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

File No.* SR - 2021 - * 005
Amendment No. (req. for Amendments *)

Filing by Cboe C2 Exchange, Inc.

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

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☑ Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

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

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

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

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

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

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

The Exchange proposes to amend the fees 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 * Corinne Last Name * Klott

Title * Assistant General Counsel

E-mail * cklott@cboe.com

Telephone * (312) 786-7793 Fax

Signature

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

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

Date 04/01/2021

By Kyle Murray

(Name *)

(Title *)

VP, Associate General Counsel

kmurray@cboe.com

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

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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" or "Exchange Act"),[1] and Rule 19b-4 thereunder,[2] Cboe C2 Exchange, Inc. (the "Exchange" or "C2") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the fees schedule. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The Exchange's President (or designee) pursuant to delegated authority approved the proposed rule change on March 31, 2021.

(b) Please refer questions and comments on the proposed rule change to Pat Sexton, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7467, or Corinne Klott (312) 786-7793, 400 South LaSalle, Chicago, Illinois 60605.

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

(a) Purpose

The Exchange proposes to amend its fee schedule to (1) amend the standard transaction fees and rebates for certain SPY, AAPL, QQQ, IWM and SLV transactions, (2) adopt tiered pricing for SPY, AAPL, QQQ, IWM and SLV Market-Maker transactions, (3) adopt a discount program for Bulk BOE Logical Ports, (4) adopt a "Definitions" section in the fees schedule, and (5) eliminate outdated language and

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

[2] 17 CFR 240.19b-4.

obsolete facilities fees, effective April 1, 2021.

The Exchange first 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. More specifically, the Exchange is only one of 16 options venues to which market participants may direct their order flow. Based on publicly available information, no single options exchange has more than approximately 17% of the market share and currently the Exchange represents approximately 3% of the market share.[3] Thus, in such a low-concentrated and highly competitive market, no single options exchange, including the Exchange, possesses significant pricing power in the execution of option order flow. The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products, in response to fee changes. Accordingly, competitive forces constrain the Exchange's transaction fees, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

SPY, AAPL, QQQ, IWM and SLV Pricing

First, the Exchange proposes to amend the transaction fee for Public Customer orders in SPY, AAPL, QQQ, IWM and SLV that remove liquidity. Currently, Public Customer orders in SPY, AAPL, QQQ, IWM and SL, that remove liquidity are assessed a standard transaction fee of $0.39 per contract and yield fee code "SC". The Exchange

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[3] See Cboe Global Markets U.S. Options Market Volume Summary by Month (March 29, 2021), available at https://markets.cboe.com/us/options/market_statistics/.

proposes to reduce the standard transaction fee to $0.37 per contract. The Exchange also proposes to reduce the current standard rebate for C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity. Currently, C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity are provided a standard rebate of $0.26 per contract and yield fee code "SM". The Exchange proposes to reduce the standard rebate to $0.20 per contract. The Exchange notes that the proposed changes are in line with the pricing for similar market participants in similar products on other exchanges.[4]

SPY, AAPL, QQQ, IWM and SLV Incentive Tiers

The Exchange also proposes to adopt new incentive tiers for C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity under a new section in the fees schedule titled "Footnotes". The proposed tiered pricing would provide Trading Permit Holders ("TPHs") opportunities to qualify for higher rebates where certain volume criteria and thresholds are met in such products. Tiered pricing provides an incremental incentive for TPHs to strive for higher tier levels, which provides increasingly higher benefits or discounts for satisfying increasingly more stringent criteria. Particularly, the Exchange proposes to adopt under Footnote 1, new Market-

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[4] See, e.g., MIAX Pearl Fee Schedule, Section 1 Transaction Rebates/Fees, which provides for a fee of $0.46 per contract for priority customer SPY orders that remove liquidity, $0.50 per contract for priority customer IWM and QQQ orders that remove liquidity, and $0.50 per contract for priority customer orders in Penny Classes other than SPY, QQQ and IWM orders that remove liquidity. See also Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

Maker Volume Tiers, which would provide enhanced rebates for qualifying C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity (i.e., orders yielding fee code SM) that meet certain liquidity thresholds. First, proposed Tier 1 would provide an enhanced rebate of $0.26 per contract where a TPH: (1) has an ADAV[5] in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL[6]) equal to or greater than 50,000 contracts; or (2) has a Step-Up ADAV[7] in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL) equal to or greater than 15,000 contracts from March 2021. The Exchange also proposes to adopt Tier 2, which would provide a higher rebate of $0.30 per contract where a TPH meets the more stringent criteria of having an ADAV in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL) equal to or greater than 130,000 contracts. The Exchange notes that other exchanges offer tiered pricing incentives for similar orders.[8] The proposed enhanced rebates and corresponding criteria are designed to encourage Market-Makers to increase or grow their order flow on the Exchange in SPY, AAPL, QQQ, IWM and SLV, which facilitates tighter spreads, signaling increased activity from other market participants, and thus ultimately

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5 "ADAV" means average daily added volume calculated as the number of contracts added, per day.

6 Fee code SL is currently appended to C2 Market Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity and are a National Best Bid or Offer ("NBBO") Joiner or NBBO Setter and offers a rebate of $0.31 per contract for such orders.

7 "Step-Up ADAV" means ADAV in the relevant baseline month subtracted from current ADAV.

8 See, e.g, Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

contributes to deeper and more liquid markets and provides greater execution opportunities on the Exchange to the benefit of all market participants.

BOE Bulk Logical Ports Discount

By way of background, the Exchange currently offers BOE Bulk Logical Ports ("BOE Bulk Ports"), which provide users with the ability to submit single and bulk order messages to enter, modify, or cancel orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day. BOE Bulk Ports are assessed $1,500 per port, per month for the first 5 BOE Bulk Ports and thereafter assessed $2,500 per port, per month for each additional BOE Bulk Port. Each Bulk BOE Port also incurs the logical port fee indicated in the table above when used to enter up to 30,000,000 orders per trading day per logical port as measured on average in a single month. Each incremental usage of up to 30,000,000 orders per day per BOE Bulk Port will incur an additional logical port fee of $2,500 per month ("incremental usage fees").

The Exchange now proposes to adopt a discount program for BOE Bulk Ports which provides an opportunity for Market-Makers to obtain credits on their monthly BOE Bulk Port fees (excluding incremental usage fees).[9] More specifically, the Exchange proposes to provide that Market-Makers would receive a discount of 30% on monthly Bulk BOE Port fees (excluding incremental usage fees) where a Market-Maker has (1) a Step-Up ADAV equal to or greater than 0.025% of average OCV[10] from February 2021

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9 While BOE Bulk Ports are available to all market participants, they are used primarily by Market Makers or firms that conduct similar business activity.

10 "OCV" (or "OCC Customer Volume" means, the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

and (2) a "Make Rate" equal to or greater than 85%. The "Make Rate" shall be derived from a Market-Maker's volume the previous month in all symbols using the following formula: (i) the Market-Maker's total simple add volume divided by (ii) the Market-Maker's total simple volume.[11] Trades on the open and complex orders will be excluded from the Make Rate calculation. The Exchange will aggregate the trading activity of separate Market-Maker firms for purposes of the discount tier and make rate calculation if there is at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A. The proposed BOE Bulk Port discount is designed to attract liquidity from traditional Market-Makers and encourage Market-Makers to grow their volume. Specifically, the Exchange believes the proposal mitigates costs incurred by traditional Market-Makers that focus on adding liquidity to the Exchange (as opposed to those that provide and take, or just take). The Exchange notes that its affiliate, Cboe Exchange, Inc. ("Cboe Options") similarly provides discounts on BOE Bulk Port fees based on a Market-Maker's Make Rate the previous month.[12]

Definitions

The Exchange next proposes to adopt a new "Definitions" section of its fees schedule. As described above, the Exchange intends to adopt new tiered pricing for certain products and a new discount program for BOE Bulk Ports which will provide TPHs opportunities to qualify for higher rebates or a discount, respectively, where certain volume criteria and thresholds are met. The volume thresholds refer to certain terms that

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[11] For example, a TPH's total simple add volume in March 2021 is 2,600,000 contracts and its total simple volume is 3,000,000 contracts, resulting in a Make Rate of 86.6%. As such, the TPH would receive a 30% credit on its monthly Bulk Port fees for the month of April 2021.

[12] See Cboe Options Fees Schedule, Market-Maker Access Credit.

are not currently defined in the Exchange's fees schedule (i.e., "ADAV", "Step-Up ADAV", and "OCV"). The Exchange believes clearly defining those terms in the fees schedule would reduce potential confusion, increase transparency, and benefit market participants. Accordingly, the Exchange proposes to adopt the following definitions.

- "**ADAV**" means average daily added volume calculated as the number of contracts added, per day.
    - ADAV is calculated on a monthly basis, excluding contracts added or removed on any day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during regular trading hours ("Exchange System Disruption") and on any day with a scheduled early market close.
    - Routed contracts are not included in ADAV calculation.
    - With prior notice to the Exchange, a TPH may aggregate ADAV or ADV with other TPHs that control, are controlled by, or are under common control with such TPH.
- "**Step-Up ADAV**" means ADAV in the relevant baseline month subtracted from current ADAV.
- "**OCC Customer Volume**" or "**OCV**" means the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

The Exchange notes the proposed definitions are substantively similar to the definitions contained in one of the Exchange's affiliate fees schedules.[13]

Eliminate Outdated Language and Obsolete Facilities Fees

The Exchange next proposes to eliminate obsolete language under the Physical and Logical Connectivity Fees sections that reference legacy physical and logical ports that were decommissioned in 2018. Particularly, under the Physical Connectivity Fees section, the Exchange proposes to eliminate the following language "[t]hrough June 30, 2018, C2 market participants can elect to connect to C2's trading system via either a 1 Gigabit Ethernet or a 10 Gigabit Ethernet Network Access Port. No fees will be assessed for the legacy Network Access Ports", as such language is no longer relevant. The Exchange also proposes to make clear that TPHs and non-TPHs only connect to C2's trading system via Physical Ports (instead of "may also" connect, which was relevant only when TPHs had the option of alternatively connecting via legacy Network Access Ports). Under the Logical Connectivity Fees section, the Exchange proposes to eliminate the following language "Port fees for BOE, FIX, BOE Bulk and Drop ports will be assessed the full month rates for May for ports available for use on the new trading platform beginning May 14, 2018", along with another reference to May 15, 2018, as such language is also outdated and no longer relevant or necessary to maintain.

Lastly, the Exchange proposes to eliminate the "Facilities Fees" section, which includes fees for the PULSe Workstation and related footnotes. Particularly, on January 4, 2021, the Exchange decommissioned the PULSe Workstation. Accordingly, the related PULSe Workstation fees are no longer applicable nor necessary to maintain in the fees

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[13] See Cboe EDGX Exchange, Inc. Fees Schedule, Definitions.

schedule. The Exchange therefore proposes to eliminate the language to avoid potential confusion and eliminate unnecessary language.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,[14] in general, and furthers the objectives of Section 6(b)(4),[15] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and issuers and other persons using its facilities. The Exchange also believes that the proposed rule change is consistent with the objectives of 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, and, particularly, is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As described above, the Exchange 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. In particular, the proposed changes to Exchange execution fees and rebates for certain orders in SPY, AAPL, QQQ, IWM and SLV are intended to attract order flow to the

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[14] 15 U.S.C. 78f.

[15] 15 U.S.C. 78f(b)(4).

[16] 15 U.S.C. 78f.(b)(5).

Exchange by continuing to offer competitive pricing. More specifically, the Exchange believes it is reasonable to reduce the current fee for Public Customers that remove liquidity in SPY, AAPL, QQQ, IWM and SLV, as such market participants will be paying lower fees for such transactions and thus may be encouraged to increase retail SPY, AAPL, QQQ, IWM and SLV order flow to the Exchange. Furthermore, the Exchange believes its proposed change is reasonable as it is competitive and in line with pricing for many of the same products at other exchanges.[17] The Exchange believes the proposed change is equitable and not unfairly discriminatory as it will apply to all Public Customers equally. The Exchange also believes that it is equitable and not unfairly discriminatory to assess a lower fee for Public Customer orders in SPY, AAPL, QQQ, IWM and SLV as compared to other market participants because customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, the options industry has a long history of providing preferential pricing to customers, and the Exchange's current Fee Schedule currently does so in many places, as do the fees structures of multiple other exchanges.

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[17] See, e.g., MIAX Pearl Fee Schedule, Section 1 Transaction Rebates/Fees, which provides for a fee of $0.46 per contract for priority customer SPY orders that remove liquidity, $0.50 per contract for priority customer IWM and QQQ orders that remove liquidity, and $0.50 per contract for priority customer orders in Penny Classes other than SPY, QQQ and IWM orders that remove liquidity.

The Exchange believes it is reasonable to reduce the current rebate for Market-Makers that add liquidity in SPY, AAPL, QQQ, IWM and SLV, as such market participants will still be receive a rebate for such orders (albeit at a lower amount). Additionally, the Exchange believes its proposed change is reasonable as it is competitive and in line with pricing for many of the same products at other exchanges.[18] The Exchange also notes that is providing opportunities for Market-Makers to receive higher rebates for these same transactions via the proposed Market-Maker Volume tiers. The Exchange believes the proposed change is equitable and not unfairly discriminatory as it will apply to all Market-Makers equally.

The Exchange believes adopting Market-Maker Volume Tiers for C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity because they provide additional opportunities for TPHs to receive enhanced rebates on qualifying orders in a manner that incentivizes increased Market-Maker order flow in certain multiply-listed options on the Exchange. The Exchange notes that volume-based incentives and discounts have been widely adopted by exchanges[19] and are reasonable, equitable and non-discriminatory because they are open to all TPHs 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.

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18 See, e.g., Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

19 See, e.g., Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

The Exchange believes the proposed Market-Maker Penny Volume Tiers are reasonable means to encourage Market-Makers to increase their order flow to specific multiply-listed options on the Exchange (i.e., SPY, AAPL, QQQ, IWM and SLV). The Exchange notes that increased Market-Maker activity, particularly, facilitates tighter spreads and an increase in overall liquidity provider activity, both of which signal additional corresponding increase in order flow from other market participants, contributing towards a robust, well-balanced market ecosystem, particularly in multiply-listed options on the Exchange. The Exchange also believes that proposed enhanced rebates offered under proposed Tiers 1 and 2 are reasonably based on the difficulty of satisfying the proposed tiers' criteria and ensures the proposed rebate and thresholds appropriately reflect the incremental difficulty in achieving the Market-Maker Volume Tier. The Exchange believes that the proposed enhanced rebates are also in line with the enhanced rebates currently offered by another exchange for similar products.[20] The Exchange also believes it is reasonable, equitable and not unfairly discriminatory to adopt pricing specific to certain orders in SPY, AAPL, QQQ, IWM and SLV as the Exchange already offers product-specific pricing for these orders and, and as noted above, other exchanges similarly provide for product-specific tiered pricing.[21]

The Exchange believes that the proposed Market-Maker Volume Tiers represent an equitable allocation of fees and is not unfairly discriminatory because it applies uniformly to all Market-Makers, in that all Market Makers have the opportunity to

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20 See, e.g., Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

21 Id.

compete for and achieve the proposed tiers. The enhanced rebates will apply automatically and uniformly to all Market-Makers that achieve the proposed corresponding criteria. While the Exchange has no way of knowing whether this proposed rule change would definitively result in any particular Market-Maker qualifying for the proposed tiers, the Exchange believes that approximately four Market-Makers will reasonably be able to compete for and achieve the proposed criteria in proposed Tier 1 and at least one Market-Maker will be able to achieve proposed Tier 2. The Exchange notes, however, that the proposed tiers are open to any Market-Maker that satisfies the tiers' criteria.

The Exchange lastly notes that it does not believe the proposed tiers will adversely impact any TPH's pricing. Rather, should a TPH not meet the proposed criteria, the TPH will merely not receive the enhanced rebates corresponding to Tier 1 or Tier 2, and will instead receive the standard rebate.

The Exchange believes the proposal to adopt credits for BOE Bulk Ports is reasonable, equitable and not unfairly discriminatory because it provides an opportunity for TPHs to pay lower fees for logical connectivity. The Exchange notes that the proposed discount is in line with the discount offered to Market-Makers on its affiliate exchange, Cboe Options.[22] Although only Market-Makers may receive the proposed BOE Bulk Port credits, Market-Makers are valuable market participants that provide liquidity in the marketplace and incur costs that other market participants do not incur. For example, Market-Makers have a number of obligations, including quoting obligations and fees associated with appointments that other market participants do not have. The

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[22] See Cboe Options Fees Schedule, Market-Maker Access Credit.

Exchange also believes that the proposal provides an incentive for TPHs to provide more liquidity to the Exchange. Greater liquidity benefits all market participants by providing more trading opportunities and tighter spreads. The Exchange believes it's also reasonable, equitable and not unfairly discriminatory to provide credits to those Market-Makers that primarily provide and post liquidity to the Exchange, as the Exchange wants to continue to encourage Market-Makers with significant Make Rates to continue to participate on the Exchange and add liquidity. Moreover, the Exchange notes that Market-Makers with a high Make Rate percentage generally require higher amounts of capacity than other Market-Makers. Particularly, Market-Makers with high Make Rates are generally streaming significantly more quotes than those with lower Make Rates. As such, Market-Makers with high Make Rates may incur more costs than other Market-Makers as they may need to purchase multiple BOE Bulk Ports in order to accommodate their capacity needs. The Exchange believes the proposed credits for BOE Bulk Ports encourages Market-Makers to continue to provide liquidity for the Exchange, notwithstanding the costs incurred by purchasing multiple ports. Particularly, the proposal is intended to mitigate the costs incurred by traditional Market-Makers that focus on adding liquidity to the Exchange (as opposed to those that provide and take, or just take).

The Exchange believes the value of the proposed discount is also commensurate with the difficulty to achieve the required thresholds. While the Exchange has no way of predicting with certainty how many and which TPHs will satisfy the proposed criteria to receive the discount, the Exchange anticipates at least two TPHs to satisfy the criteria and receive the discount. The Exchange does not believe the proposed discount will

adversely impact any TPH's pricing. Rather, should a TPH not meet the proposed criteria, the TPH will merely not receive the proposed discount.

Lastly, the Exchange believes adopting a definitions section and eliminating outdated language and obsolete fees maintains transparency and clarity in the fees schedule and reduces potential confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, as discussed above, the Exchange believes that the proposed change would encourage the submission of additional to a public exchange, including in certain products (i.e., SPY, AAPL, QQQ, IWM and SLV) thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities for all TPHs. As a result, the Exchange believes that the proposed change furthers the Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."

The Exchange believes the proposed rule change does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed change applies to all similarly situated Trading Permit Holders equally. Additionally, the proposed change is designed to attract additional SPY, AAPL, QQQ, IWM and SLV Public Customer orders that remove

liquidity and SPY, AAPL, QQQ, IWM and SLV Market Maker orders that add liquidity to the Exchange. The Exchange believes that the new C2 Market Maker tiered pricing for orders in SPY, AAPL, QQQ, IWM and SLV would incentivize entry on the Exchange of such orders, benefitting both TPHs and public investors and, as a result, provide for deeper levels of liquidity, increasing trading opportunities for other market participants, thus signaling further trading activity, ultimately incentivizing more overall order flow and improving price transparency on the Exchange. Similarly, although the proposed discount for BOE Bulk Port fees only applies to Market-Makers, Market-Makers are valuable market participants that provide liquidity in the marketplace and incur costs that other market participants do not incur. For example, Market-Makers have a number of obligations, including quoting obligations and fees associated with appointments that other market participants do not have.

Next, the Exchange believes the proposed rule change does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and director their order flow, including 15 other options exchanges and off-exchange venues. Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single options exchange has more than 17% of the market share. Therefore, no exchange possesses significant pricing power in the execution of option order flow. Indeed, participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. Moreover, the Commission has repeatedly

expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies." The fact that this market is competitive has also long been recognized by the courts. In NetCoalition v. Securities and Exchange Commission, the D.C. Circuit stated as follows: "[n]o one disputes that competition for order flow is 'fierce.' … As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'….". Accordingly, the Exchange does not believe its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act[23] and Rule 19b-4(f)(2) thereunder,[24] the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-Members, 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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

Exhibit 5 – Text of the Proposed Rule Change.

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23 15 U.S.C. 78s(b)(3)(A)(ii).

24 17 CFR 240.19b-4(f)(2).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-C2-2021-005]

[Insert date]

Self-Regulatory Organizations; Cboe C2 Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Fees 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 C2 Exchange, Inc. (the "Exchange" or "C2") 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 C2 Exchange, Inc. (the "Exchange" or "C2") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the fees schedule. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (http://markets.cboe.com/us/options/regulation/rule_filings/ctwo/), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

2 17 CFR 240.19b-4.

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 its fee schedule to (1) amend the standard transaction fees and rebates for certain SPY, AAPL, QQQ, IWM and SLV transactions, (2) adopt tiered pricing for SPY, AAPL, QQQ, IWM and SLV Market-Maker transactions, (3) adopt a discount program for Bulk BOE Logical Ports, (4) adopt a "Definitions" section in the fees schedule, and (5) eliminate outdated language and obsolete facilities fees, effective April 1, 2021.

The Exchange first 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. More specifically, the Exchange is only one of 16 options venues to which market participants may direct their order flow. Based on publicly available information, no single options exchange has more than approximately 17% of the market share and currently the Exchange represents approximately 3% of the market share.[3] Thus, in such a low-

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[3] See Cboe Global Markets U.S. Options Market Volume Summary by Month

concentrated and highly competitive market, no single options exchange, including the Exchange, possesses significant pricing power in the execution of option order flow. The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products, in response to fee changes. Accordingly, competitive forces constrain the Exchange's transaction fees, and market participants can readily trade on competing venues if they deem pricing levels at those other venues to be more favorable.

SPY, AAPL, QQQ, IWM and SLV Pricing

First, the Exchange proposes to amend the transaction fee for Public Customer orders in SPY, AAPL, QQQ, IWM and SLV that remove liquidity. Currently, Public Customer orders in SPY, AAPL, QQQ, IWM and SL, that remove liquidity are assessed a standard transaction fee of $0.39 per contract and yield fee code "SC". The Exchange proposes to reduce the standard transaction fee to $0.37 per contract. The Exchange also proposes to reduce the current standard rebate for C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity. Currently, C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity are provided a standard rebate of $0.26 per contract and yield fee code "SM". The Exchange proposes to reduce the standard rebate to $0.20 per contract. The Exchange notes that the proposed changes are in line with the pricing for similar market participants in similar products on other exchanges.[4]

(March 29, 2021), available at https://markets.cboe.com/us/options/market_statistics/.

[4] See, e.g., MIAX Pearl Fee Schedule, Section 1 Transaction Rebates/Fees, which

SPY, AAPL, QQQ, IWM and SLV Incentive Tiers

The Exchange also proposes to adopt new incentive tiers for C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity under a new section in the fees schedule titled "Footnotes". The proposed tiered pricing would provide Trading Permit Holders ("TPHs") opportunities to qualify for higher rebates where certain volume criteria and thresholds are met in such products. Tiered pricing provides an incremental incentive for TPHs to strive for higher tier levels, which provides increasingly higher benefits or discounts for satisfying increasingly more stringent criteria. Particularly, the Exchange proposes to adopt under Footnote 1, new Market-Maker Volume Tiers, which would provide enhanced rebates for qualifying C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity (i.e., orders yielding fee code SM) that meet certain liquidity thresholds. First, proposed Tier 1 would provide an enhanced rebate of $0.26 per contract where a TPH: (1) has an ADAV[5] in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL[6]) equal to or greater than 50,000 contracts; or (2) has a Step-Up ADAV[7] in Market-

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provides for a fee of $0.46 per contract for priority customer SPY orders that remove liquidity, $0.50 per contract for priority customer IWM and QQQ orders that remove liquidity, and $0.50 per contract for priority customer orders in Penny Classes other than SPY, QQQ and IWM orders that remove liquidity. See also Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

5 "ADAV" means average daily added volume calculated as the number of contracts added, per day.

6 Fee code SL is currently appended to C2 Market Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity and are a National Best Bid or Offer

Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL) equal to or greater than 15,000 contracts from March 2021. The Exchange also proposes to adopt Tier 2, which would provide a higher rebate of $0.30 per contract where a TPH meets the more stringent criteria of having an ADAV in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL) equal to or greater than 130,000 contracts. The Exchange notes that other exchanges offer tiered pricing incentives for similar orders.[8] The proposed enhanced rebates and corresponding criteria are designed to encourage Market-Makers to increase or grow their order flow on the Exchange in SPY, AAPL, QQQ, IWM and SLV, which facilitates tighter spreads, signaling increased activity from other market participants, and thus ultimately contributes to deeper and more liquid markets and provides greater execution opportunities on the Exchange to the benefit of all market participants.

BOE Bulk Logical Ports Discount

By way of background, the Exchange currently offers BOE Bulk Logical Ports ("BOE Bulk Ports"), which provide users with the ability to submit single and bulk order messages to enter, modify, or cancel orders designated as Post Only Orders with a Time-in-Force of Day or GTD with an expiration time on that trading day. BOE Bulk Ports are assessed $1,500 per port, per month for the first 5 BOE Bulk Ports and thereafter assessed $2,500 per port, per month for each additional BOE Bulk Port. Each Bulk BOE

("NBBO") Joiner or NBBO Setter and offers a rebate of $0.31 per contract for such orders.

7 "Step-Up ADAV" means ADAV in the relevant baseline month subtracted from current ADAV.

8 See, e.g, Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

Port also incurs the logical port fee indicated in the table above when used to enter up to 30,000,000 orders per trading day per logical port as measured on average in a single month. Each incremental usage of up to 30,000,000 orders per day per BOE Bulk Port will incur an additional logical port fee of $2,500 per month ("incremental usage fees").

The Exchange now proposes to adopt a discount program for BOE Bulk Ports which provides an opportunity for Market-Makers to obtain credits on their monthly BOE Bulk Port fees (excluding incremental usage fees).[9] More specifically, the Exchange proposes to provide that Market-Makers would receive a discount of 30% on monthly Bulk BOE Port fees (excluding incremental usage fees) where a Market-Maker has (1) a Step-Up ADAV equal to or greater than 0.025% of average OCV[10] from February 2021 and (2) a "Make Rate" equal to or greater than 85%. The "Make Rate" shall be derived from a Market-Maker's volume the previous month in all symbols using the following formula: (i) the Market-Maker's total simple add volume divided by (ii) the Market-Maker's total simple volume.[11] Trades on the open and complex orders will be excluded from the Make Rate calculation. The Exchange will aggregate the trading activity of separate Market-Maker firms for purposes of the discount tier and make rate calculation if there is at least 75% common ownership between the firms as reflected on each firm's

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9 While BOE Bulk Ports are available to all market participants, they are used primarily by Market Makers or firms that conduct similar business activity.

10 "OCV" (or "OCC Customer Volume" means, the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

11 For example, a TPH's total simple add volume in March 2021 is 2,600,000 contracts and its total simple volume is 3,000,000 contracts, resulting in a Make Rate of 86.6%. As such, the TPH would receive a 30% credit on its monthly Bulk Port fees for the month of April 2021.

Form BD, Schedule A. The proposed BOE Bulk Port discount is designed to attract liquidity from traditional Market-Makers and encourage Market-Makers to grow their volume. Specifically, the Exchange believes the proposal mitigates costs incurred by traditional Market-Makers that focus on adding liquidity to the Exchange (as opposed to those that provide and take, or just take). The Exchange notes that its affiliate, Cboe Exchange, Inc. ("Cboe Options") similarly provides discounts on BOE Bulk Port fees based on a Market-Maker's Make Rate the previous month.[12]

Definitions

The Exchange next proposes to adopt a new "Definitions" section of its fees schedule. As described above, the Exchange intends to adopt new tiered pricing for certain products and a new discount program for BOE Bulk Ports which will provide TPHs opportunities to qualify for higher rebates or a discount, respectively, where certain volume criteria and thresholds are met. The volume thresholds refer to certain terms that are not currently defined in the Exchange's fees schedule (i.e., "ADAV", "Step-Up ADAV", and "OCV"). The Exchange believes clearly defining those terms in the fees schedule would reduce potential confusion, increase transparency, and benefit market participants. Accordingly, the Exchange proposes to adopt the following definitions.

- "**ADAV**" means average daily added volume calculated as the number of contracts added, per day.
    - ADAV is calculated on a monthly basis, excluding contracts added or removed on any day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during regular

[12] See Cboe Options Fees Schedule, Market-Maker Access Credit.

trading hours ("Exchange System Disruption") and on any day with a scheduled early market close.

  - Routed contracts are not included in ADAV calculation.
  - With prior notice to the Exchange, a TPH may aggregate ADAV or ADV with other TPHs that control, are controlled by, or are under common control with such TPH.

- "**Step-Up ADAV**" means ADAV in the relevant baseline month subtracted from current ADAV.
- "**OCC Customer Volume**" or "**OCV**" means the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

The Exchange notes the proposed definitions are substantively similar to the definitions contained in one of the Exchange's affiliate fees schedules.[13]

Eliminate Outdated Language and Obsolete Facilities Fees

The Exchange next proposes to eliminate obsolete language under the Physical and Logical Connectivity Fees sections that reference legacy physical and logical ports that were decommissioned in 2018. Particularly, under the Physical Connectivity Fees section, the Exchange proposes to eliminate the following language "[t]hrough June 30, 2018, C2 market participants can elect to connect to C2's trading system via either a 1 Gigabit Ethernet or a 10 Gigabit Ethernet Network Access Port. No fees will be assessed

[13] See Cboe EDGX Exchange, Inc. Fees Schedule, Definitions.

for the legacy Network Access Ports", as such language is no longer relevant. The Exchange also proposes to make clear that TPHs and non-TPHs only connect to C2's trading system via Physical Ports (instead of "may also" connect, which was relevant only when TPHs had the option of alternatively connecting via legacy Network Access Ports). Under the Logical Connectivity Fees section, the Exchange proposes to eliminate the following language "Port fees for BOE, FIX, BOE Bulk and Drop ports will be assessed the full month rates for May for ports available for use on the new trading platform beginning May 14, 2018", along with another reference to May 15, 2018, as such language is also outdated and no longer relevant or necessary to maintain.

Lastly, the Exchange proposes to eliminate the "Facilities Fees" section, which includes fees for the PULSe Workstation and related footnotes. Particularly, on January 4, 2021, the Exchange decommissioned the PULSe Workstation. Accordingly, the related PULSe Workstation fees are no longer applicable nor necessary to maintain in the fees schedule. The Exchange therefore proposes to eliminate the language to avoid potential confusion and eliminate unnecessary language.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,[14] in general, and furthers the objectives of Section 6(b)(4),[15] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and issuers and other persons using its facilities. The Exchange also believes that the proposed rule change is consistent

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[14] 15 U.S.C. 78f.

[15] 15 U.S.C. 78f(b)(4).

with the objectives of 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, and, particularly, is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As described above, the Exchange 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. In particular, the proposed changes to Exchange execution fees and rebates for certain orders in SPY, AAPL, QQQ, IWM and SLV are intended to attract order flow to the Exchange by continuing to offer competitive pricing. More specifically, the Exchange believes it is reasonable to reduce the current fee for Public Customers that remove liquidity in SPY, AAPL, QQQ, IWM and SLV, as such market participants will be paying lower fees for such transactions and thus may be encouraged to increase retail SPY, AAPL, QQQ, IWM and SLV order flow to the Exchange. Furthermore, the Exchange believes its proposed change is reasonable as it is competitive and in line with pricing for many of the same products at other exchanges.[17] The Exchange believes the

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16 15 U.S.C. 78f.(b)(5).

17 See, e.g., MIAX Pearl Fee Schedule, Section 1 Transaction Rebates/Fees, which provides for a fee of $0.46 per contract for priority customer SPY orders that remove liquidity, $0.50 per contract for priority customer IWM and QQQ orders that remove liquidity, and $0.50 per contract for priority customer orders in Penny

proposed change is equitable and not unfairly discriminatory as it will apply to all Public Customers equally. The Exchange also believes that it is equitable and not unfairly discriminatory to assess a lower fee for Public Customer orders in SPY, AAPL, QQQ, IWM and SLV as compared to other market participants because customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. Moreover, the options industry has a long history of providing preferential pricing to customers, and the Exchange's current Fee Schedule currently does so in many places, as do the fees structures of multiple other exchanges.

The Exchange believes it is reasonable to reduce the current rebate for Market-Makers that add liquidity in SPY, AAPL, QQQ, IWM and SLV, as such market participants will still be receive a rebate for such orders (albeit at a lower amount). Additionally, the Exchange believes its proposed change is reasonable as it is competitive and in line with pricing for many of the same products at other exchanges.[18] The Exchange also notes that is providing opportunities for Market-Makers to receive higher rebates for these same transactions via the proposed Market-Maker Volume tiers. The

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Classes other than SPY, QQQ and IWM orders that remove liquidity.

[18] See, e.g., Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

Exchange believes the proposed change is equitable and not unfairly discriminatory as it will apply to all Market-Makers equally.

The Exchange believes adopting Market-Maker Volume Tiers for C2 Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV that add liquidity because they provide additional opportunities for TPHs to receive enhanced rebates on qualifying orders in a manner that incentivizes increased Market-Maker order flow in certain multiply-listed options on the Exchange. The Exchange notes that volume-based incentives and discounts have been widely adopted by exchanges[19] and are reasonable, equitable and non-discriminatory because they are open to all TPHs 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 the proposed Market-Maker Penny Volume Tiers are reasonable means to encourage Market-Makers to increase their order flow to specific multiply-listed options on the Exchange (i.e., SPY, AAPL, QQQ, IWM and SLV). The Exchange notes that increased Market-Maker activity, particularly, facilitates tighter spreads and an increase in overall liquidity provider activity, both of which signal additional corresponding increase in order flow from other market participants, contributing towards a robust, well-balanced market ecosystem, particularly in multiply-listed options on the Exchange. The Exchange also believes that proposed enhanced rebates offered under proposed Tiers 1 and 2 are reasonably based on the difficulty of

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[19] See, e.g., Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

satisfying the proposed tiers' criteria and ensures the proposed rebate and thresholds appropriately reflect the incremental difficulty in achieving the Market-Maker Volume Tier. The Exchange believes that the proposed enhanced rebates are also in line with the enhanced rebates currently offered by another exchange for similar products.[20] The Exchange also believes it is reasonable, equitable and not unfairly discriminatory to adopt pricing specific to certain orders in SPY, AAPL, QQQ, IWM and SLV as the Exchange already offers product-specific pricing for these orders and, and as noted above, other exchanges similarly provide for product-specific tiered pricing.[21]

The Exchange believes that the proposed Market-Maker Volume Tiers represent an equitable allocation of fees and is not unfairly discriminatory because it applies uniformly to all Market-Makers, in that all Market Makers have the opportunity to compete for and achieve the proposed tiers. The enhanced rebates will apply automatically and uniformly to all Market-Makers that achieve the proposed corresponding criteria. While the Exchange has no way of knowing whether this proposed rule change would definitively result in any particular Market-Maker qualifying for the proposed tiers, the Exchange believes that approximately four Market-Makers will reasonably be able to compete for and achieve the proposed criteria in proposed Tier 1 and at least one Market-Maker will be able to achieve proposed Tier 2. The Exchange notes, however, that the proposed tiers are open to any Market-Maker that satisfies the tiers' criteria.

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[20] See, e.g., Nasdaq ISE Pricing Schedule, Section 3, Footnote 5, which provides for tiered rebates for Market-Maker SPY, QQQ, and IWM orders that add liquidity between $0.00-$0.26 per contract.

[21] Id.

The Exchange lastly notes that it does not believe the proposed tiers will adversely impact any TPH's pricing. Rather, should a TPH not meet the proposed criteria, the TPH will merely not receive the enhanced rebates corresponding to Tier 1 or Tier 2, and will instead receive the standard rebate.

The Exchange believes the proposal to adopt credits for BOE Bulk Ports is reasonable, equitable and not unfairly discriminatory because it provides an opportunity for TPHs to pay lower fees for logical connectivity. The Exchange notes that the proposed discount is in line with the discount offered to Market-Makers on its affiliate exchange, Cboe Options.[22] Although only Market-Makers may receive the proposed BOE Bulk Port credits, Market-Makers are valuable market participants that provide liquidity in the marketplace and incur costs that other market participants do not incur. For example, Market-Makers have a number of obligations, including quoting obligations and fees associated with appointments that other market participants do not have. The Exchange also believes that the proposal provides an incentive for TPHs to provide more liquidity to the Exchange. Greater liquidity benefits all market participants by providing more trading opportunities and tighter spreads. The Exchange believes it's also reasonable, equitable and not unfairly discriminatory to provide credits to those Market-Makers that primarily provide and post liquidity to the Exchange, as the Exchange wants to continue to encourage Market-Makers with significant Make Rates to continue to participate on the Exchange and add liquidity. Moreover, the Exchange notes that Market-Makers with a high Make Rate percentage generally require higher amounts of capacity than other Market-Makers. Particularly, Market-Makers with high Make Rates

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[22] See Cboe Options Fees Schedule, Market-Maker Access Credit.

are generally streaming significantly more quotes than those with lower Make Rates. As such, Market-Makers with high Make Rates may incur more costs than other Market-Makers as they may need to purchase multiple BOE Bulk Ports in order to accommodate their capacity needs. The Exchange believes the proposed credits for BOE Bulk Ports encourages Market-Makers to continue to provide liquidity for the Exchange, notwithstanding the costs incurred by purchasing multiple ports. Particularly, the proposal is intended to mitigate the costs incurred by traditional Market-Makers that focus on adding liquidity to the Exchange (as opposed to those that provide and take, or just take).

The Exchange believes the value of the proposed discount is also commensurate with the difficulty to achieve the required thresholds. While the Exchange has no way of predicting with certainty how many and which TPHs will satisfy the proposed criteria to receive the discount, the Exchange anticipates at least two TPHs to satisfy the criteria and receive the discount. The Exchange does not believe the proposed discount will adversely impact any TPH's pricing. Rather, should a TPH not meet the proposed criteria, the TPH will merely not receive the proposed discount.

Lastly, the Exchange believes adopting a definitions section and eliminating outdated language and obsolete fees maintains transparency and clarity in the fees schedule and reduces potential confusion, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, as discussed above, the Exchange believes that the proposed change would encourage the submission of additional to a public exchange, including in certain products (i.e., SPY, AAPL, QQQ, IWM and SLV) thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities for all TPHs. As a result, the Exchange believes that the proposed change furthers the Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."

The Exchange believes the proposed rule change does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed change applies to all similarly situated Trading Permit Holders equally. Additionally, the proposed change is designed to attract additional SPY, AAPL, QQQ, IWM and SLV Public Customer orders that remove liquidity and SPY, AAPL, QQQ, IWM and SLV Market Maker orders that add liquidity to the Exchange. The Exchange believes that the new C2 Market Maker tiered pricing for orders in SPY, AAPL, QQQ, IWM and SLV would incentivize entry on the Exchange of such orders, benefitting both TPHs and public investors and, as a result, provide for deeper levels of liquidity, increasing trading opportunities for other market participants, thus signaling further trading activity, ultimately incentivizing more overall order flow and improving price transparency on the Exchange. Similarly, although the proposed

discount for BOE Bulk Port fees only applies to Market-Makers, Market-Makers are valuable market participants that provide liquidity in the marketplace and incur costs that other market participants do not incur. For example, Market-Makers have a number of obligations, including quoting obligations and fees associated with appointments that other market participants do not have.

Next, the Exchange believes the proposed rule change does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and director their order flow, including 15 other options exchanges and off-exchange venues. Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single options exchange has more than 17% of the market share. Therefore, no exchange possesses significant pricing power in the execution of option order flow. Indeed, participants can readily choose to send their orders to other exchange and off-exchange venues if they deem fee levels at those other venues to be more favorable. Moreover, the Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Specifically, in Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues and, also, recognized that current regulation of the market system "has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies." The fact that this market is competitive has also long been recognized by the courts. In NetCoalition v. Securities

and Exchange Commission, the D.C. Circuit stated as follows: "[n]o one disputes that competition for order flow is 'fierce.' … As the SEC explained, '[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution'; [and] 'no exchange can afford to take its market share percentages for granted' because 'no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers'….". Accordingly, the Exchange does not believe its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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[23] and paragraph (f) of Rule 19b-4[24] 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

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[23] 15 U.S.C. 78s(b)(3)(A).

[24] 17 CFR 240.19b-4(f).

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-C2-2021-005 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-C2-2021-005. 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-C2-2021-005 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.[25]

Secretary

[25] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Cboe U.S. Options Fees Schedules

C2 Options

Effective [February 5] April 1, 2021

* * * * *

The following rates apply to all executions in SPY, AAPL, QQQ, IWM and SLV. Listed rates are per contract.

	Add		Remove	
	Code	Rates	Code	Rates
Public Customer	PY	($0.42)	SC	$0.3[9]7
C2 Market-Maker	SM[1]	($0.2[6]0)	PR	$0.49
C2 Market-Maker, NBBO Joiner or NBBO Setter	SL	($0.31)	N/A	N/A
Non-Customer, Non-Market Maker (Professional Customer, Firm, Broker/Dealer, non-C2 Market-Maker, JBO, etc.)	SN	($0.20)	PP	$0.49
Trades at the Open	OO	FREE	OO	FREE
Resting simple trades with resting complex	CA	FREE	CA	FREE

* * * * *

Fee Codes and Associated Fees:

Fee Code	Description	Fee/(Rebate)
* * * * *		
RS	Routed (Non-Customer, Non-Market Maker), Non-Penny	1.63
SC	Removes Liquidity (Public Customer), SPY, AAPL, QQQ, IWM and SLV	0.3[9]7

SL	Adds Liquidity, NBBO Joiner or NBBO Setter (C2 Market Maker), SPY, AAPL, QQQ, IWM and SLV	(0.31)
SM[1]	Adds Liquidity (C2 Market Maker), SPY, AAPL, QQQ, IWM and SLV	(0.2[6]0)
SN	Adds Liquidity (Non-Customer, Non-Market Maker), SPY, AAPL, QQQ, IWM and SLV	(0.20)
* * * * *		

Definitions:

- "ADAV" means average daily added volume calculated as the number of contracts added per day.
  - ADAV is calculated on a monthly basis, excluding contracts added or removed on any day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during regular trading hours ("Exchange System Disruption") and on any day with a scheduled early market close.
  - Routed contracts are not included in ADAV calculation.
  - With prior notice to the Exchange, a Trading Permit Holder ("TPH") may aggregate ADAV with other TPHs that control, are controlled by, or are under common control with such TPH.
- "OCC Customer Volume" or "OCV" means, the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.
- "Step-Up ADAV" means ADAV in the relevant baseline month subtracted from current ADAV.

Footnotes:

[1] Market Maker Volume Tiers

Applicable to fee code SM

Tier	Fee/Rebate Per Contract	Required Criteria

Tier 1	($0.26)	(1) TPH has an ADAV in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL) ≥ 50,000 contracts; or (2) TPH has a Step-Up ADAV in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL) ≥ 15,000 contracts from March 2021
Tier 2	($0.30)	TPH has an ADAV in Market-Maker orders in SPY, AAPL, QQQ, IWM and SLV (i.e., yielding fee codes SM or SL) ≥ 130,000 contracts

* * * * *

Physical Connectivity Fees:

Assessed to TPHs and non-TPHs

Fee	Cost per Month
Physical Port 1 Gbps[*]	$2,500 per port
Physical Port 10 Gbps[*]	$7,500 per port
Physical Port 1 Gbps (Disaster Recovery)	$2,000 per port
Physical Port 10 Gbps (Disaster Recovery	$6,000 per port

[* Through June 30, 2018, C2 market participants can elect to connect to C2's trading system via either a 1 Gigabit Ethernet or a 10 Gigabit Ethernet Network Access Port. No fees will be assessed for the legacy Network Access Ports.]

TPHs and non-TPHs [may also] connect to C2's trading system via Physical Ports. All Physical Port fees will be prorated based on the remaining trading days in the calendar month. Physical Ports (other than Disaster Recovery Physical Ports) may be used to connect to Cboe BZX, Cboe BYX, Cboe EDGX, and Cboe EDGA. Disaster Recovery Physical Ports may be used to connect to the Disaster Recovery Systems for Cboe BZX, Cboe BYX, Cboe EDGX, Cboe EDGA, Cboe Options and CFE. TPHs and non-TPHs will only be assessed a single fee for any Physical Port or Disaster Recovery Physical Port that accesses the identified exchanges, respectively. The Exchange will pass-through in full any fees or costs in excess of $1,000.00 incurred by the Exchange to complete a cross-connect.

Logical Connectivity Fees:

Service	Cost per Month
Logical Ports (BOE, FIX, Drop)	$650 per port
Bulk BOE Ports 1 – 5	$1,500 per port
Bulk BOE Ports >5	$2,500 per port

Purge ports	$750 per port
GRP Ports	$650/primary (A or C Feed)
Multicast PITCH/Top Spin Server Ports	$650/set of primary (A or C feed)

Logical Ports (BOE and FIX): Each BOE or FIX Logical Port will incur the logical port fee indicated in the table above when used to enter up to 70,000 orders per trading day per logical port as measured on average in a single month. Each incremental usage of up to 70,000 per day per logical port will incur an additional logical port fee of $650 per month. Incremental usage will be determined on a monthly basis based on the average orders per day entered in a single month across all of a market participant's subscribed BOE and FIX Logical Ports.

Bulk BOE Ports: Each Bulk BOE Logical Port will incur the logical port fee indicated in the table above when used to enter up to 30,000,000 orders per trading day per logical port as measured on average in a single month. Each incremental usage of up to 30,000,000 orders per day per BOE Bulk Logical Port will incur an additional logical port fee of $2,500 per month. Incremental usage will be determined on a monthly basis based on the average orders per day entered in a single month across all of a market participant's subscribed BOE Bulk Logical Ports.

Bulk BOE Ports Discount: A Market-Maker will receive a 30% discount on its monthly Bulk BOE Logical Port fees, excluding incremental usage fees, where the Market-Maker (1) has a Step-Up ADAV equal to or greater than 0.025% of OCV from February 2021 and (2) has a "Make Rate" equal to or greater than 85%. The "Make Rate" shall be derived from a Market-Makers volume the previous month in all symbols using the following formula: (i) the Market-Maker's total simple add volume divided by (ii) the Market-Maker's total simple volume. Trades on the open and complex orders will be excluded from the Make Rate calculation. The Exchange will aggregate the trading activity of separate Market-Maker firms for purposes of the discount tier and make rate calculation if there is at least 75% common ownership between the firms as reflected on each firm's Form BD, Schedule A.

Logical port fees are limited to logical ports within the primary data center. No logical port fees will be assessed for redundant secondary data center ports.

Multicast PITCH/Top is available through one of two primary feeds, either the A or C feed. All secondary feed Multicast PITCH/Top Spin Server and GRP Ports are provided for redundancy at no additional cost.

New requests will be prorated for the first month of service. Cancellation requests are billed in full month increments as firms are required to pay for the service for the remainder of the month, unless the session is terminated within the first month of service. [Port fees for BOE, FIX, BOE Bulk and Drop ports will be assessed the full month rates for May for ports available for use on the new trading platform beginning May 14, 2018.] The port fees for BOE, FIX, BOE BULK and Drop ports [added on or after May 15, 2018,] will be pro-rated.

[Facility Fees:]
[PULSe Workstation]

[PULSe Workstation]	[$400/month (per TPH login ID for first 15 login IDs)[1]

	$100/month (per each additional TPH login ID) $400/month (per non- TPH login ID)[2]
[Away-Market Routing]	[$0.02 (per executed contract or share equivalent)]
[PULSe-to-PULSe Routing]	[$50/month (per receiving TPH)]
[COB Feed Fee]	[$50/month (per login ID)]
[Drop Copy (received by TPH customer)]	[$425/month (per sending TPH)[3]
[Drop Copy (received by TPH non-customer)]	[$0.02/contract (capped at $400/month per receiving non-TPH)[4]
[Non-PULSe-to-PULSe Routing (sent by TPH customers)]	[$500/month (per receiving TPH)[5]
[FIX Integration Drop Copy Start-Up	[$500 (per sending TPH or receiving non-TPH, as applicable)[6]
[FIX Integration Drop Copy Cancel]	[$500 (per sending TPH or receiving non-TPH, as applicable)[7]
[Routing Intermediary Certification]	[$5,000]
[Equity Order Reports Fees]	[$250/month]

[Footnotes:

[1] The fee is waived for the first month for the first new user of a TPH.

[2] This fee is waived for the first month for the first new user of a non-TPH. If two or more TPHs make a PULSe login ID available to the same non-broker-dealer customer or to the same non-TPH broker-dealer, the non-TPH login ID fee payable by each TPH will be reduced to $250 per month per login ID.

[3] This fee is payable by a TPH customer receiving drop copies and is $425/month for each TPH broker that sends the TPH customer drop copies via a PULSe workstation.

[4] This fee is payable by a TPH broker sending drop copies and is capped at $400/month for each non-TPH customer to which the TPH broker sends drop copies via a PULSe workstation.

[5] This fee is payable by a TPH customer using a non-PULSe order management system to send orders electronically to a TPH broker's PULSe workstation and is $500/month for each TPH broker with a PULSe workstation to which the TPH customer sends orders. TPH customers who request non-

PULSe-to-PULSe order routing will also receive drop copies from its TPH brokers and must pay the monthly drop copy fee in addition to the in-bound addition fee.

[6] This fee is payable by the TPH responsible for the drop copy fee. If payable by a TPH customer, the fee is $500 for each TPH broker to which the TPH customer requests to connect for receipt of drop copies. If payable by a TPH broker, the fee is $500 for each TPH customer that requesting to connect to the TPH broker for receipt of drop copies.

[7] This fee is payable by the TPH responsible for the drop copy fee. If payable by a TPH customer, the fee is $500 for each TPH broker for which the TPH customer requests to cancel the drop copy functionality. If payable by a TPH broker, the fee is $500 for each TPH customer of the TPH broker that requests to cancel the drop copy functionality.]

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