

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78304; File No. SR-BatsEDGX-2016-27)

July 12, 2016

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees as they Apply to the Equity Options Platform

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 July 1, 2016, Bats EDGX Exchange, Inc. (the “Exchange” or “EDGX”) 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 EDGX Rules 15.1(a) and (c).

The text of the proposed rule change is available at the Exchange’s website at www.batstrading.com, at the principal office of the Exchange, and at the Commission’s Public

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).

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 for its equity options platform ("EDGX Options") to: (1) modify the criteria to qualify for the Customer Volume Tier 1 under footnote 1; and (2) delete the NBBO Setter/Joiner Tier under footnote 3.

Customer Volume Tier 1

In addition to the standard rebate provided to all Customer⁶ orders, the Exchange offers six separate Customer Volume Tiers under footnote 1, each providing an enhanced rebate ranging from \$0.10 to \$0.21 [sic] per contract to Customer orders that yield fee codes PC⁷ or NC⁸ upon satisfying the respective tier's monthly volume criteria. Pursuant to Customer Volume Tier 1, the lowest volume tier, a Member currently receives a rebate of \$0.10 per contract where

⁶ "Customer" applies to any transaction identified by a Member for clearing in the Customer range at the OCC, excluding any transaction for a Broker Dealer or a "Professional" as defined in Exchange Rule 16.1. See the Exchange's fee schedule.

⁷ Fee code PC is yielded to Customer orders in Penny Pilot Securities. See the Exchange's fee schedule.

⁸ Fee code NC is yielded to Customer orders in Non-Penny Pilot Securities. See the Exchange's fee schedule.

the Member has an ADV⁹ in Customer orders equal to or greater than 0.20% of average TCV.¹⁰ In order to further incentive the entry of Customer orders, the Exchange proposes to ease the criteria necessary to qualify for the Customer Volume Tier 1 by reducing the tier's ADV requirement. Specifically, to receive an enhanced rebate of \$0.10 per contract, Members must have an ADV in Customer orders equal to or greater than 0.15% of average TCV, rather than 0.20% of TCV as required today.

NBBO Setter/Joiner Tier

The NBBO Setter/Joiner Tier was adopted to incentivize Market Makers on EDGX Options to enter quotations at the National Best Bid and Offer ("NBBO") by providing an additional rebate of \$0.02 per contract to Market Maker¹¹ orders that added liquidity and established a new NBBO or joined the existing NBBO when EDGX Options is not already at the NBBO. The Exchange is proposing to eliminate the tier because the rebate has not achieved the desired effect, despite being designed to incentivize Members to add liquidity that sets or joins the Exchange to the NBBO. As such, the Exchange is proposing to eliminate the text in footnote three related to the NBBO Setter and Joiner Tier. In connection with this change the Exchange proposes to remove footnote 3 to fee codes NM¹² and PM.¹³

⁹ "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. See the Exchange's fee schedule.

¹⁰ "TCV" means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close. See the Exchange's fee schedule.

¹¹ "Market Maker" applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC, where such Member is registered with the Exchange as a Market Maker as defined in Rule 16.1(a)(37). See the Exchange's fee schedule.

¹² Fee code NM is yielded to Market Maker orders in Non-Penny Pilot Securities. See the Exchange's fee schedule.

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule on July 1, 2016.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.¹⁴ Specifically, the Exchange believes that the proposed rule changes are consistent with Section 6(b)(4) of the Act,¹⁵ in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls.

Customer Volume Tier 1

The Exchange believes that the proposed modifications to the Customer Volume Tier 1 is reasonable, fair and equitable, and non-discriminatory. Volume-based rebates such as those currently maintained on the Exchange have been widely adopted by 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 the value of an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. The proposed modification to ease the criteria required to qualify for current

¹³ Fee code PM is yielded to Market Maker orders in Non-Penny [sic] Pilot Securities. See the Exchange's fee schedule.

¹⁴ 15 U.S.C. 78f.

¹⁵ 15 U.S.C. 78f(b)(4).

Customer Volume Tier 1 is intended to incentivize Members to send additional Customer orders to the Exchange in an effort to qualify for the enhanced rebate made available by the tier.

NBBO Setter and Joiner Tiers

The Exchange believes that the proposed elimination of the NBBO Setter and Joiner Tier represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because, as described above, the additional rebates offered under these tiers are not affecting Members' behavior in the manner originally conceived by the Exchange. While the Exchange acknowledges the benefit of Members entering orders that set or join the NBBO, the Exchange has generally determined that it is providing additional rebates for liquidity that would be added on the Exchange regardless of whether the tiers existed. By paying these rebates, the Exchange is not only offering rebates for orders that would set or join the NBBO without being incentivized to do so, but also missing out on the opportunity to offer other rebates or reduced fees that could incentivize other behavior that would enhance market quality on the Exchange, which would benefit all Members. As such, the Exchange also believes that the proposed elimination of the NBBO Setter and Joiner Tier would be non-discriminatory in that it currently applies equally to all Members and, upon elimination, would no longer be available to any Members. Further, it will allow the Exchange to explore other ways in which it may enhance market quality for all Members.

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

The Exchange believes the proposed amendments to its fee schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Customer Volume Tier 1

The Exchange does not believe that the proposed change represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Rather, the proposal is a competitive proposal that is seeking to further the growth of the Exchange. The Exchange has structured the proposed amendment to the tier to attract certain additional volume in Customer orders, however, the Exchange believes that its pricing for all capacities is competitive with that offered by other options exchanges. 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 change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

NBBO Setter and Joiner Tier

The Exchange does not believe that its proposal to eliminate the NBBO Setter and Joiner Tier would burden competition, but, rather, enhance the Exchange's ability to compete with other market centers. As described above, the Exchange believes that it is offering enhanced rebates for orders that would be submitted to the Exchange without the enhanced rebate, which prevents the Exchange from being able to offer other rebates or reduced fees that might be able to enhance market quality to the benefit of all Members. As such, eliminating the NBBO Setter and Joiner Tier will allow the Exchange other opportunities to enhance market quality on the Exchange and ultimately, better compete with other market centers.

(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 Act¹⁶ and paragraph (f) of Rule 19b-4 thereunder.¹⁷ 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 Number SR-BatsEDGX-2016-27 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-BatsEDGX-2016-27. 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

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f).

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 such filing will also 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-BatsEDGX-2016-27 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.¹⁸

Robert W. Errett
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).