



**SECURITIES AND EXCHANGE COMMISSION**  
**[Release No. 34-101983; File No. SR-CBOE-2024-055]**

**Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Update its Fees Schedule in Connection with the Exchange's Plans to List and Trade Options that Overlie the Cboe Bitcoin U.S. ETF Index and the Cboe Mini Bitcoin U.S. ETF Index**

December 19, 2024.

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 December 11, 2024, 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 update its Fees Schedule in connection with the Exchange's plans to list and trade options that overlie the Cboe Bitcoin U.S. ETF Index and the Cboe Mini Bitcoin U.S. ETF Index. 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://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 in connection with its plans to list and trade options that overlie the Cboe Bitcoin U.S. ETF Index (“CBTX options”) and the Cboe Mini Bitcoin U.S. ETF Index (“MBTX options”).<sup>3</sup> By way of background, the Cboe Bitcoin U.S. ETF Index is a modified market capitalization-weighted index that is designed to track the performance of a basket of spot Bitcoin ETFs listed on U.S. exchanges. CBTX options are cash-settled options based on the Cboe Bitcoin U.S. ETF Index. MBTX options are cash-settled options on the Cboe Mini Bitcoin U.S. ETF Index, which is a reduced value index based on 1/10<sup>th</sup> the value of the Cboe Bitcoin U.S. ETF Index.

The Exchange proposes to amend its Fees Schedule to accommodate the planned listing and trading of CBTX and MBTX options.

Standard Transaction Rates and Surcharges

First, the Exchange proposes to adopt certain standard transaction fees in connection with CBTX and MBTX options. Specifically, the proposed rule change adopts certain fees for CBTX and MBTX options in the Rate Table for All Products Excluding Underlying Symbol A,<sup>4</sup> as follows:

- Adopts fee code B1, appended to all Customer (capacity “C”) orders in CBTX options and assesses a fee of \$0.50 per contract;<sup>5</sup>

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<sup>3</sup> The Exchange initially filed the proposed fee changes on December 2, 2024 (SR-CBOE-2024-054). On December 11, 2024, the Exchange withdrew that filing and submitted this proposal.

<sup>4</sup> Underlying Symbol List A includes OEX, XEO, RUT, RLG, RLV, RUI, UKXM, SPX (includes SPXW), SPESG and VIX. See Exchange Fees Schedule, Footnote 34.

<sup>5</sup> Under the proposed changes, the Customer Large Trade Discount Program, set forth in the Exchange Fees Schedule, will apply to Customer orders in CBTX and MBTX (included in “Other Index Options” under the program). Under the program, a customer large trade discount program in the form of a cap on customer (“C” capacity code) transaction fees is in effect for the options set forth in the Customer Large Trade Discount table. For CBTX and MBTX options, regular customer transaction fees will only be

- Adopts fee code B2, which is appended to all non-Customer (i.e., Clearing Trading Permit Holders (capacity “F”), Non-Clearing Trading Permit Holder Affiliates (capacity “L”), Market-Maker (capacity “M”), Broker-Dealers (capacity “B”), Joint Back-Offices (capacity “J”), Non-Trading Permit Holder Market-Makers (capacity “N”), and Professionals (capacity “U”)) orders in CBTX options and assesses a fee of \$1.00 per contract;
- Adopts fee code M1, appended to all Customer (capacity “C”) orders in MBTX options and assesses a fee of \$0.25 per contract; and
- Adopts fee code M2, which is appended to all non-Customer (i.e., Clearing Trading Permit Holders (capacity “F”), Non-Clearing Trading Permit Holder Affiliates (capacity “L”), Market-Maker (capacity “M”), Broker-Dealers (capacity “B”), Joint Back-Offices (capacity “J”), Non-Trading Permit Holder Market-Makers (capacity “N”), and Professionals (capacity “U”)) orders in MBTX options and assesses a fee of \$0.50 per contract.

In addition to the above transaction fees, the proposed rule change also adopts a surcharge to CBTX and MBTX options transactions within the Rate Table - All Products Excluding Underlying Symbol List A. Specifically, the proposed rule change adds CBTX and MBTX options to the list of options for which the FLEX Surcharge Fee of \$0.10 (capped at \$250 per trade) applies to electronic FLEX orders executed by all capacity codes, except for Cboe Compression Services (“CCS”) and FLEX Micro transactions.<sup>6</sup>

The Exchange also proposes to exclude non-Customer complex orders in CBTX and MBTX from the Complex Surcharge by amending Footnote 35 (appended to the Complex Surcharge) to provide that the Complex Surcharge applies per contract per side surcharge for

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charged for up to 5,000 contracts per order, similar to other index options other than VIX, SPX/SPXW, SPESG, and XSP.

<sup>6</sup> The FLEX Surcharge Fee will only be charged up to the first 2,500 contracts per trade. See Exchange Fees Schedule, Footnote 17.

noncustomer complex order executions that remove liquidity from the Complex Order Book (“COB”) and auction responses in the Complex Order Auction (“COA”) and AIM in all classes except CBTX, MBTX, MRUT, NANOS, XSP, FLEX Micros, Sector Indexes and Underlying Symbol List A.

#### Fees Programs

The Exchange proposes to exclude CBTX and MBTX options from the Liquidity Provider Sliding Scale, which offers credits on Market-Maker orders where a Market-Maker achieves certain volume thresholds based on total national Market-Maker volume in all underlying symbols, excluding Underlying Symbol List A, MRUT, MXACW, MXUSA, MXWLD, NANOS, XSP and FLEX Micros during the calendar month. Specifically, the proposed rule change updates the Liquidity Provider Sliding Scale table to provide that volume thresholds are based on total national Market-Maker volume in all underlying symbols excluding Underlying Symbol List A, CBTX, MBTX, MRUT, MXACW, MXUSA, MXWLD, NANOS, XSP and FLEX Micros during the calendar month, and that it applies in all underlying symbols excluding Underlying Symbol List A, CBTX, MBTX, MRUT, MXACW, MXUSA, MXWLD, NANOS, XSP and FLEX Micros. The proposed rule change also updates Footnote 10 (appended to the Liquidity Provider Sliding Scale) to provide that the Liquidity Provider Sliding Scale applies to Liquidity Provider (Exchange Market-Maker, DPM and LMM) transaction fees in all products except (1) Underlying Symbol List A, CBTX, MBTX, MRUT, MXACW, MXUSA, MXWLD, NANOS, XSP and FLEX Micros, (2) volume executed in open outcry, and (3) volume executed via AIM Responses.

The proposed rule change also updates Footnote 44 (appended to the Liquidity Provider Sliding Scale Adjustment Table) to exclude CBTX and MBTX volume from the program by providing (in relevant part) that the Make Rate under the Liquidity Provider Sliding Scale Adjustment Table be derived from a Liquidity Provider’s electronic volume the previous month in all symbols excluding Underlying Symbol List A, CBTX, MBTX, and XSP.

The proposed rule change updates the Volume Incentive Program (“VIP”) table to also exclude CBTX and MBTX volume from the VIP, which currently offers a per contract credit for certain percentage threshold levels of monthly Customer volume in all underlying symbols, excluding Underlying Symbol List A, Sector Indexes, DJX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, XSP and FLEX Micros. The proposed rule change also amends Footnote 36 (appended to the VIP table) to reflect the proposed exclusion of CBTX and MBTX from the VIP by providing (in relevant part) that: the Exchange shall credit each TPH the per contract amount resulting from each public customer (“C” capacity code) order transmitted by that TPH which is executed electronically on the Exchange in all underlying symbols excluding Underlying Symbol List A, Sector Indexes, DJX, CBTX, MBTX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, XSP, FLEX Micros, QCC trades, public customer to public customer electronic complex order executions, and executions related to contracts that are routed to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan referenced in Rule 5.67, provided the Trading Permit Holder (“TPH”) meets certain percentage thresholds in a month as described in the Volume Incentive Program (VIP) table; the percentage thresholds are calculated based on the percentage of national customer volume in all underlying symbols excluding Underlying Symbol List A, Sector Indexes, CBTX, MBTX, MRUT, MXACW, MXEA, MXEF, MXUSA, MXWLD, NANOS, DJX, XSP, and FLEX Micros entered and executed over the course of the month; and in the event of a Cboe Options System outage or other interruption of electronic trading on Cboe Options, the Exchange will adjust the national customer volume in all underlying symbols excluding Underlying Symbol List A, Sector Indexes, CBTX, MBTX, MRUT, MXACW, MXEA, MXEF, MXUSA, MXWLD, NANOS, DJX, XSP, and FLEX Micros for the entire trading day.

The proposed rule change excludes CBTX and MBTX options from the list of products eligible to receive Break-Up Credits in orders executed in AIM, SAM, FLEX AIM, and FLEX

SAM, by amending the Break-Up Credits table to exclude CBTX and MBTX along with the products currently excluded—Underlying Symbol List A, Sector Indexes, DJX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, XSP and FLEX Micros.

The Exchange proposes to exclude CBTX and MBTX options from the Marketing Fee Program by updating the Marketing Fee table to provide that the marketing fee will be assessed on transactions of Market-Makers (including DPMs and LMMs), resulting from customer orders at the per contract rate provided above on all classes of equity options, options on ETFs, options on ETNs and index options, except that the marketing fee shall not apply to Sector Indexes, DJX, CBTX, MBTX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, XSP, NANOS, FLEX Micros or Underlying Symbol List A. The Exchange notes that, in this way, CBTX and MBTX options will be treated as most of the Exchange's other exclusively listed products that are currently excluded from the Marketing Fee Program. The Exchange does believe that it is necessary at the point of newly listing and trading for CBTX and MBTX options to be eligible for the Marketing Fee Program and may determine in the future to submit a fee filing to add CBTX and MBTX to the Marketing Fee Program if the Exchange believes it would potentially generate more customer order flow in CBTX and MBTX options.

The Exchange proposes to exclude CBTX and MBTX options from the Floor Broker Sliding Scale Rebate Program, which offers rebates for Firm Facilitated and non-Firm Facilitated orders that correspond to certain volume tiers and is designed to incentivize order flow in multiply listed options to the Exchange's trading floor. The Exchange proposes to update the Floor Broker Sliding Scale Rebate Program to provide that the Floor Broker Sliding Scale Rebate Program applies to all products except Underlying Symbol List A, Sector Indexes, DJX, CBTX, MBTX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, XSP and FLEX Micros.

The Exchange next proposes to exclude CBTX and MBTX options from eligibility for the Order Router Subsidy ("ORS") and Complex Order Router Subsidy ("CORS") Programs, in

which Participating TPHs or Participating Non-Cboe TPHs may receive a payment from the Exchange for every executed contract routed to the Exchange through their system in certain classes. Specifically, the proposed rule change updates the ORS/CORS Program tables to provide that ORS/CORS participants whose total aggregate non-customer ORS and CORS volume is greater than 0.25% of the total national volume (excluding volume in options classes included in Underlying Symbol List A, Sector Indexes, DJX, CBTX, MBTX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, XSP or FLEX Micros) will receive an additional payment for all executed contracts exceeding that threshold during a calendar month. The proposed rule change also updates Footnote 29 (appended to the ORS Program table) to provide that Cboe Options does not make payments under the program with respect to executed contracts in options classes included in Underlying Symbols List A, Sector Indexes, DJX, CBTX, MBTX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, XSP or FLEX Micros or with respect to complex orders or spread orders; and updates Footnote 30 (appended to the CORS Program table) to provide that Cboe Options does not make payments under the program with respect to executed contracts in options classes included in Underlying Symbols List A, Sector Indexes, DJX, CBTX, MBTX, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, XSP or FLEX Micros.

The Exchange also proposes to amend Footnote 6, which states that in the event of an Exchange System outage or other interruption of electronic trading on the Exchange that lasts longer than 60 minutes, the Exchange will adjust the national volume in all underlying symbols excluding Underlying Symbol List A, Sector Indexes, MRUT, MXEA, MXEF, MXACW, MXUSA, MXWLD, NANOS, DJX, XSP and FLEX Micros for the entire trading day. The Exchange proposes to add CBTX and MBTX options to the list of options.

The Exchange also proposes to exclude Firm (i.e., Clearing Trading Permit Holders (capacity “F”) and Non-Clearing Trading Permit Holder Affiliates (capacity “L”)) transactions in CBTX and MBTX from the Clearing TPH Fee Cap. Specifically, it amends footnote 22

(appended to the Clearing TPH Fee Cap table) to provide that all non-facilitation business executed in AIM or open outcry, or as a QCC or FLEX transaction, transaction fees for Clearing TPH Proprietary and/or their Non-TPH Affiliates in all products except CBTX, MBTX, MRUT, NANOS, XSP, FLEX Micros, Sector Indexes and Underlying Symbol List A, in the aggregate, are capped at \$65,000 per month per Clearing TPH. The proposed rule change additionally updates Footnote 11 (which is also appended to the Clearing TPH Fee Cap table) to provide that the Clearing TPH Fee Cap in all products except CBTX, MBTX, MRUT, NANOS, XSP, FLEX Micros, Underlying Symbol List A and Sector Indexes (the “Fee Cap”), the Cboe Options Proprietary Products Sliding Scale for Clearing TPH Proprietary Orders, and the Clearing TPH Proprietary VIX Sliding Scale apply to (i) Clearing TPH proprietary orders (“F” capacity code), and (ii) orders of Non-TPH Affiliates of a Clearing TPH.

#### LMM Incentive Programs

Finally, the Exchange proposes to adopt financial programs in connection with CBTX and MBTX options for LMMs appointed to the programs (collectively, the “LMM Incentive Programs”).<sup>7</sup> Each LMM Incentive Program provides a rebate to TPHs with LMM appointments to the respective incentive program that meet certain quoting standards in the applicable series in a month. The Exchange notes that meeting or exceeding the quoting standards (as proposed; described in further detail below) in each of the LMM Incentive Program products to receive the applicable rebate (as proposed; described in further detail below) is optional for an LMM appointed to a program. Rather, an LMM appointed to an incentive program is eligible to receive the corresponding rebate if it satisfies the applicable quoting standards, which the Exchange believes encourages the LMM to provide liquidity in the applicable class and trading session. The Exchange may consider other exceptions to the programs’ quoting standards based on

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<sup>7</sup> See Exchange Rule 3.55(a). In advance of the LMM Incentive Program effective date, the Exchange will send a notice to solicit applications from interested TPHs for the LMM role and will, from among those applications, select the program LMMs. Factors to be considered by the Exchange in selecting LMMs include adequacy of capital, experience in trading options, presence in the trading crowd, adherence to Exchange rules and ability to meet the obligations specified in Rule 5.55.

demonstrated legal or regulatory requirements or other mitigating circumstances. In calculating whether an LMM appointed to an incentive program meets the applicable program's quoting standards each month, the Exchange excludes from the calculation in that month the business day in which the LMM missed meeting or exceeding the quoting standards in the highest number of the applicable series.

The Exchange notes that it currently offers several LMM Incentive Programs for other proprietary Exchange products. The proposed heightened quoting standards are similar to the detail and format (corresponding premiums, quote widths, and sizes) of the quoting standards currently in place for LMM Incentive Programs for other proprietary Exchange products,<sup>8</sup> and, similar to the LMM Incentive Programs with respect to other propriety [sic] Exchange products, the heightened quoting requirements offered by each of the proposed LMM Incentive Programs are designed to incentivize LMMs appointed to the LMM Incentive Programs to provide liquidity in CBTX and MBTX options during the trading day upon their listing and trading on the Exchange and thereafter, which, in turn, would provide greater trading opportunities, added market transparency and enhanced price discovery for all market participants in CBTX and MBTX options.

The Exchange first proposes to adopt a MBTX/MBTXW LMM Incentive Program ("MBTX LMM Incentive Program"). As proposed, the MBTX LMM Incentive Program provides that if an LMM appointed to the MBTX LMM Incentive Program provides continuous electronic quotes during Regular Trading Hours ("RTH") that meet or exceed the proposed heightened quoting standards (below) in at least 85% of MBTX series 85% of the time in a given month, the LMM will receive (i) a payment for that month in the amount of \$10,000 (or pro-

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<sup>8</sup> See Exchange Fees Schedule, "MRUT LMM Incentive Program", "MSCI LMM Incentive Program", "MXACW LMM Incentive Program", "MXUSA LMM Incentive Program", "MXWLD LMM Incentive Program", "NANOS LMM Incentive Program", "GTH VIX/VIXW LMM Incentive Program", "GTH1 SPX/SPXW LMM Incentive Program", "GTH2 SPX/SPXW LMM Incentive Program", "RTH XSP LMM Incentive Program", "GTH1 XSP LMM Incentive Program", "GTH2 XSP LMM Incentive Program", and "RTH SPESG LMM Incentive Program".

rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month) for that month and (ii) a credit of \$0.25/contract applied to all MBTX contracts executed in Market-Maker capacity during RTH.

	6 days or less		7 days to 14 days		15 days to 60 days		61 to 120 days		121 to 270 days	
	Width	Size	Width	Size	Width	Size	Width	Size	Width	Size
\$0.00 - \$5.00	\$0.15	20	\$0.20	15	\$0.25	10	\$0.30	5	\$0.80	5
\$5.01 - \$15.00	\$0.50	20	\$0.35	15	\$0.40	10	\$0.50	5	\$1.00	5
\$15.01 - \$20.00	\$1.00	5	\$1.50	5	\$0.50	10	\$0.50	5	\$2.00	3
\$20.01 - \$50.00	\$1.20	5	\$3.00	5	\$4.00	5	\$1.00	5	\$5.00	3
\$50.01 - \$100.00	\$5.00	1	\$8.00	1	\$8.00	1	\$8.00	1	\$8.00	3
\$100.01 - \$200.00	\$8.00	1	\$10.00	1	\$12.00	1	\$12.00	1	\$14.00	1
Greater than \$200.00	\$10.00	1	\$12.00	1	\$14.00	1	\$14.00	1	\$16.00	1

The Exchange next proposes to adopt a CBTX/CBTXW LMM Incentive Program (“CBTX LMM Incentive Program”). As proposed, the CBTX LMM Incentive Program provides that if an LMM appointed to the CBTX LMM Incentive Program provides continuous electronic quotes during RTH that meet or exceed the proposed heightened quoting standards (below) in at least 85% of CBTX series 85% of the time in a given month, the LMM will receive (i) a payment for that month in the amount of \$10,000 (or pro-rated amount if an appointment begins after the first trading day of the month or ends prior to the last trading day of the month) and (ii) a credit of \$0.50/contract applied to all CBTX contracts executed in Market-Maker capacity during RTH.

	6 days or less		7 days to 14 days		15 days to 60 days		61 to 120 days		121 to 270 days	
	Width	Size	Width	Size	Width	Size	Width	Size	Width	Size
\$0.00 - \$5.00	\$0.40	10	\$0.60	10	\$1.00	10	\$1.00	5	\$2.00	5
\$5.01 - \$15.00	\$0.80	10	\$1.50	10	\$1.50	10	\$1.50	5	\$3.00	5

\$15.01 - \$20.00	\$2.00	5	\$3.00	5	\$3.50	5	\$3.50	5	\$5.00	5
\$20.01 - \$50.00	\$4.00	5	\$5.00	5	\$5.00	5	\$5.00	5	\$8.00	3
\$50.01 - \$100.00	\$6.00	5	\$8.00	5	\$8.00	5	\$8.00	5	\$12.00	3
\$100.01 - \$200.00	\$12.00	1	\$12.00	1	\$12.00	1	\$12.00	3	\$12.00	1
Greater than \$200.00	\$16.00	1	\$16.00	1	\$16.00	1	\$16.00	1	\$18.00	1

The heightened quoting requirements offered by the CBTX and MBTX LMM Incentive Programs are designed to incentivize LMMs appointed to the LMM Incentive Programs to provide significant liquidity in CBTX and MBTX options during the trading day upon their listing and trading on the Exchange, which, in turn, would provide greater trading opportunities, added market transparency and enhanced price discovery for all market participants in CBTX and MBTX options.

## 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>9</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>10</sup> 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. Additionally, the Exchange believes the proposed rule change is

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

consistent with the Section 6(b)(5)<sup>11</sup> requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>12</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its TPHs and other persons using its facilities.

#### Standard Transaction Rates and Surcharges

The Exchange believes that the proposed amendments to the Fees Schedule in connection with standard transaction rates and surcharges for CBTX and MBTX options transactions are reasonable, equitable and not unfairly discriminatory. The Exchange believes that the proposed standard transaction rates for Customer and non-Customer orders in CBTX and MBTX options are reasonable. Specifically, the proposed fees are in line with or less than fees for transactions in similar industry products<sup>13</sup>, when taking into account adjustments for notional size differences, based on the spot value of the underlying index of CBTX and MBTX options as compared to the spot value of other similar industry products and considering the difference in multipliers among the various products.

Additionally, the Exchange believes it is reasonable to charge different fee amounts to different user types in the manner proposed because the proposed fees are consistent with the price differentiation that exists today for other index products. Moreover, the Exchange believes that it is reasonable to assess lower fees for MBTX options orders (as compared to CBTX options orders), because of the relation between MBTX options and CBTX options, wherein MBTX options overlie an index with 1/10<sup>th</sup> the value of the index that underlies CBTX options.

The Exchange believes it is reasonable to apply the FLEX Surcharge Fee to CBTX and MBTX options, as the FLEX Surcharge Fee assists the Exchange in recouping the cost of

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<sup>11</sup> Id.

<sup>12</sup> 15 U.S.C. 78f(b)(4).

<sup>13</sup> See CME Fees Schedule, Bitcoin Futures & Options, Micro Bitcoin Futures & Options.

developing and maintaining the FLEX system. Moreover, the Exchange believes it is reasonable to exclude CBTX and MBTX options from the Complex Surcharge because the proposed surcharge exclusions will provide consistency between the fees assessed for orders in other proprietary products, including MRUT, NANOS, XSP, FLEX Micros, Sector Indexes and Underlying Symbol List A.

The Exchange believes the proposed standard transaction rates and exclusion from certain surcharges are equitable and not unfairly discriminatory because they will apply automatically and uniformly to all capacities as applicable (i.e., Customer and non-Customer), in CBTX and MBTX options. The Exchange also believes that it is equitable and not unfairly discriminatory to assess lower fees to Customers as compared to other market participants because Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The fees offered to Customers are intended to attract more Customer trading volume to the Exchange. Moreover, the options industry has a long history of providing preferential pricing to Customers, and the Exchange's current Fees Schedule currently does so in many places, as do the fees structures of many other exchanges. Finally, all fee amounts listed as applying to Customers will be applied equally to all Customers (meaning that all Customers will be assessed the same amount).

#### Fees Programs

The Exchange believes that the proposed updates to the Fees Schedule in connection with the application of certain fees programs to transactions in CBTX and MBTX options are reasonable, equitable and not unfairly discriminatory. The Exchange believes it is reasonable to exclude CBTX and MBTX options from the Liquidity Provider Sliding Scale, the VIP, Break-Up Credits applicable to Customer Agency Orders in AIM and SAM, the Marketing Fee, the Floor

Broker Sliding Scale Rebate Program, and the ORS/CORS program because other proprietary index products are also excepted from these programs.<sup>14</sup> Moreover, the Exchange notes that the proposed rule change does not alter any of the existing programs, but instead, merely proposes not to include transactions in CBTX and MBTX options in those programs.

The Exchange believes that excluding CBTX and MBTX options transactions from certain fees programs is equitable and not unfairly discriminatory because the programs will equally not apply to, or exclude in the same manner, all market participants' orders in CBTX and MBTX options. The Exchange notes that the proposed rule change does not alter any of the existing program rates or volume calculations, but instead, merely proposes to include (or not to) include transactions in CBTX and MBTX options in those programs and volume calculations in the same way that transactions in proprietary index products are (or are not) currently included.

#### LMM Incentive Programs

The Exchange believes the proposed LMM Incentive Programs are reasonable, equitable and not unfairly discriminatory. Particularly, the proposed CBTX and MBTX LMM Incentive Programs are reasonable financial incentive programs because the proposed heightened quoting standards and rebate amount for meeting the heightened quoting standards in each CBTX and MBTX series, as applicable, are reasonably designed to incentivize LMMs appointed to the Programs to meet the proposed heightened quoting standards during RTH for CBTX and MBTX, as applicable, thereby providing liquid and active markets, which facilitates tighter spreads, increased trading opportunities, and overall enhanced market quality to the benefit of all market participants, particularly in newly listed and traded products on the Exchange during the trading day.

The Exchange believes that the proposed heightened quoting standards are reasonable because they are similar to the detail and format (corresponding premiums, quote widths, and

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<sup>14</sup> See Exchange Fees Schedule, Liquidity Provider Sliding Scale, Volume Incentive Program, Break-Up Credits, Marketing Fee, Floor Broker Sliding Scale Rebate Program, Order Router Subsidy Program and Complex Order Router Subsidy Program.

sizes) of the quoting standards currently in place for LMM Incentive Programs for other proprietary Exchange products.<sup>15</sup> The Exchange believes the proposed heightened quoting standards for the CBTX and MBTX LMM Incentive Programs reasonably reflect what the Exchange believes will be typical market characteristics in CBTX and MBTX options, given their relative spot value, notional value and general anticipated retail base.

Further, the Exchange believes the proposed percentage of the series (85% of each series) in which an LMM must meet the proposed heightened quoting requirements is reasonable given the new market ecosystem for CBTX and MBTX options. Because the CBTX/MBTX market is still new and not yet as robust as that of other products, such as SPX/SPXW, it may pose more difficulty for LMMs in CBTX and MBTX options to offset risk and hedge, thus more difficulty in achieving the heightened quoting requirement. Therefore, the Exchange believes the proposed percentage of the series is reasonably commensurate with the potentially higher risk, and challenge in achieving the heightened quoting requirements, LMMs would have to take on in the new CBTX/MBTX market. The Exchange notes that the percentage of the series in place under the LMM Programs for MXACW and MXUSA options (90% of series and 85% of series, respectively), which are comparable in terms of potentially higher risk and challenge in achieving heightened quoting requirements, are tailored in a similar manner.

The Exchange further believes that the proposed rebate amounts received for CBTX (\$10,000) and MBTX (\$10,000) options are reasonable because they are comparable to the rebates offered by other LMM Incentive Programs offered by the Exchange. For example, the LMM Programs for MXACW and MXUSA options, which are comparable in terms of potentially higher risk and challenge in achieving heightened quoting requirements, each

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<sup>15</sup> See Exchange Fees Schedule, “MRUT LMM Incentive Program”, “MSCI LMM Incentive Program”, “MXACW LMM Incentive Program”, “MXUSA LMM Incentive Program”, “MXWLD LMM Incentive Program”, “NANOS LMM Incentive Program”, “GTH VIX/VIXW LMM Incentive Program”, “GTH1 SPX/SPXW LMM Incentive Program”, “GTH2 SPX/SPXW LMM Incentive Program”, “RTH XSP LMM Incentive Program”, “GTH1 XSP LMM Incentive Program”, “GTH2 XSP LMM Incentive Program”, and “RTH SPESG LMM Incentive Program”.

currently offer \$10,000 per class, per month to appointed LMMs for MXACW and MXUSA options if the heightened quoting standards are met in a given month. The Exchange believes that the proposed rebate amounts are reasonably designed to continue to incentivize an LMM appointed to the respective program to meet the applicable quoting standards for CBTX and MBTX options, thereby providing liquid and active markets, which facilitates tighter spreads, increased trading opportunities, and overall enhanced market quality to the benefit of all market participants.

Similarly, the Exchange believes that the additional per contract credits for Market-Maker CBTX and MBTX options orders executed in RTH offered by the LMM Incentive Programs are reasonable and equitable as LMM Incentive Programs for other products have, in the past, offered similar additional per contract credits.<sup>16</sup> All appointed LMMs are eligible for the additional per contract credits, which is designed to incentivize LMMs in these newly listed products to provide liquid and active markets in these products to encourage their growth.

Finally, the Exchange believes it is equitable and not unfairly discriminatory to offer the financial incentive to LMMs appointed to the LMM Incentive Programs, because it will benefit all market participants trading in CBTX and MBTX during RTH by encouraging the appointed LMMs to satisfy the heightened quoting standards, which incentivizes continuous increased liquidity and thereby may provide more trading opportunities and tighter spreads. Indeed, the Exchange notes that these LMMs serve a crucial role in providing quotes and the opportunity for market participants to trade CBTX and MBTX, which can lead to increased volume, providing for robust markets. The Exchange ultimately proposes to offer the CBTX and MBTX LMM Incentive Programs to sufficiently incentivize the appointed LMMs to provide key liquidity and active markets in the newly listed and traded CBTX and MBTX options during the trading day to encourage liquidity, thereby protecting investors and the public interest. The Exchange also notes

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<sup>16</sup> See, for example, Securities Exchange Act Release No. 96510 (December 15, 2022), 87 FR 78150 (December 21, 2022) (SR-CBOE-2022-061), wherein the Exchange adopted an additional per contract credit for Market-Maker XSP orders executed in RTH, as part of its GTH1 XSP LMM Incentive Program.

that an LMM appointed to the LMM Incentive Programs may undertake added costs each month to satisfy heightened quoting standards (e.g., having to purchase additional logical connectivity). The Exchange believes the proposed programs are equitable and not unfairly discriminatory because similar programs currently exist for LMMs appointed to programs in other proprietary products,<sup>17</sup> and the proposed programs will equally apply to any TPH that is appointed as an LMM to the each of the LMM Incentive Programs, as applicable. Additionally, if an appointed LMM does not satisfy the heightened quoting standards in CBTX and MBTX (as applicable) for any given month, then it simply will not receive the offered payment for that month.

**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. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed CBTX and MBTX transaction fees for the separate types of market participants will be assessed automatically and uniformly to all such market participants, i.e., all qualifying Customer orders in CBTX and MBTX options will be assessed the same amount and all qualifying non-Customer orders in CBTX and MBTX will be assessed the same amount. As discussed above, while different fees are assessed to different market participants in some circumstances, these different market participants have different obligations and different circumstances as discussed above. For example, preferential pricing to Customers is a long-standing options industry practice which serves to enhance Customer order flow, thereby attracting Market-Makers to facilitate tighter spreads and trading opportunities to the benefit of all market participants. Additionally, the proposed surcharge will be assessed uniformly to all market participants to whom the FLEX Surcharge applies.

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<sup>17</sup> Id.

Further, the proposed rule change will uniformly exclude all transactions in CBTX and MBTX options from certain programs and surcharge (i.e., Liquidity Provider Sliding Scale, the VIP, Break-Up Credits applicable to Customer Agency Orders in AIM and SAM, the Marketing Fee, the Floor Broker Sliding Scale Rebate Program, the ORS/CORS program, and the Complex Surcharge), as it currently does for many of the Exchange's other proprietary products. Overall, the proposed rule change is designed to increase incentive for customer order flow providers to submit customer order flow in a newly listed and traded product, which, as indicated above, contributes to a more robust market ecosystem to the benefit of all market participants.

The Exchange also does not believe that the proposed LMM Incentive Programs for CBTX and MBTX options would impose any burden on intramarket competition because it applies to all LMMs appointed to each of the LMM Incentive Programs in a uniform manner, in the same way similar programs apply to appointed LMMs in other proprietary products today. To the extent appointed LMMs receive a benefit that other market participants do not, these LMMs in their role as Market-Makers on the Exchange have different obligations and are held to different standards. For example, Market-Makers play a crucial role in providing active and liquid markets in their appointed products, especially in the newly developing CBTX and MBTX market, thereby providing a robust market which benefits all market participants. Such Market-Makers also have obligations and regulatory requirements that other participants do not have. The Exchange also notes that an LMM appointed to an incentive program may undertake added costs each month to satisfy heightened quoting standards (e.g., having to purchase additional logical connectivity). The Exchange also notes that the LMM Incentive Programs, like the other LMM Incentive Programs, is designed to attract additional order flow to the Exchange, wherein greater liquidity benefits all market participants by providing more trading opportunities, tighter spreads, and added market transparency and price discovery, and signals to other market participants to direct their order flow to those markets, thereby contributing to robust levels of liquidity.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed rule changes apply only to products exclusively listed on the Exchange.

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>18</sup> and paragraph (f) of Rule 19b-4<sup>19</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 (<https://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-CBOE-2024-055 on the subject line.

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<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f).

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-2024-055. 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 (<https://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 a.m. and 3 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CBOE-2024-055 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Vanessa A. Countryman,**

*Secretary.*

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<sup>20</sup> 17 CFR 200.30-3(a)(12).

