

were eligible for the Incentive, the proposed elimination of the Incentive would remove a potential burden on competition in that it would level the playing field for all Firms operating on the Exchange.

*Intermarket Competition.* The Exchange operates in a highly competitive market in which market participants can readily favor one of the 16 competing option exchanges if they deem fee levels at a particular venue to be excessive. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and to attract order flow to the Exchange. Based on publicly-available information, and excluding index-based options, no single exchange currently has more than 16% of the market share of executed volume of multiply-listed equity and ETF options trades.<sup>21</sup> Therefore, no exchange currently possesses significant pricing power in the execution of multiply-listed equity and ETF options order flow. More specifically, in August 2020, the Exchange had less than 10% market share of executed volume of multiply-listed equity and ETF options trades.<sup>22</sup>

The Exchange believes that the proposed rule change reflects this competitive environment because it modifies the Exchange's fees and rebates in a manner designed to encourage ATP Holders to direct trading interest to the Exchange, to provide liquidity and to attract order flow. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market quality and increased opportunities for price improvement. The Exchange also believes that the proposed rule change reflects this competitive environment because it removes an underutilized Incentive that did not achieve its intended purpose of attracting order flow.

The Exchange believes that the proposed changes could promote competition between the Exchange and other execution venues, including those that currently offer similar pricing incentives, by encouraging additional orders to be sent to the Exchange for execution.<sup>23</sup>

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

No written comments were solicited or received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)<sup>24</sup> of the Act and subparagraph (f)(2) of Rule 19b-4<sup>25</sup> thereunder, because it establishes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of such 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 shall institute proceedings under Section 19(b)(2)(B)<sup>26</sup> of the Act 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-NYSEAMER-2020-84 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEAMER-2020-84. 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-NYSEAMER-2020-84, and should be submitted on or before January 7, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2020-27729 Filed 12-16-20; 8:45 am]

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-90646; File No. SR-FINRA-2020-034]

**Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving Proposed Rule Change To Modify TRACE Dissemination Protocols for Agency Pass-Through MBS or SBA-Backed ABS Traded in Specified Pool Transactions**

December 11, 2020.

**I. Introduction**

On October 15, 2020, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934

<sup>21</sup> See *supra* note 15 [sic].

<sup>22</sup> Based on OCC data, the Exchange's market share in equity-based options increased from 7.73% for the month of August 2019 to 8.18% for the month of August 2020. See *supra* note 16 [sic].

<sup>23</sup> See, e.g., *supra* note 17 [sic].

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f)(2).

<sup>26</sup> 15 U.S.C. 78s(b)(2)(B).

<sup>27</sup> 17 CFR 200.30-3(a)(12).

(“Act”)<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> a proposed rule change to modify the Trade Reporting and Compliance Engine (“TRACE”) dissemination protocols for Agency Pass-Through Mortgage-Backed Securities or Small Business Administration (“SBA”)–Backed Asset-Backed Securities traded in Specified Pool Transactions. The proposed rule change was published for comment in the **Federal Register** on October 29, 2020.<sup>3</sup> The Commission received one comment letter in support of the proposed rule change.<sup>4</sup> This order approves the proposed rule change.

## II. Description of the Proposal

FINRA commenced public dissemination of Specified Pool Transactions in 2013 after the Commission approved FINRA’s proposal to do so in 2012.<sup>5</sup> FINRA’s rules define a “Specified Pool Transaction” as a transaction in an Agency Pass-Through Mortgage-Backed Security (“Agency Pass-Through MBS”) or an SBA-Backed Asset-Backed Security (“SBA-Backed ABS”) requiring the delivery at settlement of a pool or pools that is identified by a unique pool identification number at the Time of Execution.<sup>8</sup> As described in

the FINRA–2012–042 Approval, when disseminating information of a Specified Pool Transaction, FINRA does not identify the specific bond transacted by disclosing its CUSIP code.<sup>9</sup> Instead, FINRA disseminates more general information about the bond and the pool underlying the bond, including approximations of information widely used to project cash flows and prepayment rates of the underlying mortgages, such as loan-to-value (“LTV”) information.<sup>10</sup>

Under its public dissemination protocol for Specified Pool Transactions, FINRA groups the pools underlying the transacted bonds into cohorts, using data elements that are integral to describing and valuing the bonds based on these pools, such as the LTV ratio. The cohort groupings are established using rounded or truncated figures for the underlying data elements, so that numeric values within each cohort can be understood within defined ranges. Each cohort is assigned a unique identification number—the Reference Data Identifier (“RDID”). After a member reports a Specified Pool Transaction to TRACE, FINRA disseminates the corresponding RDID in lieu of disseminating the transacted bond’s CUSIP code. The underlying data elements that correspond to each RDID are made available to members through the TRACE system.<sup>11</sup> FINRA rounds or truncates certain cohort groupings to reduce the risk that the specific bond traded and the market participant that engaged in the transaction might be identified.<sup>12</sup>

<sup>9</sup> See FINRA–2012–042 Approval, 77 FR at 65437.

<sup>10</sup> See *id.* FINRA stated that, in developing the approach to public dissemination described in the FINRA–2012–042 Approval, it considered industry feedback, including concerns that dissemination of the CUSIP code in a Specified Pool Transaction might result in information leakage regarding trading strategies, positions, and other sensitive information, which could negatively impact trading interest and liquidity in the market for these securities. See Notice, 85 FR at 68607.

<sup>11</sup> FINRA uses the following ten data elements to form the RDID cohorts that describe the security traded in a Specified Pool Transaction: (1) Issuer; (2) Product Type; (3) Amortization Type; (4) Coupon; (5) Original Maturity; (6) Weighted Average Coupon (“WAC”); (7) Weighted Average Maturity (“WAM”); (8) Weighted Average Loan Age (“WALA”); (9) Current Average Loan Size (“ALS”); and (10) Original LTV. For example, RDID #A1234 might represent: (1) Issuer = FNMA; (2) Product Type = Co-Op; (3) Amortization Type = ARM; (4) Coupon = 2.0; (5) Original Maturity = 360; (6) WAC = 2.5; (7) WAM = 200; (8) WALA = 160; (9) ALS = 100; and (10) Original LTV = 50. See *id.*, 85 FR at 68607–08.

<sup>12</sup> Currently, the rounding and truncation conventions that are used for Specified Pool Transactions are the following: (1) Coupon—Rounded down to the nearest quarter percentage point—e.g., an interest rate of 5.12% is rounded to 5%; (2) Original Maturity—Rounded up to the nearest 10—e.g., an original maturity of 358 months

FINRA believes “that the transaction information disseminated through TRACE should provide investors with sufficient information to assess the value and price of a security, which for Securitized Products, includes information necessary to make assumptions about cash flows and prepayment rates.”<sup>13</sup> The elements described above are intended to provide market participants with the information necessary to perform such an analysis.<sup>14</sup>

FINRA stated that, since commencing public dissemination of Specified Pool Transactions, it has continued to evaluate the relevant market and the value of the information disseminated to market participants.<sup>15</sup> As a result of these efforts, which included discussions with market participants, FINRA is now proposing changes to the LTV rounding convention used in the public dissemination of Specified Pool Transactions.<sup>16</sup> Specifically, FINRA proposes to create more granular cohorts for LTV to increase the precision of the information regarding the LTV of the pool traded. In place of the current LTV rounding convention, which is rounded down to the nearest 25%, FINRA will organize the cohorts such that each cohort represents the LTV as the upper limit of the applicable category, as follows:

1. For an LTV up to 20%, the cohorts would represent the LTV as 20% (such that an original LTV of 12% would be shown as 20%);
2. for an LTV between 21% and 40%, the cohorts would represent the LTV as 40% (such that an original LTV of 21% would be shown as 40%);
3. for an LTV between 41% and 60%, the cohorts would represent the LTV as 60% (such that an original LTV of 60% would be shown as 60%);
4. for an LTV between 61% and 80%, the cohorts would represent the LTV as 80% (such that an original LTV of 70% would be shown as 80%);
5. for an LTV between 81% and 93%, the cohorts would represent the LTV as

is rounded to 360 months; (3) WAC—Truncated to a single decimal—e.g., a WAC of 7.13% is truncated to 7.1%; (4) WAM—Rounded down to the nearest 10—e.g., a WAM of 87 months is rounded to 80 month; (5) WALA—Rounded up to the nearest 10—e.g., a WALA of 163 months is rounded to 170 months; (6) ALS—Rounded down to the nearest 25—e.g., an ALS of 113 (*i.e.*, \$113,000 average loan size) is rounded to 100 (*i.e.*, \$100,000 average loan size); and (7) LTV—Rounded down to the nearest 25—e.g., an original LTV of 72% is rounded to 50%. See *id.*, 85 FR at 68608.

<sup>13</sup> *Id.*

<sup>14</sup> See *id.*

<sup>15</sup> See *id.*

<sup>16</sup> FINRA has not proposed changes to the rounding or truncation conventions utilized for the other data elements.

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

<sup>2</sup> 17 CFR 240.19b–4.

<sup>3</sup> See Securities Exchange Act Release No. 90264 (October 23, 2020), 85 FR 68607 (October 29, 2020) (“Notice”).

<sup>4</sup> See Letter from Wendell J. Chambliss, Vice President and Deputy General Counsel, Mission, Legislative and Regulatory Affairs, Legal Division, Freddie Mac, to J. Matthew DeLesDernier, Assistant Secretary, Commission, dated November 18, 2020 (“Freddie Mac Letter”).

<sup>5</sup> See Securities Exchange Act Release No. 68084 (October 23, 2012), 77 FR 65436 (October 26, 2012) (“FINRA–2012–042 Approval”). This filing provided for, among other things, public dissemination of transactions in Agency Pass-Through Mortgage-Backed Securities traded in specified pools and transactions in SBA-Backed Asset-Backed Securities traded in specified pools or to be announced, and reduced the reporting timeframe for such transactions.

<sup>6</sup> FINRA Rule 6710(v) defines an “Agency Pass-Through MBS” as “a type of Securitized Product issued in conformity with a program of an Agency as defined in [FINRA Rule 6710(k)] or a Government-Sponsored Enterprise (“GSE”) as defined in [FINRA Rule 6710(n)], for which the timely payment of principal and interest is guaranteed by the Agency or GSE, representing ownership interest in a pool (or pools) of mortgage loans structured to ‘pass through’ the principal and interest payments to the holders of the security on a pro rata basis.”

<sup>7</sup> FINRA Rule 6710(bb) defines an “SBA-Backed ABS” as “a Securitized Product issued in conformity with a program of the SBA, for which the timely payment of principal and interest is guaranteed by the SBA, representing ownership interest in a pool (or pools) of loans or debentures and structured to ‘pass through’ the principal and interest payments made by the borrowers in such loans or debentures to the holders of the security on a pro rata basis.”

<sup>8</sup> See FINRA Rule 6710(x).

93% (such that an original LTV of 90% would be shown as 93%);

6. for an LTV between 94% and 100%, the cohorts would represent the LTV as 100% (such that an original LTV of 100% would be shown as 100%);

7. for an LTV between 101% and 120%, the cohorts would represent the LTV as 120% (such that an original LTV of 105% would be shown as 120%); and

8. for an LTV of 121% or greater, the cohorts would represent the LTV as 121+ (such that an original LTV of 125% would be shown as 121+).

Thus, as a result of the proposed rule change, FINRA will disseminate the LTV ratio cohorts at 20%, 40%, 60%, 80%, 93%, 100%, 120%, and 120%+. FINRA stated that, in developing the new LTV approach, it sought to balance the goal of making more detailed information available to the market against the potential risk of identifying the particular security being traded and the market participant that engaged in the transaction.<sup>17</sup> FINRA believes that the new LTV rounding convention is a “measured change” that will provide more granular and meaningful information on the LTV of the Specified Pool Transaction, which should increase the value of the disseminated information to market participants.<sup>18</sup> FINRA also anticipates that the new cohorts will improve how disseminated TRACE data reflects the role of LTV ratios in MBS valuations.<sup>19</sup>

FINRA has stated that it will announce the effective date of the rule change in a *Regulatory Notice* to be published no later than 60 days following a Commission approval, and the effective date will be no later than 270 days following publication of that *Regulatory Notice*.<sup>20</sup>

### III. Discussion and Commission Findings

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.<sup>21</sup> In

<sup>17</sup> See Notice, 85 FR at 68608.

<sup>18</sup> See *id.*, 85 FR at 68609.

<sup>19</sup> See *id.*, 85 FR at 68608. FINRA stated, for example, that separating pools with LTV ratios at or below 80% from those with LTV ratios of 81% or higher delineates the pools with mortgages that might require mortgage insurance from those that might not require mortgage insurance. See *id.* Similarly, FINRA believes that the cohorts for LTV ratios of 81% or more are more consistent with the way mortgage originators view loan characteristics and the way that the market determines pricing. See *id.*

<sup>20</sup> See *id.*, 85 FR at 68609.

<sup>21</sup> In approving this proposal, the Commission has considered the proposed rule’s impact on

particular, the Commission finds that the proposed rule change is consistent with Section 15A(b)(6) of the Act,<sup>22</sup> which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

When it issued the FINRA–2012–042 Approval, the Commission found that the protocols for publicly disseminating Specified Pool Transactions proposed by FINRA—specifically, eschewing dissemination of CUSIP codes and instead providing more generic information about the bond transacted and the underlying pool—were consistent with the Act.<sup>23</sup> The Commission stated that the dissemination protocols for the specified data elements “strike an appropriate balance between providing meaningful post-trade transparency and, at the same time, reducing the potential for ‘reverse engineering’ of transaction data that could permit identification of a market participant and/or its trading strategy.”<sup>24</sup> The Commission also noted that FINRA could in the future determine to propose dissemination of additional data elements that it believes would improve transparency for Specified Pool Transactions.<sup>25</sup>

FINRA is now proposing to revise the dissemination protocol for Specified Pool Transactions by increasing the precision of the LTV cohort groupings. In place of the current rounding convention used for LTV (*i.e.*, rounded down to the nearest 25%), FINRA will utilize eight cohorts, with each cohort representing the LTV as the upper limit of the applicable grouping. FINRA believes that the tighter bands around LTVs will benefit market participants by increasing the value of price information as it relates to LTV.<sup>26</sup>

The Commission finds that the current proposal is consistent with the Act because it represents a measured adjustment to the overall public dissemination protocols for Specialized Pool Transactions that the Commission previously found consistent with the Act in the FINRA–2012–042 Approval. Establishing additional cohorts utilizing the proposed LTV thresholds appears reasonably designed to provide market participants and other market observers with more useful information about the

efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>22</sup> 15 U.S.C. 78o–3(b)(6).

<sup>23</sup> See FINRA–2012–042 Approval, 77 FR at 65437–38.

<sup>24</sup> *Id.*, 77 FR at 65437.

<sup>25</sup> See *id.*, 77 FR at 65438.

<sup>26</sup> See Notice, 85 FR at 68610.

transacted bonds while minimizing the potential for adverse market impact. The Commission notes that it received no comments suggesting that the proposal would have adverse market impact; the one comment letter received on the proposal was supportive.<sup>27</sup> Moreover, FINRA has represented that it will continue to evaluate the market for Specified Pool Transactions and evaluate the conventions that it uses for disseminating information on these transactions.<sup>28</sup> The Commission also notes that, under this proposal, FINRA members will not incur any administrative burdens to report transactions differently; the creation and distribution of the new LTV cohorts will be performed by FINRA through the TRACE system.

Pursuant to Section 19(b)(5) of the Act,<sup>29</sup> the Commission consulted with and considered the views of the Treasury Department in determining to approve the proposed rule change. The Treasury Department indicated its support for the proposal.<sup>30</sup> Pursuant to Section 19(b)(6) of the Act,<sup>31</sup> the Commission has considered the sufficiency and appropriateness of existing laws and rules applicable to government securities brokers, government securities dealers, and their associated persons in approving the proposal. As discussed above, the proposed rule change appears reasonably designed to improve the value to market participants and other market observers of the LTV information disseminated for Specified Pool Transactions.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>32</sup> that the proposed rule change (SR–FINRA–2020–034) is approved.

<sup>27</sup> See Freddie Mac Letter at 1 (stating that “[a]dopting the proposed approach of segmenting LTV ratios into eight categories would align TRACE data with pooling practices and would enhance market transparency while maintaining sufficient anonymity”).

<sup>28</sup> See Notice, 85 FR at 68610.

<sup>29</sup> 15 U.S.C. 78s(b)(5) (providing that the Commission “shall consult with and consider the views of the Secretary of the Treasury prior to approving a proposed rule filed by a registered securities association that primarily concerns conduct related to transactions in government securities, except where the Commission determines that an emergency exists requiring expeditious or summary action and publishes its reasons therefor”).

<sup>30</sup> Email from Treasury Department staff to Michael Gaw, Assistant Director, Division of Trading and Markets, Commission (November 30, 2020).

<sup>31</sup> 15 U.S.C. 78s(b)(6).

<sup>32</sup> 15 U.S.C. 78s(b)(2).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>33</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2020-27727 Filed 12-16-20; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-90644; File No. SR-NASDAQ-2020-069]

### Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change, as Modified by Amendment No. 1, To Exclude Special Purpose Acquisition Companies From the Requirement That at Least 50% of a Company's Round Lot Holders Each Hold Unrestricted Securities With a Market Value of at Least \$2,500

December 11, 2020.

On October 8, 2020, The Nasdaq Stock Market LLC ("Nasdaq" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), 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> a proposed rule change to exclude special purpose acquisition companies from the requirement that at least 50% of a company's round lot holders each hold unrestricted securities with a market value of at least \$2,500. On October 21, 2020, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and replaced the proposed rule change in its entirety. The proposed rule change, as modified by Amendment No. 1, was published for comment in the *Federal Register* on October 28, 2020.<sup>3</sup>

Section 19(b)(2) of the Act<sup>4</sup> provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding, or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be

disapproved. The 45th day after publication of the notice for this proposed rule change is December 12, 2020. The Commission is extending this 45-day time period.

The Commission finds it appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change. Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> designates January 26, 2021, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change, as modified by Amendment No. 1 (File No. SR-NASDAQ-2020-069).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

[FR Doc. 2020-27725 Filed 12-16-20; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-90642; File No. SR-CBOE-2020-115]

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

December 11, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 4, 2020, Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe Exchange, Inc. (the "Exchange" or "Cboe Options") proposes to amend

the Fees Schedule with respect to certain fees related to Qualified Contingent Cross transactions the Exchange's LMM incentive programs. The text of the proposed rule change is attached [sic] as Exhibit 5.

The text of the proposed rule change is also available on the Exchange's website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange's Office of the Secretary, and at the Commission's Public Reference Room.

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

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

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

###### 1. Purpose

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

The Exchange first notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. More specifically, the Exchange is only one of 16 options venues to which market participants may direct their order flow. Based on publicly available information, no single options exchange has more than 15% of the market share.<sup>4</sup> Thus, in such a low-concentrated and highly competitive market, no single options exchange possesses significant pricing power in the execution of option order flow. The Exchange believes that the ever-shifting market share among the exchanges from month to month

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

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

<sup>33</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> See Securities Exchange Act Release No. 90245 (October 22, 2020), 85 FR 68400.

<sup>4</sup> 15 U.S.C. 78s(b)(2).

<sup>5</sup> *Id.*

<sup>6</sup> 17 CFR 200.30-3(a)(31).

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

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