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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-90642; File No. SR-CBOE-2020-115]

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fees Schedule with Respect to Certain Fees Related to Qualified Contingent Cross Transactions the Exchange's LMM Incentive Programs

December 11, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on December 4, 2020, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") 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 Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend the Fees Schedule with respect to certain fees related to Qualified Contingent Cross transactions the Exchange's LMM incentive programs. The text of the proposed rule change is attached [sic] 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.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

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

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

1. Purpose

The Exchange proposes to amend its Fees Schedule with respect to Qualified Contingent Cross ("QCC") transaction fees and the Exchange's Lead Market-Maker ("LMM") programs[3].

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 options venues to which market participants may direct their order flow. Based on publicly available information, no single options exchange has more than 15% of the market share.[4] Thus, in such a low-concentrated and highly competitive market, no single options exchange possesses significant pricing power in the execution of option order flow. The Exchange believes that the ever-shifting market share among the exchanges from month to month demonstrates that market participants can shift order flow or discontinue to reduce use of certain categories of products in response to fee changes. Accordingly, competitive forces constrain the Exchange's transaction fees, and market participants can readily trade on competing

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[3] The Exchange initially filed the proposed fee changes December 1, 2020 (SR-CBOE-2020-113). On December 4, 2020, the Exchange withdrew that filing and submitted this proposal.

[4] See Cboe Global Markets U.S. Options Monthly Market Volume Summary (November 25, 2020), available at https://markets.cboe.com/us/options/market_statistics/.

venues if they deem pricing levels at those other venues to be more favorable. In response to competitive pricing, the Exchange, like other options exchanges, offers rebates and assesses fees for certain order types executed on or routed through the Exchange.

QCC Fees

By way of background, a QCC order is comprised of an 'initiating order' to buy (sell) at least 1,000 contracts, coupled with a contra-side order to sell (buy) an equal number of contracts and that for complex QCC transactions, the 1,000 contracts minimum is applied per leg. Currently, the Exchange assesses no fee for Customer ("C" capacity) QCC transactions and $0.17 per contract side for non-Customer transactions. In addition, the Exchange provides a $0.10 per contract credit for the initiating order side, regardless of origin code. The Exchange proposes to eliminate the $0.17 transaction fee for Professional ("U" capacity) QCC orders (i.e., such transactions would be free)[5]. The Exchange similarly proposes to provide that the $0.10 per contract credit for the initiating order side would not apply to (i) Professional to Professional executions or (ii) Professional to Customer executions, in light of the fact that the Exchange is proposing to waive the transaction fee for Professional QCC Orders. More specifically, since the Exchange is proposing to eliminate the fee for Professional QCC transactions, and since Customers already aren't assessed a fee for such transactions, the Exchange does not wish to provide a credit for transactions that do not generate any fees. The proposed change is consistent with the current Fees Schedule which provides that the QCC credit is not applied to Customer to Customer QCC executions. The purpose of the proposed change to waive fees for Professional QCC orders is to incentivize the sending of QCC orders to the Exchange by these market participants and compete with other Exchanges that similarly do not assess fees to QCC orders from Professional Customers.[6]

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[5] Pursuant to this proposal, Professional Customer (Capacity U) QCC orders would receive fee code QC instead of fee code QN.

[6] See e.g., BOX Options Fee Schedule, Section 1(D), Qualified Contingent Cross ("QCC") Transactions, which provides that no fees are assessed for Customer and Professional

LMM Programs

The Exchange next proposes to amend each of its LMM Programs (i.e., the MSCI LMM Incentive Program, the GTH VIX/VIXW LMM Incentive Programs, the GTH SPX/SPXW LMM Incentive Program and the RTH SPESG LMM Incentive Programs (collectively "LMM Programs")). The LMM Programs each currently provide a specified rebate where the LMM(s) in the respective classes meet certain prescribed heightened quoting standards as specified in the respective LMM Program tables in the Fees Schedule. The Exchange notes that the LMMs for each program are not currently obligated to satisfy the respective heightened quoting standards detailed in the Fees Schedule, but rather, are eligible to receive the respective rebates if they satisfy the prescribed heightened quoting standards, which the Exchange believes encourage LMMs to provide liquidity in their appointed classes. The Exchange also notes that the notes section for each LMM Program provides that the Exchange may consider exceptions to the prescribed quoting standards based on demonstrated legal or regulatory requirements or other mitigating circumstances. The Exchange proposes to adopt and codify another exception to the prescribed quoting standards for each LMM Program. Particularly, the Exchange wishes to provide that for each program, in calculating whether an LMM meets the heightened quoting standard each month, the Exchange will exclude from the calculation the LMM's worst quoting day in that month (i.e., the business day on which the LMM met or exceeded the heightened quoting standard in the least amount of series[7]). The Exchange proposes to adopt this exception

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Customer QCC transactions. See also NYSE American Options Fee Schedule, Section 1(F), QCC Fees and Credits, which also provides that no fees are assessed for Customer and Professional Customer QCC transactions.

7 An LMM's "worst" quoting day will be based on the highest number of series missed and not the percentage of series missed. As an example, assume an LMM met the heightened quoting standard for all series every day of a given month except for two days. On "day 1" there were 100 available series and the LMM didn't meet the heightened quoting standard for 40 of those series (i.e., missed 40% of the available series) and on "day 2" there were 50 available series and the LMM didn't meet the heightened quoting standard for 25 of those series (i.e., missed 50% of the available series). In this scenario, the Exchange would omit from its calculation "day 1", because it missed a higher number of series (40 vs 25) even though the LMM missed a lower percentage of available series (40% vs 50%). The

to provide further flexibility for LMMs. For example, the Exchange notes that there may be certain circumstances, such as a day of extreme volatility or where the LMM has a system issue, that may impact an LMM's ability to meet the heightened quoting standards for that day, which could result in the LMM no longer being able to satisfy the heightened quoting standard for the remainder of the month. The Exchange believes this proposed change will further encourage LMMs to continue to quote aggressively in a class throughout the entire month despite one poor performing day. For example, absent the proposed rule change, if an LMM has a poor performing day early in the month, the LMM may no longer have an incentive to continue to quote at the prescribed heightened levels for the remainder of the month as it would know it would no longer be eligible to receive the LMM rebate for that month even if it continued to meet or exceed the prescribed quoting standards. Accordingly, the Exchange believes the proposed rule change would eliminate the potential disincentive that could occur if one poor performing day prevented an LMM from meeting the heightened quoting standards.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,[8] in general, and furthers the objectives of Section 6(b)(4),[9] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Trading Permit Holders ("TPHs") 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)[10] 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

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Exchange notes that if an LMM misses the same number of series on more than one day, it will still omit only one day to eliminate from the calculation.

8 15 U.S.C. 78f.

9 15 U.S.C. 78f(b)(4).

10 15 U.S.C. 78f.(b)(5).

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.

The Exchange believes that the proposed amendments to the Fees Schedule are reasonable, equitable and not unfairly discriminatory. In particular, the Exchange believes the proposal to not assess a fee for Professional QCC orders is reasonable because such market participants would not be subject to a transaction fee for such transactions. The Exchange notes other Exchanges also waive fees for Professional QCC transactions.[11] Additionally, the proposed change would apply to all Professional alike and the proposed fee changes reflect a competitive pricing structure designed to compete with other exchanges that similarly do not assess fees on these market participants. The Exchange believes the proposed rule change will also incentivize Professionals to direct their QCC order flow to the Exchange, which the Exchange believes would enhance market quality to the benefit of all TPHs.

The Exchange believes it's reasonable to eliminate the credit on the initiating order side of a QCC transaction for (i) Professional to Professional and (ii) Professional to Customer QCC executions as the Exchange will no longer receive any transaction fees for such transactions in light of its proposal to eliminate a transaction fee for Professional QCC orders. The Exchange notes another exchange similarly waives QCC-related credits for similar transactions.[12] The Exchange believes the elimination of the proposed credit is equitable and not unfairly

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11 See e.g., BOX Options Fee Schedule, Section 1(D), Qualified Contingent Cross ("QCC") Transactions, which provides that no fees are assessed for Customer and Professional Customer QCC transactions. See also NYSE American Options Fee Schedule, Section 1(F), QCC Fees and Credits, which also provides that no fees are assessed for Customer and Professional Customer QCC transactions.

12 See NYSE American Options Fee Schedule, Section 1(F), QCC Fees and Credits, which provides Floor Brokers will not receive a credit for QCC trades that have a Customer or Professional Customer, or both, on both sides of the trade.

discriminatory because it applies to all Professionals and because such market participants will no longer be subject to transaction fees for QCC transactions.

The Exchange believes the proposed rule change to omit an LMM's worst quoting day each month is reasonable because it will encourage LMMs to quote aggressively in a class throughout the entire month despite one poor performing day. As discussed above, there may be days on which an LMM cannot quote aggressively (e.g., LMM has a system issue) and in certain months, one poor performing day can prevent an LMM from meeting the heightened quoting standard required to receive the rebate under the LMM Program. Moreover, in such months where an LMM has a poor performing day, an LMM may be discouraged from quoting aggressively the remainder of the month if it knows it were no longer eligible to receive the rebate that month. This can be especially problematic if a poor performing day occurs early in the month. The Exchange notes that it adopted each of its LMM programs and corresponding financial incentives to ensure there was sufficient incentive for a TPH to undertake an obligation to quote at heightened levels, without which could result in lower levels of liquidity in the LMM Program classes. Accordingly, the Exchange believes the proposed rule change will encourage LMMs to quote aggressively in a class throughout the entire month (and thereby ensure sufficient liquidity), notwithstanding a poor performing day. The Exchange also notes that another exchange similarly omits a Market-Maker's worst quoting day each month under from one of its financial incentive programs.[13] The Exchange believes the proposed change is equitable and not unfairly discriminatory as it applies equally to all appointed LMMs.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. First, the Exchange notes that the proposed changes apply uniformly to similarly-situated TPHs. The

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[13] See Nasdaq ISE LLC, Options 7 Pricing Schedule, Section 3, Regular Order Fees and Rebates, Footnote 5.

Exchange believes the proposed rule change serves to increase intramarket competition by incentivizing Professionals to direct their QCC orders to the Exchange, which will bring greater volume and liquidity, thereby benefitting all market participants by providing more trading opportunities and tighter spreads. Further, the Exchange notes that other Exchanges don't assess fees to Professional (or Customer) QCC transactions. The Exchange does not believe that the proposed rule change related to LMM Programs will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because it applies uniformly to any LMM appointed under these programs, which market participants play a crucial role in providing active and liquid markets in their respective assigned products.

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. TPHs have numerous alternative venues they may participate on and direct their order flow, including 15 other options exchanges. Additionally, the Exchange represents a small percentage of the overall market. Based on publicly available information, no single options exchange has more than 15% of the market share. Therefore, no exchange possesses significant pricing power in the execution of order flow. Indeed, participants can readily choose to send their orders to other exchanges and off-exchange venues if they deem fee levels at those other venues to be more favorable. As noted above, the Exchange believes that the proposed QCC transaction fee change is comparable to that of other exchanges offering similar QCC functionality. Also, while the proposed change to the LMM Programs applies only to the Exchange, another exchange provides for a similar exception as proposed for one of its financial incentive programs. 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 has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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[14] and paragraph (f) of Rule 19b-4[15] 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.

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[14] 15 U.S.C. 78s(b)(3)(A).

[15] 17 CFR 240.19b-4(f).

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 e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2020-115 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-CBOE-2020-115. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, 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. 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-CBOE-2020-115 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[16]

J. Matthew DeLesDernier.

Assistant Secretary.

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[16] 17 CFR 200.30-3(a)(12).