

on behalf of Phlx from Exchange clearing members for all customer transactions they clear or from non-members for all customer transactions they clear that were executed on Phlx. The Exchange believes the ORF ensures fairness by assessing fees to members based on the amount of customer options business they conduct. Regulating customer trading activity is much more labor intensive and requires greater expenditure of human and technical resources than regulating non-customer trading activity, which tends to be more automated and less labor-intensive. As a result, the costs associated with administering the customer component of the Exchange's overall regulatory program are materially higher than the costs associated with administering the non-customer component (e.g., member proprietary transactions) of its regulatory program.

The ORF is designed to recover a material portion of the costs of supervising and regulating members' customer options business including performing routine surveillances, investigations, examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities. The Exchange will monitor the amount of revenue collected from the ORF to ensure that it, in combination with its other regulatory fees and fines, does not exceed the Exchange's total regulatory costs. The Exchange has designed the ORF to generate revenues that, when combined with all of the Exchange's other regulatory fees, will be less than or equal to the Exchange's regulatory costs, which is consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business side.

#### *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 not necessary or appropriate in furtherance of the purposes of the Act. This proposal does not create an unnecessary or inappropriate intra-market burden on competition because the ORF applies to all customer activity, thereby raising regulatory revenue to offset regulatory expenses. It also supplements the regulatory revenue derived from non-customer activity. This proposal does not create an unnecessary or inappropriate inter-market burden on competition because it is a regulatory fee that supports regulation in furtherance of the purposes of the Act. The Exchange is obligated to ensure that the amount of regulatory revenue

collected from the ORF, in combination with its other regulatory fees and fines, does not exceed regulatory costs.

#### *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)(ii) of the Act.<sup>9</sup> 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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 No. SR-Phlx-2019-01 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 No. SR-Phlx-2019-01. 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

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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 No. SR-Phlx-2019-01, and should be submitted on or before March 13, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Eduardo A. Aleman,**  
*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-85127; File No. SR-MRX-2019-03]

### **Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Adopt an Options Regulatory Fee**

February 13, 2019.

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 February 1, 2019, Nasdaq MRX, LLC ("MRX" or "Exchange") 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.

<sup>10</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.

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

The Exchange proposes to amend Options 7, Section 5 to adopt an Options Regulatory Fee or "ORF".

The text of the proposed rule change is available on the Exchange's website at <http://nasdaqmrx.cchwallstreet.com/>, at the principal office of the Exchange, 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 the Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

MRX proposes to amend its rules at Options 7, Section 5 to adopt an ORF. Specifically, MRX proposes to adopt an ORF of \$0.0004 per contract side as of February 1, 2019 at Options 7, Section 5, A. The Exchange proposes to re-letter current "A" (FINRA Web CRD Fees) as "B." MRX has been operating since 2016. Initially MRX did not adopt an ORF as it was a new market. MRX proposes to adopt an ORF at this time. The Exchange's proposed ORF should balance the Exchange's regulatory revenue against the anticipated regulatory costs.

#### Collection of ORF

MRX would assess the proposed ORF for each customer option transaction that is either: (1) Executed by a Member on MRX; or (2) cleared by a MRX Member at The Options Clearing Corporation ("OCC") in the customer range,<sup>3</sup> even if the transaction was executed by a non-member of MRX, regardless of the exchange on which the

transaction occurs.<sup>4</sup> If the OCC Clearing Member is an MRX Member, ORF would be assessed and collected on all cleared customer contracts (after adjustment for CMTA)<sup>5</sup>; and (2) if the OCC Clearing Member is not a MRX Member, ORF is collected only on the cleared customer contracts executed at MRX, taking into account any CMTA instructions which may result in collecting the ORF from a non-member.

By way of example, if Broker A, an MRX Member, routed a customer order to Cboe Exchange, Inc. ("CBOE") and the transaction executed on CBOE and cleared in Broker A's OCC Clearing account, ORF would be collected by MRX from Broker A's clearing account at OCC via direct debit. While in this example the transaction was executed on a market other than MRX, it was cleared by an MRX Member in the member's OCC clearing account in the customer range, therefore there would be a regulatory nexus between MRX and the transaction. If Broker A was not an MRX Member, then no ORF should be assessed and collected because there is no nexus; the transaction did not execute on MRX nor was it cleared by an MRX Member.

In the case where a Member both executed a transaction and cleared the transaction, the ORF would be assessed to and collected from that Member. In the case where a Member executed a transaction and a different Member cleared the transaction, the ORF would be assessed to and collected from the Member who cleared the transaction and not the Member who executed the transaction. In the case where a non-member executed a transaction at an away market and a Member cleared the transaction, the ORF would be assessed to and collected from the Member who cleared the transaction. In the case where a Member executed a transaction on MRX and a non-member cleared the transaction, the ORF would be assessed to the Member that executed the transaction on MRX and collected from the non-member who cleared the transaction. In the case where a Member executed a transaction at an away market and a non-Member cleared the transaction, the ORF would not be assessed to the Member who executed the transaction or collected from the non-member who cleared the transaction because the Exchange would not have access to the data to make absolutely certain that ORF should apply. Further,

the data would not allow the Exchange to identify the Member executing the trade at an away market.

#### ORF Revenue and Monitoring of ORF

The Exchange would monitor the amount of revenue collected from the ORF to ensure that it, in combination with other regulatory fees and fines, would not exceed regulatory costs. In determining whether an expense is considered a regulatory cost, the Exchange would review all costs and make determinations if there is a nexus between the expense and a regulatory function. The Exchange notes that fines collected by the Exchange in connection with a disciplinary matter would offset ORF.

The ORF is designed to recover a material portion of the costs to the Exchange of the supervision and regulation of its members, including performing routine surveillances, investigations, examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities.

The Exchange believes that revenue generated from the ORF, when combined with all of the Exchange's other regulatory fees, would cover a material portion, but not all, of the Exchange's regulatory costs. The Exchange would monitor the amount of revenue collected from the ORF to ensure that it, in combination with its other regulatory fees and fines, would not exceed regulatory costs. If the Exchange determines regulatory revenues exceed regulatory costs, the Exchange would adjust the ORF by submitting a fee change filing to the Commission.

The Exchange notified Members via an Options Trader Alert of the proposed change to the ORF thirty (30) calendar days prior to the proposed operative date, February 1, 2019.<sup>6</sup> The Exchange believes that the prior notification will ensure Members are prepared to configure their systems to properly account for the ORF.

#### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facility and is not designed to permit unfair

<sup>3</sup> Members must record the appropriate account origin code on all orders at the time of entry in order. The Exchange represents that it has surveillances in place to verify that Members mark orders with the correct account origin code.

<sup>4</sup> The Exchange would use reports from OCC when assessing and collecting the ORF.

<sup>5</sup> CMTA or Clearing Member Trade Assignment is a form of "give-up" whereby the position will be assigned to a specific clearing firm at OCC.

<sup>6</sup> See Options Trader Alert #2018-46.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4) and (5).

discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that adopting an ORF of \$0.0004 per contract side as of February 1, 2019 is reasonable because the Exchange's collection of ORF would be balanced against the amount of regulatory costs incurred by the Exchange. Specifically, the ORF would balance the Exchange's regulatory revenue against the anticipated regulatory costs. The Exchange notes that other options markets have adopted an ORF.<sup>9</sup>

The Exchange believes that adopting an ORF of \$0.0004 per contract side as of February 1, 2019 is equitable and not unfairly discriminatory because assessing the ORF to each Member for options transactions cleared by OCC in the customer range where the execution occurs on another exchange and is cleared by an MRX Member would be an equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. The ORF would be collected by OCC on behalf of MRX from Exchange clearing members for all customer transactions they clear or from non-members for all customer transactions they clear that were executed on MRX. The Exchange believes the ORF would ensure fairness by assessing fees to Members based on the amount of customer options business they conduct. Regulating customer trading activity is much more labor intensive and requires greater expenditure of human and technical resources than regulating non-customer trading activity, which tends to be more automated and less labor-intensive. As a result, the costs associated with administering the customer component of the Exchange's overall regulatory program are materially higher than the costs associated with administering the non-customer component (e.g., Member proprietary transactions) of its regulatory program.

The ORF would be designed to recover a material portion of the costs of supervising and regulating Members' customer options business including performing routine surveillances, investigations, examinations, financial monitoring, and policy, rulemaking, interpretive, and enforcement activities. The Exchange would monitor the amount of revenue collected from the ORF to ensure that it, in combination

with its other regulatory fees and fines, would not exceed the Exchange's total regulatory costs. The Exchange has designed the ORF to generate revenues that, when combined with all of the Exchange's other regulatory fees, would be less than or equal to the Exchange's regulatory costs, which is consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business side.

#### *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 not necessary or appropriate in furtherance of the purposes of the Act. This proposal does not create an unnecessary or inappropriate intra-market burden on competition because the ORF would apply to all customer activity, thereby raising regulatory revenue to offset regulatory expenses. It would also supplement the regulatory revenue derived from non-customer activity. This proposal does not create an unnecessary or inappropriate inter-market burden on competition because it is a regulatory fee that supports regulation in furtherance of the purposes of the Act. The Exchange is obligated to ensure that the amount of regulatory revenue collected from the ORF, in combination with its other regulatory fees and fines, would not exceed regulatory costs.

#### *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)(ii) of the Act.<sup>10</sup> 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: (i) Necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings

to determine whether the proposed rule 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 No. SR-MRX-2019-03 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 No. SR-MRX-2019-03. 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 No. SR-MRX-2019-03, and should be submitted on or before March 13, 2019.

<sup>9</sup> CBOE, Nasdaq Phlx LLC, The Nasdaq Options Market LLC, Nasdaq ISE, LLC, BOX Exchange LLC and Miami International Securities Exchange LLC are examples of options markets that have adopted an ORF.

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

**Eduardo A. Aleman,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-85116; File No. SR-CboeEDGA-2019-002]

### Self-Regulatory Organizations; Cboe EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the EDGA Fee Schedule as It Relates to Pricing for the Use of Certain Routing Strategies

February 13, 2019.

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 February 1, 2019, Cboe EDGA Exchange, Inc. (“Exchange” or “EDGA”) 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 EDGA Exchange, Inc. (“EDGA” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend the EDGA fee schedule as it relates to pricing for the use of certain routing strategies. The text of the proposed rule change is attached as 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/edga/](http://markets.cboe.com/us/equities/regulation/rule_filings/edga/)), 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 EDGA fee schedule to change the pricing applicable to orders routed using the ROUC routing strategy in connection with planned changes to the System routing table.<sup>3</sup> ROUC is a routing strategy offered by the Exchange that is used to target certain low cost protected market centers by routing to those venues after accessing available liquidity on the EDGA Book and certain non-exchange destinations, and prior to routing to other trading centers included in the System routing table and posting to the Cboe EDGX Exchange, Inc. (“EDGX”) order book, if possible. The Exchange periodically changes the low cost venues targeted by the ROUC routing strategy to ensure that the venues prioritized for routing can be accessed at a low cost. Currently, three exchanges are included in the System routing table as low cost protected market centers: Cboe BYX Exchange, Inc. (“BYX”), Nasdaq BX, Inc. (“BX”), and New York Stock Exchange LLC (“NYSE”). Pursuant to Rule 11.11(g), the Exchange has determined to modify System routing table such that NYSE would no longer be listed as a low cost protected market center where orders are first routed after seeking available liquidity on the EDGA Book and certain non-exchange destinations. In addition, the Exchange has decided to add NYSE American LLC (“NYSE American”) and NYSE National, Inc. (“NYSE National”) as low cost protected market centers. These changes to the System routing table are scheduled to be introduced on February 1, 2019.

Currently, orders routed using the ROUC routing strategy are provided a rebate of \$0.00150 per share when

<sup>3</sup> The term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Rule 11.13(b)(3) [sic]. The Exchange reserves the right to route orders simultaneously or sequentially, maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. *Id.*

routed to BYX,<sup>4</sup> charged a fee of \$0.00290 per share when routed to Nasdaq PSX (“PSX”),<sup>5</sup> or charged a fee of \$0.00200 per share when routed to a non-exchange destination.<sup>6</sup> Orders routed to other markets may be subject to different non-ROUC specific pricing. The Exchange proposes to add two new fee codes, MX and NX, that relate to orders routed to NYSE American and NYSE National, respectively, using the ROUC routing strategy. In securities at or above \$1.00, orders routed using the ROUC routing strategy would be charged a fee of \$0.00020 per share if executed on NYSE American, and provided a rebate of \$0.00200 per share if executed on NYSE National. As proposed, the Exchange would not charge a fee or provide a rebate for orders routed in securities priced below \$1.00. The proposed fees and rebates chosen for routing to these venues generally reflect the current transaction fees and rebates available for accessing liquidity on those markets.<sup>7</sup>

##### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,<sup>8</sup> in general, and furthers the requirements of Section 6(b)(4),<sup>9</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. The Exchange believes the proposed routing fee changes are appropriate as they reflect changes to the System routing table used to determine the order in which venues are accessed using the ROUC

<sup>4</sup> See EDGA Equities Schedule of Fees, fee code “BY.” This rebate applies to securities priced at or above \$1.00. For securities priced below \$1.00, a fee equal to 0.10% of the dollar value is applied instead. *Id.*

<sup>5</sup> See EDGA Equities Schedule of Fees, fee code “K.” This fee applies to securities priced at or above \$1.00. For securities priced below \$1.00, a fee equal to 0.30% of the dollar value is applied instead. *Id.*

<sup>6</sup> See EDGA Equities Schedule of Fees, fee code “Q.” This fee applies to securities priced at or above \$1.00. For securities priced below \$1.00, a fee equal to 0.30% of the dollar value is applied instead. *Id.*

<sup>7</sup> NYSE American currently charges a fee for removing liquidity that is \$0.00020 per share in securities priced at or above \$1.00, and 0.25% of the total dollar value of the transaction in securities priced below \$1.00. See NYSE American Equities Price List, I. Transaction Fees.

NYSE National currently provides a rebate of \$0.00200 per share in securities priced at or above \$1.00 for members that achieve their taking tier. See NYSE National Schedule of Fees and Rebates, I. Transaction Fees, B. Tiered Rates. Orders that remove liquidity in securities below \$1.00 are executed without charge or rebate. See NYSE National, Schedule of Fees and Rebates, I. Transaction Fees, A. General Rates.

<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(4).

<sup>11</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.