

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80187; File No. SR-BatsEDGA-2017-04)

March 9, 2017

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 28, 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 Act³ and Rule 19b-4(f)(2) thereunder,⁴ 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 Members⁵ and non-members of the Exchange pursuant to EDGA Rules 15.1(a) and (c).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ 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).

The text of the proposed rule change is available at the Exchange's website at www.bats.com, at the principal office of the Exchange, 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 parts of such statements.

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

1. Purpose

The Exchange proposes to modify its fee schedule to enhance its pricing for orders executed at the midpoint of the National Best Bid and Offer ("NBBO") by: (i) adopting new fee codes MM and MT; (ii) modifying footnote 2 to reflect new fee codes MM and MT; and (iii) adding two new tiers under new footnote 13, entitled "Midpoint Add and Remove Tiers."

Fee Codes MM and MT

The Exchange proposes to amend its fee schedule to add two new fee codes, MM and MT. Fee code MM would be appended to non-displayed orders that *add* liquidity at the midpoint of the NBBO. Fee code MT would be appended to non-displayed orders that *remove* liquidity at the midpoint of the NBBO. Orders that yield fee code MT [sic] or MT would be charged a reduced fee of \$0.0008 per share in securities priced at or above \$1.00 and 0.08% of the total dollar value of the order for securities priced below \$1.00 per share.

In addition, the Exchange proposes to expand the volume requirements for fee codes HA⁶ and HR⁷ under footnote 2 of the fee schedule to include proposed fee codes MM and MT.

Footnote 2 currently states that rates for fee codes HA and HR are contingent upon Member adding or removing an ADV of at least 1,000,000 shares non-displayed (hidden) (yields fee codes HA, HR, DM, DT and RP) or Member adding an ADV of at least 8,000,000 shares (displayed and non-displayed). Footnote 2 further states that for securities priced at or above \$1.00, Members not meeting either minimum will be charged \$0.0030 per share for fee codes HA and HR. For securities priced below \$1.00, Members not meeting either minimum will be charged 0.30% of the dollar value of the transaction.

The Exchange proposes to amend footnote 2 of the fee schedule to state that the Exchange will assess a charge of \$0.0030 per share for Member' orders that yield fee codes MM or MT in securities over \$1.00 and a fee of 0.30% of the dollar value of the transaction for Members' orders that yield Flags MM or MT in securities priced below \$1.00 where Members do not satisfy the volume requirement of the footnote 2. Therefore, the Exchange proposes to revise footnote 2 to state, "[r]ates for fee codes HA and HR, MM and MT are contingent upon Member adding or removing an ADV of at least 1,000,000 shares non-displayed (hidden) (yields fee codes HA, HR, DM, DT, MM, MT and RP) or Member adding an ADV of at least 8,000,000 shares (displayed and non-displayed). For securities priced at or above \$1.00, Members not

⁶ Fee code HA is appended to non-displayed orders that add liquidity and provided a reduced fee of \$0.0010 per share for orders in securities priced at or above \$1.00 and \$0.10 of the trades dollar value in securities priced below \$1.00. See the Exchange's fee schedule available at http://www.bats.com/us/equities/membership/fee_schedule/edga/.

⁷ Fee code HR is appended to non-displayed orders that remove liquidity and provided a reduced fee of \$0.0010 per share for orders in securities priced at or above \$1.00 and \$0.10 of the trades dollar value in securities priced below \$1.00. See the Exchange's fee schedule available at http://www.bats.com/us/equities/membership/fee_schedule/edga/.

meeting either minimum will be charged \$0.0030 per share for fee codes HA, and HR, MM and MT. For securities priced below \$1.00, Members not meeting either minimum will be charged 0.30% of the dollar value of the transaction.”

New Midpoint Add and Remove Tiers

The Exchange proposes to offer two additional tiers under a new footnote 13 of the fee schedule, entitled “Midpoint Add and Remove Tiers.” Under proposed Tier 1, orders that yield new fee codes MM or MT would be charged a reduced fee of \$0.0006 per share where the Member has an ADV⁸ equal to or greater than 1,200,000 shares in orders that yield fee codes MM or MT. Under proposed Tier 2, orders that yield new fee codes MM or MT would be charged a reduced fee of \$0.0004 per share where the Member has an ADV equal to or greater than 2,500,000 shares in orders that yield fee codes MM or MT.

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule March 1, 2017.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,⁹ in general, and furthers the objectives of Section 6(b)(4),¹⁰ 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. The Exchange believes proposed rule change represents an equitable allocation of reasonable dues, fees, and other charges because the reduced fee provided by fee codes MM and MT as well as the proposed tiers are intended to

⁸ ADV means 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. ADV is calculated on a monthly basis. Id.

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(4).

encourage Members to add liquidity at the midpoint of the NBBO. The Exchange believes that Members that add liquidity at the midpoint of the NBBO may receive the benefit of price improvement, and its associated lower rate would be a reasonable means by which to encourage the use of such orders. In addition, the Exchange believes that by encouraging the use of orders yielding MM and MT, Members seeking price improvement would be more motivated to direct their orders to the Exchange because they would have a heightened expectation of the availability of liquidity at the midpoint of the NBBO. In addition, the Exchange also believes that the proposed fee changes are non-discriminatory because they would apply uniformly to all Members.

Lastly, the Exchange further believes that the proposed Midpoint Add and Remove tiers which would provide a reduced fee for orders that yield fee codes MM or MT where that Member satisfies certain ADV requirements in orders yielding fee codes MM or MT will further incentivize Members entering orders seeking an execution at the midpoint of the NBBO. In sum, the proposed tiers are designed to promote functionality and, in particular, to attract liquidity, which benefits all market participants by providing additional trading opportunities at the midpoint of the NBBO and increased price improvement opportunities.

In addition, volume-based rebates such as that proposed herein have been widely adopted by equities and options 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. Rather, the Exchange believes the proposed rule change provides pricing incentives that will enhance competition amongst exchange [sic] for orders eligible to execute at the midpoint of the NBBO. The Exchange does not believe that the proposed changes represent a significant departure from previous pricing offered by the Exchange or from pricing offered by the Exchange's competitors. Additionally, 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. The Exchange believes that its proposal would not burden intramarket competition because the proposed rates 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 Act¹¹ and paragraph (f) of Rule 19b-4 thereunder.¹² 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. Please include File No. SR-BatsEDGA-2017-04 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 No. SR-BatsEDGA-2017-04. This file number should be included on the subject line if e-mail 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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f).

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 No. SR-BatsEDGA-2017-04, 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.¹³

Eduardo A. Aleman
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).