

published a white paper that provides general information about characteristics of EGCs (“EGC White Paper”).<sup>25</sup> In the EGC White Paper, the PCAOB staff stated that “[a]pproximately 96% of EGC filers were audited by accounting firms that also audit issuers that are not EGC filers.”<sup>26</sup> Additionally, the PCAOB Adopting Release discussed the Commission’s intent to improve the practical application of Rule 2–01 of Regulation S–X and reduce compliance burdens, which may lead to increased competition among auditors and facilitate capital formation. The Board noted that if the Proposed Rules were determined not to apply to the audits of EGCs, auditors would be required to address the differing independence requirements in their independence policies and procedures and in their quality control systems as a result of the differences between the Board and Commission requirements, which would create the potential for confusion.<sup>27</sup>

We agree with the Board’s analysis. We believe the Proposed Rules will benefit EGCs at least as much as non-EGCs, in part, because the Commission’s amendments to Rule 2–01 were meant to more effectively focus the independence analysis on those relationships or services that are more likely to pose threats to an auditor’s objectivity and impartiality.

As such, after considering the protection of investors and whether the action will promote efficiency, competition, and capital formation, we believe there is a sufficient basis to determine that applying the Proposed Rules to the audits of EGCs is necessary or appropriate in the public interest.

## V. Conclusion

The Commission has carefully reviewed and considered the Proposed Rules, the information submitted therewith by the PCAOB and the comment letters received. In connection with the PCAOB’s filing and the Commission’s review,

A. The Commission finds that the Proposed Rules are consistent with the requirements of the Sarbanes-Oxley Act and the securities laws and are necessary or appropriate in the public

<sup>25</sup> See *Characteristics of Emerging Growth Companies and their Audit Firms as of November 15, 2019* (November 9, 2020), available at <https://archive.pcaobus.org/EconomicAndRiskAnalysis/ProjectsOther/Documents/White-Paper-Characteristics-Emerging-Growth-Companies-November-15-2019.pdf>.

<sup>26</sup> See EGC White Paper at 13.

<sup>27</sup> See PCAOB Adopting Release at 27.

interest or for the protection of investors; and

B. Separately, the Commission finds that the application of the Proposed Rules to the audits of EGCs is necessary or appropriate in the public interest, after considering the protection of investors and whether the action will promote efficiency, competition, and capital formation.

*It is therefore ordered*, pursuant to Section 107 of the Sarbanes-Oxley Act and Section 19(b)(2) of the Exchange Act, that the Proposed Rules (File No. PCAOB–2020–01) be and hereby are approved.

By the Commission.

**Vanessa A. Countryman,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–90926; File No. SR–CBOE–2020–106]

### Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change, as Modified by Amendment No. 1, To Amend Its Rules Regarding the Minimum Increments for Electronic Bids and Offers and Exercise Prices of Certain FLEX Options and Clarify in the Rules How the System Ranks FLEX Option Bids and Offers for Allocation Purposes

January 14, 2021.

On November 16, 2020, Cboe Exchange, Inc. 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 amend its rules regarding the minimum increments for electronic bids and offers and exercise prices of certain FLEX options and clarify how the system ranks FLEX option bids and offers for allocation purposes. On November 30, 2020, the Exchange filed Amendment No. 1 to the proposed rule change, which amended and replaced the proposed rule change in its entirety. The Commission published notice of the proposed rule change, as modified by Amendment No. 1, in the **Federal Register** on December 4, 2020.<sup>3</sup> The

<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. 90536 (November 30, 2020), 85 FR 78381.

Commission has received no comments on the proposal.

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 January 18, 2021. The Commission is extending this 45-day time period.

The Commission finds that it is 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 March 4, 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 Number SR–CBOE–2020–106).

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

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

[FR Doc. 2021–01282 Filed 1–21–21; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–90919; File No. SR–CboeBZX–2021–002]

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

January 14, 2021

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 4, 2021, Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) filed with the

<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.

Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend the fees applicable to the BZX Top Feed. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website ([http://markets.cboe.com/us/equities/regulation/rule\\_filings/bzx/](http://markets.cboe.com/us/equities/regulation/rule_filings/bzx/)), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in 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 purpose of the proposed rule change is to amend the fees applicable to the BZX Top Feed, which is an uncompressed data feed that offers both top-of-book quotations and execution information based on equity orders entered into the System.<sup>3</sup> Specifically, the Exchange proposes to: (1) Increase the fee for internal distribution of the BZX Top Feed; and (2) introduce Professional User fees for internal Professional Users of the BZX Top Feed. The current fees for external distribution of the BZX Top Feed will continue to apply, without change, including various incentive programs that the Exchange has adopted to

facilitate the provision of lower-cost market data to retail and other investors.<sup>4</sup>

#### Market Background

The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. In Regulation NMS, the Commission highlighted the importance of market forces in determining prices and SRO revenues, and also recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”<sup>5</sup> As the Commission itself recognized, the market for trading services in NMS stocks has become “more fragmented and competitive.”<sup>6</sup>

Equity trading is currently dispersed across sixteen exchanges, including three new U.S. equities exchanges that launched trading in 2020, 32 alternative trading systems,<sup>7</sup> and numerous broker-dealer internalizers and wholesalers, all competing fiercely for order flow. Based on publicly-available information, no single U.S. equities exchange has more than 20% market share.<sup>8</sup> In turn, the market for top-of-book data is highly competitive as national securities exchanges compete both with each other and with the securities information processors (“SIPs”) to provide efficient, reliable, and low-cost data to a wide range of investors and market participants. In fact, Regulation NMS requires all U.S. equities exchanges to provide their best bids and offers, and executed transactions, to the two registered SIPs for dissemination to the public.<sup>9</sup> Top-of-book data is therefore widely available to investors today at a relatively modest cost. National securities exchanges may also

disseminate their own top-of-book data, but no rule or regulation of the Commission requires market participants to purchase top-of-book data from an exchange.<sup>10</sup> The BZX Top Feed therefore competes with the SIP and with similar products offered by other national securities exchanges that offer their own competing market data products. In fact, there are twelve competing products offered by other national securities exchanges today,<sup>11</sup> not counting products offered by the Exchange’s affiliates, and each of the Exchange’s affiliated U.S. equities exchanges also offers similar top-of-book data.

#### Fees for Internal Distribution of the BZX Top Feed

Currently, the Exchange charges a modest fee of \$500 per month for internal distribution of BZX Top Feed data,<sup>12</sup> *i.e.*, distribution within the distributor’s own firm,<sup>13</sup> and does not charge any additional fees for internal distribution based on the number of Professional or Non-Professional Users that receive access to this information. These internal distribution fees have been in place, without change, since July 2013 when the Exchange first began charging for access to the BZX Top Feed, which had previously been available free of charge.<sup>14</sup> In the time since, the Exchange has made a number of significant enhancements to its platform, including, among other things, a significant expansion of its listing program for exchange-traded products,<sup>15</sup> that have resulted in improved trading opportunities for investors and, consequently, more valuable market data.

As discussed, the Exchange now proposes to increase certain fees applicable to firms that consume this

<sup>10</sup> By contrast, Rule 603(c) of Regulation NMS (the “Vendor Display Rule”) effectively requires that SIP data or some other consolidated display be utilized in any context in which a trading or order-routing decision can be implemented.

<sup>11</sup> Competing top of book products include, Nasdaq Basic, BX Basic, PSX Basic, NYSE BQT, NYSE BBO/Trades, NYSE BQT, NYSE Arca BBO/Trades, NYSE American BBO/Trades, NYSE Chicago BBO/Trades, IEX TOPS, MIAX PEARL Equities Top of Market Feed, and MEMX MEMOIR Top.

<sup>12</sup> See BZX Schedule of Fees, BZX Top, Internal Distribution.

<sup>13</sup> The Exchange’s fee schedule defines an Internal Distributor of an Exchange Market Data product as a Distributor that receives the Exchange Market Data product and then distributes that data to one or more Users within the Distributor’s own entity. See BZX Schedule of Fees, Market Data Fees, Definitions.

<sup>14</sup> See Securities Exchange Act Release No. 69936 (July 3, 2013), 78 FR 41483 (July 10, 2013) (SR–BATS–2013–39).

<sup>15</sup> See <https://markets.cboe.com/services/listings/>.

<sup>4</sup> See *e.g.*, BZX Schedule of Fees, Financial Product Distribution Program. The Financial Product Distribution Program lowers the cost of distributing Derived Data based upon the Exchange’s top-of-book offerings, including Derived Data that is often used by retail investors.

<sup>5</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37495, 37499 (June 29, 2005) (S7–10–04) (Final Rule) (“Regulation NMS Adopting Release”).

<sup>6</sup> See Securities Exchange Act Release No. 51808, 84 FR 5202, 5253 (February 20, 2019) (File No. S7–05–18) (Transaction Fee Pilot for NMS Stocks Final Rule) (“Transaction Fee Pilot”).

<sup>7</sup> See FINRA ATS Transparency Data, available at <https://otctransparency.finra.org/otctransparency/AtsData>. A list of alternative trading systems registered with the Commission is available at <https://www.sec.gov/foia/docs/atlist.htm>.

<sup>8</sup> See Cboe Global Markets, U.S. Equities Market Volume Summary, available at [http://markets.cboe.com/us/equities/market\\_share/](http://markets.cboe.com/us/equities/market_share/).

<sup>9</sup> See Rule 602 of Regulation NMS.

<sup>3</sup> See BZX Rule 11.22(d).

data as internal distributors, *i.e.*, firms that use BZX Top Feed data for internal purposes as opposed to firms that distribute such data externally to its customers. As proposed, the Exchange would increase the monthly charge for internal distribution of BZX Top Feed data to \$750 per month, which would continue to be significantly cheaper than similar products offered by the Exchange's main competitors, including both other national securities exchanges that offer top-of-book data products to their customers as well as the SIPs that provide similar "core data" to vendors and subscribers pursuant to Regulation NMS. In addition, the Exchange would introduce Professional User fees for internal Professional Users of the BZX Top Feed. Those Professional User fees will be the same as the modest fee currently charged for external distribution of the BZX Top Feed, *i.e.*, \$4 per month for each Professional User. There would continue to be no charge associated with internal distribution to Non-Professional Users. Further, as discussed, the current fees for external distribution of the BZX Top Feed would continue to apply, without change, including various incentive programs that the Exchange has adopted to facilitate the provision of lower-cost market data to retail and other investors. As a result, the Exchange believes that the proposed fee changes would allow it to be appropriately compensated for the value of its market data, particularly from professional financial services firms that use that data for internal purposes, while simultaneously ensuring that its data would continue to be available to a wide range of market participants at a cost that facilitates widespread availability of such data.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>16</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>17</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other recipients of Exchange data. In addition, the Exchange believes that the proposed rule change is consistent with Section 11(A) of the Act as it supports (i) fair competition among brokers and dealers, among exchange markets, and between exchange markets and markets other than exchange markets, and (ii) the availability to brokers, dealers, and investors of information with respect to quotations for and transactions in

securities.<sup>18</sup> Finally, the proposed rule change is also consistent with Rule 603 of Regulation NMS,<sup>19</sup> which provides that any national securities exchange that distributes information with respect to quotations for or transactions in an NMS stock do so on terms that are not unreasonably discriminatory.

The Exchange operates in a highly competitive environment. Indeed, with the launch of three new national securities exchanges that trade U.S. equity securities last September, there are now sixteen registered U.S. equities exchanges, and with the exception of Long-Term Stock Exchange, Inc. ("LTSE"), which has determined to not offer any proprietary market data feeds, each of these exchanges offer associated market data products to their customers, either with or without a fee. The national securities exchanges also compete with the SIPs for market data customers, as much of the information offered to market participants and investors through the BZX Top Feed is similarly made available to market participants and investors through the SIPs, consolidated with data from each of the other fifteen exchanges. It is in this robust and competitive market in which the Exchange is proposing to modestly increase its fees.

The Commission has repeatedly expressed its preference for competition over regulatory intervention in determining prices, products, and services in the securities markets. Further, with respect to market data, the decision of the United States Court of Appeals for the District of Columbia Circuit in *NetCoalition v. SEC* upheld the Commission's reliance on the existence of competitive market mechanisms to evaluate the reasonableness and fairness of fees for proprietary market data: "In fact, the legislative history indicates that the Congress intended that the market system 'evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed' and that the SEC wield its regulatory power 'in those situations where competition may not be sufficient,' such as in the creation of a 'consolidated transactional reporting system.'" <sup>20</sup> The court agreed with the Commission's conclusion that "Congress intended that 'competitive forces should dictate the services and practices that constitute the U.S. national market system for trading

equity securities.'" <sup>21</sup> As discussed in this filing, significant competitive forces constrain the ability of the Exchange to charge supra-competitive fees.

### i. The BZX Top Feed Is an Optional Market Data Product, and the Exchange is Constrained in Its Pricing by Significant Competitive Forces

Subscribing to the BZX Top Feed is entirely optional. The Exchange is not required to make the BZX Top Feed available to any customers, nor is any customer required to purchase the BZX Top Feed. Unlike certain other data products that firms may be required to purchase in order to fulfill regulatory obligations,<sup>22</sup> *e.g.*, the consolidated quotation and last-sale information feeds offered by the SIPs, a customer's decision as to whether to purchase the BZX Top Feed is entirely discretionary, and is based on that firm's individual business needs. Generally, firms that choose to subscribe to the BZX Top Feed do so because they believe that it is a cost-effective alternative to core data offered by the SIPs that provides valuable information about the market for securities traded on the Exchange, particularly in cases where a consolidated display is not required pursuant to the Vendor Display Rule. Such firms are able to determine for themselves whether the BZX Top Feed helps them to achieve their business goals, and if so, whether or not it is attractively priced compared to other similar products.

Indeed, if the BZX Top Feed does not provide sufficient value to firms based on the uses those firms may have for it, such firms may simply choose to conduct their business operations in ways that do not use the BZX Top Feed. In fact, comparing the number of internal distributors that currently subscribe to the BZX Top Feed, based on data compiled by the Exchange as of November 2020, to the total number of internal distributors that subscribe to core data offered by the CTA and UTP SIPs, as published on plan websites for Q3 2020,<sup>23</sup> less than 9.5% of internal

<sup>21</sup> *Id.* at 535.

<sup>22</sup> The Exchange notes that broker-dealers are not required to purchase proprietary market data to comply with their best execution obligations. See *In the Matter of the Application of Securities Industry and Financial Markets Association for Review of Actions Taken by Self-Regulatory Organizations*, Release Nos. 34-72182; AP-3-15350; AP-3-15351 (May 16, 2014). Similarly, there is no requirement in Regulation NMS or any other rule that proprietary data be utilized for order routing decisions, and some broker-dealers and ATSs have chosen not to do so.

<sup>23</sup> See CTA Quarterly Population Metrics (Q3 2020), available at [https://www.ctaplan.com/publicdocs/ctaplan/CTAPLAN\\_Population\\_Metrics\\_3Q2020.pdf](https://www.ctaplan.com/publicdocs/ctaplan/CTAPLAN_Population_Metrics_3Q2020.pdf); UTP Quarterly Population

<sup>18</sup> 15 U.S.C. 78k-1.

<sup>19</sup> See 17 CFR 242.603.

<sup>20</sup> *NetCoalition v. SEC*, 615 F.3d 525, 535 (D.C. Cir. 2010) ("*NetCoalition I*") (quoting H.R. Rep. No. 94-229 at 92 (1975), as reprinted in 1975 U.S.C.A.N. 323).

<sup>16</sup> 15 U.S.C. 78f.

<sup>17</sup> 15 U.S.C. 78f(b)(4).

distributors that purchase U.S. equities data choose to subscribe to the BZX Top Feed. The BZX Top Feed therefore represents an insignificant proportion of the relevant market for such market data, and significantly more internal distributors choose not to purchase this product than those that do. Given the insignificant percentage of internal distributors that consume the BZX Top Feed, it is clear that such firms can and do exercise their right to choose to purchase, or not purchase, this particular market data product.

Although the Exchange is not required to make any data, including top-of-book data, available through its proprietary market data platform, the Exchange believes that making such data available increases investor choice, and contributes to a fair and competitive market. Specifically, making such data publicly available through proprietary data feeds allows investors to choose alternative, potentially less costly, market data based on their business needs. While some market participants that desire a consolidated display often choose the SIP to satisfy their top-of-book data needs, and in some cases are effectively required to do so under the Vendor Display Rule, others may prefer to purchase data directly from one or more national securities exchanges. For example, a buy-side investor or fintech firm may choose to purchase the BZX Top Feed, or a similar product from another exchange, in order to perform investment analysis, or to provide general information about the market for U.S. equity securities, respectively. In either case the choice to purchase the BZX Top Feed would be based on the firm's determination of the value of the data offered by their chosen product compared to the cost of acquiring this data instead of receiving similar data from other sources. The BZX Top Feed serves as a valuable reference for investors that do not require a consolidated display that contains quotations for all sixteen U.S. equities exchanges. Making alternative products available to market participants ultimately ensures competition in the marketplace, and constrains the ability of exchanges to charge supra-competitive fees.

Further, in the event that a market data customer views one exchange's top-of-book data product and/or fees as more or less attractive than a competitor's offerings they can and often do switch between competing products. As discussed, much of the

top-of-book quotation information and last-sale information offered within the BZX Top Feed is also available on the SIP feeds, and for firms that do not require a consolidated display, as is typically the case for the subscribers to the BZX Top Feed, similar top-of-book information is available from a number of competing U.S. equities exchanges.<sup>24</sup> This includes a number of large established exchanges that charge for access to such top-of-book data, as well as certain smaller or new exchange entrants that provide similar data without charge, in many cases as a way of attracting customers to their exchange while they seek to grow market share. In this way, the BZX Top Feed, SIP data products, and other top-of-book products offered by a number of U.S. equities exchanges, are all substitutes. The availability of these substitute products constrains the Exchange's ability to charge supra-competitive prices as market participants can easily obtain similar data from one of the Exchange's many competitors. In fact, the impact of competition on the market in which the BZX Top Feed is offered to market participants and investors is showcased by the Exchange's other recent fee changes related to this product, which involved the *reduction* of fees to facilitate the Exchange's ability to compete for customers.<sup>25</sup> Distributors can discontinue use of the BZX Top Feed at any time and for any reason, including due to an assessment of the reasonableness of fees charged.

In setting the proposed fees for the BZX Top Feed, the Exchange considered the competitiveness of the market for proprietary data and all of the implications of that competition. The Exchange believes that it has considered all relevant factors and has not considered irrelevant factors in order to establish reasonable fees. Indeed, the Exchange has no market power and is not in a position to charge unreasonable fees for its top-of-book data as there are a number of competing products in the market, including products that are currently offered free of charge by certain other exchanges that have determined not to charge for their

<sup>24</sup> Although the Exchange does not have access to the customer lists for other competing products, it understands based on conversations with subscribers to the BZX Top Feed that they typically view exchange top-of-book products as substitutes and do not generally look to purchase such data from more than one national securities exchange.

<sup>25</sup> See *supra* note 4. The Exchange also notes that while this proposed fee change involves an increase in fees, it is simultaneously filing another proposed fee change to expand its Financial Products Distribution Program and further *reduce* certain fees. See SR-CboeBZX-2021-003 (pending publication).

market data. The existence of alternatives to the BZX Top Feed ensures that the Exchange cannot set unreasonable fees when vendors and subscribers can freely elect these alternatives or choose not to purchase a specific proprietary data product if the attendant fees are not justified by the returns that any particular vendor or data recipient would achieve through the purchase.

#### ii. The Proposed Fees Are Reasonable Given the Value of the Data Provided to Customers, and When Compared to Competing Market Data Products

The proposed fees are also reasonable as they represent a modest increase for top-of-book data that has proven valuable for investors, particularly as the Exchange grows market share due to its innovative market model that has been successful in attracting retail limit orders, increasing the Exchange's market share to over 7% consolidated U.S. equities volume.<sup>26</sup> Specifically, the BZX Top Feed offers competitively-priced alternative to top-of-book data disseminated by SIPs, *i.e.*, core data, for firms that do not need or desire a consolidated display covering all sixteen U.S. equities exchanges, or similar data disseminated by other national securities exchanges. It is purchased by a wide variety of market participants and vendors, including data platforms, websites, fintech firms, buy-side investors, retail brokers, regional banks, and securities firms inside and outside of the U.S. that desire low cost, high quality, real-time U.S. equity market data. By providing lower cost access to U.S. equity market data, the BZX Top Feed benefits a wide range of investors that participate in the national market system. As discussed, the decision to purchase a particular market data product from a particular exchange is largely based on two factors: (1) The quality of the data, and (2) the price charged for access to that data. The Exchange believes that the BZX Top Feed is competitive on both of these factors.

First, the BZX Top Feed would remain competitively priced compared to similar products offered by other comparable U.S. equities exchanges and core data offered by the SIPs. Although the BZX Top Feed is not offered free of charge like certain other competitor offerings, particularly those offered by newer U.S. equities exchanges that are seeking to grow market share, it is made available at a price that is significantly

<sup>26</sup> See Cboe Global Markets, U.S. Equities Market Volume Summary, available at [http://markets.cboe.com/us/equities/market\\_share/](http://markets.cboe.com/us/equities/market_share/).

lower than the prices charged by the Exchange's main competitors—*i.e.*, those with comparable market shares and data quality. Notably, even with the proposed fee increase, the BZX Top Feed would remain significantly cheaper than similar products offered by New York Stock Exchange LLC (“NYSE”), NYSE Arca, Inc. (“Arca”), and The Nasdaq Stock Market LLC (“Nasdaq”) both in terms of the fees charged for internal distribution and the fees charge for each Professional User that is provided access to the feed. For example, NYSE charges a total of \$3,000 per month for internal distribution of their equivalent products, *i.e.*, \$1,500 per month for applicable top-of-book quotation information,<sup>27</sup> and an additional \$1,500 per month for transaction information,<sup>28</sup> both of which are included in the BZX Top Feed for a single fee.<sup>29</sup> Arca, which has a similar pricing model to NYSE, also charges a higher rate of \$1,500 per month for internal distribution of its equivalent products, separated into a \$750 per month charge for top-of-book quotation information and an additional \$750 per month charge for transaction information.<sup>30</sup> Finally, Nasdaq charges its internal distributors a fee of \$1,500 per month for Nasdaq Basic, which includes both top-of-book quotation information and transaction information for the same fee, similar to the Exchange's pricing model, but again at a higher cost.<sup>31</sup> In each case, the internal distribution charges associated with obtaining comparable U.S. equities market data from NYSE, Arca, and Nasdaq runs at least double and up to four times as much as the proposed fee to be charged by the Exchange, meaning that the Exchange would continue to be offering its data at a price that is attractive compared to the prices charged by its competitors. Similarly, each of these exchanges charges a fee for each Professional User that is higher than that proposed by the Exchange—*i.e.*, \$26 per month for

Nasdaq,<sup>32</sup> and \$8 per month total for both NYSE and Arca.<sup>33</sup> Finally, the BZX Top Feed also remains competitively priced compared to core data provided by the SIPs for firms, *e.g.*, buy-side investors or fintech firms, that do not need or desire a consolidated display covering all sixteen U.S. equities exchanges.<sup>34</sup>

Second, the proposed fees are reasonable given the value of the data provided in the BZX Top Feed and used by data recipients in their profit-generating activities. The BZX Top Feed provides top-of-book quotations and transactions executed on the Exchange, and provides a valuable window into the market for securities traded on a market that accounts for about 4.5% of U.S. equity market volume today.<sup>35</sup> As discussed, the Exchange offers the BZX Top Feed in a competitive environment where firms may freely choose which market data products best suit their business needs. Invariably, firms that choose to purchase the BZX Top Feed instead of receiving one of the many free products offered by other exchanges,<sup>36</sup> including free products offered by an affiliate of the Exchange,<sup>37</sup> have decided that the value of the BZX Top Feed is greater than that offered by those other products. Indeed, by incentivizing market quality improvements through its Lead Market Maker (“LMM”) and other programs designed to enhance the quality of its market, the Exchange is able to offer higher quality market data products to customers. In turn, investors may choose to rely on those products instead of other competitor offerings based on the value they provide in relation to any additional cost associated with obtaining that market data from the Exchange. The Exchange therefore believes that its proposal is consistent with the principles enshrined in Regulation NMS to “promote the wide availability of market data and to

allocate revenues to SROs that produce the most useful data for investors.”<sup>38</sup>

iii. The Proposed Fees Are Equitable and Not Unfairly Discriminatory as Internal Distributors Will Be Subject to Uniform Pricing Based on Their Usage of the Data

The Exchange believes the proposed fees for internal distribution of the BZX Top Feed will continue to be allocated fairly and equitably among subscribers, and are not unfairly discriminatory, as the proposed fees will apply equally to all data recipients that choose to subscribe to the BZX Top Feed and distribute that data to internal subscribers. As proposed, all internal distributors of the BZX Top Feed will be subject to the same internal distribution fee, regardless of the type of business that they operate, or the use they plan to make of the data feed. Thus, all internal distributors would have access to the BZX Top Feed on the same equitable and non-discriminatory terms. Similarly, with the introduction of Professional User fees, internal distributors of the BZX Top Feed will be subject to the same modest fees based solely on the number of Professional Users that each internal distributor has chosen to permission for access to this information. The Exchange does not believe that it is inequitable, or unfairly discriminatory, to charge a fee based on the number of Professional Users within a firm that have access to the BZX Top Feed as this ensures that firms with the highest usage pay their equitable share for the data.

The Exchange also believes that it is fair and equitable, and not unfairly discriminatory, to continue *not* to charge a fee for internal distribution to Non-Professional Users. The Exchange's fee structure is generally designed to facilitate lower cost access to its market data by retail investors, either through substantially lower User fees for Non-Professional Users, or other incentive programs, such as the Small Retail Broker Distribution Program, which was recently implemented to lower the cost of the Exchange's market data to small broker-dealers that serve retail investors. The Exchange does not anticipate any significant number of Non-Professional Users to receive BZX Top Feed Data through internal, *i.e.*, within the distributor's firm, as opposed to external distribution, and in the event that certain firms may distribute data internally to Users that qualify as Non-Professional, providing such Users access without any User fees would

<sup>27</sup> See NYSE PDP Market Data Pricing, Section 1.3, NYSE BBO.

<sup>28</sup> See NYSE PDP Market Data Pricing, Section 1.4, NYSE Trades.

<sup>29</sup> See *supra* note 3 and accompanying text. The Exchange also offers a separate market data product, *i.e.*, BZX Last Sale, that exclusively provides last sale information. See BZX Rule 13.8(d). However, all of the information contained in the BZX Last Sale Feed is also made available in the BZX Top Feed at no additional charge.

<sup>30</sup> See NYSE PDP Market Data Pricing, Section 3.3, NYSE Arca BBO; NYSE PDP Market Data Pricing, Section 3.4, NYSE Arca Trades.

<sup>31</sup> See Nasdaq Equity Rules, Equity 7, Pricing Schedule, Section 147(c)(1). In addition, Nasdaq also charges distributors a \$100 monthly administrative fee. See Nasdaq Equity Rules, Equity 7, Pricing Schedule, Section 135.

<sup>32</sup> Nasdaq's Professional User fee is divided into Nasdaq issues (\$13), NYSE issues (\$6.50), and other issues (\$6.50) for a total of \$26 per month for each Professional User. See Nasdaq Equity Rules, Equity 7, Pricing Schedule, Section 147(b)(1).

<sup>33</sup> NYSE and Arca's fees are both broken down into \$4 per month for BBO information and an additional \$4 per month for Trades information. See *supra* notes 27, 28, and 30.

<sup>34</sup> See CTA Schedule of Market Data Charges, available at <https://www.ctaplans.com/pricing>; UTP Fee Schedule, available at <https://utpplan.com/DOC/Datapolicies.pdf>.

<sup>35</sup> See [https://markets.cboe.com/us/equities/market\\_share/](https://markets.cboe.com/us/equities/market_share/).

<sup>36</sup> See *e.g.*, Investors Exchange Fee Schedule, Market Data fees.

<sup>37</sup> See *e.g.*, Cboe EDGA Exchange, Inc., Fee Schedule, EDGA Top.

<sup>38</sup> See Regulation NMS Adopting Release, *supra* note 5, at 37503.

facilitate the Exchange's overall goals of facilitating access to its data by retail investors, which the Commission has continually found to be consistent with the Exchange Act.

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

The Exchange does not believe that the proposed rule change would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange operates in a highly competitive environment, and its ability to price these data products is constrained by: (i) Competition among exchanges that offer similar data products to their customers; and (ii) the existence of inexpensive real-time consolidated data disseminated by the SIPs. Top-of-book data is broadly disseminated by both the SIPs and the sixteen U.S. equities exchanges. There are therefore a number of alternative products available to market participants and investors, including products offered by certain competing U.S. equities exchanges without charge. In this competitive environment potential subscribers are free to choose which competing product to purchase to satisfy their need for market information. Often, the choice comes down to price, as market data customers look to purchase cheaper top-of-book data products, and quality, as market participants seek to purchase data that represents significant market liquidity.

*Intramarket Competition.* The Exchange believes that the proposed fees do not put any market participants at a relative disadvantage compared to other market participants. As discussed, the proposed fees would apply to all internal distributors of the BZX Top Feed on an equal and non-discriminatory basis. The Exchange therefore believes that the proposed fees neither favor nor penalize one or more categories of market participants in a manner that would impose an undue burden on competition. To the extent that particular fees would apply to only a subset of subscribers, e.g., Professional versus Non-Professional Users, those distinctions are not unfairly discriminatory and do not unfairly burden one set of customers over another.

*Intermarket Competition.* The Exchange believes that the proposed fees do not impose a burden on competition or on other SROs that is not necessary or appropriate in furtherance of the purposes of the Act. In setting the proposed fees, the Exchange is constrained by the availability of numerous substitute products offered by

other national securities exchanges as well as core data offered by the SIPs. Because market data customers can find suitable substitute feeds, an exchange that overprices its market data products stands a high risk that users may substitute another product. These competitive pressures ensure that no one exchange's market data fees can impose an undue burden on competition, and the Exchange's proposed fees do not do so here.

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

No written comments were either solicited or received.

### **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>39</sup> and paragraph (f) of Rule 19b-4<sup>40</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-CboeBZX-2021-002 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-CboeBZX-2021-002. 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-CboeBZX-2021-002 and should be submitted on or before February 12, 2021.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>41</sup>

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-90928; File No. SR-ICC-2021-001]**

### **Self-Regulatory Organizations; ICE Clear Credit LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the ICC Clearing Rules**

January 14, 2021.

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 7, 2021, ICE Clear Credit LLC ("ICC") filed with the Securities and Exchange

<sup>41</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>39</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>40</sup> 17 CFR 240.19b-4(f).