Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), and Rule 19b-4 thereunder, notice is hereby given that on February 10, 2021, 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”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (http://markets.cboe.com/us/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

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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 the Fee Schedule applicable to its equities trading platform (“BZX Equities”) to expand the Lead Market Maker (“LMM”) Pricing provided under footnote 14 to include new paragraph (B) entitled “LMM Add Liquidity Rebate.” Specifically, the Exchange is proposing a new rebate for LMMs in higher volume BZX-listed securities that is designed to allow an LMM to opt-in to a more traditional LMM incentive than the Exchange’s current LMM pricing model. As proposed, the LMM Add Liquidity Rebate would provide an enhanced per share rebate for those BZX-listed securities that meet certain volume thresholds, for which the LMM opts for the security to be included in the LMM Add Liquidity Rebate, and for which the security is a Qualified Security. The proposed rebate is designed to create a more comprehensive liquidity provision program to incentivize LMMs to provide enhanced market quality across all BZX-listed securities, including in higher volume securities where transaction-based incentives may better incentivize liquidity provision than current programs.

   The Exchange also proposes to re-letter existing paragraphs (B) and (C) based on the new proposed paragraph, make a ministerial change to the definition of “Qualified LMM” in the Fee Schedule, and eliminate the Market Depth Tier provided under footnote 1 of the Fee Schedule.

   The Exchange currently offers LMM Liquidity Provision Rates which provide LMMs daily incentives that are based on whether the LMM meets certain performance based criteria.

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3 As provided in the Fee Schedule, a “Qualified Security” refers to a BZX-listed security for which the applicable LMM is a Qualified LMM. “Qualified LMM” means an LMM that meets the Minimum Performance Standards.

4 The Exchange initially filed the proposed fee changes February 1, 2021 (SR-CboeBZX-2021-015). On February 10, 2021, the Exchange withdrew that filing and submitted this proposal.
(i.e., the applicable Minimum Performance Standard$^5$). Specifically, the Exchange provides each LMM with a daily incentive based on how many Qualified Securities or Enhanced Securities$^7$ the LMM has and the average aggregate daily auction volume in the BZX-listed securities for which it is an LMM (“LMM Securities”). The LMM Liquidity Provision Rates were implemented to incentivize LMMs to meet the Minimum Performance Standards across all of their LMM Securities, especially for newly listed and other lower volume securities.

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$^5$ As defined in Rule 11.8(e)(1)(E), the term “Minimum Performance Standards” means a set of standards applicable to an LMM that may be determined from time to time by the Exchange. Such standards will vary between LMM Securities depending on the price, liquidity, and volatility of the LMM Security in which the LMM is registered. The performance measurements will include: (A) percent of time at the NBBO; (B) percent of executions better than the NBBO; (C) average displayed size; and (D) average quoted spread. The Fee Schedule currently references Rule 11.8(e)(1)(D) rather than 11.8(e)(1)(E), and as discussed herein, the Exchange is proposing to amend the Fee Schedule to reference Rule 11.8(e)(1)(E).

$^6$ The current Minimum Performance Standards include: (i) registration as a market maker in good standing with the Exchange; (ii) time at the inside requirements (generally between 3% and 15% of Regular Trading Hours for Qualified Securities and between 5% to 50% for Enhanced Securities, depending on the average daily volume of the applicable LMM Security); (iii) auction participation requirements (generally requiring that the auction price is between 3% and 5% of the last Reference Price, as defined in Rule 11.23(a)(19), for a Qualified Security and 1%-3% for an Enhanced Security (the “Enhanced Auction Range”); (iv) market-wide NBB and NBO spread and size requirements (generally requiring between 200 and 750 shares at both the NBB and NBO for both Qualified Securities and Enhanced Securities with an NBO spread between 1% and 10% for a Qualified Security and .25% to 4% for Enhanced Securities, depending on price of the security and underlying asset class); and (v) depth of book requirements (generally requiring between $25,000 and $250,000 of displayed posted liquidity for both Qualified Securities and Enhanced Securities within 1% to 10% of both the NBB and NBO for Qualified Securities and 0.25% and 5% for Enhanced Securities, depending on price of the security and underlying asset class). See Securities Exchange Act No. 86213 (June 27, 2019) 84 FR 31951 (July 3, 2019) (SR-CboeBZX-2019-058) (the “Original Filing”). The Exchange notes that as of February 1, 2021, the Enhanced Auction Range will be .50%-3%. The Original Filing provides that “[b]efore diverging significantly from the ranges described above, the Exchange will submit a rule filing to the Commission describing such proposed changes.” The Exchange does not believe that this change represents a “significant divergence” but is instead noting the change in order to provide transparency regarding the current state of the Minimum Performance Standards.

$^7$ An “Enhanced Security” refers to a BZX-listed security which meets certain enhanced qualifying market quality standards.
Now, the Exchange is proposing to offer an opt-in LMM Add Liquidity Rebate of $0.0039 per share to an LMM that elects to participate in the program for a particular Qualified Security. As proposed, an LMM that opts to participate in the LMM Add Liquidity Rebate for a particular LMM Security would not receive the otherwise applicable Liquidity Provision Rate that it would receive under the program today. In order to be eligible for the proposed rebate, the LMM Security must first have a consolidated average daily volume ("CADV") of at least 1,000,000 shares (the "CADV Requirement"). Specifically, an LMM may opt in to the program for the next calendar month if an LMM Security has a CADV of at least 1,000,000 shares during the prior month. For example, if an LMM Security has a CADV of at least 1,000,000 shares for the month of December 2020, the LMM may opt in to the LMM Add Liquidity Rebate for that security during January 2021, which would apply to its trading in the LMM Security for the month of February 2021. If the LMM Security does not meet the CADV Requirement for a given month, the LMM Security will be automatically un-enrolled from the LMM Add Liquidity Rebate. Like the LMM Liquidity Provision Rates, the LMM must meet the Minimum Performance Standards applicable to Qualified Securities.

For example, assume an LMM opts in to the proposed program for the month of February 2021 in symbol ABCD. If the LMM meets the Minimum Performance Standards for a given trading day, the MPID would receive a rebate per share of $0.0039 in symbol ABCD instead of the rebate normally applied to the Member’s trading in the symbol, which could range

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8 Like the Standard and Enhanced Rates provided under the existing LMM Liquidity Provision Rates (i.e., paragraph (A) of footnote 14), the proposed rebate would apply only to MPIDs that are LMMs.

9 "CADV" means consolidated average daily volume calculated as the average daily volume reported for a security by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the three calendar months preceding the month for which the fees apply and excludes volume on days when the market closes early and on the Russell Reconstitution Day.

10 New listings and transferred listings made during a given month will not be eligible for the LMM Add Liquidity Rebate during that month.
from $0.0020 to $0.0033 per share. On any trading day in which the LMM does not meet the
Minimum Performance Standards in symbol ABCD, the MPID would receive the rebate
normally applied to the Member’s trading in the symbol. While opting in to the LMM Add
Liquidity Rebate would preclude the LMM from receiving the LMM Liquidity Provision Rates
for the elected LMM Security, it would not preclude an LMM from achieving other incentives
(e.g., LMM Add Volume Tiers).

As discussed above, the LMM Add Liquidity Rebate would be available on a symbol-by-
symbol basis for LMM Securities meeting the CADV Requirement. For any security that the
LMM does not opt in to the LMM Add Liquidity Rebate, the LMM will continue to participate
in the Liquidity Provision Rates by default. An LMM may opt in to the LMM Add Liquidity
Rebate program instead of the default LMM Liquidity Provision Rates program for a given
LMM Security for the following calendar month. By default, an LMM will be subject to the
LMM Liquidity Provision Rates unless it opts in to the LMM Add Liquidity Rebate.
Specifically, if an LMM Security is eligible for the LMM Add Liquidity Rebate (i.e., meets the
CADV Requirement), an LMM will be able to enroll the LMM Security in the program via the
Exchange’s ETP Portal. LMM Securities that do not meet the CADV Requirement will be
ineligible for the program and will not be available for selection in the ETP Portal. Further,
LMM elections will remain the same as the prior month unless changed by the LMM or the
LMM Security fails to meet the CADV Requirement.11

In addition to the above, the Exchange proposes three additional modifications to the Fee
Schedule. First, the Exchange proposes to re-letter existing paragraphs (B) and (C) under
footnote 14 based on the proposed amendment to add a new paragraph (B). Second, the
Exchange proposes to make a ministerial change to the definition of “Qualified LMM” in the Fee

11 An LMM must opt in to the LMM Add Liquidity Rebate each time a Qualified Security
is eligible for the rebate after having failed to meet the CADV Requirement during the
prior month(s).
Schedule to reference Rule 11.8(e)(1)(E) instead of (D). Third, the Exchange proposes to eliminate the Market Depth Tier provided under Footnote 1 of the Fee Schedule. The proposal will have no impact on Members as no Member has recently met the Market Depth Tier.

2. **Statutory Basis**

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act, in general, and furthers the objectives of Section 6(b)(4) and 6(b)(5), 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 also notes that its listing business operates in a highly competitive market in which market participants, which includes both issuers and LMMs, can readily transfer their listings or opt not to participate, respectively, if they deem fee levels, liquidity provision incentive programs, or any other factor at a particular venue to be insufficient or excessive. The proposed rule changes reflect a competitive pricing structure designed to incentivize issuers to list new products and transfer existing products to the Exchange and market participants to enroll and participate as LMMs on the Exchange, which the Exchange believes will enhance market quality in all securities listed on the Exchange.

The Exchange believes that the proposal to adopt incentives based on both Minimum Performance Standards and transactions under the LMM Add Liquidity Rebate is a reasonable means to incentivize market quality in securities listed on the Exchange. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings. Transfers between listing venues occur frequently for numerous reasons, including market quality. As noted above, the LMM Add Liquidity Rebate allows the Exchange to offer LMM pricing comparable to other traditional LMM programs available on other listing venues and, as such, this proposal is intended to help the Exchange compete as a listing venue. Further,

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13 15 U.S.C. 78f(b)(4) and (5).
the Exchange notes that the proposed incentives are not transaction fees, nor are they fees paid by participants to access the Exchange. Rather, the proposed payments are based on achieving certain objective market quality and transaction-based metrics.

As stated above, the proposed rebate would continue to encourage LMMs to meet the Minimum Performance Standards for Qualified Securities, but would provide the potential for additional incentives for higher volume securities. The proposed rebate would provide LMMs with the flexibility to opt in to an additional pricing program that better incentivizes LMMs to meet certain market quality metrics in higher volume securities, which, when coupled with the existing LMM Liquidity Provision Rates, would provide a more comprehensive program to incentivize LMMs to provide enhanced market quality across all LMM Securities. Specifically, the LMM Liquidity Provision Rates are designed to incentivize LMMs to meet the Minimum Performance Standards in lower volume securities where transaction-based incentives may not sufficiently incentivize liquidity and the proposed LMM Add Liquidity Rates would incentivize LMMs to meet the Minimum Performance Standards in higher volume securities through the potential of greater economic benefits, which the Exchange believes is reasonable. The Exchange believes the proposal will benefit all investors by both increasing competition among LMMs in higher volume securities and leading to tighter and deeper markets to the benefit of all market participants.

The Exchange believes that it is reasonable only for securities that meet the CADV Requirement to be eligible for the LMM Add Liquidity Rates because the Exchange does not want to disincentivize LMMs in lower volume securities from meeting the standards applicable to Enhanced Securities. Such lower volume securities generally benefit more from LMMs meeting the standards applicable to Enhanced Securities and the Exchange believes that it is reasonable to continue to require LMMs in securities that do not meet the CADV Requirement to meet such standards in order to maximize their daily payment.
The Exchange believes that it is reasonable to offer the LMM Add Liquidity Rates only for securities that meet the CADV Requirement, because the Exchange generally makes more revenue the greater the trading volume in the trading volume [sic]. Specifically, as the proposed incentives are available only in LMM Securities that meet the CADV Requirement, the incentives are generally commensurate with the Exchange’s revenue in that LMM Security. Further, the LMM Add Liquidity Rates provide an alternative incentive structure for LMMs that may better incentivize them to meet the required criteria for the LMM Security. The Exchange believes the LMM Add Liquidity Rates adds an alternative rebate structure that, coupled with the LMM Liquidity Provision Rates, would create a comprehensive incentive structure that will encourage participation and, further, competition among LMMs. The Exchange believes that increased participation and competition among LMMs will result in better market quality across all of its listings, resulting in greater market quality to the benefit of investors and other market participants.

The Exchange believes it is reasonable that an LMM forfeit the LMM Liquidity Provision Rates if it opts in to the LMM Add Liquidity Rates. As described above, opting in to the LMM Add Liquidity Rates would allow the possibility of greater economic benefit for LMMs by offering a per share rebate. As a result, LMMs would have the possibility of receiving a higher payment for acting as an LMM in an LMM Security, which the Exchange believes makes it reasonable to remove the stipend style payment that exists under the LMM Liquidity Provision Rates. Furthermore, the proposal is opt-in only; therefore, LMMs may opt not to participate if they do not believe that they would benefit from opting in or if they deem the LMM Add Liquidity Rates insufficient in a given LMM Security.

The Exchange believes that the proposal represents an equitable allocation of payments and is not unfairly discriminatory because, while the proposed payments apply only to LMMs, such LMMs must meet rigorous Minimum Performance Standards in order to receive the proposed rebate. Where an LMM does not meet the Minimum Performance Standards for the
applicable LMM Security, they will not be eligible for the proposed rebates. Further, registration as an LMM is available equally to all Members and allocation of listed securities between LMMs is governed by Exchange Rule 11.8(e)(2). If an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange’s discretion.

The Exchange believes that its proposal to eliminate the Market Depth Tier is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities primarily because it will have no impact on Members as no Member has recently met the tier. Removing this tier does not impact any other tiers available to Members and removal of this tier will apply equally to all Members.

The Exchange believes its proposal to re-letter paragraphs (B) and (C) under footnote 14 and amend the definition of Qualified LMM will have no impact on Members of the Exchange as they are ministerial in nature.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed change burdens competition, but rather, enhances competition as it is intended to increase the competitiveness of BZX both among Members by incentivizing Members to become LMMs in BZX-listed securities and as a listing venue by enhancing market quality in BZX-listed securities. The marketplace for listings is extremely competitive and there are several other national securities exchanges that offer listings. Transfers between listing venues occur frequently for numerous reasons, including market quality. This proposal is intended to help the Exchange compete as a listing venue. Accordingly, the Exchange does not believe that the proposed change will impair the ability of issuers, LMMs, or competing listing venues to maintain their competitive standing. The Exchange also notes that the proposed change is intended to enhance market quality in BZX-listed securities, to the benefit of all
investors in BZX-listed securities. The Exchange does not believe the proposed amendment would burden intra-market competition as it would be available to all Members uniformly. Registration as an LMM is available equally to all Members and allocation of listed securities between LMMs is governed by Exchange Rule 11.8(e)(2). Further, if an LMM does not meet the Minimum Performance Standards for three out of the past four months, the LMM is subject to forfeiture of LMM status for that LMM Security, at the Exchange’s discretion.

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 and paragraph (f) of Rule 19b-4 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:

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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-CboeBZX-2021-016 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-2021-016. 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. 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-2021-016 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.\textsuperscript{16}

J. Matthew DeLesDernier,
Assistant Secretary.

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\textsuperscript{16} 17 CFR 200.30-3(a)(12).