

Required fields are shown with yellow backgrounds and asterisks.

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

File No. * SR 2022 - * 034

Amendment No. (req. for Amendments *)

Filing by Cboe BZX Exchange, Inc.

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

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

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
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 its Fee Schedule.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Courtney Last Name * Smith

Title * Counsel

E-mail * csmith@cboe.com

Telephone * (913) 815-7046 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Cboe BZX Exchange, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 06/13/2022 (Title *)

By Kyle Murray (Name *) VP, Associate General Counsel

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

Kyle Murray Date: 2022.06.13
15:33:06 -05'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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22-034 (BZX Fees - June 2nd refile) 1

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

Exhibit 1 - Notice of Proposed Rule Change *

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22-034 (BZX Fees - June 2nd refile) E

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 Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

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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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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22-034 (BZX Fees - June 2nd refile) E

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of the Proposed Rule Change

(a) Cboe BZX Exchange, Inc. (the “Exchange” or BZX) proposes to amend its Fee Schedule. The text of the proposed rule change is provided in Exhibit 5.

(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 June 1, 2022.

(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 Courtney Smith, (913) 815-7046, Cboe BZX Exchange, Inc., 433 West Van Buren Street, Chicago, Illinois 60607.

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 its Fee Schedule applicable to its equities trading platform (“BZX Equities”) by: (i) adopting a new NBBO Setter Program that, generally speaking, provides an additive rebate for executions in certain securities for MPIDs that add displayed liquidity to the Exchange at a more aggressive price than the current NBBO¹ and (ii) modifying the criteria in Step Up Tier 2.² The Exchange also proposes to delete certain definitions from its Fee Schedule that are no longer applicable.

¹ See Exchange Rule 1.5(o) (“NBB, NBO and NBBO”).

² The Exchange initially filed the proposed fee changes on June 1, 2022 (SR-CboeBZX-2022-032). On June 2, 2022, the Exchange withdrew that filing and

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 registered equities exchanges, as well as a number of alternative trading systems and other off-exchange venues that do not have similar self-regulatory responsibilities under the Exchange Act, to which market participants may direct their order flow. Based on publicly available information,³ no single registered equities exchange has more than 17% of the market share. Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow. The Exchange in particular operates a “Maker-Taker” model whereby it pays rebates to members that add liquidity and assesses fees to those that remove liquidity.

The Exchange’s Fee Schedule sets forth the standard rebates and rates applied per share for orders that provide and remove liquidity, respectively. Currently, for orders in securities priced at or above \$1.00, the Exchange provides a standard rebate of \$0.00160 per share for orders that add liquidity and assesses a fee of \$0.0030 per share for orders that remove liquidity. For orders in securities priced below \$1.00, the Exchange does not provide a rebate or assess a fee for orders that add liquidity and assesses a fee of 0.30% of total dollar value for orders that remove liquidity. Additionally, in response to the

submitted filing SR-CboeBZX-2022-033. On June 13, 2022, the Exchange withdrew that filing and submitted this filing.

³ See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (May 26, 2022), available at https://markets.cboe.com/us/equities/market_statistics/.

competitive environment, the Exchange also offers tiered pricing, which provides Members with opportunities to qualify for higher rebates or lower fees where certain volume criteria and thresholds are met. Tiered pricing provides an incremental incentive for Members to strive for higher tier levels, which provides increasingly higher benefits or discounts for satisfying more stringent criteria.

Addition of NBBO Setter Program

The Exchange proposes to adopt a new volume-based incentive program, referred to by the Exchange as the NBBO Setter Program (the “Program”), designed to improve market quality on the Exchange in certain securities.⁴ Under the proposed Program, qualifying orders in specific securities that yield fee codes B⁵, V⁶, and Y⁷ will be eligible for the proposed additive rebate under proposed Tier 1 of the NBBO Setter Program (“NBBO Setter Tier”). More specifically, under the proposed new tier, the Exchange will provide an additional rebate of \$0.0003 per share to MPIDs that have a Step-Up Setter

⁴ The Exchange proposes to codify the new Program under proposed Footnote 20 of the Fee Schedule.

⁵ Orders yielding Fee Code “B” are displayed orders adding liquidity to BZX (Tape B).

⁶ Orders yielding Fee Code “V” are displayed orders adding liquidity to BZX (Tape A).

⁷ Orders yielding Fee Code “Y” are displayed orders adding liquidity to BZX (Tape C).

ADAV^{8,9,10} from May 2022 that is equal to or greater than 350,000 for orders in NBBO Setter Securities¹¹ that establish a new Setter NBBO.¹²

The \$0.0003 per share additive rebate will be provided in addition to all other rebates that are otherwise applicable to each of an MPID's qualifying orders that are eligible for the additive rebate under the NBBO Setter Tier. For example, the standard rebate for an execution yielding fee code B is \$0.0016 per share (assume the execution occurred in a security priced above \$1.00). A Member with an ADAV of 15,000,000 shares would qualify for Add Volume Tier 1 under footnote 1 and would instead receive an enhanced rebate of \$0.0020 per share. If such Member achieved this ADAV and also

⁸ As proposed, "Step-Up Setter ADAV" means Baseline Setter ADAV in the relevant baseline month subtracted from Current Setter ADAV.

⁹ As proposed, "Baseline Setter ADAV" means ADAV calculated as the number of displayed shares added per day that establish a new NBBO in NBBO Setter Securities.

¹⁰ As proposed, "Current Setter ADAV" means ADAV calculated as the number of displayed shares added per day that establish a new Setter NBBO in NBBO Setter Securities.

¹¹ As proposed, "NBBO Setter Securities" means a list of securities included in the NBBO Setter Program, the universe of which will be determined by the Exchange and published in a Notice distributed to Members and on the Exchange's website. At the outset, NBBO Setter Securities will include a number of large cap equity securities and select ETPs for which the Exchange wishes to incentivize enhanced liquidity provision. The Exchange anticipates that the NBBO Setter Securities list will generally include between 500 – 800 securities and may be periodically updated by the Exchange, provided that the Exchange will not remove a security from the NBBO Setter Securities list without at least 30 days' prior notice to Members (unless the security is no longer eligible for trading on the Exchange). The initial set of NBBO Setter Securities will be comprised of approximately 550 securities.

¹² As proposed, "Setter NBBO" means a quotation of at least 100 shares that is better than the NBBO or a quotation of a notional size of at least \$10,000.00 that is better than the NBBO. A quotation of at least 100 shares or a quotation of a notional size of at least \$10,000 that merely joins the NBBO (i.e., is "at" the NBBO) will not qualify as a Setter NBBO.

had a Step-Up Setter ADAV of 350,000 shares in NBBO Setter Securities, the Member would also qualify for the NBBO Setter Tier additive rebate and would receive a total rebate of \$0.0023 per share on the 350,000 shares that qualified for NBBO Setter Tier (representing the original, enhanced rebate of \$0.0020 per share plus the \$0.0003 incentive).

The Exchange notes that it has previously offered similar NBBO Setter Tiers, but eliminated these tiers effective March 1, 2019¹³. The Exchange is now proposing to re-introduce similar incentives to encourage Members to contribute to market quality on the Exchange.

Step Up Tier 2

The Step-Up Tiers set forth in footnote 2 of the Fee Schedule provide Members an opportunity to qualify for an enhanced rebate for liquidity adding orders that yield fee codes B¹⁴, V¹⁵, and Y¹⁶ where they increase their relative liquidity each month over a predetermined baseline. The Exchange notes that Step-Up Tiers are designed to encourage Members that provide displayed liquidity on the Exchange to increase their order flow, which would benefit all Members by providing greater execution opportunities on the Exchange. Tier 2 of the Step-Up Tiers provides an enhanced rebate

¹³ See Securities Exchange Act Release No. 85235 (March 1, 2019), 84 FR 8358 (March 7, 2019) (SR-CboeBZX-2019-012) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule Applicable to Members and Non-Members of the Exchange Pursuant to BZX Rules 15.1(a) and (c)).

¹⁴ Supra note 2.

¹⁵ Supra note 3.

¹⁶ Supra note 4.

of \$0.0032 per share to a Member that (1) has a Step-Up ADAV¹⁷ from June 2021 greater than or equal to 10,000,000 or a Step-Up Add TCV¹⁸ from June 2021 greater than or equal to 0.10% and (2) the Member has an ADV greater than or equal to 0.30% of the TCV¹⁹ or the Member has an ADV²⁰ greater than or equal to 35,000,000.

The Exchange now proposes to update the current Step-Up ADAV baseline month from June 2021 to January 2022. The Exchange believes that the change will provide a more current ADAV baseline for Members who seek to receive a rebate pursuant to Step-Up Tier 2. Overall, the Step-Up tiers, including Step-Up Tier 2 as amended, are designed to provide Members with an additional opportunity to receive an enhanced rebate by increasing their order flow to the Exchange, which further contributes to a deeper, more liquid market and provides even more execution opportunities for active market participants. The Exchange does not propose to change any other criteria for Step-Up Tier 2 outside of the baseline month used to calculate ADAV.

The Exchange also proposes to remove the definition of “Setter Add TCV” from its Fee Schedule as the definition is no longer applicable. The Exchange believes this change is non-substantive and will benefit Members by providing a more accurate description of terms currently used within its Fee Schedule.

¹⁷ Supra note 5.

¹⁸ “Step-Up Add TCV” means ADAV as a percentage of TCV in the relevant baseline month subtracted from current ADAV as a percentage of TCV.

¹⁹ “TCV” means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

²⁰ “ADV” means average daily volume calculated as the number of shares added or removed, combined, per day.

The Exchange notes that the introduction of the NBBO Setter Program and the revision to Step-Up Tier 2 will be available to all Members and will provide Members an opportunity to receive enhanced rebates. Moreover, the proposed changes are designed to encourage Members that provide displayed liquidity on the Exchange to increase their overall add volume order flow, which would benefit all Members by providing greater execution opportunities on the Exchange and to contribute to a deeper, more liquid market, to the benefit of all investors.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²¹

Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²² requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with

²¹ 15 U.S.C. 78f(b).

²² 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)²³ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed NBBO Setter Tier is reasonable, equitable, and not unfairly discriminatory. The proposed NBBO Setter Tier reflects a competitive pricing structure designed to incentivize participants to direct their order flow to the Exchange and enhance market quality in NBBO Setter Securities. Particularly, the Exchange believes the proposed tier, which provides an additional rebate to qualifying orders, provides a reasonable means to encourage overall growth in Members' MPID order flow that establishes a Setter NBBO in NBBO Setter Securities. An overall increase in activity would deepen the Exchange's liquidity pool, offer more narrow spreads, support the quality of price discovery, promote market transparency, and improve market quality for all investors. The Exchange believes that its proposed definition of NBBO Setter Securities is reasonable, equitable and not unfairly discriminatory because the Exchange has identified such securities as securities for which it would like to inject additional quoting competition, which it believes will generally act to narrow spreads, increase size at the inside, and increase liquidity depth in such securities. The Exchange also believes that the proposed definition of Setter NBBO is reasonable in that it provides MPIDs alternative ways to qualify for a rebate in NBBO Setter Securities and encourages MPIDs to quote at the NBBO in higher-priced securities in which Members might not otherwise quote at least 100 shares due to the higher notional value associated with securities priced over \$100.00. For example, if an MPID wanted to set the NBBO in Alphabet Inc., the MPID would, under the Exchange's

²³

Id.

standard definition of NBBO,²⁴ have to provide a round lot quotation priced better than approximately \$2,228.55²⁵, which equates to a notional value of \$222,855.00. Under the Exchange's proposed Setter NBBO definition, however, the MPID could qualify for the additive rebate under the NBBO Setter Tier by providing an odd lot quotation in Alphabet Inc. with a notional value of at least \$10,000.00 that "sets" (i.e., is better than) the NBBO. The Exchange believes that allowing MPIDs to qualify for the additive rebate under NBBO Setter Tier by satisfying the definition of Setter NBBO with either a quotation of at least 100 shares better than the NBBO or an odd lot quotation better than the NBBO with a notional value of at least \$10,000.00 will promote price discovery and market quality in NBBO Setter Securities and, further, that the tightened spreads and increased liquidity from the proposal will benefit all investors by deepening the Exchange's liquidity pool, offering the potential for execution at more aggressive prices, supporting the quality of price discovery, enhancing quoting competition across exchanges, promoting market transparency, and improving investor protection.

In addition, the Exchange believes its definitions of "Baseline Setter ADAV," "Current Setter ADAV," and "Step-Up Setter ADAV" are reasonable, equitable and not unfairly discriminatory because the definitions will apply to all MPIDs equally and describe how an MPID may qualify for an enhanced rebate under the NBBO Setter Tier. The Exchange also believes that it is reasonable to apply different methods for calculating Baseline Setter ADAV and Current Setter ADAV. Specifically, Baseline

²⁴ Supra note 1.

²⁵ Pricing data for Alphabet Inc. sourced from <https://finance.yahoo.com/quote/GOOG?p=GOOG&.tsrc=fin-srch> (last accessed June 13, 2022).

Setter ADAV includes only round lot quotations that set the NBBO while Current Setter ADAV includes both quotations of at least 100 shares that are better than the NBBO *and* quotation of a notional size of at least \$10,000.00 that is better than the NBBO. As such, Current Setter ADAV is by definition always equally or more inclusive than Baseline Setter ADAV and can only act to the advantage of Members in meeting the NBBO Setter Tier.²⁶ Accordingly, the Exchange believes that the proposal is reasonable, equitably allocated, and not unfairly discriminatory because it is consistent with the overall goal of enhancing market quality.

The Exchange notes that the proposed NBBO Setter Tier is not dissimilar from other volume-based rebates and fees (“Volume Tiers”) that have been widely adopted by exchanges, including the Exchange, and are equitable and not unfairly discriminatory because they are open to all members on an equal basis and provide higher rebates that are reasonably related to the value of an Exchange’s market quality. Much like Volume Tiers are generally designed to incentivize higher levels of liquidity provision and/or growth patterns on the Exchange, the proposed NBBO Setter Tier is designed to

²⁶ While the Baseline Setter ADAV is calculated using round lots, which may be less than 100 shares for certain securities, and the Current Setter ADAV is calculated using at least 100 shares or \$10,000.00 in notional size, the Current Setter ADAV remains more inclusive than the Baseline Setter ADAV because the \$10,000.00 notional size criteria is less than the notional value of a round lot for the only security with a round lot under 100 shares that will be an NBBO Setter Security. Specifically, ticker NVR requires a quotation of only 10 shares in order to establish a round lot quotation and be included in the Baseline Setter ADAV. All other NBBO Setter Securities initially selected by the Exchange require a quotation of at least 100 shares to establish a round lot quotation. While NVR requires a quotation of fewer shares to establish a round lot, for the entirety of the baseline month of May 2022, a quote in NVR would have satisfied the \$10,000.00 notional size criteria with a quotation of less than 10 shares, meaning that the Current Setter ADAV criteria remains more inclusive than the Baseline Setter ADAV criteria.

incentivize enhanced market quality on the Exchange through tighter spreads, greater size at the inside, and greater quoting depth in NBBO Setter Securities by offering an additive rebate in NBBO Setter Securities. As such, the Exchange believes the proposed additive rebate in qualifying orders for NBBO Setter Securities will act to enhance liquidity and competition across exchanges in NBBO Setter Securities by providing a rebate reasonably related to such enhanced market quality to the benefit of all investors, thereby promoting the principles discussed in Section 6(b)(5) of the Act.²⁷ Additionally, the Exchange notes that the proposed tier is comparable to other pricing tiers adopted by the Exchange and other exchanges that provide an enhanced rebate or supplemental incentive for firms that achieve a specified volume threshold in a specified group of securities.²⁸

The Exchange also believes that the proposed change to the baseline month calculation in Step-Up Tier 2 is reasonable in that it will provide a more current calculation on which the ADAV or TCV criteria may be satisfied. Step-Up Tier 2 will continue to be available to all Members and provide all Members with an additional opportunity to receive an enhanced rebate, albeit using slightly modified criteria. The Exchange further believes Step-Up Tier 2, even as amended, continues to provide a reasonable means to encourage overall growth in Members' order flow to the Exchange and to incentivize Members to continue to provide liquidity adding volume to the Exchange by offering them an additional opportunity to receive an enhanced rebate on qualifying orders. An overall increase in activity would deepen the Exchange's liquidity

²⁷ Supra note 16.

²⁸ See Exchange Fee Schedule, Footnote 13, Tape B Volume and Quoting Tiers. See also MEMX Fee Schedule, Displayed Liquidity Incentive Tiers and Nasdaq Fee Schedule, NBBO Program.

pool, offer additional cost savings, support the quality of price discovery, promote market transparency and improve market quality for all investors.

The Exchange also believes that the proposal represents an equitable allocation of fees and rebates and is not unfairly discriminatory because all Members will be eligible for the the Step-Up Tier 2 and proposed NBBO Setter Tier rebates and have the opportunity to meet the Tiers' criteria and receive the corresponding enhanced or additional rebate if such criteria is met. Without having a view of activity on other markets and off-exchange venues, the Exchange has no way of knowing whether these proposed changes would definitely result in any Members qualifying for the Step-Up Tier 2 or NBBO Setter Tier. While the Exchange has no way of predicting with certainty how the proposed changes will impact Member activity, the Exchange anticipates approximately four Members will be able to compete for and reach the criteria under Step-Up Tier 2, as amended, and anticipates approximately three to five Members will be able to compete for and reach the criteria under proposed NBBO Setter Tier. The Exchange also notes that proposed changes will not adversely impact any Member's ability to qualify for reduced fees or enhanced rebates offered under other tiers. Should a Member not meet the proposed new criteria or proposed new NBBO Setter Tier, the Member will merely not receive that corresponding enhanced or additional rebate.

The Exchange also believes that the clarifying change to delete a non-applicable definition (i.e., the "Setter Add TCV" definition) from the Definitions section of the Fee Schedule is reasonable, fair and equitable and non-discriminatory because it is non-substantive and is designed to make sure that the Fee Schedule is as clear and understandable as possible. The Exchange notes the Setter Add TCV definition was only

applicable to a former NBBO setter program that the Exchange no longer maintains and is not otherwise applicable to any fees, rebates or other incentive programs.

Item 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 competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 NBBO Setter Tier will be eligible to all Members' MPIDsequally in that all Members' MPIDs have the opportunity to submit orders that could set the Setter NBBO and therefore qualify for the proposed additive rebate in NBBO Setter Securities. Furthermore, the Exchange believes that the proposed NBBO Setter Tier would incentivize Members to submit additional aggressively priced displayed liquidity to the Exchange, and to increase their order flow on the Exchange generally, thereby contributing to a deeper and more liquid market and promoting price discovery and market quality on the Exchange to the benefit of all market participants and enhancing the attractiveness of the Exchange as a trading venue, which the Exchange believes, in turn, would continue to encourage market participants to direct additional order flow to the Exchange. Greater liquidity benefits all Members by providing more trading opportunities and encourages Members to send additional orders to the Exchange, thereby contributing to robust levels of liquidity, which benefits all market participants. The proposed change to the baseline ADAV calculation in Step-Up Tier 2 equally does not impose a burden on intramarket competition that is not in furtherance of the Act in

that the proposed change applies to all Members equally and will incentivize Members to increase their order flow on the Exchange by providing a more current baseline upon which the ADAV or TCV is based. The only proposed change to Step-Up Tier 2 is to the baseline month on which the ADAV or TCV will be calculated in order for a Member to be eligible to receive the enhanced rebate. The proposed non-substantive change to the Definitions section of the Fee Schedule is similarly non-burdensome as it will be available to all Members and provide a clear description of the terms applicable to the Fee Schedule.

The Exchange notes that its proposed NBBO Setter Program does not impose a burden on intermarket competition as the proposal is intended to increase competition in U.S. equity securities that the Exchange believes will contribute to a deeper and more liquid market in these securities, which would in turn promote price discovery and market quality on the Exchange to the benefit of all market participants and enhancing the attractiveness of the Exchange as a trading venue, which the Exchange believes, in turn, would continue to encourage market participants to direct additional order flow to the Exchange. The Exchange does not believe that the proposed changes represent a significant departure from pricing current offered by the Exchange or pricing offered by other equities exchanges. Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and direct their order flow,

including other equities exchanges, off-exchange venues, and alternative trading systems. Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single equities exchange has more than 17% of the market share.²⁹ Therefore, no exchange possesses significant pricing power in the execution of 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.”³⁰ 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

²⁹ Supra note 1.

³⁰ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

monopoly, regulatory or otherwise, in the execution of order flow from broker dealers' ...".³¹

Item 5. 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.

Item 6. Extension of Time Period for Commission Action

Not applicable.

Item 7. 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)

(a) The proposed rule change is filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act³² and Rule 19b-4(f)(2)³³ 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

³¹ NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

³² 15 U.S.C. 78s(b)(3)(A).

³³ 17 CFR 240.19b-4(f)(2).

Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

(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 2-4. Not applicable.

Exhibit 5. Proposed rule text.

EXHIBIT 1**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CboeBZX-2022-034]

[Insert date]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amend its Fee Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on [insert date], Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The 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) proposes to amend its 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.

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 applicable to its equities trading platform (“BZX Equities”) by: (i) adopting a new NBBO Setter Program that, generally speaking, provides an additive rebate for executions in certain securities for MPIDs that add displayed liquidity to the Exchange at a more aggressive price than the current NBBO³ and (ii) modifying the criteria in Step Up Tier 2.⁴ The Exchange also proposes to delete certain definitions from its Fee Schedule that are no longer applicable.

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 registered equities exchanges, as well as a

³ See Exchange Rule 1.5(o) (“NBB, NBO and NBBO”).

⁴ The Exchange initially filed the proposed fee changes on June 1, 2022 (SR-CboeBZX-2022-032). On June 2, 2022, the Exchange withdrew that filing and submitted filing SR-CboeBZX-2022-033. On June 13, 2022, the Exchange withdrew that filing and submitted this filing.

number of alternative trading systems and other off-exchange venues that do not have similar self-regulatory responsibilities under the Exchange Act, to which market participants may direct their order flow. Based on publicly available information,⁵ no single registered equities exchange has more than 17% of the market share. Thus, in such a low-concentrated and highly competitive market, no single equities exchange possesses significant pricing power in the execution of order flow. The Exchange in particular operates a “Maker-Taker” model whereby it pays rebates to members that add liquidity and assesses fees to those that remove liquidity.

The Exchange’s Fee Schedule sets forth the standard rebates and rates applied per share for orders that provide and remove liquidity, respectively. Currently, for orders in securities priced at or above \$1.00, the Exchange provides a standard rebate of \$0.00160 per share for orders that add liquidity and assesses a fee of \$0.0030 per share for orders that remove liquidity. For orders in securities priced below \$1.00, the Exchange does not provide a rebate or assess a fee for orders that add liquidity and assesses a fee of 0.30% of total dollar value for orders that remove liquidity. Additionally, in response to the competitive environment, the Exchange also offers tiered pricing, which provides Members with opportunities to qualify for higher rebates or lower fees where certain volume criteria and thresholds are met. Tiered pricing provides an incremental incentive for Members to strive for higher tier levels, which provides increasingly higher benefits or discounts for satisfying more stringent criteria.

⁵ See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (May 26, 2022), available at https://markets.cboe.com/us/equities/market_statistics/.

Addition of NBBO Setter Program

The Exchange proposes to adopt a new volume-based incentive program, referred to by the Exchange as the NBBO Setter Program (the “Program”), designed to improve market quality on the Exchange in certain securities.⁶ Under the proposed Program, qualifying orders in specific securities that yield fee codes B⁷, V⁸, and Y⁹ will be eligible for the proposed additive rebate under proposed Tier 1 of the NBBO Setter Program (“NBBO Setter Tier”). More specifically, under the proposed new tier, the Exchange will provide an additional rebate of \$0.0003 per share to MPIDs that have a Step-Up Setter

⁶ The Exchange proposes to codify the new Program under proposed Footnote 20 of the Fee Schedule.

⁷ Orders yielding Fee Code “B” are displayed orders adding liquidity to BZX (Tape B).

⁸ Orders yielding Fee Code “V” are displayed orders adding liquidity to BZX (Tape A).

⁹ Orders yielding Fee Code “Y” are displayed orders adding liquidity to BZX (Tape C).

ADAV^{10,11,12} from May 2022 that is equal to or greater than 350,000 for orders in NBBO Setter Securities¹³ that establish a new Setter NBBO.¹⁴

The \$0.0003 per share additive rebate will be provided in addition to all other rebates that are otherwise applicable to each of an MPID's qualifying orders that are eligible for the additive rebate under the NBBO Setter Tier. For example, the standard rebate for an execution yielding fee code B is \$0.0016 per share (assume the execution occurred in a security priced above \$1.00). A Member with an ADAV of 15,000,000 shares would qualify for Add Volume Tier 1 under footnote 1 and would instead receive an enhanced rebate of \$0.0020 per share. If such Member achieved this ADAV and also

¹⁰ As proposed, "Step-Up Setter ADAV" means Baseline Setter ADAV in the relevant baseline month subtracted from Current Setter ADAV.

¹¹ As proposed, "Baseline Setter ADAV" means ADAV calculated as the number of displayed shares added per day that establish a new NBBO in NBBO Setter Securities.

¹² As proposed, "Current Setter ADAV" means ADAV calculated as the number of displayed shares added per day that establish a new Setter NBBO in NBBO Setter Securities.

¹³ As proposed, "NBBO Setter Securities" means a list of securities included in the NBBO Setter Program, the universe of which will be determined by the Exchange and published in a Notice distributed to Members and on the Exchange's website. At the outset, NBBO Setter Securities will include a number of large cap equity securities and select ETPs for which the Exchange wishes to incentivize enhanced liquidity provision. The Exchange anticipates that the NBBO Setter Securities list will generally include between 500 – 800 securities and may be periodically updated by the Exchange, provided that the Exchange will not remove a security from the NBBO Setter Securities list without at least 30 days' prior notice to Members (unless the security is no longer eligible for trading on the Exchange). The initial set of NBBO Setter Securities will be comprised of approximately 550 securities.

¹⁴ As proposed, "Setter NBBO" means a quotation of at least 100 shares that is better than the NBBO or a quotation of a notional size of at least \$10,000.00 that is better than the NBBO. A quotation of at least 100 shares or a quotation of a notional size of at least \$10,000 that merely joins the NBBO (i.e., is "at" the NBBO) will not qualify as a Setter NBBO.

had a Step-Up Setter ADAV of 350,000 shares in NBBO Setter Securities, the Member would also qualify for the NBBO Setter Tier additive rebate and would receive a total rebate of \$0.0023 per share on the 350,000 shares that qualified for NBBO Setter Tier (representing the original, enhanced rebate of \$0.0020 per share plus the \$0.0003 incentive).

The Exchange notes that it has previously offered similar NBBO Setter Tiers, but eliminated these tiers effective March 1, 2019¹⁵. The Exchange is now proposing to re-introduce similar incentives to encourage Members to contribute to market quality on the Exchange.

Step Up Tier 2

The Step-Up Tiers set forth in footnote 2 of the Fee Schedule provide Members an opportunity to qualify for an enhanced rebate for liquidity adding orders that yield fee codes B¹⁶, V¹⁷, and Y¹⁸ where they increase their relative liquidity each month over a predetermined baseline. The Exchange notes that Step-Up Tiers are designed to encourage Members that provide displayed liquidity on the Exchange to increase their order flow, which would benefit all Members by providing greater execution opportunities on the Exchange. Tier 2 of the Step-Up Tiers provides an enhanced rebate

¹⁵ See Securities Exchange Act Release No. 85235 (March 1, 2019), 84 FR 8358 (March 7, 2019) (SR-CboeBZX-2019-012) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fee Schedule Applicable to Members and Non-Members of the Exchange Pursuant to BZX Rules 15.1(a) and (c)).

¹⁶ Supra note 4.

¹⁷ Supra note 5.

¹⁸ Supra note 6.

of \$0.0032 per share to a Member that (1) has a Step-Up ADAV¹⁹ from June 2021 greater than or equal to 10,000,000 or a Step-Up Add TCV²⁰ from June 2021 greater than or equal to 0.10% and (2) the Member has an ADV greater than or equal to 0.30% of the TCV²¹ or the Member has an ADV²² greater than or equal to 35,000,000.

The Exchange now proposes to update the current Step-Up ADAV baseline month from June 2021 to January 2022. The Exchange believes that the change will provide a more current ADAV baseline for Members who seek to receive a rebate pursuant to Step-Up Tier 2. Overall, the Step-Up tiers, including Step-Up Tier 2 as amended, are designed to provide Members with an additional opportunity to receive an enhanced rebate by increasing their order flow to the Exchange, which further contributes to a deeper, more liquid market and provides even more execution opportunities for active market participants. The Exchange does not propose to change any other criteria for Step-Up Tier 2 outside of the baseline month used to calculate ADAV.

The Exchange also proposes to remove the definition of “Setter Add TCV” from its Fee Schedule as the definition is no longer applicable. The Exchange believes this change is non-substantive and will benefit Members by providing a more accurate description of terms currently used within its Fee Schedule.

¹⁹ Supra note 7.

²⁰ “Step-Up Add TCV” means ADAV as a percentage of TCV in the relevant baseline month subtracted from current ADAV as a percentage of TCV.

²¹ “TCV” means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

²² “ADV” means average daily volume calculated as the number of shares added or removed, combined, per day.

The Exchange notes that the introduction of the NBBO Setter Program and the revision to Step-Up Tier 2 will be available to all Members and will provide Members an opportunity to receive enhanced rebates. Moreover, the proposed changes are designed to encourage Members that provide displayed liquidity on the Exchange to increase their overall add volume order flow, which would benefit all Members by providing greater execution opportunities on the Exchange and to contribute to a deeper, more liquid market, to the benefit of all investors.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.²³ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁴ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with

²³ 15 U.S.C. 78f(b).

²⁴ 15 U.S.C. 78f(b)(5).

the Section 6(b)(5)²⁵ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed NBBO Setter Tier is reasonable, equitable, and not unfairly discriminatory. The proposed NBBO Setter Tier reflects a competitive pricing structure designed to incentivize participants to direct their order flow to the Exchange and enhance market quality in NBBO Setter Securities. Particularly, the Exchange believes the proposed tier, which provides an additional rebate to qualifying orders, provides a reasonable means to encourage overall growth in Members' MPID order flow that establishes a Setter NBBO in NBBO Setter Securities. An overall increase in activity would deepen the Exchange's liquidity pool, offer more narrow spreads, support the quality of price discovery, promote market transparency, and improve market quality for all investors. The Exchange believes that its proposed definition of NBBO Setter Securities is reasonable, equitable and not unfairly discriminatory because the Exchange has identified such securities as securities for which it would like to inject additional quoting competition, which it believes will generally act to narrow spreads, increase size at the inside, and increase liquidity depth in such securities. The Exchange also believes that the proposed definition of Setter NBBO is reasonable in that it provides MPIDs alternative ways to qualify for a rebate in NBBO Setter Securities and encourages MPIDs to quote at the NBBO in higher-priced securities in which Members might not otherwise quote at least 100 shares due to the higher notional value associated with securities priced over \$100.00. For example, if an MPID

²⁵

Id.

wanted to set the NBBO in Alphabet Inc., the MPID would, under the Exchange’s standard definition of NBBO,²⁶ have to provide a round lot quotation priced better than approximately \$2,228.55²⁷, which equates to a notional value of \$222,855.00. Under the Exchange’s proposed Setter NBBO definition, however, the MPID could qualify for the additive rebate under the NBBO Setter Tier by providing an odd lot quotation in Alphabet Inc. with a notional value of at least \$10,000.00 that “sets” (i.e., is better than) the NBBO. The Exchange believes that allowing MPIDs to qualify for the additive rebate under NBBO Setter Tier by satisfying the definition of Setter NBBO with either a quotation of at least 100 shares better than the NBBO or an odd lot quotation better than the NBBO with a notional value of at least \$10,000.00 will promote price discovery and market quality in NBBO Setter Securities and, further, that the tightened spreads and increased liquidity from the proposal will benefit all investors by deepening the Exchange’s liquidity pool, offering the potential for execution at more aggressive prices, supporting the quality of price discovery, enhancing quoting competition across exchanges, promoting market transparency, and improving investor protection.

In addition, the Exchange believes its definitions of “Baseline Setter ADAV,” “Current Setter ADAV,” and “Step-Up Setter ADAV” are reasonable, equitable and not unfairly discriminatory because the definitions will apply to all MPIDs equally and describe how an MPID may qualify for an enhanced rebate under the NBBO Setter Tier. The Exchange also believes that it is reasonable to apply different methods for

²⁶ Supra note 3.

²⁷ Pricing data for Alphabet Inc. sourced from <https://finance.yahoo.com/quote/GOOG?p=GOOG&.tsrc=fin-srch> (last accessed June 13, 2022).

calculating Baseline Setter ADAV and Current Setter ADAV. Specifically, Baseline Setter ADAV includes only round lot quotations that set the NBBO while Current Setter ADAV includes both quotations of at least 100 shares that are better than the NBBO *and* quotation of a notional size of at least \$10,000.00 that is better than the NBBO. As such, Current Setter ADAV is by definition always equally or more inclusive than Baseline Setter ADAV and can only act to the advantage of Members in meeting the NBBO Setter Tier.²⁸ Accordingly, the Exchange believes that the proposal is reasonable, equitably allocated, and not unfairly discriminatory because it is consistent with the overall goal of enhancing market quality.

The Exchange notes that the proposed NBBO Setter Tier is not dissimilar from other volume-based rebates and fees (“Volume Tiers”) that have been widely adopted by exchanges, including the Exchange, and are equitable and not unfairly discriminatory because they are open to all members on an equal basis and provide higher rebates that are reasonably related to the value of an Exchange’s market quality. Much like Volume

²⁸ While the Baseline Setter ADAV is calculated using round lots, which may be less than 100 shares for certain securities, and the Current Setter ADAV is calculated using at least 100 shares or \$10,000.00 in notional size, the Current Setter ADAV remains more inclusive than the Baseline Setter ADAV because the \$10,000.00 notional size criteria is less than the notional value of a round lot for the only security with a round lot under 100 shares that will be an NBBO Setter Security. Specifically, ticker NVR requires a quotation of only 10 shares in order to establish a round lot quotation and be included in the Baseline Setter ADAV. All other NBBO Setter Securities initially selected by the Exchange require a quotation of at least 100 shares to establish a round lot quotation. While NVR requires a quotation of fewer shares to establish a round lot, for the entirety of the baseline month of May 2022, a quote in NVR would have satisfied the \$10,000.00 notional size criteria with a quotation of less than 10 shares, meaning that the Current Setter ADAV criteria remains more inclusive than the Baseline Setter ADAV criteria.

Tiers are generally designed to incentivize higher levels of liquidity provision and/or growth patterns on the Exchange, the proposed NBBO Setter Tier is designed to incentivize enhanced market quality on the Exchange through tighter spreads, greater size at the inside, and greater quoting depth in NBBO Setter Securities by offering an additive rebate in NBBO Setter Securities. As such, the Exchange believes the proposed additive rebate in qualifying orders for NBBO Setter Securities will act to enhance liquidity and competition across exchanges in NBBO Setter Securities by providing a rebate reasonably related to such enhanced market quality to the benefit of all investors, thereby promoting the principles discussed in Section 6(b)(5) of the Act.²⁹ Additionally, the Exchange notes that the proposed tier is comparable to other pricing tiers adopted by the Exchange and other exchanges that provide an enhanced rebate or supplemental incentive for firms that achieve a specified volume threshold in a specified group of securities.³⁰

The Exchange also believes that the proposed change to the baseline month calculation in Step-Up Tier 2 is reasonable in that it will provide a more current calculation on which the ADAV or TCV criteria may be satisfied. Step-Up Tier 2 will continue to be available to all Members and provide all Members with an additional opportunity to receive an enhanced rebate, albeit using slightly modified criteria. The Exchange further believes Step-Up Tier 2, even as amended, continues to provide a reasonable means to encourage overall growth in Members' order flow to the Exchange and to incentivize Members to continue to provide liquidity adding volume to the

²⁹ Supra note 18.

³⁰ See Exchange Fee Schedule, Footnote 13, Tape B Volume and Quoting Tiers. See also MEMX Fee Schedule, Displayed Liquidity Incentive Tiers and Nasdaq Fee Schedule, NBBO Program.

Exchange by offering them an additional opportunity to receive an enhanced rebate on qualifying orders. An overall increase in activity would deepen the Exchange's liquidity pool, offer additional cost savings, support the quality of price discovery, promote market transparency and improve market quality for all investors.

The Exchange also believes that the proposal represents an equitable allocation of fees and rebates and is not unfairly discriminatory because all Members will be eligible for the the Step-Up Tier 2 and proposed NBBO Setter Tier rebates and have the opportunity to meet the Tiers' criteria and receive the corresponding enhanced or additional rebate if such criteria is met. Without having a view of activity on other markets and off-exchange venues, the Exchange has no way of knowing whether these proposed changes would definitely result in any Members qualifying for the Step-Up Tier 2 or NBBO Setter Tier. While the Exchange has no way of predicting with certainty how the proposed changes will impact Member activity, the Exchange anticipates approximately four Members will be able to compete for and reach the criteria under Step-Up Tier 2, as amended, and anticipates approximately three to five Members will be able to compete for and reach the criteria under proposed NBBO Setter Tier. The Exchange also notes that proposed changes will not adversely impact any Member's ability to qualify for reduced fees or enhanced rebates offered under other tiers. Should a Member not meet the proposed new criteria or proposed new NBBO Setter Tier, the Member will merely not receive that corresponding enhanced or additional rebate.

The Exchange also believes that the clarifying change to delete a non-applicable definition (i.e., the "Setter Add TCV" definition) from the Definitions section of the Fee Schedule is reasonable, fair and equitable and non-discriminatory because it is non-

substantive and is designed to make sure that the Fee Schedule is as clear and understandable as possible. The Exchange notes the Setter Add TCV definition was only applicable to a former NBBO setter program that the Exchange no longer maintains and is not otherwise applicable to any fees, rebates or other incentive programs.

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 competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 NBBO Setter Tier will be eligible to all Members' MPIDsequally in that all Members' MPIDs have the opportunity to submit orders that could set the Setter NBBO and therefore qualify for the proposed additive rebate in NBBO Setter Securities. Furthermore, the Exchange believes that the proposed NBBO Setter Tier would incentivize Members to submit additional aggressively priced displayed liquidity to the Exchange, and to increase their order flow on the Exchange generally, thereby contributing to a deeper and more liquid market and promoting price discovery and market quality on the Exchange to the benefit of all market participants and enhancing the attractiveness of the Exchange as a trading venue, which the Exchange believes, in turn, would continue to encourage market participants to direct additional order flow to the Exchange. Greater liquidity benefits all Members by providing more trading opportunities and encourages Members to send additional orders to the Exchange, thereby contributing to robust levels of liquidity, which benefits all market participants.

The proposed change to the baseline ADAV calculation in Step-Up Tier 2 equally does not impose a burden on intramarket competition that is not in furtherance of the Act in that the proposed change applies to all Members equally and will incentivize Members to increase their order flow on the Exchange by providing a more current baseline upon which the ADAV or TCV is based. The only proposed change to Step-Up Tier 2 is to the baseline month on which the ADAV or TCV will be calculated in order for a Member to be eligible to receive the enhanced rebate. The proposed non-substantive change to the Definitions section of the Fee Schedule is similarly non-burdensome as it will be available to all Members and provide a clear description of the terms applicable to the Fee Schedule.

The Exchange notes that its proposed NBBO Setter Program does not impose a burden on intermarket competition as the proposal is intended to increase competition in U.S. equity securities that the Exchange believes will contribute to a deeper and more liquid market in these securities, which would in turn promote price discovery and market quality on the Exchange to the benefit of all market participants and enhancing the attractiveness of the Exchange as a trading venue, which the Exchange believes, in turn, would continue to encourage market participants to direct additional order flow to the Exchange. The Exchange does not believe that the proposed changes represent a significant departure from pricing current offered by the Exchange or pricing offered by other equities exchanges. Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. As previously

discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and direct their order flow, including other equities exchanges, off-exchange venues, and alternative trading systems. Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single equities exchange has more than 17% of the market share.³¹ Therefore, no exchange possesses significant pricing power in the execution of 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.”³² 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

³¹ Supra note 3.

³² See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

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’ ...”³³

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 Act³⁴ and paragraph (f) of Rule 19b-4³⁵ 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

³³ NetCoalition v. SEC, 615 F.3d 525, 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782-83 (December 9, 2008) (SR-NYSEArca-2006-21)).

³⁴ 15 U.S.C. 78s(b)(3)(A).

³⁵ 17 CFR 240.19b-4(f).

the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CboeBZX-2022-034 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-2022-034. 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-2022-034 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.³⁶

Secretary

³⁶ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

* * * * *

Cboe U.S. Equities Fees Schedules**BZX Equities**

Effective June [2]13, 2022

* * * * *

Fee Codes and Associated Fees:

Fee Code	Description	Fee/(Rebate)
	* * * * *	
B ^{1,2,4,13,14,19,20}	Displayed order, adds liquidity to BZX (Tape B)	(0.00160)
	* * * * *	
V ^{1,2,4,14,19,20}	Displayed order, adds liquidity to BZX (Tape A)	(0.00160)
	* * * * *	
Y ^{1,2,4,14,19,20}	Displayed order, adds liquidity to BZX (Tape C)	(0.00160)
	* * * * *	

* * * * *

Definitions:

* * * * *

- “Baseline Setter ADAV” means ADAV calculated as the number of displayed shares added per day that establish a new NBBO in NBBO Setter Securities.

* * * * *

- “Current Setter ADAV” means ADAV calculated as the number of displayed shares added per day that establish a new Setter NBBO in NBBO Setter Securities.

* * * * *

- “NBBO Setter Securities” means a list of securities included in the NBBO Setter Program, the universe of which will be determined by the Exchange and published in a Notice distributed to Members and on the Exchange’s website. The Exchange will not remove a security from the list of NBBO Setter Securities without 30 days prior notice (unless the security is no longer eligible for trading on the Exchange).

* * * * *

- [“Setter Add TCV” means average daily added volume calculated as the number of displayed shares added that establish a new NBBO as a percentage of TCV.]
- “Setter NBBO” means a quotation of at least 100 shares that is better than the NBBO or a quotation of a notional size of at least \$10,000.00 that is better than the NBBO.

* * * * *

- “Step-Up Setter ADAV” means Baseline Setter ADAV in the relevant baseline month subtracted from Current Setter ADAV.

* * * * *

Footnotes:

* * * * *

2. Step-Up Tiers

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

Tier	Rebate Per Share to Add	Required Criteria
* * * * *		
Tier 2	(\$0.0032)	(1) Member has a Step-Up ADAV from [June 2021] <u>January 2022</u> \geq 10,000,000 or Member has a Step-Up Add TCV from [June 2021] <u>January 2022</u> \geq 0.10%; and (2) Member has an ADV \geq 0.30% of the TCV or Member has an ADV \geq 35,000,000.

* * * * *

20. NBBO Setter Program

Applicable only to orders which establish a new Setter NBBO in NBBO Setter Securities and which are appended with the following fee codes: B, V, or Y.

<u>Tier</u>	<u>Additional Rebate Per Share to Add</u>	<u>Required Criteria</u>
<u>Tier 1</u>	<u>(\$0.0003)</u>	<u>MPID has a Step-Up Setter ADAV from May 2022 \geq 350,000.</u>
