

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 such filings will also be available for inspection and copying at the principal office of ICE Clear Credit and on ICE Clear Credit's website at <https://www.theice.com/clear-credit/regulation>.

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-ICC-2018-001 and should be submitted on or before February 16, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Eduardo A. Aleman,**  
Assistant Secretary.

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting; Cancellation

**FEDERAL REGISTER CITATION OF PREVIOUS ANNOUNCEMENT:** 83 FR 3239, January 23, 2018

**PREVIOUSLY ANNOUNCED TIME AND DATE OF THE MEETING:** Wednesday, January 24, 2018 at 11:00 a.m.

**CHANGES IN THE MEETING:** The Closed Meeting scheduled for Wednesday, January 24, 2018 at 11:00 a.m., has been cancelled.

**CONTACT PERSON FOR MORE INFORMATION:** For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact Brent J. Fields of the Office of the Secretary at (202) 551-5400.

Dated: January 23, 2018.

**Brent J. Fields,**  
Secretary.

[FR Doc. 2018-01550 Filed 1-24-18; 11:15 am]

**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82553; File No. SR-CBOE-2018-007]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend the Fees Schedule

January 19, 2018.

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 January 19, 2018, 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

The Exchange proposes to amend its Fees 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://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 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 make a number of changes to its Fees Schedule.<sup>3</sup>

###### Liquidity Provider Sliding Scale

Under the Liquidity Provider Sliding Scale ("LP Sliding Scale"), a Liquidity Provider's (Cboe Options Market-Makers, DPMs and LMMs) standard per-contract transaction fees for all products except Underlying Symbol List A<sup>4</sup> are reduced based upon the Liquidity Provider ("LP") reaching certain contract volume thresholds in a month.<sup>5</sup> The Exchange proposes to adjust the volume thresholds. Specifically, the Exchange proposes to adjust Tiers 2 through 5. Tier 1 remains unchanged and there are no changes to any of the LP Sliding Scale rates. The proposed changes are as follows:

Tier	Percentage thresholds of National Market-Maker Contract Volume excluding underlying Symbol List A		Rate
	Current	Proposed	
1 .....	0.00%–0.05% .....	No change .....	\$0.23
2 .....	Above 0.05%–0.70% .....	Above 0.05%–0.80% .....	0.17
3 .....	Above 0.70%–1.40% .....	Above 0.80%–1.50% .....	0.10
4 .....	Above 1.40%–2.00% .....	Above 1.50%–2.25% .....	0.05
5 .....	Above 2.00% .....	Above 2.25% .....	0.03

<sup>15</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> The Exchange initially filed the proposed fee changes on January 2, 2018 (SR-CBOE-2018-001).

On business date January 19, 2018, the Exchange withdrew that filing and submitted this filing.

<sup>4</sup> As of January 19, 2018, Underlying Symbol List A includes Underlying Symbol List A consists of OEX, XEO, RUT, RLG, RLV, RUI, AWDE, FTEM,

FXTM, UKXM, SPX (includes SPXw), VIX, VOLATILITY INDEXES and binary options.

<sup>5</sup> See Cboe Options Fees Schedule, Liquidity Provider Sliding Scale.

The purpose of this change is to adjust for the Exchange's market share gains, which the Exchange has an interest in maintaining, while continuing to offer an incremental incentive for LPs to strive for the highest tier level.

#### LP Sliding Scale Adjustment Table

The Exchange proposes to amend the LP Sliding Scale Adjustment Table which provides that Taker fees be applied to "Taker" volume and a Maker rebate be applied to "Maker" volume in addition to the transaction fees assessed under the LP Sliding Scale. The amount of the Taker fee (or Maker rebate) is

determined by the LP's percentage of volume from the previous month that was Maker ("Make Rate").<sup>6</sup> The Exchange proposes to adjust the Performance Tiers (determined by the Make Rate), fees and rebates. Specifically the Exchange proposes to amend the volume thresholds for the make rate as follows:

Tier	Make rate (% based on prior month)	
	Current	Proposed
1 .....	0%–50% .....	No change.
2 .....	Above 50%–75% .....	Above 50%–60%.
3 .....	Above 75%–85% .....	Above 60%–75%.
4 .....	Above 85%–90% .....	Above 75%–90%.
5 .....	Above 90% .....	No change.

The Exchange also proposes to amend the Maker rebates and Taker fees as follows:

Tier	Maker rebate			Taker fee			
	Penny classes		Non-Penny Classes	Penny classes		Non-Penny classes	
	Current	Proposed		Current	Proposed	Current	Proposed
1 .....	(\$0.00)	No change .....	No change .....	\$0.04	\$0.05 .....	\$0.08	\$0.10.
2 .....	(0.00)	No change .....	No change .....	0.03	\$0.04 .....	0.06	\$0.07.
3 .....	(0.00)	(0.01) .....	No change .....	0.02	\$0.03 .....	0.04	\$0.05.
4 .....	(0.00)	(0.02) .....	No change .....	0.01	\$0.00 .....	0.02	\$0.04.
5 .....	(0.01)	(0.03) .....	No change .....	0.00	No change .....	0.00	No change.

The Exchange notes that Taker fees for Penny classes will continue to be subject to a cap of 0.50 per contract, which includes the LP Sliding Scale transaction fee, Adjustment Table fee and Marketing Fee.<sup>7</sup> The Exchange notes that the proposed changes to the Adjustment Table are designed to encourage LPs to provide and post liquidity to the Exchange and continue to encourage market participation and price improvement.

#### Hybrid Agency Liaison ("HAL") Step-Up Rebate

The Exchange currently rebates a Market-Maker \$0.05 per contract against

transaction fees generated from a transaction on the HAL system in a penny pilot class, provided that at least 70% of the Market-Maker's quotes in that class (excluding quotes in LEAPS series) in the prior calendar month were on one side of the NBBO. The Exchange no longer desires to provide this incentive and therefore proposes to eliminate the HAL Step-Up Rebate from the Fees Schedule.

#### Volume Incentive Program

Under the Volume Incentive Program ("VIP"), the Exchange credits each Trading Permit Holder ("TPH") the per contract amount set forth in the VIP

table for Public Customer orders ("C" origin code) transmitted by that TPH (with certain exceptions) which is executed electronically on the Exchange, provided the TPH meets certain volume thresholds in a month.<sup>8</sup> The Exchange proposes to make a few amendments to VIP. First, the Exchange proposes to amend the volume thresholds for Tiers 2, 3 and 4 and also add a Tier 5.<sup>9</sup> The changes are as follows:

<sup>6</sup> See Cboe Options Fees Schedule, Liquidity Provider Sliding Scale Adjustment Table.

<sup>7</sup> For example, if an LP is assessed the Marketing Fee on a given transaction (0.25 per contract) for which it was a Taker in a Penny class, and that LP falls in Tier 1 of the LP Sliding Scale (\$0.23 per

contract) and Performance Tier 1 of the Adjustment Table (\$0.05 per contract), the LP would be assessed \$0.50 per contract for the transaction, instead of \$0.53 per contract.

<sup>8</sup> See Cboe Options Fees Schedule, Volume Incentive Program.

<sup>9</sup> The Exchange notes that the Tier 5 rates for Simple and Complex Non-AIM will be the same as the rates for Tier 4 for Simple and Complex Non-AIM.

Tier	Percentage thresholds of National Customer Volume in all underlying symbols excluding underlying Symbol List A, DJX, MXEA, MXEF, MNX, NDX, XSP and XSPAM	
	Current	Proposed
1 .....	0.00%–0.75% .....	No change.
2 .....	Above 0.75% to 1.80% ....	Above 0.75% to 2.00%.
3 .....	Above 1.80% to 3.00% ....	Above 2.00% to 3.00%.
4 .....	Above 3.00% .....	Above 3.00% to 4.00%.
5 .....	N/A .....	Above 4.00%.

The Exchange also proposes to reduce the per contract credits for AIM orders. The proposed changes are as follows:

	Per contract credit for AIM orders			
	Simple			Complex
	Tier	Current	Proposed	Current
1 .....	\$0.00	No change .....	\$0.00	No change.
2 .....	0.09	No change .....	0.20	0.19.
3 .....	0.11	0.10 .....	0.23	0.22.
4 .....	0.14	0.13 .....	0.24	0.23.
5 .....	N/A	0.14 .....	N/A	0.24.

The purpose of these changes is to adjust for current volume trends while maintaining an incremental incentive for TPH's to strive for the highest tier level. The Exchange does not believe it's necessary to maintain the existing credits for AIM volume, but still seeks to maintain an incremental incentive for TPHs to strive for the highest tier level.

Lastly, the Exchange proposes to provide that a TPH will only receive the Complex credit rates for both its Complex AIM and Non-AIM volume if at least 40% of that TPH's qualifying VIP volume (in both AIM and Non-AIM) in the previous month was comprised of Simple volume. If the TPH's previous month's volume does not meet the 40% Simple volume threshold, then the TPH's Customer (C) Complex volume will receive credits at the Simple rate only (*i.e.*, all volume, both Simple and Complex, will receive credits at the applicable Simple rate). The proposed 40% requirement will apply beginning in February 2018 (*i.e.*, the proposed threshold will not affect January's credits. Rather, February 2018 volume will be based on whether a TPH's volume in January 2018 was comprised of at least 40% Simple volume). Notwithstanding the higher credits offered for Complex volume, the Exchange believes the proposed change will encourage TPHs to continue to send both Simple and Complex volume to the Exchange.

#### Market-Maker Affiliate Volume Plan

The Exchange proposes to amend its Market-Maker Affiliate Volume Plan ("AVP"). By way of background, under AVP, if a TPH Affiliate<sup>10</sup> or Appointed OFP<sup>11</sup> of a Market-Maker qualifies under VIP, that Market-Maker will also qualify for a discount on that Market-Maker's LP Sliding Scale transaction fees and Trading Permit fees. As noted above, the Exchange proposes to add an additional tier to VIP. As such, the Exchange also proposes to add an additional tier to AVP (Tier 5). Particularly, Market-Makers will receive a discount on transaction fees and Trading Permit fees of 35% if their Affiliate or Appointed OFP reach Tier 5 of VIP. The Exchange also proposes to reduce the discount for reaching Tier 3 from 20% to 15%.

#### Electronic Transaction Fees for Clearing Trading Permit Holder Proprietary

The Exchange proposes to increase the transaction fees for electronic executions for Clearing Trading Permit Holder Proprietary (origin codes "F" and "L") orders in equity, ETF, ETN and

index options (excluding Underlying Symbol List A) classes from \$0.38 per contract to \$0.43 per contract in Penny Classes and \$0.65 per contract to \$0.70 per contract in Non-Penny classes.<sup>12</sup> The Exchange notes that this increase is in line with the amounts assessed by others exchanges for similar transactions.<sup>13</sup>

#### Complex Surcharge

Currently, the Exchange assesses a Complex Surcharge of \$0.10 per contract per side for non-customer complex order executions that take liquidity from the Complex Order Book ("COB") and auction responses in the Complex Order Auction ("COA") and the Automated Improvement Mechanism ("AIM") in all classes except Underlying Symbol List A.<sup>14</sup> The Exchange proposes to increase the amount of the Complex Surcharge from \$0.10 per contract to \$0.12 per contract.

<sup>12</sup> The Exchange notes that it inadvertently did not update the Clearing Trading Permit Holder Proprietary transaction fee rates for electronic executions for in the Clearing Trading Permit Holder Fee Cap table in the Fees Schedule. Currently, the rate is listed as \$0.35 per contract. The Exchange notes it is now updating the fee to the proposed amounts of \$0.43 for Penny Classes and \$0.70 for Non-Penny Classes.

<sup>13</sup> See *e.g.*, Nasdaq PHLX LLC Pricing Schedule, Section II, Multiply Listed Options Fees. See also NYSE American Options Fees Schedule, Section I.A, Options Transaction Fees and Credits.

<sup>14</sup> See Cboe Options Fees Schedule, Complex Surcharge and Footnote 35 for more details regarding the Complex Surcharge.

<sup>10</sup> For purposes of AVP, "Affiliate" is defined as having at least 75% common ownership between the two entities as reflected on each entity's Form BD, Schedule A.

<sup>11</sup> See Cboe Options Fees Schedule Footnote 23. Particularly, a Market-Maker may designate an Order Flow Provider ("OFP") as its "Appointed OFP" and an OFP may designate a Market-Maker to be its "Appointed Market-Maker" for purposes of qualifying for credits under AVP.

The Exchange notes that it will continue to cap noncustomer complex auction responses in COA and AIM in Penny classes at \$0.50 per contract, which includes the applicable transaction fee, Complex Surcharge and Marketing Fee (if applicable).<sup>15</sup>

#### AIM Contra

The Exchange proposes to increase the AIM Contra Execution Fee for Broker-Dealer, Firm, Joint Back-Office, Non-TPH Market-Maker and Professional/Voluntary Professional orders from \$0.05 to \$0.07. The Exchange notes that the proposed amount of the fee is in line with the amount assessed for similar transactions at another exchange.<sup>16</sup>

#### ORS and CORS

The Exchange proposes to amend its Order Routing Subsidy (ORS) and Complex Order Routing Subsidy (CORS) Programs (collectively “Programs”). By way of background, the ORS and CORS

Programs allow the Exchange to enter into subsidy arrangements with any TPH (each, a “Participating TPH”) or Non-TPH broker-dealer (each a “Participating Non-TPH”) that meet certain criteria and provide certain order routing functionalities to other TPHs, Non-TPHs and/or use such functionalities themselves.<sup>17</sup> Participants in the ORS Program receive a payment for every executed contract for simple orders routed to the Exchange through their system and participants in the CORS Program receive a payment for every executed contract for complex orders routed to the Exchange through their system. Additionally, participants whose total aggregate non-customer ORS and CORS volume is greater than 0.40% of the total national volume (excluding volume in options classes included in Underlying Symbol List A, DJX, MXEA, MXEF, XSP or XSPAM) receive an additional payment of \$0.07 per contract for all executed contracts exceeding that threshold during a

calendar month. The Exchange proposes to reduce the threshold required to receive the additional \$0.07 per contract from 0.40% to 0.25%.

#### Liquidity Provider Sliding Scale for SPX and SPXW

The Exchange proposes to amend its sliding scale for LP transaction fees in SPX and SPXW (“SPX LP Sliding Scale”). Currently, LPs’ transaction fees in SPX and SPXW are determined by their average monthly contracts in SPX and SPXW. The SPX LP Sliding Scale currently provides for three tiers. The Exchange proposes to add two additional tiers, adjust the volume thresholds, and amend the transaction fees for each tier. The SPX LP Sliding Scale will continue to provide progressively lower rates if increased volume thresholds in SPX (including SPXW) options are attained during a month. The changes to the SPX LP Sliding Scale are as follows:

Tier	Volume thresholds		Rate	
	Current	Proposed	Current	Proposed
1 .....	0.00%–1.50% .....	0.00%–1.00% .....	\$0.25	\$0.28
2 .....	Above 1.01%–10.00% .....	Above 1.00%–4.00% .....	0.23	0.26
3 .....	Above 10.00% .....	Above 4.00%–9.00% .....	0.21	0.24
4 .....	N/A .....	Above 9.00%–15.00% .....	N/A	0.22
5 .....	N/A .....	Above 15.00% .....	N/A	0.20

The proposed changes to the SPX LP Sliding Scale continue to provide incremental incentives for LPs to reach the highest tier level and encourage trading of SPX options.

#### Proprietary Products Sliding Scale

The Proprietary Products Sliding Scale (“Proprietary Sliding Scale”) table provides that Clearing Trading Permit Holder Proprietary transaction fees for Clearing Trading Permit Holders and for Non-Clearing Trading Permit Holder Affiliates (“Non-TPH Affiliates”) (collectively, “Clearing TPHs”) in Underlying Symbol List A are reduced provided a Clearing TPH reaches certain average daily volume (“ADV”) thresholds in all underlying symbols excluding Underlying Symbol List A on the Exchange in a month. The Exchange proposes to increase the rates set forth in Tiers B2 and A1. Specifically, the Exchange proposes to increase the rate

in Tier B2 to \$0.18 from \$0.12 and in Tier A1 to \$0.04 from \$0.02. The purpose of increasing the transaction Fee Per Contract rates (and thereby reducing the amount of the discount Clearing TPHs may receive on proprietary products) is to moderate the discount levels for these products in view of their growth and performance. Particularly, the Exchange does not believe it’s necessary to maintain the existing discounted rates for these tiers, but still seeks to maintain an incremental incentive for Clearing TPHs to strive for the highest tier level.

#### VIX Sliding Scale

The Exchange proposes to amend its Clearing Trading Permit Holder Proprietary VIX Sliding Scale (the “VIX Sliding Scale”). The VIX Sliding Scale allows VIX volatility index options (“VIX options”) transaction fees for Clearing TPH (including its Non-TPH

Affiliates) proprietary orders to be reduced provided a Clearing TPH reaches certain proprietary VIX options volume thresholds during a month. The Exchange wishes to reduce the VIX fees in Tier 2 of the VIX Sliding Scale from \$0.17 per contract to \$0.15 per contract.

#### Supplemental VIX Discount

The Exchange proposes to amend its Supplemental VIX Total Firm Volume Discount (“Supplemental VIX Discount”). The Supplemental VIX Discount allows VIX options transaction fees for Clearing TPHs (including its Non-TPH Affiliates) proprietary orders to be discounted provided a Clearing TPH reaches certain VIX firm volume percentage thresholds during a calendar month. The Exchange wishes to lower the volume thresholds in Tiers 1 and 2 as follows in order to reduce VIX transaction fees and encourage greater VIX trading activity:

<sup>15</sup> For example, a Market-Maker COA response in a Penny class that is subject to the Marketing Fee (\$0.25 per contract), the Liquidity Provider Sliding Scale Tier 1 rate (\$0.23 per contract) and Complex Surcharge (\$0.12 per contract), would only be

charged \$0.50 per contract, instead of \$0.60 per contract.

<sup>16</sup> See PHLX Pricing Schedule, Section IV, PIXL Pricing.

<sup>17</sup> See Cboe Options Fees Schedule, “Order Router Subsidy Program” and “Complex Order Router Subsidy Program” tables for more details on the ORS and CORS Programs.

Tier	VIX Firm volume percentage	
	Current	Proposed
1 .....	0.00%–10.99% .....	0.00%–7.00%.
2 .....	11.00%–12.99% .....	7.01%–11.00%.
3 .....	13.00%–14.99% .....	11.01%–15.00%.
4 .....	Above 14.99% .....	Above 15.00%.

#### SPX Index License Surcharge

The Exchange proposes to increase the Index License Surcharge Fee for SPX (including SPXW) (the “SPX Surcharge”) from \$0.14 per contract to \$0.16 per contract. The Exchange licenses from S&P Dow Jones Indices (“SPDJI”) (the “SPDJI License”) the right to offer an index option product based on the S&P 500 index (that product being SPX and other SPX-based

index option products). In order to offset the costs of the SPDJI License, the Exchange assesses the SPX Surcharge. The Exchange therefore proposes to increase the SPX Surcharge from \$0.14 per contract to \$0.16 per contract in order to offset more of the costs associated with the SPX license.

#### Floor Broker Trading Permit Fees

The Exchange proposes to amend its Floor Broker Trading Permit Sliding

Scale Program (“FB TP Sliding Scale”). The FB TP Sliding Scale allows Floor Brokers to pay reduced rates for their Trading Permits if they commit in advance to a specific tier that includes a minimum number of eligible Floor Broker Trading Permits for each calendar year. The Exchange proposes to amend the Permit thresholds as follows:

Tiers	Number of permits		Amount per month per permit
	Current	Proposed	
1 .....	1 .....	No change .....	\$9,000
1 .....	2–7 .....	2–5 .....	5,000
2 .....	8 or more .....	6 or more .....	3,000

The purpose of this change is to reduce access costs and thereby encourage greater Floor Broker access.

#### Floor Brokerage Fees Discount

The Exchange proposes to adopt a new discount for floor brokerage fees. Currently, floor brokerage fees for OEX, XEO, RUT, RLG, RLV, RUI, AWDE, FTEM, FXTM, UKXM and SPX Index Options are \$0.04 per contract (crossed orders \$0.02) and VIX and volatility

index options are \$0.03 per contract (crossed orders \$0.015). The Exchange wishes to implement a new floor brokerage fees discount for Floor Brokers (“FB Discount”). The FB Discount will be based on a Floor Broker’s total monthly Floor Broker volume and will allow Floor Brokers to reduce their floor brokerage fees provided certain volume thresholds are attained during a month. The Exchange

notes that only volume that is assessed transaction fees will be considered qualifying volume to meet the volume thresholds (*i.e.*, OEX, XEO, RUT, SPX, SPXw, VIX and volatility index options). The Exchange notes that currently transaction fees for RLG, RLV, RUI, AWDE, FTEM, FXTM, UKXM are waived and as such will not count towards the volume thresholds. The FBD will be as follows:

Tiers	Total monthly floor broker contracts traded in qualifying classes	% Discount on all floor brokerage fees <sup>18</sup>
1 .....	0–250,000 .....	0
2 .....	250,001–1,500,000 .....	3
3 .....	1,500,001–5,000,000 .....	4
4 .....	5,000,001–7,500,000 .....	5
5 .....	Above 7,500,000 .....	6

#### Cboe Command Connectivity Charges

Next, the Exchange proposes to increase Cboe Command Connectivity Fees. First, the Exchange proposes to increase the monthly fee for a 1 gigabit per second (“Gbps”) Network Access Port from \$750 per port to \$1,500 per

port.<sup>19</sup> The Exchange also proposes to increase the monthly fee for a 10 Gbps Network Access Port from \$4,000 per port to \$5,000 per port. The Exchange has expended significant resources setting up, providing and maintaining this connectivity and the Exchange desires to offset such costs. The Exchange notes that such costs are also increasing due to network infrastructure upgrades. This fee amount is still within

the range of, and in some cases less than, similar fees assessed by other exchanges.<sup>20</sup>

#### Linkage

The Exchange proposes to increase the Linkage fee (in addition to the applicable away fees) for Customer orders from \$0.10 to \$0.15. The Fees Schedule currently provides that, in

<sup>18</sup> Once a volume threshold is attained during the month, the corresponding discount percentage will apply to all qualifying contracts. For example, if a Floor Broker has 2,000,000 contracts in qualifying volume in a given month, all 2,000,000 contracts will receive a discount of 4%.

<sup>19</sup> The Exchange also proposes to update the example in the Notes section to reflect the increased fee for the 1 Gbps Network Access Ports.

<sup>20</sup> See *e.g.*, Cboe BZX Exchange, Inc., Options Exchange Fees Schedule, Options Physical Connection Fees, which lists connectivity fees of \$2,000 per month for 1 Gbps and \$6,000 per month for 10 Gbps.

addition to the customary Cboe Options execution charges, for each customer order that is routed, in whole or in part, to one or more exchanges in connection with the Options Order Protection and Locked/Crossed Market Plan referenced in Rule 6.80, the Exchange shall pass through the actual transaction fee assessed by the exchange(s) to which the order was routed. The Exchange proposes to assess an additional \$0.05 per contract for customer orders routed away in addition to the applicable pass through fees. The proposed increase

will help offset costs incurred by the Exchange associated with routing customer orders through linkage. Indeed, the Exchange notes that it is, and will still be, subsidizing the costs associated with routing customer orders through linkage. The Exchange notes that the proposed amount of the fee is also in line with the amount assessed at other exchanges.<sup>21</sup>

#### Frequent Trader

The Exchange next proposes to amend its Frequent Trader Program. By way of background, the Frequent Trader

Program offers transaction fee rebates to registered Customers, Professional Customers and Voluntary Professionals (origin codes "C" and "W") (collectively, "Customers") that meet certain volume thresholds in VIX, RUT, and SPX (including SPXW) options provided the Customer registers for the program. The Exchange proposes to amend the Frequent Trader Program to increase the volume thresholds and increase the rebates for RUT options. Specifically, the proposed changes will be as follows:

Tier	RUT			
	Monthly contracts trade		Fee rebate	
	Current	Proposed	Current (%)	Proposed (%)
1 .....	5,000–9,999 .....	10,000–24,999 .....	3	10
2 .....	10,000–12,999 .....	25,000–49,999 .....	6	15
3 .....	13,000 and above .....	50,000 and above .....	9	25

The Exchange believes the proposed changes incentivizes the sending of RUT Customer orders to the Exchange while maintaining an incremental incentive for Customers to strive for the highest tier level.

#### VIX License Index Surcharge

The Exchange proposes to extend the current waiver of the VIX Index License Surcharge of \$0.10 per contract for Clearing Trading Permit Holder Proprietary ("Firm") (origin codes "F" or "L") VIX orders that have a premium of \$0.10 or lower and have series with an expiration of seven (7) calendar days or less. The Exchange adopted the current waiver to reduce transaction costs on expiring, low-priced VIX options, which the Exchange believed would encourage Firms to seek to close and/or roll over such positions close to expiration at low premium levels, including facilitating customers to do so, in order to free up capital and encourage additional trading. The Exchange had proposed to waive the surcharge through December 31, 2017, at which time the Exchange had stated that it would evaluate whether the waiver has in fact prompted Firms to close and roll over these positions close to expiration as intended. The Exchange believes the proposed change has in fact continued to encourage Firms to do so and as such, proposes to extend the waiver of the surcharge through June 30, 2018, at which time the Exchange will again reevaluate whether the waiver has

continued to prompt Firms to close and roll over positions close to expiration at low premium levels. Accordingly, the Exchange proposes to delete the reference to the current waiver period of December 31, 2017 from the Fees Schedule and replace it with June 30, 2018.

#### Extended Trading Hour Fees

In order to promote and encourage trading during the Extended Trading Hours ("ETH") session, the Exchange currently waives ETH Trading Permit and Bandwidth Packet fees for one (1) of each initial Trading Permits and one (1) of each initial Bandwidth Packet, per affiliated TPH. The Exchange notes that waiver is set to expire December 31, 2017. The Exchange also waives fees through June 30, 2018 for a CMI and FIX login ID if the CMI and/or FIX login ID is related to a waived ETH Trading Permit and/or waived Bandwidth packet. In order to continue to promote trading during ETH, the Exchange wishes to extend these waivers through June 30, 2018.

#### RLG, RLV, RUI, AWDE, FTEM, FXTM and UKXM Transaction Fees

In order to promote and encourage trading of seven new FTSE Russell Index products (i.e., Russell 1000 Growth Index ("RLG"), Russell 1000 Value Index ("RLV"), Russell 1000 Index ("RUI"), FTSE Developed Europe Index ("AWDE"), FTSE Emerging Markets Index ("FTEM"), China 50

Index ("FXTM") and FTSE 100 Index ("UKXM")), the Exchange waives all transaction fees (including the Floor Brokerage Fee, Index License Surcharge and CFLEX Surcharge Fee) for each of these products. This waiver however, expired December 31, 2017. In order to continue to promote trading of these options classes, the Exchange proposes to extend the fee waiver through June 30, 2018.

#### FLEX Asian and Cliquet Flex Trader Incentive Program

By way of background, a FLEX Trader is entitled to a pro-rata share of the monthly compensation pool based on the customer order fees collected from customer orders traded against that FLEX Trader's orders with origin codes other than "C" in FLEX Broad-Based Index Options with Asian or Cliquet style settlement ("Exotics") each month ("Incentive Program"). The Fees Schedule provides that the Incentive Program is set to expire either by December 31, 2017 or until total average daily volume in Exotics exceeds 15,000 contracts for three consecutive months, whichever comes first. The Exchange notes that total average daily volume in Exotics has not yet exceeded 15,000 contracts for three consecutive months. In order to continue to incentivize FLEX Traders to provide liquidity in FLEX Asian and Cliquet options, the Exchange proposes to extend the program to June 30, 2018 or until total average daily volume in Exotics exceeds 15,000

<sup>21</sup> See e.g., PHLX Pricing Schedule, Section V., Customer Routing Fees.

contracts for three consecutive months, whichever comes first.

#### AWDE, FTEM, FXTM, UKXM, RVX DPM Payment

The Exchange currently offers a compensation plan to the Designated Primary Market-Maker(s) ("DPM(s)") appointed in AWDE, FTEM, FXTM, UKXM or RVX to offset the initial DPM costs. Specifically, the Fees Schedule provides that DPM(s) appointed for an entire month in AWDE, FTEM, FXTM or UKXM classes will receive a payment of \$7,500 per class per month, and the DPM appointed in RVX will receive a payment of \$8,500 per month, through December 31, 2017. The Exchange notes that it plans on delisting AWDE, FTEM, FXTM and RVX shortly and therefore no longer wishes to extend these DPM payments. The Exchange also notes however, that it does not intend on delisting UKXM at this time and wishes to extend the payment to help offset ongoing costs associated with being the DPM in UKXM. The Exchange proposes to reduce the payment to \$5,000 per month through December 31, 2018.

#### OHS Order Cancellation Fee

The Exchange notes that the OHS (Order Handling Service) Order Cancellation Fee used to be assessed to an executing Clearing Trading Permit Holder (single OHS firm) for each cancelled public customer (origin code "C") OHS order in excess of the number of public customer orders that the executing Clearing Trading Permit Holder executed in a month for itself or for a correspondent firm. However, this fee has been set at \$0.00 for some time now. The Exchange does not intend on assessing this fee in the near future and as such, desires to remove the fee from the Fees Schedule to avoid any confusion.

#### 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>22</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>23</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 consistent with Section 6(b)(4) of the Act,<sup>24</sup> which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities.

The Exchange believes adjusting the LP Sliding Scale volume thresholds is reasonable because it adjusts for the current volume trends and the Exchange's market share gains. The Exchange also notes that the rates set forth in the LP Sliding Scale are not changing. Rather, the rebalance of tiers still allows the Exchange to maintain an incremental incentive for LP's to strive for the highest tier level, which provides increasingly lower fees. The Exchange believes it is equitable and not unfairly discriminatory because the proposed changes to the qualifying volume thresholds apply to all LPs uniformly. The Exchange also believes the proposed change is equitable and not unfairly discriminatory for the reasons discussed below in the Burden of Competition section relating to the favorable treatment of LPs.

The Exchange believes that the proposed amendments to the LP Sliding Scale Adjustment Table thresholds are reasonable because the amount of LP transaction fees including the proposed changes to Taker adjustments per contract are similar and in line with the amount assessed for similar transactions at other exchanges and because the adjustments are still subject to a \$0.50 per contract cap.<sup>25</sup> The proposed changes to the Maker rebates provide LPs additional opportunities to qualify for a rebate they would not otherwise receive. Additionally the proposed rule change is designed to encourage LPs to provide and post liquidity to the Exchange. The Exchange believes that the proposed changes are equitable and not unfairly discriminatory because they apply to all LPs. The Exchange also notes that it believes it's equitable and not unfairly discriminatory to assess additional Taker fees to transactions removing liquidity from the market ("Takers") and not Maker volume because the Exchange wants to continue

to encourage market participation and price improvement.

The Exchange believes it's reasonable to eliminate the HAL Step-Up Rebate because it is not required to provide such a rebate. Additionally, the Exchange notes that it originally adopted the HAL Step-Up rebate to incent Market-Makers to execute orders at Cboe Options versus routing orders away via Linkage (as the Exchange had been subsidizing most of the costs associated with linkage for competitive reasons). However, the Exchange no longer subsidizes most of the linkage costs, as routing practices have changed over the years. Therefore, the Exchange no longer wishes to offer the rebate. The Exchange believes it's equitable and not unfairly discriminatory because it applies uniformly to all TPHs.

The Exchange believes adjusting VIP volume thresholds is reasonable because it adjusts for current volume trends and given the Exchange's market share gains. The Exchange notes that the rebalance of tiers still allows the Exchange to maintain an incremental incentive for TPHs to strive for the highest tier level, which provides increasingly higher credits. This change is also equitable and not unfairly discriminatory because it will be applied to all TPHs uniformly. The Exchange believes adding an additional Tier is reasonable because it provides a rebate for AIM executions, the amount of which is the same as previously offered, albeit at a different threshold. The Exchange believes it's reasonable to reduce the credits available for Simple and Complex AIM executions because VIP still provides an opportunity for TPHs to receive credits for Simple and Complex AIM orders for reaching certain qualifying volume thresholds that they would not otherwise receive (now just a smaller credit). The Exchange also believes it's reasonable, equitable and not unfairly discriminatory to establish lower credits for AIM executions than non-AIM executions under VIP because AIM transactions are already assessed lower transaction fees than non-AIM.<sup>26</sup> The Exchange believes the proposal to provide that a TPH will only receive the Complex credit rates for both its Complex AIM and Non-AIM volume if at least 40% of that TPH's qualifying VIP volume (in both AIM and Non-AIM) in the previous month was comprised of Simple volume is reasonable because TPHs still receive credits they would not otherwise receive. The Exchange

<sup>24</sup> 15 U.S.C. 78f(b)(4).

<sup>25</sup> See e.g., NYSE Arca Options Fees and Charge, Transaction Fee for Electronic Executions—Per Contract.

<sup>26</sup> See Cboe Options Fees Schedule, Equity, ETF, ETN and Index Options (excluding Underlying Symbol List A) rate tables.

<sup>22</sup> 15 U.S.C. 78f(b).

<sup>23</sup> 15 U.S.C. 78f(b)(5).

believes the proposed rule changes incentivize the sending of both Simple and Complex orders to the Exchange. The greater liquidity and trading opportunities of both Simple and Complex orders should benefit not just customers (whose orders are the only ones that qualify for the VIP) but all market participants. The Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies to all TPHs that meet the qualifying volume thresholds.

The Exchange believes that adding an additional tier to AVP is reasonable because it provides LPs an additional opportunity to receive increased discounts on their transaction fees and Trading Permit fees. Additionally, the Exchange notes that the proposed tier is made in conjunction with the proposal to add a tier to VIP. Moreover, enhancing the incentives under AVP further incentivizes a Market-Maker Affiliate to achieve the highest tier on VIP so that the Market-Maker can achieve those higher credits, which thereby can result in greater customer liquidity. The resulting increased volume benefits all market participants (including Market-Makers or their affiliates who do not achieve the higher tiers on the VIP; indeed, this increased volume may allow them to reach these tiers). The Exchange believes reducing the discount in Tier 2 of AVP from 20% to 15% is reasonable because it still provides an opportunity for LPs to receive a discount they would not otherwise receive (now just a smaller discount). The Exchange believes the proposed changes are equitable and not unfairly discriminatory because they apply uniformly to all Market-Makers whose Affiliates or Appointed Affiliates meet the VIP tiers. The Exchange also notes that any Market-Maker may enter into a relationship with an Appointed Affiliate and thus have the opportunity to avail itself of AVP discounts. Lastly, the Exchange believes the proposed change is equitable and not unfairly discriminatory for the reasons discussed below in the Burden of Competition section relating to the favorable treatment of LPs.

Increasing the fee for electronic executions for Clearing Trading Permit Holder Proprietary orders in Penny and Non-Penny equity, ETF, ETN and index options (excluding Underlying Symbol List A) classes is reasonable because the proposed fee amounts are in line with the amounts assessed by another exchange for similar transactions.<sup>27</sup> The

Exchange believes that this proposed change is also equitable and not unfairly discriminatory because the proposed changes will apply equally to all Clearing Trading Permit Holders.

The Exchange believes that the proposed increase of the Complex Surcharge from \$0.10 per contract per side to \$0.12 per contract per side is reasonable because it helps offset high credits given to complex orders under VIP. The Exchange also notes that notwithstanding the increase, noncustomer COA and AIM auction responses in Penny classes continue to be capped at \$0.50 per contract. The Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies uniformly to all noncustomer orders.

The Exchange believes increasing the AIM Contra fee is reasonable because the proposed amount of the fee is in line with the amount assessed for similar transactions at another exchange.<sup>28</sup> Additionally, as noted above AIM transactions are already assessed lower transaction fees than non-AIM.<sup>29</sup> The Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies equally to applicable TPH transactions.

The Exchange believes the proposed amendments to the ORS and CORS Programs are reasonable because the proposed changes make it easier for Participants to receive additional payments to subsidize the costs associated with providing certain order routing functionalities. Additionally, the Exchange believes the subsidy helps attract order flow to the Exchange, which brings greater liquidity and trading opportunity, which benefits all market participants. The Exchange also believes the proposed change is equitable and not unfairly discriminatory because it applies equally to all participating TPHs and Non-TPH broker dealers.

The Exchange believes adding two additional tiers, adjusting the volume thresholds, and amending the transaction fees for each tier of the SPX LP Sliding Scale is reasonable because the sliding scale continues to provide incremental incentives for LPs to reach the highest tier level and encourage trading of SPX options. Additionally, the Exchange believes increasing SPX transaction fees for LPs is reasonable

because the Exchange has expended considerable resources developing and maintaining SPX. The Exchange believes that this proposed change is equitable and not unfairly discriminatory because it applies uniformly to all LPs. The Exchange also believes that this proposed change is equitable and not unfairly discriminatory because although LPs still pay lower SPX transaction fees than certain other market participants, LPs are valuable market participants that provide liquidity in the marketplace and incur costs that other market participants do not incur.

The Exchange believes increasing the SPX Surcharge is reasonable because it helps offset the costs of the SPDJI License. The Exchange notes in particular, that the proposed surcharge still does not offset the full cost of the SPDJI License. This increase is equitable and not unfairly discriminatory because all non-Customer market participants will be assessed the same increased SPX Surcharge. Not applying the SPX Surcharge to customer orders is equitable and not unfairly discriminatory because this is designed to attract customer SPX orders, which increases liquidity and provides greater trading opportunities to all market participants.

The Exchange believes increasing the rates in Tiers B2 and A1 of the Proprietary Sliding Scale (and thereby reducing the overall discount) is reasonable because it still provides Clearing TPHs (including their Non-TPH Affiliates) an opportunity to receive notable discounted rates on classes in Underlying Symbol List A for reaching certain qualifying volume thresholds that they would not otherwise receive (now just a smaller discount). Additionally, the Exchange notes that lower fees for executing more contracts is equitable and not unfairly discriminatory because it provides market participants with an incentive to execute more contracts on the Exchange. This brings greater liquidity and trading opportunity, which benefits all market participants. The Exchange believes that the proposed change is not unfairly discriminatory because it will apply to all Clearing TPHs that meet the qualifying volume thresholds. The Exchange also believes offering lower fees under the Proprietary Sliding Scale to Clearing TPHs and not other market participants is equitable and not unfairly discriminatory because Clearing TPHs must take on certain obligations and responsibilities, such as clearing and membership with the Options Clearing Corporation, as well as significant regulatory burdens and

Options Fees Schedule, Section I.A, Options Transaction Fees and Credits, Rates for Standard Options Transactions.

<sup>28</sup> See PHLX Pricing Schedule, Section IV, PIXL Pricing.

<sup>29</sup> See Cboe Options Fees Schedule, Equity, ETF, ETN and Index Options (excluding Underlying Symbol List A) rate tables.

<sup>27</sup> See e.g., PHLX Pricing Schedule, Section II, Multiply Listed Options Fees and NYSE Amex



financial obligations, that other market participants are not required to undertake.

The Exchange believes decreasing the rate in Tier 2 of the VIX Sliding Scale (and thereby increasing the overall discount) is reasonable because it provides Clearing TPHs (including their Non-TPH Affiliates) an opportunity to receive an additional discounted rates in VIX for reaching the qualifying volume threshold in VIX. The Exchange notes that lowering the VIX fee is equitable and not unfairly discriminatory because it provides Clearing TPHs with an incentive to execute more VIX contracts on the Exchange. The Exchange believes that the proposed change is not unfairly discriminatory because it will apply to all Clearing TPHs that meet the qualifying volume threshold. The Exchange also believes offering lower fees under the VIX Sliding Scale to Clearing TPHs and not other market participants is equitable and not unfairly discriminatory because Clearing TPHs must take on certain obligations and responsibilities, such as clearing and membership with the Options Clearing Corporation, as well as significant regulatory burdens and financial obligations, that other market participants are not required to undertake.

The Exchange believes adjusting the qualifying thresholds under the Supplemental VIX Discount allows Clearing TPHs the opportunity to obtain a discount on its VIX transaction fees at a quicker rate. The proposed rule change is designed to encourage increased Clearing TPH proprietary VIX options volume, which provides increased VIX options volume and greater trading opportunities for all market participants. Similarly, applying higher discount rates for Clearing TPHs who hit the higher percentage of total VIX options contract proprietary volume of all Clearing TPHs on the VIX Discount is equitable and not unfairly discriminatory because this is designed to encourage increased TPH proprietary VIX options volume, which provides increased VIX options volume and greater trading opportunities for all Clearing TPHs, including those who are not able to reach the higher volume percentages. The Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies uniformly to all Clearing TPHs. Additionally, as discussed above (and below in the Burden of Competition section), Clearing TPHs have clearing obligations that other market participants do not have.

The Exchange believes the proposal to amend the Trading Permit thresholds under the FB TP Sliding Scale are reasonable because it reduces Floor Broker access costs. Lower access costs may encourage greater Floor Broker access, which thereby brings greater trading activity, volume and liquidity, benefitting all market participants. The Exchange believes the proposed change is equitable and not unfairly discriminatory because it applies to all Floor Brokers.

Similarly, the Exchange believes the FB Discount is reasonable because it provides Floor Brokers the opportunity to receive discounts on floor brokerage fees that they otherwise would not receive. Discounted floor brokerage rates may encourage the execution of more orders in the classes that are currently assessed floor brokerage fees, which should increase volume, which would benefit all market participants (including Floor Brokers who do not hit the volume thresholds). The Exchange believes the proposed changes are equitable and not unfairly discriminatory because they apply to qualifying Floor Brokers equally. The Exchange believes it's reasonable, equitable and not unfairly discriminatory to provide that only volume that is assessed transaction fees will be considered qualifying volume to meet the volume thresholds because the Exchange is not collecting any floor brokerage fees on that volume. Providing that the discounts apply only to OEX, XEO, RUT, SPX, SPXw, VIX and volatility index options is equitable and not unfairly discriminatory because those products currently are assessed floor brokerage fees.<sup>30</sup>

The proposed change to increase the 1 Gbps and 10 Gbps Network Access Port fees is reasonable because the fees are within the same range as those assessed on other exchanges,<sup>31</sup> and because such increase will assist in recouping ongoing expenditures made by the Exchange. Additionally, as noted above, such expenditures are increasing due to network infrastructure upgrades. This proposed change is equitable and not unfairly discriminatory because the proposed change will apply to all TPHs.

The Exchange's proposal to increase the Linkage fee from \$0.10 per contract to \$0.15 per contract (in addition to applicable transaction fees) for customer

orders is reasonable because the increase will help offset the costs associated with routing orders through Linkage. Additionally, the proposed amount is reasonable as it is in line with amounts charged by other Exchanges for similar transactions.<sup>32</sup> The Exchange believes it's equitable and not unfairly discriminatory because the proposed change will apply to all customer orders that are linked away.

The Exchange believes it's reasonable to increase the Frequent Trader rebates for RUT because it provides Customers an opportunity to receive increased rebates for reaching certain qualifying volume thresholds that they would not otherwise receive. The proposed rule change is designed to encourage greater Customer RUT options trading, which, along with bringing greater RUT options trading opportunities to all market participants, would bring in more fees to the Exchange, and such fees can be used to recoup the Exchange's costs and expenditures from maintaining RUT options. The Exchange believes it's also reasonable to increase the qualifying volume thresholds for RUT as it still allows the Exchange to maintain an incremental incentive for Customers to strive for the highest tier level and because the Exchange has increased the rebates for each of the tiers. The Exchange believes it's equitable and not unfairly discriminatory to establish higher rebates under the Frequent Trader Program for RUT as compared to SPX and VIX options because the Exchange would like to encourage more RUT trading. The Exchange believes that the proposed change is not unfairly discriminatory because it will apply to all Frequent Trader Customers and because any Customer may avail itself of the Frequent Trader Program provided it registers with the Exchange and its executing TPH participates. The Exchange believes it's reasonable to continue to waive the VIX Index License Surcharge for Clearing Trading Permit Holder Proprietary VIX orders that have a premium of \$0.10 or lower and have series with an expiration of 7 calendar days or less because, the fee is being waived in its entirety and the Exchange wants to continue encouraging Firms to roll and close over positions close to expiration at low premium levels. The Exchange notes that without the waiver, firms are less likely to engage in these transactions, as opposed to other VIX transactions, due to the associated transaction costs. The Exchange believes it's equitable and not unfairly discriminatory to limit the waiver to

<sup>30</sup> As previously noted, transaction fees for RLG, RLV, RUI, AWDE, FTEM, FXTM, UKXM are currently waived.

<sup>31</sup> See e.g., Cboe BZX Exchange, Inc., Options Exchange Fees Schedule, Options Physical Connection Fees, which lists connectivity fees of \$2,000 per month for 1 Gbps and \$6,000 per month for 10 Gbps.

<sup>32</sup> See e.g., PHLX Pricing Schedule, Section V., Customer Routing Fees.

Clearing Trading Permit Holder Proprietary orders because they contribute capital to facilitate the execution of VIX customer orders with a premium of \$0.10 or lower and series with an expiration of 7 calendar days or less. Additionally, encouraging firms to roll and close over these positions would free up capital that the firm can then use to benefit others. Finally, the Exchange believes it's reasonable, equitable and not unfairly discriminatory to provide that the surcharge will be waived through June 30, 2018, as it gives the Exchange additional time to evaluate if the waiver is continuing to have the desired effect of encouraging these transactions.

The Exchange believes extending the waiver of ETH Trading Permit and Bandwidth Packet fees for one of each type of Trading Permit and Bandwidth Packet, per affiliated TPH through June 30, 2018 is reasonable, equitable and not unfairly discriminatory, because those respective fees are being waived in their entirety, which promotes and encourages trading during the ETH session and applies to all ETH TPHs. The Exchange believes it's also reasonable, equitable and not unfairly discriminatory to waive fees for Login IDs related to waived Trading Permits and/or Bandwidth Packets in order to promote and encourage ongoing participation in ETH and also applies to all ETH TPHs.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to extend the waiver of all transaction fees for RLG, RLV, RUI, AWDE, FTEM, FXTM and UKXM transactions, including the Floor Brokerage fee, the License Index Surcharge and CFLEX Surcharge Fee, because the respective fees are being waived in their entirety, which promotes and encourages trading of these products which are still relatively new and applies to all TPHs.

The Exchange believes extending the FLEX Asian and Cliquet Flex Trading Incentive Program is reasonable, equitable and not unfairly discriminatory because the Exchange believes the amount of the current incentives provided to FLEX Traders should encourage the Flex Traders to trade FLEX Asian and Cliquet options, which should result in a more robust price discovery process that will result in better execution prices for customers. In addition, the proposed change applies equally to all FLEX Traders.

The Exchange believes that it is reasonable, equitable and not unfairly discriminatory to extend the compensation plan to the DPM appointed in UKXM to continue to

offset its ongoing DPM costs and continue to incentivize the DPM to continue to serve as a DPM in this products. The Exchange believes it's reasonable to reduce the payment to \$5,000 because the DPM is still receiving a payment it would not otherwise receive. The Exchange believes it's reasonable, equitable and not unfairly discriminatory to eliminate (i.e., not extend) the DPM payments for AWDE, FTEM, FXTM, UKXM, and RVX because the Exchange either does not trade or plans to delist these classes shortly.

Finally, the Exchange believes eliminating the OHS Cancellation Fee from the Fees Schedule will eliminate unnecessary language and alleviate confusion as the fee is currently set to \$0.00. The alleviation of confusion removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general, protects investors and the public interest.

#### *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 that are 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, while different fees and rebates are assessed to different market participants in some circumstances, these different market participants have different obligations and different circumstances. For example, Clearing TPHs have clearing obligations that other market participants do not have. Market-Makers have quoting obligations that other market participants do not have. There is also a history in the options markets of providing preferential treatment to customers, as they often do not have as sophisticated trading operations and systems as other market participants, which often makes other market participants prefer to trade with customers. Further, the Exchange fees and rebates, both current and those proposed to be changed, are intended to encourage market participants to bring increased volume to the Exchange (which benefits all market participants), while still covering Exchange costs (including those associated with the upgrading and maintenance of Exchange systems).

The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition

that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed changes are intended to promote competition and better improve the Exchange's competitive position and make Cboe Options a more attractive marketplace in order to encourage market participants to bring increased volume to the Exchange (while still covering costs as necessary). Further, the proposed changes only affect trading on the Exchange. To the extent that the proposed changes make Cboe Options a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become Cboe Options market participants.

#### *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>33</sup> and paragraph (f) of Rule 19b-4<sup>34</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-CBOE-2018-007 on the subject line.

<sup>33</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>34</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-2018-007. 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-CBOE-2018-007, and should be submitted on or before February 16, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-82545; File No. SR-BX-2018-001]

#### **Self-Regulatory Organizations; Nasdaq BX, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Add a New Rule 4765 and Commentary Thereto To Codify Participant Risk Settings and To Authorize the Exchange To Share those Risk Settings With the Clearing Member That Clears Transactions on Behalf of the Participant**

January 19, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 11, 2018, Nasdaq BX, Inc. ("BX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II 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**

The Exchange proposes to add a new Rule 4765 and commentary thereto to codify Participant risk settings in the Exchange's trading system and to authorize the Exchange to share such risk settings with the clearing member that clears transactions on behalf of the Participant.

The text of the proposed rule change is set forth below. Proposed new language is italicized; deleted text is in brackets.

\* \* \* \* \*

#### **Rules of Nasdaq BX**

##### **Equity Rules**

\* \* \* \* \*

#### **Rule 4765. Exchange Sharing of Participant Risk Settings**

*The Exchange may share any Participant risk settings in the trading system specified in the commentary below with the clearing member that clears transactions on behalf of the Participant. For purposes of this Rule, the term "Participant" has the meaning set forth in Rule 4701(c).*

##### **Commentary**

*The Exchange offers certain risk settings applicable to a Participant's activities on the Exchange. The risk settings currently offered by the Exchange are:*

*(a) Share Size Control—When enabled by a Participant, this optional control will allow a Participant to limit the number of shares that the Participant may associate with an order placed on the Exchange;*

*(b) ISO Control—When enabled by a Participant, this optional control will prevent a Participant from entering an ISO order onto the Exchange;*

*(c) Cancel-on-Disconnect Control—When enabled by a Participant, this optional control will allow a Participant, when it experiences a disruption in its connection to the Exchange, to immediately cancel all pending Exchange orders except for Good-Till-Canceled orders (RASH & FIX only);*

*(d) The BX Kill Switch—This control is described in Rule 4764;*

*(e) Limit Order Protection—This control is described in Rule 4757(d);*

*(f) Price Collar Check—This control will automatically restrict a routed order from executing at a price that differs from the NBBO (at the time of order entry) by more than five percent or \$0.25, whichever difference is greater. The system will proceed to route an order unless and until it crosses the greater of these two price collars, and if it does so, then the system will block further routings of the order that fall outside of the collars. For example, if the NBBO is \$99 x \$100 at the time of entry of a buy order, then the system will route the order at prices at or below \$105, but will stop doing so if the offer price rises above \$105 (five percent of the NBO);*

*(g) Maximum Order Volume Check—This control will automatically reject an order for routing away that exceeds a maximum volume of shares. As applied to equity orders, the default maximum order volume is set at 25,000 shares, but the Participant may request that the Exchange set a higher default based on historic volume;*

*(h) Cumulative Order Volume Check—This control will automatically block an attempt by a Participant using a particular MPID to route orders away to buy or sell equity securities that, cumulatively, exceed 9.5 million shares during a five second time period; and*

*(i) Duplication Control—This control will automatically reject an order that a Participant submits to the Exchange to the extent that it is duplicative of another order that the Participant submitted to the Exchange during the prior five seconds.*

\* \* \* \* \*

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

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

<sup>35</sup> 17 CFR 200.30-3(a)(12).