 7% of both the NBB and NBO for securities priced less than \$5. For Enhanced Securities, such liquidity must be within 1% of both the NBB and NBO for securities priced equal to or greater than \$5 and within 2% of both the NBB and NBO for securities priced less than \$5.

(2) Lead Market Makers.

(A) LMMs shall be selected by the Exchange based on factors including, but not limited to, experience with making markets in [ETPs]the applicable security type, adequacy of capital, willingness to promote the Exchange as a marketplace, issuer preference, operational capacity, support personnel, and history of adherence to Exchange rules and securities laws.

(B)-(C)(No change.)

Cboe BZX U.S. Equities Exchange Fee Schedule

Effective [March 19]April 8, 2020

Footnotes:

1 – 13 (No change).

14 Lead Market Maker (“LMM”) Pricing

(A) LMM Liquidity Provision Rates:

- (i) Standard Rates. LMMs in BZX-listed securities will receive the following rates on a daily basis per security for which the LMM is a Qualified LMM (a “Qualified Security[ETP]”) based on the average aggregate daily auction volume of the BZX-listed securities for which the Member is the LMM (“LMM Securities”):

	Average Aggregate Daily Auction Volume in LMM Securities					
	0-10,000	10,001-100,000	100,001-500,000	500,001-1,000,000	1,000,001-3,000,000	3,000,001 or greater
Daily Incentive for each Qualified [ETP]Security 1-5	\$10	\$25	\$40	\$50	\$150	\$200
Daily Incentive for each Qualified [ETP]Security 6-25	\$10	\$25	\$25	\$30	\$100	\$150
Daily Incentive for each Qualified [ETP]Security 26-50	\$10	\$10	\$20	\$25	\$75	\$100
Daily Incentive for	\$10	\$10	\$15	\$20	\$50	\$75

each Qualified [ETP]Security 51- 100						
Daily Incentive for each Qualified [ETP]Security Greater Than 100	\$10	\$10	\$15	\$15	\$25	\$50

- (ii) Enhanced Rates. LMMs in BZX-listed securities will receive the following rates on a daily basis per Qualified [ETP]Security for which they also meet certain enhanced market quality standards (an “Enhanced [ETP]Security”) in addition to the Standard Rates above:

	Average Aggregate Daily Auction Volume in LMM Securities					
	0- 10,000	10,001- 100,000	100,001- 500,000	500,001- 1,000,000	1,000,001- 3,000,000	3,000,001 or greater
Daily Incentive for each Enhanced [ETP]Security 1-5	\$2.50	\$6.25	\$10	\$12.50	\$37.50	\$50
Daily Incentive for each Enhanced [ETP]Security 6- 25	\$2.50	\$6.25	\$6.25	\$7.50	\$25	\$37.50
Daily Incentive for each Enhanced [ETP]Security 26- 50	\$2.50	\$2.50	\$5	\$6.25	\$18.75	\$25
Daily Incentive for each Enhanced [ETP]Security 51- 100	\$2.50	\$2.50	\$3.75	\$5	\$12.50	\$18.75
Daily Incentive for each Enhanced [ETP]Security Greater Than 100	\$2.50	\$2.50	\$3.75	\$3.75	\$6.25	\$12.50
