

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, DC 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-PEARL-2021-34, and should be submitted on or before August 16, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**J. Matthew DeLesDernier,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-92445; File No. SR-CboeEDGX-2021-033]

### Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Fee Schedule

July 20, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 13, 2021, Cboe EDGX Exchange, Inc. ("Exchange" or "EDGX") filed with the Securities and Exchange Commission

("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 EDGX Exchange, Inc. (the "Exchange" or "EDGX" or "EDGX Equities") 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/options/regulation/rule\\_filings/edgx/](http://markets.cboe.com/us/options/regulation/rule_filings/edgx/)), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

###### 1. Purpose

The Exchange proposes to amend its Fee Schedule applicable to its equities trading platform ("EDGX Equities") to (1) modify the standard rate for securities priced at or above \$1.00 that remove liquidity, (2) remove certain fee codes in connection with internalization, (3) adopt a new tier under each of the Growth Tiers, the Non-Displayed Step-Up Volume Tier, and the Remove Volume Tiers, and, as a result, define the term "Step-Up ADAV", and (4) eliminate a Remove Volume Tier and a Retail Volume Tier.<sup>3</sup> 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,<sup>4</sup> no single registered equities exchange has more than 16% 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 \$0.00280 per share for orders that remove liquidity. For orders in securities priced below \$1.00, the Exchange provides a standard rebate of \$0.00009 per share 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 opportunities to qualify for higher rebates or reduced 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 increasingly more stringent criteria.

Standard Rate: Securities at or Above \$1.00 That Remove Liquidity

As stated above, the Exchange currently assesses a standard rate of \$0.00280 per share for orders that remove liquidity in securities priced at \$1.00 or more. The Exchange proposes to amend the standard rate for orders that remove liquidity in securities priced at \$1.00 or more from a fee of \$0.00280 per share to \$0.00285 per share and reflects this change in the Fee Codes and Associated Fee where applicable (*i.e.*, corresponding to

<sup>35</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> The Exchange initially filed the proposed fee changes July 1, 2021 (SR-CboeEDGX-2021-031). On July 13, 2021 the Exchange withdrew that filing and submitted this proposal.

<sup>4</sup> See Cboe Global Markets, U.S. Equities Market Volume Summary, Month-to-Date (June 23, 2021), available at [https://markets.cboe.com/us/equities/market\\_statistics/](https://markets.cboe.com/us/equities/market_statistics/).

standard fee codes N, W, 6, BB and ZR). The Exchange notes that the proposed standard rate is in line with, yet also competitive with, rates assessed by other equities exchanges on orders in securities priced at \$1.00 or more.<sup>5</sup>

#### Eliminate Internalization Fee Codes

The Fee Codes and Associate Fees section of the Fee Schedule lists all available fee codes for orders on EDGX. In particular, current fee code EA is appended to internalization<sup>6</sup> orders that add displayed liquidity and current fee code ER is appended to internalization orders that remove displayed liquidity. Orders that yield fee code EA and ER are assessed a fee of \$0.0005 per share in securities priced at or above \$1.00 and 0.15% of the dollar value in securities priced below \$1.00.<sup>7</sup> The Exchange now proposes to eliminate these fee codes. The Exchange notes that a majority of other equities exchanges do not assess different rates for internalization orders, and therefore, in order to remain competitive with rates assessed on orders that add or remove liquidity on most other equities exchanges, the Exchange wishes to also not apply a different rate for such orders that are internalized. Internalization orders that add or remove liquidity will simply yield the applicable existing fee codes for all other orders that add or remove liquidity and receive the same corresponding rates that currently apply to all other orders that add or remove liquidity. For example, an internalization order that adds liquidity in Tape B securities will yield existing fee code B and receive the current corresponding rebate of \$0.00160 for securities priced at or above \$1.00 or \$0.00009 for securities priced below a \$1.00. The Exchange also notes that as a result of the proposed deletion of these fee codes, the proposed rule change deletes footnote 7 of the Fee Schedule, which provides that a

Member's rate for internalization (fee codes EA or ER) decreases to "free" per share per side if a Member adds an ADV of at least 10,000,000 shares.

#### New Growth, Non-Displayed Step-Up Volume, and Remove Volume Tier

Under footnote 1 of the Fee Schedule the Exchange currently offers various Add/Remove Volume Tiers. Specifically, the Exchange offers two Growth Tiers that each provide an enhanced rebate for Members' qualifying orders yielding fee codes B, V, Y, 3 and 4,<sup>8</sup> where a Member reaches certain add volume-based criteria, including "growing" its volume over a certain baseline month. For example, Growth Tier 1 provides an enhanced rebated of \$0.0026 per share on qualifying orders (*i.e.*, orders yielding fee code B, V, Y, 3 and 4) where a Member (1) adds an ADV<sup>9</sup> of greater than or equal to 0.20% of the TCV,<sup>10</sup> and (2) has a Step-Up Add TCV<sup>11</sup> from March 2019 that is greater than or equal to 0.10%. The Exchange also offers one Non-Displayed Step-Up Volume Tiers that provides an enhanced rebate for Members' orders yielding fee codes DM, HA, MM, and RP,<sup>12</sup> where a Member may receive an enhanced rebated of \$0.0025 per share on qualifying orders (*i.e.*, orders yielding fee code DM, HA, MM or RP) where a Member (1) has a Step-Up Add TCV from January 2021 greater than or equal to 0.10%, (2) adds an ADV greater than or equal to 0.50% of the TCV, and (3) removes an ADV greater than or equal to 0.75% of the TCV. Finally, the Exchange also

currently offers two Remove Volume Tiers. For example, Remove Volume Tier 1 currently offers a reduced fee of \$0.0027 per share on qualifying orders yielding fee codes BB, N and W<sup>13</sup> in securities priced at or above \$1.00 and 0.28% of total dollar value on qualifying orders in securities process below \$1.00, where a Member (1) has an ADAV<sup>14</sup> greater than or equal to 0.25% TCV with displayed orders that yield fee codes B, V or Y, or (2) adds Retail Order ADV (*i.e.*, yielding fee code ZA) greater than or equal to 0.45% of the TCV.

The Exchange now proposes to adopt a new Growth Tier 2, a new Non-Displayed Step-Up Volume Tier 2,<sup>15</sup> and a new Remove Volume Tier 1.<sup>16</sup> Each new tier provides the same set of additional criteria in which Members may strive to achieve to receive an enhanced rebate or reduced fee, as applicable—a Member must (1) add a Step-Up ADAV from June 2021 greater than or equal to 0.10% of the TCV, or add a Step-Up ADAV from June 2021 greater than or equal to 8,000,000, (2) and have a total remove ADV greater than or equal to 0.70% of the TCV. The proposed rule change also adopts a new definition, under the definitions section of the Fee Schedule, for the term "Step-Up ADAV", as referenced in each of the proposed new tiers. Specifically, as proposed "Step-up ADAV" means ADAV in the relevant baseline month subtracted from current ADAV.

For achieving the proposed criteria, a Member will receive a proposed enhanced rebate of \$0.0027 per share on qualifying orders (*i.e.*, yielding fee codes B, V, Y, 3 and 4) pursuant to proposed Growth Tier 2, a proposed enhanced rebate of \$0.0025 per share on qualifying orders (*i.e.*, yielding fee codes DM, HA, MM and RP) pursuant to proposed Non-Displayed Step-Up Volume Tier 2, and a proposed reduced fee of \$0.00275 per share on qualifying orders (*i.e.*, yielding fee codes BB, N and W) in securities priced at or above \$1.00 and 0.28% of total dollar value in

<sup>5</sup> See Nasdaq Pricing 7, Section 118(a)(1), which, for example, assesses a charge of \$0.0030 for member orders that execute against resting midpoint liquidity, and that that execute in the Nasdaq Market Center generally, in securities priced at \$1.00 or more; and NYSE American Equities Price List, NYSE American Trading Fees and Credits, Section I.A.1.a, Standard Rates, which assesses a standard rate of \$0.0030 per share (unless member adds ADV of at least 10,000 shares) for orders in securities priced at or above \$1 that remove liquidity.

<sup>6</sup> An internalized trade is a trade where the two orders inadvertently match against each other and share the same Market Participant Identifier ("MPID").

<sup>7</sup> Additionally, if a Member adds an ADV of at least 10,000,000 shares, then the Member's rate for internalization (fee codes EA or ER) decreases to FREE per share per side, for securities priced at, above, or below \$1. See EDGX Fee Schedule, Footnote 7.

<sup>8</sup> B is appended to orders that add liquidity to EDGX in Tape B securities, V is appended to order that add liquidity to EDGX in Tape A securities, Y is appended to orders that add liquidity to EDGX in Tape C securities, 3 is appended to orders that add liquidity to EDGX in pre and post market in Tape A or C securities, and 4 is appended to orders that add liquidity to EDGX in pre and post market in Tape A or C securities. Each is provided the standard rebate of \$0.00160.

<sup>9</sup> ADV means average daily volume calculated as the number of shares added to, removed from, or routed by, the Exchange, or any combination or subset thereof, per day. ADV is calculated on a monthly basis.

<sup>10</sup> TCV means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

<sup>11</sup> 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.

<sup>12</sup> DM is appended to orders that add liquidity using MidPoint Discretionary order within discretionary range; HA is appended to non-displayed orders that add liquidity; MM is appended to non-displayed orders that add liquidity using Mid-Point Peg; and RP is appended to non-displayed orders that add liquidity using Supplemental Peg. Each is provided a rebate of \$0.00100.

<sup>13</sup> BB is appended to orders that remove liquidity from EDGX in Tape B securities, N is appended to orders that remove liquidity from EDGX in Tape C securities, and W is appended to orders that remove liquidity from EDGX in Tape A securities. Each, as proposed, is assessed a fee of \$0.00285.

<sup>14</sup> ADAV means average daily added volume calculated as the number of shares added per day. ADAV is calculated on a monthly basis.

<sup>15</sup> As a result, the proposed rule change updates the name of the current Non-Displayed Step-Up Tier to Non-Displayed Step-Up Tier 1.

<sup>16</sup> As a result, the proposed rule change updates the name the current Remove Volume Tier 1 to Remove Volume Tier 2. Note that current Remove Volume Tier 3 is being deleted as proposed herein.

securities priced below \$1.00 pursuant to proposed Remove Volume Tier 1.<sup>17</sup>

Overall, the new Growth, Non-Displayed Step-Up Volume, and Remove Volume tiers are designed to provide Members with an additional opportunity to receive an enhanced rebate or reduced fee 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. Incentivizing an increase in both liquidity adding volume and in liquidity removing volume, through additional criteria and enhanced rebate opportunities, encourages liquidity adding Members on the Exchange to contribute to a deeper, more liquid market, and liquidity executing Members on the Exchange to increase transactions and take execution opportunities provided by such increased liquidity, together providing for overall enhanced price discovery and price improvement opportunities on the Exchange. As such, increased overall order flow benefits all Members by contributing towards a robust and well-balanced market ecosystem.

#### Eliminate a Remove Volume Tier and Retail Volume Tier

Finally, the Exchange proposes to eliminate Remove Volume Tier 2 and Retail Volume Tier 3. Current Remove Volume Tier 2 provides a reduced fee of \$0.0026 on qualifying orders (*i.e.*, yielding fee codes BB, N and W) in securities priced at or above \$1.00 and 0.28% of total dollar value in securities priced below \$1.00, where a Member (1) has a Step-Up Add TCV from January 2021 greater than or equal to 0.15%, (2) has an ADAV greater than or equal to 0.08% of the TCV for Non-Displayed orders that yield fee codes DM, HA, HI, MM, or RP, and (3) removes an ADV greater than or equal to 0.75% of the TCV. Current Retail Volume Tier 3 offers an enhanced rebate of \$0.0037 per share on qualifying orders (*i.e.*, yielding fee code ZA), where a Member (1) has a Retail Step-Up Add TCV (*i.e.*, yielding fee code ZA) from May 2020 greater than or equal to 0.10%, and (2) removes an ADV greater than or equal to 0.70% of the TCV. The Exchange proposes to eliminate Remove Volume Tier 2 and

Retail Volume Tier 3 as no Members are currently satisfying the criteria under these tiers, nor have satisfied such criteria over the last three months. The Exchange no longer wishes to, nor is it required to, maintain such tiers. More specifically, the proposed rule change removes these tiers as the Exchange would rather redirect future resources and funding into other programs and tiers intended to incentivize increased order flow.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>18</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>19</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and issuers and other persons using its facilities. The Exchange also believes that the proposed rule change is consistent with the objectives of Section 6(b)(5)<sup>20</sup> requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and, particularly, is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

As described above, the Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange, which the Exchange believes would enhance market quality to the benefit of all Members.

Regarding the proposed change to the standard rates, the Exchange believes that amending the standard rate for orders that remove liquidity in securities priced at or above \$1.00 is reasonable because, as stated above, in order to operate in the highly competitive equities markets, the

Exchange and its competing exchanges seek to offer similar pricing structures, including assessing comparable standard fees for orders in securities priced at or above \$1.00.<sup>21</sup> Thus, the Exchange believes the proposed standard rate change is reasonable as it is generally aligned with and competitive with the amounts assessed for the orders in securities at or above \$1.00 on other equities exchanges. The Exchange also believes that amending this standard rate amount represents an equitable allocation of fees and is not unfairly discriminatory because they will continue to automatically apply to all Members' orders that remove liquidity in securities at or above \$1.00 uniformly.

The Exchange also believes the proposed rule change to remove fee codes EA and ER is reasonable as the Exchange has observed that a majority of other equities exchanges do not assess a different rate for internalization orders that add or remove liquidity, and therefore, seeks to more competitively align its rates assessed on orders that add or remove liquidity with those assessed on other equities exchanges by also not applying a different rate for internalized orders. The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to assess internalization orders that add or remove liquidity the same existing corresponding rates currently applied to orders that add or remove liquidity that are not internalized. Such current rates will apply automatically and uniformly to internalizing orders that add or remove liquidity as they do today for all other orders that add or remove liquidity.

Also, as described above, the Exchange notes that relative volume-based incentives and discounts have been widely adopted by exchanges,<sup>22</sup> including the Exchange,<sup>23</sup> and are reasonable, equitable and non-discriminatory because they are open to all members on an equal basis and provide additional benefits or discounts that are reasonably related to (i) the value to an exchange's market quality and (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns. Competing equity exchanges offer similar tiered pricing structures, including schedules of rebates and fees

<sup>17</sup> As a result of the five decimal format of the proposed reduced fee in proposed Remove Volume Tier 1, the proposed rule change also updates the decimal format of the reduced fee that currently corresponds to Remove Volume Tier 2 (current Tier 1) in order to provide uniformity across the Remove Volume tiers. This formatting update does not alter the current reduced fee amount offered under Remove Volume Tier 2 (current Tier 1).

<sup>18</sup> 15 U.S.C. 78f.

<sup>19</sup> 15 U.S.C. 78f(b)(4).

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> See *supra* note 5.

<sup>22</sup> See generally NYSE Price List, Transaction Fees; Nasdaq Equity 7, Section 118(a)(1), Fees for Execution and Routing of Orders in Nasdaq-Listed Securities; and BZX Equities Fee Schedule, Footnote 1, Add/Remove Volume Tiers.

<sup>23</sup> See EDGX Equities Fee Schedule, Footnote 1, Add/Remove Volume Tiers.

that apply based upon members achieving certain volume and/or growth thresholds, as well as assess similar fees or rebates for similar types of orders, to that of the Exchange.

In particular, the Exchange believes the proposed new Growth, Non-Displayed Step-Up Volume, and Remove Volume tiers are reasonable because each new tier will be available to all Members, as the existing tiers currently are, and provide all Members with an additional opportunity to receive an enhanced rebate or reduced fee, as applicable. The Exchange further believes the proposed new Growth, Non-Displayed Step-Up, and Remove Volume tiers are a reasonable means to encourage overall growth in Members' overall order flow to the Exchange and to incentivize Members to continue to provide liquidity adding and liquidity removing to the Exchange by offering them an additional opportunity to receive an enhanced rebate or reduced fee on qualifying orders than those opportunities currently under the Add/Remove Volume Tiers in Footnote 1 of the Fee Schedule. The Exchange believes that the proposed tiers will generally benefit all market participants by incentivizing continuous liquidity and thus, deeper more liquid markets as well as increased execution opportunities. Indeed, the Exchange notes that greater add volume order flow may provide for deeper, more liquid markets and execution opportunities at improved prices, and greater remove volume order flow may increase transactions on the Exchange, which the Exchange believes incentivizes liquidity providers to submit additional liquidity and execution opportunities. This overall increase in activity deepens the Exchange's liquidity pool, offers additional cost savings, supports the quality of price discovery, promotes market transparency and improves market quality, for all investors. The Exchange also believes the proposed rule change to define the term "Step-Up ADAV" is reasonable as it will clarify terminology used in the Fee Schedule, to the benefit of all Members.

Further, the Exchange believes that the proposed tiers are reasonable as they do not represent a significant departure from the criteria or corresponding rates currently offered in the Fee Schedule, and that the proposed enhanced rebates or enhanced fee, as applicable, are commensurate with the new criteria. More specifically, the Exchange believes that the proposed criteria, which is the same in each new tier, and corresponding rates are commensurate with surrounding tiers; in that the proposed criteria in new Growth Tier 2

is incrementally more difficult than that of Growth Tier 1 and thus appropriately offers a greater incentive, the proposed criteria in new Remove Volume Tier 1 is incrementally less difficult than that of Remove Volume Tier 2 (current Tier 1)<sup>24</sup> and thus appropriately offers a lesser incentive, and the proposed criteria in new Non-Displayed Step-Up Volume Tier 2 is about the same in difficulty as the current Non-Displayed Step-Up Volume Tier and thus appropriately offers the same incentive.

The Exchange also believes that the proposal represents an equitable allocation of fees and rebates and is not unfairly discriminatory because all Members are eligible for the new Growth, Non-Displayed Step-Up Volume, and Remove Volume tiers and have the opportunity to meet the tiers' criteria and receive the applicable enhanced rebate or reduced fee 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 this proposed rule change would definitely result in any Members qualifying for the proposed tiers. While the Exchange has no way of predicting with certainty how the proposed tiers will impact Member activity, the Exchange anticipates that at least five Members will be able to satisfy the criteria proposed under each of the three new tiers. The Exchange also notes that proposed tiers will not adversely impact any Member's ability to qualify for reduced fees or enhanced rebate offered under other tiers. Should a Member not meet the proposed new criteria, the Member will merely not receive that corresponding enhanced rebate or reduced fee, as applicable.

Finally, the Exchange believes the proposed rule change to eliminate Remove Volume Tier 2 and Retail Volume Tier 3 is reasonable because the Exchange is not required to maintain this tier or provide Members an opportunity to receive reduced fees or enhanced rebates. The Exchange believes the proposal to eliminate these tiers is also equitable and not unfairly discriminatory because it applies to all Members (*i.e.*, the tier will not be available for any Member). The Exchange notes that recently no Members have satisfied the criteria of Remove Volume Tier 2 nor the criteria of Retail Volume Tier 3. The Exchange also notes that the proposed rule change to remove these two tiers merely results in Members not receiving a reduced fee or enhanced rebate, as applicable, which as noted above, the Exchange is not required to offer or maintain.

Furthermore, the proposed rule change to eliminate both Remove Volume Tier 2 and Retail Volume Tier 3 enables the Exchange to redirect resources and funding into other programs and tiers intended to incentivize increased order flow.

#### *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. Rather, as discussed above, the Exchange believes that the proposed change would encourage the submission of additional order flow to a public exchange, thereby promoting market depth, execution incentives and enhanced execution opportunities, as well as price discovery and transparency for all Members. As a result, the Exchange believes that the proposed change furthers the Commission's goal in adopting Regulation NMS of fostering competition among orders, which promotes "more efficient pricing of individual stocks for all types of orders, large and small."

The Exchange believes the proposed rule change does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Particularly, the proposed rule change to update the standard fee applicable to liquidity removing orders in securities priced at or above a \$1.00 does not impose any burden on intramarket competition because the standard rate will continue to apply automatically and uniformly to all liquidity removing orders priced at or above \$1.00. Similarly, all Members' internalizing orders that add or remove liquidity will no longer yield fee codes EA or ER, and, instead, will automatically and uniformly be assessed the fees already in place for all other orders generally that add or remove liquidity. The Exchange also notes that the proposed new Growth, Non-Displayed Step-Up Volume, Remove Volume tiers applies to all Members equally in that all Members are eligible for these tiers, have a reasonable opportunity to meet the tiers' criteria and will receive the enhanced rebates or reduced fee on their qualifying orders if such criteria is met. Additionally, the proposed tiers are designed to attract additional order flow to the Exchange. The Exchange believes that the new criteria will incentivize market participants to direct liquidity adding and removing order flow to the Exchange, providing for additional execution opportunities for market

<sup>24</sup> See *supra* note 16.

participants and improved price transparency. Greater overall order flow, trading opportunities, and pricing transparency benefits all market participants on the Exchange by enhancing market quality and continuing to encourage Members to send orders, thereby contributing towards a robust and well-balanced market ecosystem. Finally, the Exchange does not believe the proposed rule change to eliminate a Remove Volume Tier and Retail Volume Tier will impose any burden on intramarket competition because it applies to all Members uniformly, as in, the tiers will no longer be available to any Member.

Next, the Exchange believes the proposed rule change does not impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As previously discussed, the Exchange operates in a highly competitive market. Members have numerous alternative venues that they may participate on and 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 16% of the market share.<sup>25</sup> 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.”<sup>26</sup> The fact that this market is competitive has also long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. Circuit stated as follows: “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-

dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . . .”<sup>27</sup> Accordingly, the Exchange does not believe its proposed fee change imposes any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

### *C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

The Exchange 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<sup>28</sup> and paragraph (f) of Rule 19b-4<sup>29</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

### **IV. Solicitation of Comments**

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

#### *Electronic Comments*

- Use the Commission’s internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2021-033 on the subject line.

<sup>27</sup> *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)).

<sup>28</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>29</sup> 17 CFR 240.19b–4(f).

#### *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-CboeEDGX-2021-033. This file number should be included on the subject line if email 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, DC 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CboeEDGX-2021-033, and should be submitted on or before August 16, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>30</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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<sup>25</sup> *Supra* note 4.

<sup>26</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005).

<sup>30</sup> 17 CFR 200.30–3(a)(12).