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Required fields are shown with yellow backgrounds and asterisks.

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

File No.* SR - 2021 - * 016
Amendment No. (req. for Amendments *)

Filing by Cboe BZX 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 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 * Sarah Last Name * Tadtman

Title * Counsel

E-mail * stadtman@cboe.com

Telephone * (913) 815-7203 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 02/10/2021

By Kyle Murray
(Name *)

(Title *)
VP, Associate General Counsel

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

kmurray@cboe.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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.

Item 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" or "BZX") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the Fee Schedule applicable to Members and non-Members[3] of the Exchange pursuant to BZX Rules 15.1(a) and (c). Changes to the Fee Schedule pursuant to this proposal are effective upon filing.

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

(b) Not applicable.

(c) Not applicable.

Item 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 1, 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 Sarah Tadtman, Counsel, (913) 815-7203.

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

2 17 CFR 240.19b-4.

3 A Member is defined as "any registered broker or dealer that has been admitted to membership in the Exchange." See Exchange Rule 1.5(n).

Item 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 the Fee Schedule applicable to its equities trading platform ("BZX Equities") to expand the Lead Market Maker ("LMM") Pricing provided under footnote 14 to include new paragraph (B) entitled "LMM Add Liquidity Rebate." Specifically, the Exchange is proposing a new rebate for LMMs in higher volume BZX-listed securities that is designed to allow an LMM to opt-in to a more traditional LMM incentive than the Exchange's current LMM pricing model. As proposed, the LMM Add Liquidity Rebate would provide an enhanced per share rebate for those BZX-listed securities that meet certain volume thresholds, for which the LMM opts for the security to be included in the LMM Add Liquidity Rebate, and for which the security is a Qualified Security.[4] The proposed rebate is designed to create a more comprehensive liquidity provision program to incentivize LMMs to provide enhanced market quality across all BZX-listed securities, including in higher volume securities where transaction-based incentives may better incentivize liquidity provision than current programs.[5]

The Exchange also proposes to re-letter existing paragraphs (B) and (C) based on the new proposed paragraph, make a ministerial change to the definition of "Qualified

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4 As provided in the Fee Schedule, a "Qualified Security" refers to a BZX-listed security for which the applicable LMM is a Qualified LMM. "Qualified LMM" means an LMM that meets the Minimum Performance Standards.

5 The Exchange initially filed the proposed fee changes February 1, 2021 (SR-CboeBZX-2021-015). On February 10, 2021, the Exchange withdrew that filing and submitted this proposal.

LMM" in the Fee Schedule, and eliminate the Market Depth Tier provided under footnote 1 of the Fee Schedule.

The Exchange currently offers LMM Liquidity Provision Rates which provide LMMs daily incentives that are based on whether the LMM meets certain performance based criteria (i.e., the applicable Minimum Performance Standard[6]).[7] Specifically, the

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[6] As defined in Rule 11.8(e)(1)(E), 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. The Fee Schedule currently references Rule 11.8(e)(1)(D) rather than 11.8(e)(1)(E), and as discussed herein, the Exchange is proposing to amend the Fee Schedule to reference Rule 11.8(e)(1)(E).

[7] The current Minimum Performance Standards include: (i) registration as a market maker in good standing with the Exchange; (ii) time at the inside requirements (generally between 3% and 15% of Regular Trading Hours for Qualified Securities and between 5% to 50% for Enhanced Securities, depending on the average daily volume of the applicable LMM Security); (iii) auction participation requirements (generally requiring that the auction price is between 3% and 5% of the last Reference Price, as defined in Rule 11.23(a)(19), for a Qualified Security and 1%-3% for an Enhanced Security (the "Enhanced Auction Range"); (iv) market-wide NBB and NBO spread and size requirements (generally requiring between 200 and 750 shares at both the NBB and NBO for both Qualified Securities and Enhanced Securities with an NBBO spread between 1% and 10% for a Qualified Security and .25% to 4% for Enhanced Securities, depending on price of the security and underlying asset class); and (v) depth of book requirements (generally requiring between $25,000 and $250,000 of displayed posted liquidity for both Qualified Securities and Enhanced Securities within 1% to 10% of both the NBB and NBO for Qualified Securities and 0.25% and 5% for Enhanced Securities, depending on price of the security and underlying asset class). See Securities Exchange Act No. 86213 (June 27, 2019) 84 FR 31951 (July 3, 2019) (SR-CboeBZX-2019-058) (the "Original Filing"). The Exchange notes that as of February 1, 2021, the Enhanced Auction Range will be .50%-3%. The Original Filing provides that "[b]efore diverging significantly from the ranges described above, the Exchange will submit a rule filing to the Commission describing such proposed changes." The Exchange does not believe that this change represents a "significant divergence" but is instead noting the change in

Exchange provides each LMM with a daily incentive based on how many Qualified Securities or Enhanced Securities[8] the LMM has and the average aggregate daily auction volume in the BZX-listed securities for which it is an LMM ("LMM Securities"). The LMM Liquidity Provision Rates were implemented to incentivize LMMs to meet the Minimum Performance Standards across all of their LMM Securities, especially for newly listed and other lower volume securities.

Now, the Exchange is proposing to offer an opt-in LMM Add Liquidity Rebate of $0.0039 per share to an LMM[9] that elects to participate in the program for a particular Qualified Security. As proposed, an LMM that opts to participate in the LMM Add Liquidity Rebate for a particular LMM Security would not receive the otherwise applicable Liquidity Provision Rate that it would receive under the program today. In order to be eligible for the proposed rebate, the LMM Security must first have a consolidated average daily volume ("CADV")[10] of at least 1,000,000 shares (the "CADV Requirement").[11] Specifically, an LMM may opt in to the program for the next calendar

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order to provide transparency regarding the current state of the Minimum Performance Standards.

8 An "Enhanced Security" refers to a BZX-listed security which meets certain enhanced qualifying market quality standards.

9 Like the Standard and Enhanced Rates provided under the existing LMM Liquidity Provision Rates (i.e., paragraph (A) of footnote 14), the proposed rebate would apply only to MPIDs that are LMMs.

10 "CADV" means consolidated average daily volume calculated as the average daily volume reported for a security by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the three calendar months preceding the month for which the fees apply and excludes volume on days when the market closes early and on the Russell Reconstitution Day.

11 New listings and transferred listings made during a given month will not be eligible for the LMM Add Liquidity Rebate during that month.

month if an LMM Security has a CADV of at least 1,000,000 shares during the prior month. For example, if an LMM Security has a CADV of at least 1,000,000 shares for the month of December 2020, the LMM may opt in to the LMM Add Liquidity Rebate for that security during January 2021, which would apply to its trading in the LMM Security for the month of February 2021. If the LMM Security does not meet the CADV Requirement for a given month, the LMM Security will be automatically un-enrolled from the LMM Add Liquidity Rebate. Like the LMM Liquidity Provision Rates, the LMM must meet the Minimum Performance Standards applicable to Qualified Securities.

For example, assume an LMM opts in to the proposed program for the month of February 2021 in symbol ABCD. If the LMM meets the Minimum Performance Standards for a given trading day, the MPID would receive a rebate per share of $0.0039 in symbol ABCD instead of the rebate normally applied to the Member's trading in the symbol, which could range from $0.0020 to $0.0033 per share. On any trading day in which the LMM does not meet the Minimum Performance Standards in symbol ABCD, the MPID would receive the rebate normally applied to the Member's trading in the symbol. While opting in to the LMM Add Liquidity Rebate would preclude the LMM from receiving the LMM Liquidity Provision Rates for the elected LMM Security, it would not preclude an LMM from achieving other incentives (e.g., LMM Add Volume Tiers).

As discussed above, the LMM Add Liquidity Rebate would be available on a symbol-by-symbol basis for LMM Securities meeting the CADV Requirement. For any security that the LMM does not opt in to the LMM Add Liquidity Rebate, the LMM will continue to participate in the Liquidity Provision Rates by default. An LMM may opt in to the LMM Add Liquidity Rebate program instead of the default LMM Liquidity Provision Rates program for a given LMM Security for the following calendar month. By default, an LMM will be subject to the LMM Liquidity Provision Rates unless it opts in to the LMM Add Liquidity Rebate. Specifically, if an LMM Security is eligible for the LMM Add Liquidity Rebate (i.e., meets the CADV Requirement), an LMM will be able to enroll the LMM Security in the program via the Exchange's ETP Portal. LMM Securities that do not meet the CADV Requirement will be ineligible for the program and will not be available for selection in the ETP Portal. Further, LMM elections will remain the same as the prior month unless changed by the LMM or the LMM Security fails to meet the CADV Requirement.[12]

In addition to the above, the Exchange proposes three additional modifications to the Fee Schedule. First, the Exchange proposes to re-letter existing paragraphs (B) and (C) under footnote 14 based on the proposed amendment to add a new paragraph (B). Second, the Exchange proposes to make a ministerial change to the definition of "Qualified LMM" in the Fee Schedule to reference Rule 11.8(e)(1)(E) instead of (D). Third, the Exchange proposes to eliminate the Market Depth Tier provided under Footnote 1 of the Fee Schedule. The proposal will have no impact on Members as no Member has recently met the Market Depth Tier.

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[12] An LMM must opt in to the LMM Add Liquidity Rebate each time a Qualified Security is eligible for the rebate after having failed to meet the CADV Requirement during the prior month(s).

(b) Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,[13] in general, and furthers the objectives of Section 6(b)(4) and 6(b)(5),[14] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also notes that its listing business operates in a highly competitive market in which market participants, which includes both issuers 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 securities listed on the Exchange.

The Exchange believes that the proposal to adopt incentives based on both Minimum Performance Standards and transactions under the LMM Add Liquidity Rebate is a reasonable means to incentivize market quality in securities listed on the Exchange. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings. Transfers between listing venues occur frequently for numerous reasons, including market quality. As noted above, the LMM Add Liquidity Rebate allows the Exchange to offer LMM pricing comparable to other traditional LMM

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13 15 U.S.C. 78f.

14 15 U.S.C. 78f(b)(4) and (5).

programs available on other listing venues and, as such, 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 and transaction-based metrics.

As stated above, the proposed rebate would continue to encourage LMMs to meet the Minimum Performance Standards for Qualified Securities, but would provide the potential for additional incentives for higher volume securities. The proposed rebate would provide LMMs with the flexibility to opt in to an additional pricing program that better incentivizes LMMs to meet certain market quality metrics in higher volume securities, which, when coupled with the existing LMM Liquidity Provision Rates, would provide a more comprehensive program to incentivize LMMs to provide enhanced market quality across all LMM Securities. Specifically, the LMM Liquidity Provision Rates are designed to incentivize LMMs to meet the Minimum Performance Standards in lower volume securities where transaction-based incentives may not sufficiently incentivize liquidity and the proposed LMM Add Liquidity Rates would incentivize LMMs to meet the Minimum Performance Standards in higher volume securities through the potential of greater economic benefits, which the Exchange believes is reasonable. The Exchange believes the proposal will benefit all investors by both increasing competition among LMMs in higher volume securities and leading to tighter and deeper markets to the benefit of all market participants.

The Exchange believes that it is reasonable only for securities that meet the CADV Requirement to be eligible for the LMM Add Liquidity Rates because the

Exchange does not want to disincentivize LMMs in lower volume securities from meeting the standards applicable to Enhanced Securities. Such lower volume securities generally benefit more from LMMs meeting the standards applicable to Enhanced Securities and the Exchange believes that it is reasonable to continue to require LMMs in securities that do not meet the CADV Requirement to meet such standards in order to maximize their daily payment.

The Exchange believes that it is reasonable to offer the LMM Add Liquidity Rates only for securities that meet the CADV Requirement, because the Exchange generally makes more revenue the greater the trading volume in the trading volume. Specifically, as the proposed incentives are available only in LMM Securities that meet the CADV Requirement, the incentives are generally commensurate with the Exchange's revenue in that LMM Security. Further, the LMM Add Liquidity Rates provide an alternative incentive structure for LMMs that may better incentivize them to meet the required criteria for the LMM Security. The Exchange believes the LMM Add Liquidity Rates adds an alternative rebate structure that, coupled with the LMM Liquidity Provision Rates, would create a comprehensive incentive structure that will encourage participation and, further, competition among LMMs. The Exchange believes that increased participation and competition among LMMs will result in better market quality across all of its listings, resulting in greater market quality to the benefit of investors and other market participants.

The Exchange believes it is reasonable that an LMM forfeit the LMM Liquidity Provision Rates if it opts in to the LMM Add Liquidity Rates. As described above, opting in to the LMM Add Liquidity Rates would allow the possibility of greater economic benefit for LMMs by offering a per share rebate. As a result, LMMs would have the possibility of receiving a higher payment for acting as an LMM in an LMM Security, which the Exchange believes makes it reasonable to remove the stipend style payment that exists under the LMM Liquidity Provision Rates. Furthermore, the proposal is opt-in only; therefore, LMMs may opt not to participate if they do not believe that they would benefit from opting in or if they deem the LMM Add Liquidity Rates insufficient in a given LMM Security.

The Exchange believes that the proposal represents an equitable allocation of payments and is not unfairly discriminatory because, while the proposed payments apply only to LMMs, such LMMs must meet rigorous Minimum Performance Standards in order to receive the proposed rebate. Where an LMM does not meet the Minimum Performance Standards for the applicable LMM Security, they will not be eligible for the proposed rebates. 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.

The Exchange believes that its proposal to eliminate the Market Depth Tier is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities primarily because it will have no impact on Members as no Member has recently met the tier. Removing this tier does not impact any other tiers available to Members and removal of this tier will apply equally to all Members.

The Exchange believes its proposal to re-letter paragraphs (B) and (C) under footnote 14 and amend the definition of Qualified LMM will have no impact on Members of the Exchange as they are ministerial in nature.

Item 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 frequently 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 securities, to the benefit of all investors in BZX-listed securities. The Exchange does not believe the proposed amendment would burden intra-market 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.

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

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

Item 6. <u>Extension of Time Period for Commission Action</u>

Not applicable.

Item 7. <u>Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)</u>

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act[15] and Rule 19b-4(f)(2)[16] thereunder.

(b) The Exchange designates that the proposed rule change establishes or changes a due, fee, or other charge imposed by the Exchange, which renders the proposed rule change effective upon filing with the Securities and Exchange Commission (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 proceedings to determine whether the proposed rule change should be approved or disapproved.

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

[16] 17 CFR 240.19b-4(f)(2).

(c) Not applicable.

(d) Not applicable.

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

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

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

Not applicable.

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

Not applicable.

Item 11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 5. Proposed rule text.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. SR-CboeBZX-2021-016]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the 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 Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe BZX Exchange, Inc. (the "Exchange" or "BZX") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the Fee Schedule. 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/equities/regulation/rule_filings/bzx/), 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 the Fee Schedule applicable to its equities trading platform ("BZX Equities") to expand the Lead Market Maker ("LMM") Pricing provided under footnote 14 to include new paragraph (B) entitled "LMM Add Liquidity Rebate." Specifically, the Exchange is proposing a new rebate for LMMs in higher volume BZX-listed securities that is designed to allow an LMM to opt-in to a more traditional LMM incentive than the Exchange's current LMM pricing model. As proposed, the LMM Add Liquidity Rebate would provide an enhanced per share rebate for those BZX-listed securities that meet certain volume thresholds, for which the LMM opts for the security to be included in the LMM Add Liquidity Rebate, and for which the security is a Qualified Security.[3] The proposed rebate is designed to create a more comprehensive liquidity provision program to incentivize LMMs to provide enhanced market quality across all BZX-listed securities, including in higher volume securities

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[3] As provided in the Fee Schedule, a "Qualified Security" refers to a BZX-listed security for which the applicable LMM is a Qualified LMM. "Qualified LMM" means an LMM that meets the Minimum Performance Standards.

where transaction-based incentives may better incentivize liquidity provision than current programs.[4]

The Exchange also proposes to re-letter existing paragraphs (B) and (C) based on the new proposed paragraph, make a ministerial change to the definition of "Qualified LMM" in the Fee Schedule, and eliminate the Market Depth Tier provided under footnote 1 of the Fee Schedule.

The Exchange currently offers LMM Liquidity Provision Rates which provide LMMs daily incentives that are based on whether the LMM meets certain performance based criteria (i.e., the applicable Minimum Performance Standard[5]).[6] Specifically, the

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4 The Exchange initially filed the proposed fee changes February 1, 2021 (SR-CboeBZX-2021-015). On February 10, 2021, the Exchange withdrew that filing and submitted this proposal.

5 As defined in Rule 11.8(e)(1)(E), 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. The Fee Schedule currently references Rule 11.8(e)(1)(D) rather than 11.8(e)(1)(E), and as discussed herein, the Exchange is proposing to amend the Fee Schedule to reference Rule 11.8(e)(1)(E).

6 The current Minimum Performance Standards include: (i) registration as a market maker in good standing with the Exchange; (ii) time at the inside requirements (generally between 3% and 15% of Regular Trading Hours for Qualified Securities and between 5% to 50% for Enhanced Securities, depending on the average daily volume of the applicable LMM Security); (iii) auction participation requirements (generally requiring that the auction price is between 3% and 5% of the last Reference Price, as defined in Rule 11.23(a)(19), for a Qualified Security and 1%-3% for an Enhanced Security (the "Enhanced Auction Range"); (iv) market-wide NBB and NBO spread and size requirements (generally requiring between 200 and 750 shares at both the NBB and NBO for both Qualified Securities and Enhanced Securities with an NBBO spread between 1% and 10% for a Qualified Security and .25% to 4% for Enhanced Securities, depending on price of the security and underlying asset class); and (v) depth of book requirements (generally requiring between $25,000 and $250,000 of displayed

Exchange provides each LMM with a daily incentive based on how many Qualified Securities or Enhanced Securities[7] the LMM has and the average aggregate daily auction volume in the BZX-listed securities for which it is an LMM ("LMM Securities"). The LMM Liquidity Provision Rates were implemented to incentivize LMMs to meet the Minimum Performance Standards across all of their LMM Securities, especially for newly listed and other lower volume securities.

Now, the Exchange is proposing to offer an opt-in LMM Add Liquidity Rebate of $0.0039 per share to an LMM[8] that elects to participate in the program for a particular Qualified Security. As proposed, an LMM that opts to participate in the LMM Add Liquidity Rebate for a particular LMM Security would not receive the otherwise applicable Liquidity Provision Rate that it would receive under the program today. In order to be eligible for the proposed rebate, the LMM Security must first have a consolidated average daily volume ("CADV")[9] of at least 1,000,000 shares (the "CADV

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posted liquidity for both Qualified Securities and Enhanced Securities within 1% to 10% of both the NBB and NBO for Qualified Securities and 0.25% and 5% for Enhanced Securities, depending on price of the security and underlying asset class). See Securities Exchange Act No. 86213 (June 27, 2019) 84 FR 31951 (July 3, 2019) (SR-CboeBZX-2019-058) (the "Original Filing"). The Exchange notes that as of February 1, 2021, the Enhanced Auction Range will be .50%-3%. The Original Filing provides that "[b]efore diverging significantly from the ranges described above, the Exchange will submit a rule filing to the Commission describing such proposed changes." The Exchange does not believe that this change represents a "significant divergence" but is instead noting the change in order to provide transparency regarding the current state of the Minimum Performance Standards.

7 An "Enhanced Security" refers to a BZX-listed security which meets certain enhanced qualifying market quality standards.

8 Like the Standard and Enhanced Rates provided under the existing LMM Liquidity Provision Rates (i.e., paragraph (A) of footnote 14), the proposed rebate would apply only to MPIDs that are LMMs.

9 "CADV" means consolidated average daily volume calculated as the average

Requirement”).[10] Specifically, an LMM may opt in to the program for the next calendar month if an LMM Security has a CADV of at least 1,000,000 shares during the prior month. For example, if an LMM Security has a CADV of at least 1,000,000 shares for the month of December 2020, the LMM may opt in to the LMM Add Liquidity Rebate for that security during January 2021, which would apply to its trading in the LMM Security for the month of February 2021. If the LMM Security does not meet the CADV Requirement for a given month, the LMM Security will be automatically un-enrolled from the LMM Add Liquidity Rebate. Like the LMM Liquidity Provision Rates, the LMM must meet the Minimum Performance Standards applicable to Qualified Securities.

For example, assume an LMM opts in to the proposed program for the month of February 2021 in symbol ABCD. If the LMM meets the Minimum Performance Standards for a given trading day, the MPID would receive a rebate per share of $0.0039 in symbol ABCD instead of the rebate normally applied to the Member’s trading in the symbol, which could range from $0.0020 to $0.0033 per share. On any trading day in which the LMM does not meet the Minimum Performance Standards in symbol ABCD, the MPID would receive the rebate normally applied to the Member’s trading in the symbol. While opting in to the LMM Add Liquidity Rebate would preclude the LMM from receiving the LMM Liquidity Provision Rates for the elected LMM Security, it would not preclude an LMM from achieving other incentives (e.g., LMM Add Volume Tiers).

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daily volume reported for a security by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the three calendar months preceding the month for which the fees apply and excludes volume on days when the market closes early and on the Russell Reconstitution Day.

10 New listings and transferred listings made during a given month will not be eligible for the LMM Add Liquidity Rebate during that month.

As discussed above, the LMM Add Liquidity Rebate would be available on a symbol-by-symbol basis for LMM Securities meeting the CADV Requirement. For any security that the LMM does not opt in to the LMM Add Liquidity Rebate, the LMM will continue to participate in the Liquidity Provision Rates by default. An LMM may opt in to the LMM Add Liquidity Rebate program instead of the default LMM Liquidity Provision Rates program for a given LMM Security for the following calendar month. By default, an LMM will be subject to the LMM Liquidity Provision Rates unless it opts in to the LMM Add Liquidity Rebate. Specifically, if an LMM Security is eligible for the LMM Add Liquidity Rebate (i.e., meets the CADV Requirement), an LMM will be able to enroll the LMM Security in the program via the Exchange's ETP Portal. LMM Securities that do not meet the CADV Requirement will be ineligible for the program and will not be available for selection in the ETP Portal. Further, LMM elections will remain the same as the prior month unless changed by the LMM or the LMM Security fails to meet the CADV Requirement.[11]

In addition to the above, the Exchange proposes three additional modifications to the Fee Schedule. First, the Exchange proposes to re-letter existing paragraphs (B) and (C) under footnote 14 based on the proposed amendment to add a new paragraph (B). Second, the Exchange proposes to make a ministerial change to the definition of "Qualified LMM" in the Fee Schedule to reference Rule 11.8(e)(1)(E) instead of (D). Third, the Exchange proposes to eliminate the Market Depth Tier provided under

[11] An LMM must opt in to the LMM Add Liquidity Rebate each time a Qualified Security is eligible for the rebate after having failed to meet the CADV Requirement during the prior month(s).

Footnote 1 of the Fee Schedule. The proposal will have no impact on Members as no Member has recently met the Market Depth Tier.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,[12] in general, and furthers the objectives of Section 6(b)(4) and 6(b)(5),[13] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also notes that its listing business operates in a highly competitive market in which market participants, which includes both issuers 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 securities listed on the Exchange.

The Exchange believes that the proposal to adopt incentives based on both Minimum Performance Standards and transactions under the LMM Add Liquidity Rebate is a reasonable means to incentivize market quality in securities listed on the Exchange. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings. Transfers between listing venues occur frequently for numerous reasons, including market quality. As noted above, the LMM Add Liquidity

12 15 U.S.C. 78f.

13 15 U.S.C. 78f(b)(4) and (5).

Rebate allows the Exchange to offer LMM pricing comparable to other traditional LMM programs available on other listing venues and, as such, 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 and transaction-based metrics.

As stated above, the proposed rebate would continue to encourage LMMs to meet the Minimum Performance Standards for Qualified Securities, but would provide the potential for additional incentives for higher volume securities. The proposed rebate would provide LMMs with the flexibility to opt in to an additional pricing program that better incentivizes LMMs to meet certain market quality metrics in higher volume securities, which, when coupled with the existing LMM Liquidity Provision Rates, would provide a more comprehensive program to incentivize LMMs to provide enhanced market quality across all LMM Securities. Specifically, the LMM Liquidity Provision Rates are designed to incentivize LMMs to meet the Minimum Performance Standards in lower volume securities where transaction-based incentives may not sufficiently incentivize liquidity and the proposed LMM Add Liquidity Rates would incentivize LMMs to meet the Minimum Performance Standards in higher volume securities through the potential of greater economic benefits, which the Exchange believes is reasonable. The Exchange believes the proposal will benefit all investors by both increasing competition among LMMs in higher volume securities and leading to tighter and deeper markets to the benefit of all market participants.

The Exchange believes that it is reasonable only for securities that meet the CADV Requirement to be eligible for the LMM Add Liquidity Rates because the Exchange does not want to disincentivize LMMs in lower volume securities from meeting the standards applicable to Enhanced Securities. Such lower volume securities generally benefit more from LMMs meeting the standards applicable to Enhanced Securities and the Exchange believes that it is reasonable to continue to require LMMs in securities that do not meet the CADV Requirement to meet such standards in order to maximize their daily payment.

The Exchange believes that it is reasonable to offer the LMM Add Liquidity Rates only for securities that meet the CADV Requirement, because the Exchange generally makes more revenue the greater the trading volume in the trading volume. Specifically, as the proposed incentives are available only in LMM Securities that meet the CADV Requirement, the incentives are generally commensurate with the Exchange's revenue in that LMM Security. Further, the LMM Add Liquidity Rates provide an alternative incentive structure for LMMs that may better incentivize them to meet the required criteria for the LMM Security. The Exchange believes the LMM Add Liquidity Rates adds an alternative rebate structure that, coupled with the LMM Liquidity Provision Rates, would create a comprehensive incentive structure that will encourage participation and, further, competition among LMMs. The Exchange believes that increased participation and competition among LMMs will result in better market quality across all of its listings, resulting in greater market quality to the benefit of investors and other market participants.

The Exchange believes it is reasonable that an LMM forfeit the LMM Liquidity Provision Rates if it opts in to the LMM Add Liquidity Rates. As described above, opting in to the LMM Add Liquidity Rates would allow the possibility of greater economic benefit for LMMs by offering a per share rebate. As a result, LMMs would have the possibility of receiving a higher payment for acting as an LMM in an LMM Security, which the Exchange believes makes it reasonable to remove the stipend style payment that exists under the LMM Liquidity Provision Rates. Furthermore, the proposal is opt-in only; therefore, LMMs may opt not to participate if they do not believe that they would benefit from opting in or if they deem the LMM Add Liquidity Rates insufficient in a given LMM Security.

The Exchange believes that the proposal represents an equitable allocation of payments and is not unfairly discriminatory because, while the proposed payments apply only to LMMs, such LMMs must meet rigorous Minimum Performance Standards in order to receive the proposed rebate. Where an LMM does not meet the Minimum Performance Standards for the applicable LMM Security, they will not be eligible for the proposed rebates. 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.

The Exchange believes that its proposal to eliminate the Market Depth Tier is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities primarily because it will have no impact on Members as no Member has recently met the tier. Removing this tier does not impact any other tiers available to Members and removal of this tier will apply equally to all Members.

The Exchange believes its proposal to re-letter paragraphs (B) and (C) under footnote 14 and amend the definition of Qualified LMM will have no impact on Members of the Exchange as they are ministerial in nature.

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 frequently 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 securities, to the benefit of all investors in BZX-listed securities. The Exchange does not believe the proposed amendment would burden intra-market 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

The Exchange neither solicited nor received 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[14] and paragraph (f) of Rule 19b-4[15] thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

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

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14 15 U.S.C. 78s(b)(3)(A).

15 17 CFR 240.19b-4(f).

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2021-016 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-2021-016. 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-2021-016 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.[16]

Secretary

[16] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are <u>underlined</u>; deletions are [bracketed])

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Cboe BZX U.S. Equities Exchange Fee Schedule

Effective February 1<u>0</u>, 2021

* * * * *

Definitions:

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"Qualified LMM" means an LMM that meets the Minimum Performance Standards, as defined in Rule 11.8(e)(1)([D]<u>E</u>).

* * * * *

1. Add/Remove Volume Tiers

* * * * *

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

[Tier]	[Rebate Per Share to Add]	[Required Criteria]
[Market Depth Tier]	[($0.0032)]	[(1) Member adds an ADV ≥ 0.70% of the TCV; and (2) Member adds an ADV ≥ 0.12% of the TCV as Non-displayed orders that yield fee codes HB, HI, HV or HY]

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14. Lead Market Maker ("LMM") Pricing

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<u>(B) LMM Add Liquidity Rebate</u>

LMMs in BZX-listed securities that have a CADV $\geq$ 1,000,000 (an "ALR Security") are eligible to opt-in to the LMM Add Liquidity Rebate for such ALR Securities for a calendar month on a security-by-security basis. Where such LMM opts-in and is a Qualified LMM in the ALR Security, the LMM will receive an enhanced rebate of $0.0039 per share instead of any other applicable rebate for transactions in the ALR Security.

LMMs that opt-in to the LMM Add Liquidity Rebate will not be eligible for the LMM Liquidity Provision Rates described above for the applicable ALR Security, but remain eligible to achieve other incentives and tiers unless otherwise explicitly excluded.

([B]C) LMM Closing Auction Rates:

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([C]D) LMM Add Volume Tiers:

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