

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-80448; File No. SR-BatsEDGA-2017-06)

April 13, 2017

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

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 March 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 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 amend its fee schedule for its equity platform (“EDGA Equities”) to: (i) adopt fee code PL, modify fee codes PA, PT, and PX, as well as the RMPT Tier under footnote 3 to provide fees for the recently implemented RMPL routing strategy; and (ii) modify the descriptions of fee codes MM and MT.

Fees for RMPL Routing Strategy

The Exchange recently implemented a new midpoint routing strategy known as RMPL⁶ under which a MidPoint Peg Order⁷ first checks the System⁸ for available shares and routes any

⁶ See Securities Exchange Act Release No. 79596 (December 19, 2016), 81 FR 94454 (December 26, 2016) (SR-BatsEDGA-2016-34) (“RMPL Filing”).

⁷ In sum, a MidPoint Peg Order is a non-displayed Market Order or Limit Order with an instruction to execute at the midpoint of the NBBO, or, alternatively, pegged to the less aggressive of the midpoint of the NBBO or one minimum price variation inside the same side of the NBBO as the order. See Exchange Rule 11.8(d).

remaining shares to destinations on the System routing table⁹ that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the EDGA Book¹⁰ as MidPoint Peg Orders, unless otherwise instructed by the User.¹¹ As a result of this additional functionality, the Exchange proposes to amend its fee schedule to adopt fees which would apply to orders routed pursuant to the RMPL routing strategy.

Fee Code PL. The Exchange proposes to adopt fee code PL, which would apply to orders routed to Bats BZX Exchange, Inc. (“BZX”), Bats EDGX Exchange, Inc. (“EDGX”), the New York Stock Exchange, Inc. (“NYSE”), NYSE Arca, Inc. (“NYSE Arca”), or Nasdaq Stock Market LLC (“Nasdaq”) using a RMPL routing strategy. Orders that yield fee code PL would be charged a fee of \$0.0030 per share in securities priced at or above \$1.00 and 0.30% of the trade’s total dollar value in securities priced below \$1.00.

Fee Codes PA, PT, PX, and RMPT Tier. 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

⁸ The term “System” is defined as “the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away.” See Exchange Rule 1.5(cc).

⁹ The term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Exchange Rule 11.11(g). While the process for determining the specific trading venues to which orders are routed is proprietary, the Exchange publicly discloses the trading venues associated with each routing strategy via its website at http://cdn.batstrading.com/resources/features/bats_exchange_routing-strategies.pdf.

¹⁰ The term “EDGA Book” is defined as the “System’s electronic file of orders.” See Exchange Rule 1.5(d). The Exchange also proposed to capitalize the word “Book” within Rule 11.11(g)(13) as the term EDGA Book is a defined term in the Exchange’s Rules.

¹¹ The term “User” is defined as “any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.” See Exchange Rule 1.5(ee).

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. Due to the identical behavior of RMPT and RMPL routing options, the Exchange proposes to amend fee Codes PA, PT, PX, and RMPT Tier, all of which set forth fees for the RMPT routing strategy, to also provide fees for the RMPL routing strategy. Each of these changes are as follows:

- Fee Code PA. Currently, fee code PA only applies to orders which add liquidity to the Exchange using a RMPT routing strategy. Orders that yield fee code PA are assessed a fee of \$0.0008 per share in securities priced at or above \$1.00 and are not assessed a fee in securities below \$1.00. The Exchange now proposes modify the application of fee code PA not only apply to RMPT, but to also apply RMPL. The Exchange does not propose to modify the fee associated with PA.
- Fee Code PT. Currently, fee code PT only applies to orders which remove liquidity on the Exchange using a RMPT routing strategy. Orders that yield fee code PT are assessed a fee of \$0.0010 per share in securities priced at or above \$1.00 and are not assessed a fee in securities below \$1.00. The Exchange now proposes modify the application of fee code PT not only apply to RMPT, but to also apply RMPL. The Exchange does not propose to modify the fee associated with PT.
- Fee Code PX. Currently, fee code PX only applies to orders routed using a RMPT routing strategy. Order that yield fee code PX are assessed a fee of \$0.0012 per share in securities priced at or above \$1.00 and 0.30% of the trade's total dollar value in securities priced below \$1.00. The Exchange now proposes

modify the application of fee code PX not only apply to RMPT, but to also apply RMPL. However, fee code PX would only apply to orders routed to destinations not covered by fee code PL using the RMPL routing strategy, as set forth above. The Exchange does not propose to modify the fee associated with PX.

- RMPT Tier Under Footnote 3. Currently, the Exchange offers one RMPT Tier under which a Member may receive a discounted fee of \$0.0008 per share for orders yielding fee codes PT or PX where that Member adds or removes an ADV¹² greater than or equal to 2,000,000 shares using a the RMPT routing strategy. The Exchange now proposes to amend the RMPT Tier to allow the Member's ADV to also include shares that use the RMPL routing strategy. The Exchange does not propose to modify the fee associated with PT.

Fee Codes MM and MT

The Exchange proposes to amend the descriptions of fee code MM and MT to align with the description of similar fee codes of its affiliated exchanges.¹³ Fee code MM is [sic] applies to Non-Displayed¹⁴ orders that *add* liquidity at the midpoint of the national best bid and offer (“NBBO”) while fee code MT is [sic] applies to Non-Displayed orders that *remove* liquidity at the midpoint of the NBBO. Orders that yield fee code MM or MT are charged a fee of \$0.00080 per share in securities priced at or above \$1.00 and 0.08% of the trade's total dollar value in securities priced below \$1.00. To align the description of fee codes MM and MT with similar

¹² 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. See the Exchange's fee schedule available at http://www.bats.com/us/equities/membership/fee_schedule/edga/.

¹³ The Exchange's affiliates are Bats EDGX Exchange, Inc. (“EDGX”), Bats BYX Exchange, Inc., (“BYX”), and Bats BZX Exchange, Inc. (“BZX”).

¹⁴ See Exchange Rule 11.6(e)(2).

fee codes of its affiliated exchanges,¹⁵ the Exchange proposes to amend their descriptions as follows. Fee code MM would now state that it applies to Non-displayed orders that add liquidity using Mid-Point Peg order type. Fee code MT would now state that it applies to Non-displayed orders that remove liquidity using Mid-Point Peg order type. The proposed changes do not alter the types of orders to which the fee codes would apply. The Exchange does not propose to modify the fee associated with MM and MT.

Implementation Date

The Exchange proposes to implement the above changes to its fee schedule on April 3, 2017.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,¹⁶ in general, and furthers the objectives of Section 6(b)(4),¹⁷ 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 RMPL Routing Strategy

The Exchange believes the proposed fee code PL and the expansion of fee codes PA, PT and PX as well as the RMPT Tier to adopt fees for orders routed using the options RMPL routing strategy represents an equitable allocation of reasonable dues, fees. The proposed fee code structure would enable the Exchange to charge a rate reasonably related to the rate that Bats Trading, Inc. (“Bats Trading”), the Exchange’s affiliated routing broker-dealer, would be

¹⁵ See e.g., fee codes MM and MT on the BYX fee schedule available at http://www.bats.com/us/equities/membership/fee_schedule/byx/; and fee code MM on the EDGX fee schedule available at http://www.bats.com/us/equities/membership/fee_schedule/edgx/.

¹⁶ 15 U.S.C. 78f.

¹⁷ 15 U.S.C. 78f(b)(4).

charged for routing orders to destinations described in fee codes PL, PA, PT and PX when it does not qualify for a volume tier reduced fee. As a result, when Bats Trading is charged a fee when it routes an order which removes liquidity from a destination described in fee codes PL, PA, PT and PX.¹⁸ Bats Trading will pass through these rates to the Exchange and the Exchange, in turn, will charge the rates under fee codes PL, PA, PT and PX, as applicable. The proposed fee under fee codes PL, PA, PT and PX for orders routed pursuant to the RMPL routing strategy would enable the Exchange to equitably allocate its costs among all Members. Further, the Exchange believe that the expansion of the RMPT Tier to allow the Member's ADV to also include shares that use the RMPL routing strategy is also reasonable and equitable because of the similar operation of the RMPL and RMPT routing strategies and results in the equal treatment of those orders under the Exchange's tiered pricing structure. In addition, the inclusion of the RMPL routing strategy in the RMPT Tier should also attract additional midpoint liquidity to the Exchange, resulting in increased price improvement opportunities for orders seeking an execution at the midpoint of the NBBO on the Exchange or elsewhere.

The Exchange notes that routing through Bats Trading is voluntary. Members seeking to [sic] midpoint eligible route such orders to BZX, EDGX, NYSE, NYSE Arca, and Nasdaq, or to any other destination covered by the RMPL routing strategy may connect to those destinations directly and be charged the fee or provided the rebate from that destination. The Exchange further believes that this pricing structure is non-discriminatory as it applies equally to all

¹⁸ For example, Nasdaq, NYSE, NYSE Arca, BZX, and EDGX charge a fee of \$0.0030 per share for orders that remove midpoint liquidity. See Nasdaq's fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>; NYSE's price list available at https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf; NYSE Arca's price list available at https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf; BZX's fee schedule available at http://www.bats.com/us/equities/membership/fee_schedule/bzx/; and EDGX's fee schedule available at http://www.bats.com/us/equities/membership/fee_schedule/edgx/.

Members.

Fee Codes MM and MT

The Exchange believes [sic] proposed rule change represents an equitable allocation of reasonable dues, fees, and other charges because the amended the descriptions of fee code MM and MT to [sic] solely intended to align with the description of similar fee codes of its affiliated exchanges. Harmonized descriptions should help alleviate potential investor confusion for those that send midpoint eligible order to the exchange and its affiliates. The proposed changes do not alter the types of orders to which the fee codes would apply. Nor does the Exchange propose to modify the fees associated with MM and MT. In addition, the Exchange also believes that the proposed modifications of the descriptions of fee codes MM and MT are non-discriminatory because they would apply uniformly to all Members.

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. The Exchange believes that its proposal to [sic] fees would increase intermarket competition by offering customers an alternative means to route to destinations covered by fee codes PL, PA, PT and PX. As stated above, routing through Bats Trading is voluntary and Members may utilize other avenues to

route orders to destinations covered by fee codes PL, PA, PT and PX, such as connecting to those destinations directly. The changes to the RMPT Tier to include the RMPL routing strategy as part of the tier's ADV calculation should increase competition as it is designed to attract additional midpoint order flow to the Exchange. The changes to the descriptions of fee codes MM and MT should have no impact on competition as they are similar designed to align their descriptions with that of similar fee codes offered by the Exchange's affiliates. 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 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 Act¹⁹ and paragraph (f) of Rule 19b-4 thereunder.²⁰ 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.

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f).

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-2017-06 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-2017-06. 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 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-2017-06, 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.²¹

Brent J. Fields
Secretary

²¹ 17 CFR 200.30-3(a)(12).