

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-81600; File No. SR-BatsEDGA-2017-23)

September 13, 2017

Self-Regulatory Organizations; Bats EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Transaction Fees

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 August 31, 2017, Bats EDGA Exchange, Inc. (the “Exchange” or “EDGA”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. 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 filed a proposal to amend the fee schedule applicable to Members<sup>5</sup> and non-Members of the Exchange pursuant to EDGA Rules 15.1(a) and (c).

The text of the proposed rule change is available at the Exchange’s website at [www.bats.com](http://www.bats.com), at the principal office of the Exchange, and at the Commission’s Public

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

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

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

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

<sup>5</sup> The term “Member” is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

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 parts 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 fee schedule to: (i) outline the fees for MidPoint Discretionary Orders ("MDO")<sup>6</sup> by adopting new fee codes DA and DR as well as amending the descriptions of fee codes DM and DT; and (ii) amend the RMPT/RMPL Tiers under footnote 1.

Fees for MidPoint Discretionary Orders

In sum, an MDO is a limit order to buy that is displayed at and pegged to the National Best Bid ("NBB"), with discretion to execute at prices up to and including the midpoint of the National Best Bid and Offer ("NBBO"), or a limit order to sell that is displayed at and pegged to the National Best Offer ("NBO"), with discretion to execute at prices down to and including the midpoint of the NBBO.<sup>7</sup> MDOs are designed to exercise discretion to execute to the midpoint of the NBBO and provide price improvement over the NBBO. Currently, an MDO is displayed on

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<sup>6</sup> See Exchange Rule 11.8(e).

<sup>7</sup> See Exchange Rule 11.8(e) for a complete description of the operation of MDOs.

the EDGA Book<sup>8</sup> at the NBB or NBO to which it is pegged. Starting on September 15, 2017, the Exchange will permit Users<sup>9</sup> to elect that their MDO be non-displayed on the EDGA Book at the NBB or NBO to which it is pegged.<sup>10</sup>

Today, an MDO is subject to the standard rates for adding or removing liquidity when executed at the NBB or NBO to which it is pegged. The standard rate for adding or removing liquidity in securities priced at or above \$1.00 is \$0.0003 per share and free for securities priced below \$1.00.<sup>11</sup> MDOs that are executed within their discretionary range are free in securities priced at, above, or below \$1.00. MDOs that are executed within their discretionary range yield fee code DM where they add liquidity and fee code DT where they remove liquidity.

The Exchange now proposes to adopt new fee codes DA and DR as well as amend the descriptions of fee codes DM and DT in order to outline the fees for MDOs. Today, a non-displayed order that adds liquidity yields fee code HA and is free for securities priced at, above, or below \$1.00. A non-displayed order that removes liquidity yields fee code HR and is charged a fee of \$0.0005 per share in securities priced at or above \$1.00 and 0.05% of the transaction's dollar value in securities priced below \$1.00. Absent this proposed rule change, beginning on

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<sup>8</sup> See Exchange Rule 1.5(d).

<sup>9</sup> See Exchange Rule 1.5(ee).

<sup>10</sup> See Update: Bats EDGA Exchange Announces Availability of Non-Displayed Midpoint Discretionary Orders (Non-Displayed MDO) Effective September 15, 2017, available at [http://cdn.batstrading.com/resources/release\\_notes/2017/Update-Bats-EDGA-Exchange-Announces-Hidden-Midpoint-Discretionary-Order-Hidden-MDO-Functionality-Available-Effective-September-15-2017.pdf](http://cdn.batstrading.com/resources/release_notes/2017/Update-Bats-EDGA-Exchange-Announces-Hidden-Midpoint-Discretionary-Order-Hidden-MDO-Functionality-Available-Effective-September-15-2017.pdf). See also Securities Exchange Act Release No. 81454 (August 22, 2017), 82 FR 40823 (August 28, 2017) (SR-BatsEDGA-2017-21) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Rule 11.8, Order Types, To Permit Midpoint Discretionary Orders To Be Non-Displayed).

<sup>11</sup> See the Standard Rates table of the Exchange's fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/edga/](http://www.bats.com/us/equities/membership/fee_schedule/edga/).

September 15, 2017, an MDO that is non-displayed on the EDGA Book would yield fee codes HA or HR when executed at its pegged price.

The Exchange now proposed to adopt new fee codes DA and DR that would apply to all MDO that are executed at their pegged price, regardless of whether they are displayed or not. Fee code DA would be appended to all MDOs that add liquidity not within their discretionary range (i.e., executed at their pegged price) and fee code DR would be appended to all MDOs that remove liquidity not within their discretionary range. MDOs that yield fee code DA or DR would be charged a rate of \$0.0003 per share for orders priced at or above \$1.00 and no fee for orders priced below \$1.00. This results in no rate change for displayed MDOs and a fee decrease from \$0.0005 per share to \$0.003 per share for non-displayed MDOs when both are executed at their pegged price [sic].

The Exchange also proposes to amend the descriptions of fee codes DM and DT to clarify that those fee codes apply when an MDO is executed within its discretionary range. The description of fee code DM currently states that it applies to a non-displayed order that adds liquidity using an MDO. Likewise, the description of fee code DT states that it applies to a non-displayed order that removes liquidity using an MDO. These descriptions were designed to include an MDO executed at a non-displayed price within its discretionary range and not at its displayed pegged price. In light of the proposed fee codes DA and DR that set forth fees for MDOs executed at their pegged price, the Exchange proposed to amend the descriptions of fee codes DM and DT to make clear they apply to MDOs executed within their discretionary range. As such, the description of fee code DM would be amended to state that it applies when an MDO adds liquidity within its discretionary range and the description of fee code DT would be amended to state that it applies when an MDO removes liquidity within its discretionary range.

The Exchange does not propose to amend the rates applicable to fee codes DM and DT.

### RMPT/RMPL Tiers

The Exchange offers two tiers under footnote 1, the RMPT/RMPL Tiers under which a Member receives a discounted fee of either \$0.0006 or \$0.0008 per share for orders yielding fee code PX<sup>12</sup> where that Member meets certain required criteria. Fee code PX is appended to orders that are routed using the RMPL routing strategy to a destination not covered by fee code PL,<sup>13</sup> or are routed using the RMPT routing strategy, and are assessed a fee of \$0.0012 per share on securities priced over \$1.00, and a fee of 30% of the total dollar value on securities priced below \$1.00. Under Tier 1, a Member is charged a discounted fee of \$0.0008 per share for orders yielding fee code PX where they add or remove an ADV<sup>14</sup> greater than or equal to 2,000,000 shares using the RMPT or RMPL<sup>15</sup> routing strategies. Under Tier 2, a Member is charged a discounted fee of \$0.0006 per share for orders yielding fee code PX where that Member adds or removes an ADV greater than or equal to 4,000,000 shares using the RMPT or RMPL routing

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<sup>12</sup> See the Exchange's fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/edga/](http://www.bats.com/us/equities/membership/fee_schedule/edga/).

<sup>13</sup> Fee code PL is appended to orders that are routed to Bats BZX Exchange, Inc., Bats EDGX Exchange, Inc., the New York Stock Exchange, Inc., NYSE Arca, Inc. or the Nasdaq Stock Market LLC using the RMPL routing strategy and are assessed a fee of \$0.0030 per share on securities priced over \$1.00, and 30% of the transaction's dollar value for securities priced below \$1.00. Id.

<sup>14</sup> ADV is generally defined as average daily volume calculated as the number of shares added to, removed from, or routed by, the Exchange, or any combination or subset thereof, per day. Id.

<sup>15</sup> The RMPT routing strategy operates similarly to RMPL in that under both Mid-Point Peg Orders check the System for available shares and any remaining shares are then sent to destinations on the System routing table that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the EDGA Book as a Mid-Point Peg Order, unless otherwise instructed by the User. While RMPL and RMPT operate in an identical manner, the trading venues that each routing strategy routes to and the order in which it routes them differ. See Exchange Rule 11.11(g)(13).

strategies. The Exchange now proposes to delete Tier 1 and to increase the fee charged under Tier 2 from \$0.0006 to \$0.0008 per share. The Exchange also proposes to rename Tier 2 as Tier 1. The Exchange does not propose to amend the remaining tier's required criteria. Lastly, the Exchange proposes to make ministerial changes to the introduction to the RMPT/RMPL Tiers and the heading of the second column to make clear the discounted rate only applies to routed orders and not orders that remove liquidity.

#### Implementation Date

The Exchange proposes to implement these changes to its fee schedule on September 1, 2017. The remaining changes to its fee schedule applicable to non-displayed MDOs will be applicable until September 15, 2017 when that functionality becomes available.

#### 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 persons using its facilities.

#### Fees for MidPoint Discretionary Orders

The Exchange believes that its proposal to outline the fees for MDOs represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities in that they are designed to clearly delineate the rates applicable when an MDO is executed at its pegged price or within its discretionary range, in light of upcoming functionality that would enable a User to elect that their MDO not be displayed on the EDGA

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

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

Book. As noted above, proposed new fee codes DA and DR result in no rate change for displayed MDOs and a fee decrease from \$0.0005 per share to \$0.003 per share for non-displayed MDOs when both are executed at their pegged price [sic]. The Exchange believes it is equitable and reasonable to charge a lower fee to MDOs than other non-displayed orders here as MDOs add liquidity at the NBBO while offering price improvement opportunities to incoming contra-side orders that execute within its discretionary range. The amendments to the descriptions of fee codes DM and DT are also equitable and reasonable in that they clarify the application of those fee codes, thereby avoiding potential investor confusion. Lastly, the Exchange also believes that the proposed amendments are non-discriminatory because they apply uniformly to all Members.

#### RMPT/RMPL Tiers

The Exchange believe that the amendments to the RMPL/RMPT Tiers are also reasonable and equitable because it is designed to attract additional midpoint liquidity to the Exchange by removing a tier with lower ADV requirement, resulting in increased price improvement opportunities for orders seeking an execution at the midpoint of the NBBO on the Exchange or elsewhere. In addition, increasing the rate for the remaining tier is designed to cover the Exchange's routing costs while continuing to provide the Exchange revenue to be used to fund the Exchange generally. This includes the cost of maintaining and improving the technology used to handle and route orders from the Exchange as well as programs that the Exchange believes help to attract additional liquidity and thus improve the depth of liquidity available on the Exchange. The Exchange notes that routing through the Exchange is voluntary. The Exchange also believes that the proposed amendments are non-discriminatory because it applies uniformly to all Members.

In addition, volume-based rebates such as that proposed herein have been widely adopted by exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to: (i) the value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns; and (iii) the introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that the proposed tier is a reasonable, fair and equitable, and not an unfairly discriminatory allocation of fees and rebates, because it will provide Members with an additional incentive to reach certain thresholds on the Exchange.

(B) Self-Regulatory Organization's Statement on Burden on Competition

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that this change represents a significant departure from previous pricing offered by the Exchange or from pricing offered by the Exchange's competitors. The proposed rates would apply uniformly to all Members, and Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. Further, excessive fees would serve to impair an exchange's ability to compete for order flow and members rather than burdening competition. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed



rule change. The Exchange has not received any written comments from members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>18</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>19</sup> 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.

### 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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BatsEDGA-2017-23 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-BatsEDGA-2017-23. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

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

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

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; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BatsEDGA-2017-23 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Eduardo A. Aleman  
Assistant Secretary

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