

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84832; File No. SR-CboeEDGX-2018-059]

### Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amend the Exchange's Fee Schedule Applicable to Its Equities Trading Platform

December 17, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 3, 2018, 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. ("EDGX" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to amend the Exchange's fee schedule applicable to its equities trading platform ("EDGX Equities") to introduce: (1) A "Retail Volume Tier" for firms that execute a significant volume of liquidity providing retail order flow on EDGX, and (2) a "Step-Up Tier" based on growth in the member's liquidity provided on EDGX.

The text of the proposed changes to the fee schedule are attached as Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), 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 purpose of the proposed rule change is to amend the EDGX Equities fee schedule to introduce: (1) A "Retail Volume Tier" for firms that execute a significant volume of liquidity providing retail order flow on EDGX, and (2) a "Step-Up Tier" based on growth in the member's liquidity provided on EDGX. The Exchange believes that both of the proposed changes would encourage more liquidity and opportunities for investors to trade on the Exchange.

###### I. Retail Volume Tier

A "Retail Member Organization" or "RMO" is a member (or a division thereof) that has been approved by the Exchange to submit Retail Orders.<sup>3</sup> Due to the intense competition for retail order flow, the Exchange provides special pricing for Retail Orders as an incentive for members to bring such orders to EDGX instead of another exchange or off-exchange venue. Specifically, Retail Orders that add liquidity and yield fee code ZA<sup>4</sup> currently benefit from an enhanced rebate of \$0.0032 per share. The Exchange is interested in attracting additional retail order flow, and therefore proposes to introduce a Retail Volume Tier that is designed to encourage more retail participation. The Retail Volume Tier would provide

<sup>3</sup> See EDGX Rule 11.21(a)(1). A "Retail Order" is an agency or riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. See EDGX Rule 11.21(a)(2).

<sup>4</sup> "ZA" is associated with Retail Orders that add liquidity.

further enhanced rebates to liquidity providing Retail Orders, provided that the member executes a specified average daily volume ("ADV")<sup>5</sup> in such orders on EDGX. As proposed, a Retail Order that adds liquidity under fee code ZA would be eligible for a rebate of \$0.0037 per share if the member's ADV in Retail Orders that add liquidity (*i.e.*, yielding fee code ZA) is greater than or equal to 0.35% of Total Consolidated Volume ("TCV").<sup>6</sup>

###### II. Step-Up Tier

Currently, the EDGX Equities fee schedule contains six Add Volume Tiers that provide enhanced rebates, ranging from of \$0.0025 to \$0.0032 per share, for displayed orders that add liquidity in Tapes A, B, and C and yield fee codes B,<sup>7</sup> V,<sup>8</sup> Y,<sup>9</sup> 3<sup>10</sup> and 4.<sup>11</sup> To encourage market participants to provide more liquidity on EDGX, the Exchange proposes to introduce a seventh Add Volume Tier that is based on the growth in liquidity providing orders that the member executes on EDGX—*i.e.*, the "Step-Up Tier." As proposed, the Exchange would provide rebate of \$0.0033 per share for displayed orders that add liquidity to members that execute a Step-Up Add TCV from October 2018 that is equal to or greater

<sup>5</sup> ADAV means average daily added volume calculated as the number of shares added per day and 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. ADAV and ADV is calculated on a monthly basis.

The Exchange excludes from its calculation of ADAV and ADV shares added, removed, or routed on any day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during Regular Trading Hours ("Exchange System Disruption"), on any day with a scheduled early market close, and on the last Friday in June (the "Russell Reconstitution Day").

With prior notice to the Exchange, a Member may aggregate ADAV and ADV with other Members that control, are controlled by, or are under common control with such Member (as evidenced on such Member's Form BD).

<sup>6</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.

The Exchange excludes from its calculation of TCV volume on any day that the Exchange experiences an Exchange System Disruption, on any day with a scheduled early market close, and the Russell Reconstitution Day.

<sup>7</sup> "B" is associated with displayed orders that add liquidity on EDGX for Tape B.

<sup>8</sup> "V" is associated with displayed orders that add liquidity on EDGX for Tape A.

<sup>9</sup> "Y" is associated with displayed orders that add liquidity on EDGX for Tape C.

<sup>10</sup> "3" is associated with displayed orders that add liquidity on EDGX for Tape A or C during the post-market or pre-market trading sessions.

<sup>11</sup> "4" is associated with displayed orders that add liquidity on EDGX for Tape B during the post-market or pre-market trading sessions.

<sup>32</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.

than 0.35%. As currently defined in the EDGX Equities fee schedule, 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. Members that achieve the proposed Step-Up Tier must therefore increase the amount of liquidity that they provide on EDGX, thereby contributing to a deeper and more liquid market.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,<sup>12</sup> in general, and furthers the requirements of Section 6(b)(4),<sup>13</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. Specifically, the Exchange believes that the proposed changes to the EDGX Equities fee schedule are appropriately designed to encourage market participants to send additional liquidity providing orders to the Exchange, and thereby contribute to a vibrant and competitive market. Volume-based rebates such as those proposed herein have been widely adopted by equities exchanges, and provide benefits to market participants that are reasonably related to: (i) The value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes. As described in more detail below, the Exchange believes that the proposed tiers are reasonable, equitable, and not unfairly discriminatory as they will continue to provide members with an incentive to provide more liquidity on EDGX, to the benefit of investors.

### I. Retail Volume Tier

The Exchange currently provides pricing incentives to Retail Member Organizations that execute liquidity providing Retail Orders on EDGX, and desires to further enhance those incentives in order to encourage additional retail participation. The proposed Retail Volume Tier would achieve that result by providing a higher rebate to Retail Orders that provide liquidity if submitted by a member that executes a significant volume of liquidity providing Retail Orders on EDGX. NYSE Arca, Inc. ("Arca") also operates a similar volume-based rebate program that provides tiered rebates of

up to \$0.0035 [sic] per share to attract retail order flow.<sup>14</sup>

The Exchange believes that the proposed Retail Volume Tier is reasonable and equitable as it would allow EDGX to effectively compete for retail order flow with Arca as well as other exchanges and the many off-exchange venues that execute the majority of retail order flow today. The Exchange previously offered volume based incentives for Retail Orders. That program, which was discontinued in March 2016 when the Exchange increased the base rebate for Retail Orders that add liquidity,<sup>15</sup> was substantially similar to the one proposed herein, except that both the rebate amount and the volume required to achieve that rebate were lower than proposed today. The Exchange believes that the current proposal is appropriately designed to attract Retail Orders to EDGX given the high degree of competition for such orders in today's market. The Exchange believes that attracting liquidity in Retail Orders would incentivize other members to send order flow to EDGX to trade with such Retail Orders. In addition, the Exchange believes that this increased liquidity would potentially stimulate further price competition for Retail Orders, thereby deepening the Exchange's liquidity pool in both and retail and other orders, supporting the quality of price discovery, and promoting market transparency.

The Exchange also believes that the proposed Retail Volume Tier is not unfairly discriminatory because it applies equally to all members that execute liquidity providing Retail Orders and meet the specified volume threshold. Retail Member Organizations that do not meet the proposed volume threshold would continue to earn the current rebate, which already provides a significant incentive for executing retail order flow on EDGX. The Exchange believes that it is appropriate to limit the proposed enhanced rebates to Retail Orders as the Exchange is attempting to increase retail participation. Retail participation is more likely to reflect long-term investment intentions, and may therefore positively impact market quality. Accordingly, the presence of Retail Orders on EDGX has the potential to benefit all market participants. As explained in the purpose section of this proposed rule change, competition for retail order flow is particularly fierce,

with Arca also providing a high rebate to market participants that execute a significant amount of such orders on that exchange. In that context, the Exchange believes that it is appropriate to provide additional incentives to Retail Orders in order to attract that order flow.

### II. Step-Up Tier

The Exchange believes the proposed Step-Up Tier is a reasonable means to encourage members to increase the liquidity that they provide on EDGX based on increasing their volume above a predetermined baseline. The Exchange has previously offered similar incentives that were designed to encourage additional growth in liquidity provided on EDGX,<sup>16</sup> and believes that introducing such a tier again would be helpful in attracting liquidity to the Exchange to the benefit of all market participants. Deepening the Exchange's liquidity pool benefits investors by encouraging more price competition and providing additional opportunities to trade. The Exchange believes that the proposed new tier represents an equitable allocation of reasonable dues, fees, and other charges because the thresholds necessary to achieve the tier encourages members to add increased liquidity to EDGX each month. Furthermore, the Exchange believes that the proposed Step-Up Tier is not unfairly discriminatory as it applies uniformly to all members that increase the volume of liquidity that they provide on EDGX.

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

The Exchange does not believe that the proposed rule change would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the proposed changes are designed to enhance competition by attracting additional liquidity and increasing the competitiveness of the Exchange. The proposed rebate tiers would apply to all members uniformly based on the amount and type of order flow that they route to EDGX. 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. The proposed rule change reflects a competitive pricing structure designed to encourage market participants to direct their order flow to the Exchange.

<sup>14</sup> See Arca Equities Fees and Charges, Trade Related Fees and Credits, Retail Order Tier and Retail Order Step-Up Tiers.

<sup>15</sup> See Securities Exchange Act Release No. 77394 (March 17, 2016), 81 FR 15596 (March 23, 2016) (SR-BatsEDGX-2016-02).

<sup>16</sup> See Securities Exchange Act Release No. 80034 (February 14, 2017), 82 FR 11275 (February 21, 2017) (SR-BatsEDGX-2017-09).

<sup>12</sup> 15 U.S.C. 78f.

<sup>13</sup> 15 U.S.C. 78f(b)(4).

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

No written comments were either solicited or received.

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and paragraph (f) of Rule 19b-4<sup>18</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-2018-059 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-CboeEDGX-2018-059. 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-2018-059 and should be submitted on or before January 11, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

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## **SOCIAL SECURITY ADMINISTRATION**

[Docket No. SSA-2018-0042]

### **Privacy Act of 1974; System of Records**

**AGENCY:** Office of Retirement and Disability Policy, Office of Research, Demonstration, and Employment Support, Social Security Administration (SSA).

**ACTION:** Notice of a New System of Records.

**SUMMARY:** In accordance with the Privacy Act of 1974, we are issuing public notice of our intent to establish a new system of records entitled the *Disability Analysis File (DAF) and the National Beneficiary Survey (NBS) Data System*, (60-0382). This notice publishes details of the system as set forth under the caption **SUPPLEMENTARY INFORMATION**.

**DATES:** This system of records is effective upon its publication in today's **Federal Register**, with the exception of the routine uses, which are effective January 22, 2019. We invite public comment on the routine uses or other aspects of this system of records. In

accordance with 5 U.S.C. 552a(e)(4) and (e)(11), the public is given a 30-day period in which to submit comments. Please submit any comments by January 22, 2019.

**ADDRESSES:** The public, Office of Management and Budget (OMB), and Congress may comment on this publication by writing to the Executive Director, Office of Privacy and Disclosure, Office of the General Counsel, Social Security Administration, Room G-401 West High Rise, 6401 Security Boulevard, Baltimore, Maryland 21235-6401, or through the Federal e-Rulemaking Portal at <http://www.regulations.gov>, please reference docket number SSA-2018-0042. All comments we receive will be available for public inspection at the above address and we will post them to <http://www.regulations.gov>.

#### **FOR FURTHER INFORMATION CONTACT:**

Andrea Huseth, Government Information Specialist, Privacy Implementation Division, Office of Privacy and Disclosure, Office of the General Counsel, SSA, Room G-401 West High Rise, 6401 Security Boulevard, Baltimore, Maryland 21235-6401, telephone: (410) 965-6868, email: [andrea.huseth@ssa.gov](mailto:andrea.huseth@ssa.gov) and Tristin Dorsey, Government Information Specialist, Privacy Implementation Division, Office of Privacy and Disclosure, Office of the General Counsel, SSA, Room G-401 West High Rise, 6401 Security Boulevard, Baltimore, Maryland 21235-6401, telephone: (410) 965-2950, email: [tristin.dorsey@ssa.gov](mailto:tristin.dorsey@ssa.gov).

**SUPPLEMENTARY INFORMATION:** The DAF is an analytical file consisting of agency program data in an easy-to-use format. Each year, we create a new version of the file. The DAF contains historical, longitudinal, and one-time data<sup>1</sup> on all beneficiaries with disabilities who were between age 18 and retirement age and who participated in the Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) programs at any time between 1996 and the year of the file. The file also includes data on SSI child beneficiaries who participated in the SSI program.

The NBS collects data from a national sample of SSDI and SSI beneficiaries, covering a wide range of topics including socio-demographic information, limiting conditions, health

<sup>1</sup> Historical data provides characteristics about specific incidents that occurred in the past. Longitudinal data is information provided at intervals over time to indicate change over time, e.g., benefit amounts in each month from 1994 through the end of the file. One-time data provides information about a beneficiary that does not change over time, e.g., sex or date of birth.

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4(f).

<sup>19</sup> 17 CFR 200.30-3(a)(12).