

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-NYSEAMER-2019-32, and should be submitted on or before September 11, 2019.

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

**Jill M. Peterson,**  
Assistant Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-86686; File No. SR-CboeBZX-2019-072]

### Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating To Amending its Fee Schedule Assessed on Members To Establish a Monthly Trading Rights Fee

August 15, 2019.

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 August 1, 2019, 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 Equities") proposes to amend its fee schedule assessed on Members to establish a monthly Trading Rights Fee. 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/](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.

#### 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 establish a monthly Trading Rights Fee under the "Membership Fees" section of the fee schedule. The Trading Rights Fee will be assessed on Members that trade more than a specified volume in U.S. equities, and will assist in covering the cost of a well-regulated and maintained Exchange. Self-regulation, with oversight by the Commission, is a basic premise of the Exchange Act.<sup>3</sup> For example, Congress recognized the regulatory role of national securities exchanges in section 6 of the Exchange Act, requiring all existing securities exchanges to register with the Commission and to function as self-regulatory organizations.<sup>4</sup> The Exchange remains committed to its regulatory responsibilities under the Exchange Act, and has devoted significant resources to providing a fair, orderly, and well-regulated market for its members. The proposed Trading

Rights Fees will help fund a small portion of the Exchange's regulatory efforts, and therefore facilitate effective regulation of the U.S. equities markets, consistent with the goals of Congress and the Commission.

The proposed Trading Rights Fee represents a modest charge to firms that have chosen to become members of the Exchange, and that therefore both consume more regulatory resources, and benefit from the Exchange's regulatory efforts by having access to a well-regulated market. Specifically, the Exchange proposes to charge Member firms a monthly Trading Rights Fee of \$500 per month for the ability to trade on the Exchange. So as to continue to encourage active participation on the Exchange by smaller Members, the Trading Rights Fee would not be charged to Members with a monthly ADV<sup>5</sup> of less than 100,000 shares. Similarly, to continue to support individual investor order flow on the Exchange, the Trading Rights Fee would not be charged to Members in which at least 90% of their order volume on the Exchange per month is retail order volume. In addition to this, the proposed fee will not be charged to new Exchange Members for their first three months of Membership. The Exchange intends to implement the proposed fee on August 1, 2019. The proposed fee and waivers are described in detail below.

###### Membership Fee per Month

As stated, the Exchange will apply a \$500 Trading Rights charge to Members per month. The Exchange believes the proposed Trading Rights Fee assessed aligns with the benefit provided by allowing Members to trade on an efficient and well-regulated market. The proposed Trading Rights Fee will fund a portion of the costs incurred by the Exchange in regulating and maintaining its equities market. These costs incurred by the Exchange are necessary to maintain an efficient equities exchange, as a well-regulated exchange is inherent in the nature of all self-regulatory organizations ("SROs"). Due to the importance of effective regulation of the securities markets, an efficient regulatory division must be appropriately funded at all times. In particular, in order to successfully carry out the purposes of the Act and maintain fair, orderly, and efficient markets, and the protection of investors, SROs must invest in robust programs,

<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.

<sup>3</sup> See Securities Exchange Act Release No. 58092 (July 3, 2008), 73 FR 40143 (July 11, 2008).

<sup>4</sup> *Id.*

<sup>5</sup> "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day. ADV is calculated on a monthly basis.

policies, and procedures to enforce member compliance with both the rules of the exchange and federal securities laws.<sup>6</sup> In order to achieve this objective, the Exchange continuously invests in compliance, surveillance, technology, resources, and staff necessary to build and maintain such programs, policies, and procedures, some of which must be implemented in order to carry out industry-wide plans adopted by the Commission. For example, the Exchange's Regulatory Service Agreement ("RSA") costs alone, which include funding for regulatory services in connection with market and financial surveillance, examinations, investigations, and disciplinary procedure, have increased 12.2% from 2016 to 2019. In addition to this, the Exchange's overall regulatory costs have grown 64% from 2016 to 2019. These costs have been incurred as a result of the allocation of increased regulatory resources and capabilities to implement and conduct regular surveillance for initiatives and programs such as regulatory software and infrastructure, alerts for various rules and initiatives, new and continued product listings, improvements to investigative processes, and so on. Therefore, the Exchange believes the proposed fee is appropriate to cover a portion of costs for the surveillance, technology, and vast resources necessary to ensure that the Exchange is effectively organized and has the capacity to be able to carry out the purposes of the Act.

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 Exchange represents a small percentage of the overall market, and broker-dealers routinely choose among a number of different venues to execute their equity order flow. These venues include thirteen 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. Broker-dealers are not compelled to be Members of the Exchange, and a significant proportion of broker-dealers that trade U.S. equity securities have, in fact, chosen not to apply for membership on the Exchange. The Exchange currently has 158 registered members. By contrast, the Nasdaq Stock Market LLC ("Nasdaq") has approximately 337 current

members,<sup>7</sup> which is more than twice as many as BZX. Indeed, broker-dealers even choose between affiliated exchanges in deciding where to become a member. Of the Exchange's affiliated exchanges, Cboe EDGX Exchange, Inc. ("EDGX") currently has 135 members, Cboe EDGA Exchange, Inc. ("EDGA") 116 members, and Cboe BYX Exchange, Inc. ("BYX") 124 members. None of the Exchange's Members or members of any of the affiliated exchanges are required to hold memberships across the affiliated exchanges. The same is true for participation on the Exchange itself; Membership is not a requirement to participate on the Exchange. Indeed, a number of firms, including larger firms with significant daily trading volume, currently participate on the Exchange though sponsored access arrangements rather than by becoming a member.

The cost of membership on the Exchange, including the proposed Trading Rights Fees, is significantly lower than the cost of membership in a number of other SROs.<sup>8</sup> For example, the Exchange's proposed Trading Rights Fee at \$500 a month is substantially lower than Nasdaq's analogous fee, which assesses a monthly Trading Rights Fee of \$1,250 per member. In sum, the Exchange believes the fee is priced appropriately as it is competitive with other exchanges that offer membership to their exchanges while also helping to pay for the increased cost of regulation.

#### New Member Waiver

As stated above, the proposed fee would not apply to new Members for their first three months of Exchange Membership. The Exchange recognizes that new Members provide new and important sources of liquidity. As such, the Exchange proposes that new Exchange Members will not be charged

<sup>7</sup> See *NasdaqTrader.com* Symbol Lookup (July 31, 2019), available at <http://www.nasdaqtrader.com/trader.aspx?id=symbollookup>.

<sup>8</sup> See Nasdaq Stock Market Equity Rules, Equity 7, Sec. 10(a) (assessing a trading rights fee of \$1,250 per month per each member); New York Stock Exchange Price List 2019, "Trading Licenses" (assessing an annual fee \$50,000 for the first trading license held by a member, to which the Exchange notes that the Exchange assesses a \$2,500 annual fee for membership, and that this annual fee coupled with 12 months of the proposed Trading Rights Fees remains substantially lower than NYSE's annual trading license fee); see also Securities Exchange Act Release No. 81133 (July 12, 2017), 82 FR 32904 (July 18, 2017) (The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Increase the Trading Rights Fee) (SR-NASDAQ-2017-065). The Exchange notes that this Nasdaq filing supports its implemented Trading Rights Fee without explanation as to why an increase in funding was necessary or as to specific items covered under the broad umbrella of a well-regulated market.

the proposed Trading Rights Fee for their first three months of Membership. The Exchange believes that the proposed waiver will allow new firms the flexibility in resources needed to initially adjust to the Exchange's market-model and functionality. The Exchange notes that for any month in which a firm is approved for Membership with the Exchange, the monthly Trading Rights Fee will be pro-rated in accordance with the date on which Membership is approved. For example, if a firm's Membership is approved on August 15, 2019, then, as proposed, it would not be charged for its first three months of Membership. The month of November would then be pro-rated and the Trading Rights Fee would be assessed from November 15, 2019 through the end of the month. During any month in which a firm terminates Membership with the Exchange, the monthly Trading Rights Fee will not be pro-rated.

#### ADV Threshold Waiver

As stated above, the Exchange would also waive the monthly Trading Rights fee for Members with a monthly ADV<sup>9</sup> of less than 100,000 shares. The proposed waiver is designed to reduce the costs of smaller Members that transact on the Exchange. Smaller Members execute low volumes on the Exchange, and, as a result, consume few regulatory resources. In addition, allowing smaller Members to trade on the Exchange without incurring a Trading Rights Fee may encourage participation from such Members as they grow their business, and thereby contribute to a more diverse and competitive market for equity securities traded on the Exchange. The median ADV per firm per month on the Exchange is 475,591. Therefore, the Exchange believes that ADV of 100,000 serves as an appropriate threshold to capture firms that are truly smaller volume firm outliers as compared to the overall ADV across all firms.

#### Retail Order Threshold Waiver

Similar to that of the ADV threshold waiver, the Exchange would waive the monthly Trading Rights fee for Members if at least 90% of their order volume on the Exchange per month is Retail Order volume. The Exchange believes that this will serve to support individual investor order flow on the Exchange by ensuring that retail broker Members can continue to submit orders for individual investors

<sup>9</sup> "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day. ADV is calculated on a monthly basis.

<sup>6</sup> See 15 U.S.C. 78f(b).

at a lower cost, thereby continuing to encourage retail investor participation on the Exchange. Like the small Member waiver, the Exchange believes this will contribute to a more diverse and competitive market for equity securities traded on the Exchange. Furthermore, the Exchange notes that continued liquidity in retail orders may incentivize other Members to send order flow to the Exchange to trade with such retail orders. Also, retail participation is more likely to reflect long-term investment intentions, and may therefore positively impact market quality. Retail order flow is highly competitive across trading venues, particularly as it relates to exchange versus off-exchange venues as many retail brokers route the majority of their retail orders to off-exchange venues. Accordingly, competitive forces compel the Exchange to use incentives to compete for retail order flow. The Exchange believes that the proposed 90% retail order volume threshold will capture broker-dealers that are primarily in the business of handling orders on behalf of retail investors rather than larger broker-dealers that may route retail orders on behalf of other broker-dealers but are also engaged in significant other activity that is not related to servicing retail investors. As such, the Exchange believes that the 90% retail order volume threshold will function to best capture those firms whose overall business and trading model focuses on the handling and execution of orders for retail clients.

## 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.<sup>10</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>11</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Members 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) 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.

In particular, the Exchange believes that the proposed Trading Rights Fee is reasonable because the fee will assist in funding the overall regulation and maintenance of the Exchange. Effective regulation is central to the proper functioning of the securities markets. Recognizing the importance of such efforts, Congress decided to require national securities exchanges to register with the Commission as self-regulatory organizations to carry out the purposes of the Exchange Act. The Exchange therefore believes that it is critical to ensure that regulation is appropriately funded. While the proposed Trading Rights Fees are set at a modest level, and will fund only a relatively small portion of the Exchange's total regulatory costs, the Exchange believes that such fees will contribute appropriately to ensuring that adequate resources are devoted to regulation, as contemplated by Congress.

The proposed Trading Rights Fee is reasonable because it represents a modest charge to firms that have chosen to become members of the Exchange, and that therefore both consume more regulatory resources, and benefit from the Exchange's regulatory efforts by having access to a well-regulated market. As stated, the Exchange will apply a \$500 Trading Rights charge to Members per month. Allocating the proposed Trading Rights Fee to fund a portion of the cost incurred by the Exchange in regulating and maintaining its equities market is reasonable because the costs incurred are necessary to maintain an efficient and well-regulated equities exchange. In order to successfully carry out the purposes of the Act and maintain fair, orderly, and efficient markets, and the protection of investors, the Exchange, like all SROs, continuously invests in robust programs, policies, and procedures to enforce member compliance with both the rules of the exchange and federal securities laws.<sup>12</sup> As discussed above, from 2016 to 2019, the Exchange's RSA costs alone, which cover regulatory services in connection with market and financial surveillance, examinations, investigations, and disciplinary procedure, have increased 12.2%, while the Exchange's overall regulatory costs

have grown 64%. Such regulatory costs have been incurred as a result of the allocation of increased regulatory resources and capabilities to implement and conduct regular surveillance for initiatives and programs such as regulatory software and infrastructure, alerts for various rules and initiatives, new and continued product listings, improvements to investigative processes, and so on. It is reasonable to apply the proposed fee to contribute to a small portion of such costs that will help to fund surveillance, technology, and vast resources necessary to ensure that the Exchange is so organized and has the capacity to be able to carry out the purposes of the Act.

Additionally, the Exchange believes the fee is reasonable because the cost of this membership fee is generally less than the analogous membership fees of other markets. As indicated above, the Exchange's proposed Trading Rights Fee at \$500 a month is substantially lower than Nasdaq's analogous fee, which assesses a monthly Trading Rights Fee of \$1,250 per member. Trading Rights Fees, like those proposed here, are not new in the equities markets. A number of national securities exchanges currently charge such fees to assist in funding their regulatory efforts. The Exchange believes that it is appropriate to institute a similar fee to fund its increasing regulatory costs.

The Exchange believes that not charging its new Members the proposed Trading Rights Fee for their first three months of Membership is reasonable because it provides an incentive for firms and other participants that are not currently Members of the Exchange to apply for Membership and bring additional liquidity to the market, thus greater trading opportunities, to the benefit of all market participants. The proposed waiver is also reasonable because it will allow new firms the flexibility in resources needed to initially adjust to the Exchange's market-model and functionality. The Exchange believes that not charging a Trading Rights Fee for new Members will incentivize firms to become Members of the Exchange. Furthermore, creating incentives for new Exchange Members protects investors and the public interest by increasing the competition and liquidity across the Exchange.

Similarly, the Exchange believes that not charging a Trading Rights Fee for Members that trade less than a monthly ADV of 100,000 shares is reasonable because it ensures that smaller Members who do not trade significant volume on the Exchange can continue to trade on the Exchange at a lower cost. Because

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(4).

<sup>12</sup> See 15 U.S.C. 78f(b).

smaller Members with lower volumes executed on the Exchange consume fewer regulatory resources the Exchange believes it is reasonable to apply a waiver to Members on the lower side of the ADV scale for all firms. Moreover, the Exchange believes that the proposed threshold is reasonable because the median ADV per firm per month on the Exchange is 475,591, therefore, an ADV threshold of 100,000 will serve as an appropriate threshold to capture firms which are true, smaller volume firm outliers as compared to the overall ADV across all firms.

The Exchange also believes that not charging a Trading Rights Fee for Members whose retail order volume comprises 90% or more of their order volume per month is reasonable because it ensures retail broker Members can continue to submit orders for individual investors at a lower cost, thereby continuing to encourage retail investor participation on the Exchange. Furthermore, encouraging continued retail broker Members to trade on the Exchange without incurring a Trading Rights Fee may encourage additional participation from such Members and thereby contribute to a more diverse and competitive market for equity securities traded on the Exchange. Furthermore, the Exchange notes that continued liquidity in retail orders would incentivize other Members to send order flow to the Exchange to trade with such retail orders; such increased liquidity provides more trading opportunities to the benefit of all market participants. In addition to this, retail participation is more likely to reflect long-term investment intentions, and may therefore positively impact market quality, also to the benefit of all market participants. In addition to this, the Exchange believes that the 90% or more retail order volume threshold is reasonable because it will serve to capture broker-dealers that are primarily in the business of handling orders on behalf of retail investors rather than larger broker-dealers that may route retail orders on behalf of other broker-dealers but are also engaged in significant other activity that is not related to servicing retail investors. Therefore, the 90% retail order volume threshold reasonably ensures that those firms whose overall business and trading model focuses on the handling and execution of orders for retail clients, are identified for the waiver to appropriately apply.

The Exchange believes that the proposed Trading Rights Fee is equitable and is not unfairly discriminatory because it will apply equally to all Members with an ADV of

100,000 shares or more traded per month, all Members in which less than 90% of their order volume is comprised of retail order volume per month,<sup>13</sup> and all Members that are not within their first three months of new Membership on the Exchange. As proposed, all members that do not qualify for a waiver would be charged the same, modest fee for their membership. The proposed fee is therefore charged on an equal and non-discriminatory basis for all such members. At the same time, the Exchange believes that it is important to continue to encourage participation from firms that represent ordinary investors, that have more limited trading activity, or that are new members.

Specifically, the Exchange believes that not charging the Trading Rights Fee for Members that do not meet the ADV threshold in a month is equitable and not unfairly discriminatory because it will apply equally to all such firms that meet this criteria and it considers the fact that smaller firms with significantly lower volume than most firms consume less regulatory resources, therefore, it ensures that disparate treatment does not exist for firms that are much smaller than the average firm on the Exchange. The Exchange believes that not charging the Trading Rights Fee for Members that do not meet the 90% retail order volume threshold is equitable and not unfairly discriminatory because it will apply equally to all such firms that meet this criteria. The waiver is equitable as it will encourage continued retail participation and liquidity on the Exchange which is more likely to reflect long-term investment intentions, and may therefore positively impact market quality, as well as incentivize other Members to send order flow to the Exchange to trade with such retail orders, which benefits all market participants by providing more trading opportunities. Finally, the Exchange believes that not charging a Trading Rights Fee for a new Member for the first three months of Membership is equitable and not unfairly discriminatory because the proposed waiver will be offered to all market participants that wish to become Members of the Exchange and is equitable because it will allow new firms the flexibility in resources needed to initially adjust to the Exchange's market-model and functionality. In addition to this, the proposed waiver

intends to incentivize new Membership which will bring increased liquidity and competition to the benefit of all market participants.

The Exchange also notes that the proposed fee is equitable and not unfairly discriminatory because it will contribute to a portion of the costs incurred by the Exchange in providing its Members with an efficient and well-regulated market, which benefits all Members. As stated, as an SRO, it is necessary for the Exchange to continuously invest in robust programs, policies, and procedures to ensure its markets are well-regulated in order to successfully carry out the purposes of the Act and maintain fair, orderly, and efficient markets, and the protection of investors.

#### *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 intramarket competition that is not necessary in furtherance of the purposes of the Act because the proposed rule change will apply equally to all Members that reach an ADV of 100,000 shares traded or greater, those in which less than 90% of their order volume is retail order volume per month, and those that are not within their first three months of new Membership on the Exchange. Although smaller Members would be excluded from the proposed fee, the Exchange believes that this may increase competition by encouraging additional order flow from such smaller Members thereby contributing to a more diverse, vibrant, and competitive market. In addition to this, though true retail firms would be excluded from the proposed fee, the Exchange believes that encouraging retail order flow to the Exchange will benefit all market participants by providing more trading opportunities and encouraging other Members to send orders which will contribute to more robust levels of liquidity. While the proposed tier is only available for Retail Orders, the Exchange notes it is attempting to increase retail participation and that, as noted above, retail participation is more likely to reflect long-term investment intentions, and may therefore positively impact market quality. Finally, while the proposed three month waiver of the Trading Rights Fee only applies to new Members, this incentivizes new Members which can be an important source of liquidity and facilitate competition within the market.

Next, the Exchange believes the proposed rule change does not impose any burden on intermarket competition

<sup>13</sup> A Member will not be charged if it meets either one (or both) of the exceptions. To illustrate, if a Member executes 5% of its total order volume as retail order volume but only has an ADV of 90,000 shares traded, that Member will not be charged the proposed Trading Rights Fee.

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, including competition for exchange memberships. Members have numerous alternative venues that they may participate on, including 12 other equities exchanges, as well as off-exchange venues, including over 50 alternative trading systems.<sup>14</sup> The Exchange represents a small percentage of the overall market. Based on publicly available information, no single equities exchange has more than 20% market share, and no exchange group has more than 22% market share.<sup>15</sup> Indeed, while trade through and best execution obligations may require a firm to access the Exchange, no firm is compelled to be a Member of the Exchange in order to participate in the Exchange and may freely choose to participate on the Exchange without holding a Membership. If the proposed fee is unattractive to members, it is likely that the Exchange will lose membership and market share as a result. As a result, the Exchange carefully considers any increases to its fees in concert, balancing the utility in remaining competitive with other exchanges and with alternative trading systems exempted from compliance with the statutory standards applicable to exchanges, including the requirement to regulate their members, and in covering costs described in the filing that are associated with maintaining its equities market and its regulatory programs to ensure that the Exchange remains an efficient and well-regulated marketplace. In addition to this the Exchange notes that other exchanges currently have trading rights fees in place,<sup>16</sup> which have been previously filed with the Commission.

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.” 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’ . . . .” 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>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-CboeBZX-2019-072 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-2019-072. 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-CboeBZX-2019-072 and should be submitted on or before September 11, 2019.

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

**Jill M. Peterson,**

*Assistant Secretary.*

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<sup>14</sup> See U.S. Securities and Exchange Commission Alternative Trading Systems (“ATS”) List (June 30, 2019), available at <https://www.sec.gov/foia/docs/atstlist.htm>.

<sup>15</sup> See Cboe Global Markets U.S. Equities Market Volume Summary (July 31, 2019), available at [https://markets.cboe.com/us/equities/market\\_share](https://markets.cboe.com/us/equities/market_share).

<sup>16</sup> See *supra* note 5.

<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).