

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 29	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 03	Amendment No. (req. for Amendments *)
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Filing by Bats EDGX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

The Exchange proposes rule changes in connection with the operation of the Equity Options Platform.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Anders	Last Name * Franzon
Title * SVP, Associate General Counsel	
E-mail * afranzon@bats.com	
Telephone * (913) 815-7154	Fax <input type="text"/>

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 03/24/2016	SVP, Associate General Counsel
By Anders Franzon	<input style="width: 100%;" type="text"/>
(Name *)	

afranzon@bats.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

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> Bats EDGX Exchange, Inc. (the “Exchange” or “EDGX”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to authorize the Exchange’s equity options platform (“EDGX Options”) to make a modification to Rule 21.1 (Definitions) in connection with the operation of the attribution feature of EDGX Options, as described below. In addition, the Exchange proposes to adopt definitions of “Priority Customer” and “Priority Customer Order” in Rule 16.1 and to use such definitions throughout Rules 21.8, 21.10 and 21.15. Finally, the Exchange also proposes related changes to Rules 20.6 and 21.8. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup>

(a) The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February

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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> 17 CFR 240.19b-4(f)(6)(iii).

11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric Swanson  
EVP, General Counsel  
(913) 815-7000

Anders Franzon  
SVP, Associate General Counsel  
(913) 815-7154

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

(a) Purpose

As further described below, the Exchange is proposing to modify Rule 21.1(c) to remove the limitation related to Customer orders to allow such orders to be Attributable Orders (as such terms are defined below). In addition, the Exchange proposes to adopt definitions of "Priority Customer" and "Priority Customer Order" in Rule 16.1 and to use such definitions throughout Rules 21.8, 21.10 and 21.15. Finally, the Exchange also proposes related changes to Rules 20.6 and 21.8.

Attributable Orders

The Exchange is proposing to modify Rule 21.1, Definitions, which sets forth the various definitions applicable to the operation of the EDGX Options platform, including order types and order type modifiers accepted by EDGX Options. As set forth in Rule 21.1, an order can be attributed on EDGX Options, meaning that such order is displayed

with not only a price and size but also a User's<sup>4</sup> market participant identifier, or MPID (such order an "Attributable Order"). Alternatively, a User may also submit an order that is designated for display on an anonymous basis, a "Non-Attributable Order." In addition to attribution, as discussed in Rule 21.1, Exchange Rule 21.15(c) states that the Exchange will indicate on OPRA when there is "Customer" (the definition of which is described below) interest on EDGX Options and will identify Customer orders and trades as such on the Exchange's proprietary data feeds.

Recently, the Exchange modified Rule 21.1(c) to limit the use of Attributable Orders to non-Customers, thereby eliminating the ability for a Customer Order to also be an Attributable Order.<sup>5</sup> Thus, Rule 21.1(c) states that all non-Customer Orders shall be treated as Attributable Orders unless a User has entered instructions to treat such orders as Non-Attributable Orders. Further, Rule 21.1(c) states that all Customer Orders are treated as Non-Attributable Orders. The Exchange did not make the change set forth above due to concerns with respect to Customer orders being entered as Attributable Orders but rather due to system limitations in supporting both the attribution feature and the identification of Customer orders as such. The Exchange is now able to accept a Customer order that is both identified as such and attributed to a specified MPID. The Exchange therefore proposes to modify Rule 21.1(c) to remove the limitation related to Customer orders to allow such orders to be Attributable Orders. The Exchange notes that

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<sup>4</sup> The term User is defined in Rule 1.5(ee) as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3."

<sup>5</sup> Securities Exchange Act Release No. 77036 (February 2, 2016), 81 FR 6552 (February 8, 2016) (SR-EDGX-2016-01).

this proposed change will return the Exchange's rules to their prior form, by accepting Attributable Orders regardless of the capacity designated on the order.

Definition and Use of Term "Priority Customer" and "Priority Customer Order"

In addition to the change described above, the Exchange proposes changes to Rules 16.1 to adopt definitions of "Priority Customer" and "Priority Customer Order" in Rule 16.1 and to use such definitions throughout Rules 21.8, 21.10 and 21.15.

Specifically, in such Rules, the Exchange proposes to use the terms "Priority Customer" and "Priority Customer Order", respectively, in place of the terms "Customer" and "Customer Order". As proposed, a Priority Customer would mean any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional (as defined below). In turn, a Priority Customer Order would mean an order for the account of a Priority Customer. The proposed definitions are similar to and based on the definitions of the same terms set forth in MIAX Rule 100. The Exchange proposes to adopt these new definitions in new paragraph (a)(45) and to re-number existing paragraphs (a)(45) through (a)(47) as paragraphs (a)(46) through (a)(48). In addition, because the defined term "Public Customer Order" is not currently utilized in Exchange Rules, the Exchange proposes to delete this definition, which is currently contained in paragraph (a)(48).

Pursuant to Rule 16.1(a)(19) a "Customer" is defined as a Public Customer or a broker-dealer. Under Rule 16.1(a)(47), a "Public Customer" is defined as a person that is not a broker or dealer in securities ("broker-dealer"). The Exchange separately defines a "Professional" as any person or entity that (A) is not a broker or dealer in securities, and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). The Exchange proposes to adopt the definition

of Priority Customer to exclude both broker-dealers and Professionals. This change is consistent with the Exchange's fee schedule, which already excludes Professionals from the definition of the term Customer for purposes of pricing on the Exchange.<sup>6</sup> This change is also consistent Exchange Rule 20.6(a)(1)<sup>7</sup> and with the rules of other options exchanges.<sup>8</sup>

In addition, the Exchange proposes to modify Rules 21.8, 21.10, and 21.15 to refer to "Priority Customer" rather than "Customer" and "Priority Customer Order" rather than "Customer Order", to more closely reflect the Exchange's current implementation of the Rules, which follows the definition of Customer on the Exchange's fee schedule and in Rule 20.6(a)(1) by excluding broker-dealers and Professionals. As noted above, the Exchange is also proposing to replace the phrase "Customer Order", or in some instances "Customer order," with the phrase "Priority Customer Order".

The Exchange believes that each of these changes will more closely align the Exchange's rules with the Exchange's implementation of the Rules and the rules of other

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<sup>6</sup> See the EDGX Options fee schedule available at: [http://www.batsoptions.com/support/fee\\_schedule/edgx](http://www.batsoptions.com/support/fee_schedule/edgx). As defined on the fee schedule, a "Customer" is synonymous with the proposed term Priority Customer in the Exchange's Rules as the definition excludes both broker dealers and Professionals as defined in EDGX Rule 16.1.

<sup>7</sup> Rule 20.6(a)(1) similarly defines a Customer as a party other than a broker-dealer or Professional Customer. The Exchange also proposes to amend Rule 20.6(a)(1) to instead refer to a "Professional" as discussed below.

<sup>8</sup> See, e.g., MIAX Rule 100, Definitions, which defines a "Priority Customer," by excluding both broker dealers and customers who do not meet the criteria generally established by options exchanges to qualify as a Professional (i.e., 390 orders in listed options per day); see also ISE Rule 100(37A).

options exchanges.<sup>9</sup> The Exchange believes that the original discrepancy was based in part on the use of the general term “Customer” in other Exchange Rules and on the Exchange’s fee schedule as noted above, which in such other contexts mirrors the definition of Priority Customer, as proposed.<sup>10</sup> The Exchange also believes that the intended application of the term Customer in Chapter 21 of the Exchange’s rules is also clear. In particular, the Exchange’s priority rule, Rule 21.8(e), explicitly refers to “non-Customers” as “including Professional Customers” when it discusses the priority algorithm that applies after execution of Customer (to be re-designated as “Priority Customer”) orders. Thus, the change from Customer to Priority Customer in Rule 21.8, 21.10 and 21.15 will conform the Exchange’s Rules to the current implementation by using a defined term that excludes broker-dealers and Professionals.

#### Additional Changes

To ensure clarity, the Exchange proposes related changes to Rule 21.8(d)(1) and Rule 21.8(e). Specifically, the Exchange proposes to restate the priority of Priority Customers as priority “over orders on behalf of all other types of participants” and to define all such other participants as non-Customers. As above, this change conforms the Rule to the Exchange’s implementation of the Rule as well as the way that the Exchange believes the Rule was proposed and approved when read in light of Rule 21.8(e). The Exchange believes that the amended Rule, however, sets forth in a more clear fashion the fact that all other participants other than Priority Customers, including Professionals and

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<sup>9</sup> See, e.g., MIAX Rules 514, which closely resembles Exchange Rules 21.8 and uses the term Priority Customer, a term equivalent to the Exchange’s proposed definition of Priority Customer.

<sup>10</sup> See supra, notes 5 and 6.



broker-dealers, are considered as non-Customers for purposes of the Rule. Based on this proposed change, the Exchange also proposes to remove the reference to “non-Customers, including Professional Customers” in Rule 21.8(e) and to instead refer to the definition of non-Customer that is proposed to be added to Rule 21.8(d)(1).

In addition to the proposed changes to utilize the term Priority Customer instead of Customer and the term Priority Customer Order instead of Customer Order in the Rules listed above, the Exchange also proposes to modify Rule 20.6(a)(1) to use the defined term of “Professional” rather than the term “Professional Customer,” which is not defined in Rule 16.1.

(b) Statutory Basis

The Exchange believes that its proposal is 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(b) of the Act.<sup>11</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act<sup>12</sup> because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The proposed rule change will allow the Exchange to accept Attributable Orders from all market participants, including Priority Customers, while also designating Priority

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

Customer orders as such on applicable data feeds. As set forth above, the Exchange recently limited the use of Attributable Orders to non-Customers due to systems limitations but is now proposing to remove this limitation. The Exchange is therefore seeking to re-introduce the feature that was originally intended in connection with the launch of EDGX Options. The proposed rule change will also achieve consistency with respect to the use of the term “Priority Customer” and “Priority Customer Order” both internally in aligning with the implementation of such Rules as well as with the rules of other options exchanges. As set forth above, each of the changes proposed above will align the Exchange’s Rules with the current implementation of the Rules but will do so in a way that will avoid confusion regarding the application of the definitions used in such Rules. The Exchange believes that the proposed change is consistent with the Act for the reasons set forth above.

4. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is intended to make a modification to the Exchange’s attribution offering to again permit Attributable Orders on behalf of all market participants, including Priority Customers. As noted above, this was the original intent when the Exchange’s rules for EDGX Options were originally approved. The Exchange does not believe that such proposal, or the proposal to adopt the definitions of Priority Customer and Priority Customer Order as described above, will result in rules that are different than the rules of other options exchanges but rather that such rules will be better aligned with the implementation of the Exchange’s Rules as well as the rules of

other options exchanges.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>13</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>14</sup> The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, and (3) will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.<sup>15</sup>

The Exchange believes that the proposed rule change is particularly appropriate for filing on an immediately effective basis under paragraph (f)(6) of Rule 19b-4. The

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4.

<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii).

Exchange believes that the rule change proposed herein represents a minor change that will allow the Exchange to revert to a previously approved version of the rules, to adopt a definition of Priority Customer based on the rules of other options exchanges, and to use the definition to mirror the implementation of the Exchange's Rules. Further, the proposed change is similar to existing rules of other options exchanges<sup>16</sup> and does not raise any new policy issues. Because this filing is based on rules currently in place on other exchanges and does not present any new or novel issues that have not been previously considered by the Commission, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>17</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>18</sup>

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule change may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>20</sup> The proposal will allow the Exchange to offer the originally intended attribution feature, by permitting orders from all types of all market participants to be Attributable Orders, including orders on behalf of Priority Customers and by identifying orders as such on public data feeds. The proposed changes thus will allow the Exchange to re-introduce attribution feature for all market participants. Further, the Exchange believes that the adoption of the term Priority

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<sup>16</sup> See supra notes 8 and 9.

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 240.19b-4.

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6).

Customer and Priority Customer Order and the use of such terms as proposed will help to avoid confusion by participants on EDGX Options and will align the Exchange's Rules with the Exchange's implementation of such Rules. Waiver of the operative delay is consistent with the protection of investors and the public interest for the reasons described above.

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.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

The Exchange notes that its proposed definition of Priority Customer is similar to the definition of Priority Customer set forth in MIAX Rule 100 and the proposed definition of Priority Customer Order is identical to the definition of Priority Customer Order set forth in MIAX Rule 100. The Exchange notes that instead of using a description of Professionals as MIAX does in the Priority Customer definition under Rule 100 (i.e., a party that does not place more than 390 orders in listed options per day on average during a calendar month for its own), the Exchange has proposed to use the defined term Professional.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2–4: Not applicable.

Exhibit 5: Text of Proposed Rule Change

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BatsEDGX-2016-03)

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Changes in Connection with the Operation of the Exchange's Equity Options Platform

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 \_\_\_\_\_, 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 and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it 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 make a modification to Rule 21.1 (Definitions) in connection with the operation of the attribution feature of EDGX Options, as described below. In addition, the Exchange proposes to adopt definitions of "Priority Customer" and "Priority Customer Order" in Rule 16.1 and to use such definitions throughout Rules 21.8, 21.10 and 21.15. Finally, the Exchange also proposes related changes to Rules 20.6

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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).

<sup>4</sup> 17 CFR 240.19b-4(f)(6)(iii).

and 21.8.

The text of the proposed rule change is available at the Exchange's website at [www.batstrading.com](http://www.batstrading.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 Statutory Basis for, the Proposed Rule Change

1. Purpose

As further described below, the Exchange is proposing to modify Rule 21.1(c) to remove the limitation related to Customer orders to allow such orders to be Attributable Orders (as such terms are defined below). In addition, the Exchange proposes to adopt definitions of "Priority Customer" and "Priority Customer Order" in Rule 16.1 and to use such definitions throughout Rules 21.8, 21.10 and 21.15. Finally, the Exchange also proposes related changes to Rules 20.6 and 21.8.

Attributable Orders

The Exchange is proposing to modify Rule 21.1, Definitions, which sets forth the various definitions applicable to the operation of the EDGX Options platform, including order types and order type modifiers accepted by EDGX Options. As set forth in Rule



21.1, an order can be attributed on EDGX Options, meaning that such order is displayed with not only a price and size but also a User's<sup>5</sup> market participant identifier, or MPID (such order an "Attributable Order"). Alternatively, a User may also submit an order that is designated for display on an anonymous basis, a "Non-Attributable Order." In addition to attribution, as discussed in Rule 21.1, Exchange Rule 21.15(c) states that the Exchange will indicate on OPRA when there is "Customer" (the definition of which is described below) interest on EDGX Options and will identify Customer orders and trades as such on the Exchange's proprietary data feeds.

Recently, the Exchange modified Rule 21.1(c) to limit the use of Attributable Orders to non-Customers, thereby eliminating the ability for a Customer Order to also be an Attributable Order.<sup>6</sup> Thus, Rule 21.1(c) states that all non-Customer Orders shall be treated as Attributable Orders unless a User has entered instructions to treat such orders as Non-Attributable Orders. Further, Rule 21.1(c) states that all Customer Orders are treated as Non-Attributable Orders. The Exchange did not make the change set forth above due to concerns with respect to Customer orders being entered as Attributable Orders but rather due to system limitations in supporting both the attribution feature and the identification of Customer orders as such. The Exchange is now able to accept a Customer order that is both identified as such and attributed to a specified MPID. The Exchange therefore proposes to modify Rule 21.1(c) to remove the limitation related to

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<sup>5</sup> The term User is defined in Rule 1.5(ee) as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3."

<sup>6</sup> Securities Exchange Act Release No. 77036 (February 2, 2016), 81 FR 6552 (February 8, 2016) (SR-EDGX-2016-01).

Customer orders to allow such orders to be Attributable Orders. The Exchange notes that this proposed change will return the Exchange's rules to their prior form, by accepting Attributable Orders regardless of the capacity designated on the order.

Definition and Use of Term "Priority Customer" and "Priority Customer Order"

In addition to the change described above, the Exchange proposes changes to Rules 16.1 to adopt definitions of "Priority Customer" and "Priority Customer Order" in Rule 16.1 and to use such definitions throughout Rules 21.8, 21.10 and 21.15.

Specifically, in such Rules, the Exchange proposes to use the terms "Priority Customer" and "Priority Customer Order", respectively, in place of the terms "Customer" and

"Customer Order". As proposed, a Priority Customer would mean any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional (as defined below).

In turn, a Priority Customer Order would mean an order for the account of a Priority Customer. The proposed definitions are similar to and based on the definitions of the same terms set forth in MIAX Rule 100. The Exchange proposes to adopt these new definitions in new paragraph (a)(45) and to re-number existing paragraphs (a)(45) through (a)(47) as paragraphs (a)(46) through (a)(48). In addition, because the defined term "Public Customer Order" is not currently utilized in Exchange Rules, the Exchange proposes to delete this definition, which is currently contained in paragraph (a)(48).

Pursuant to Rule 16.1(a)(19) a "Customer" is defined as a Public Customer or a broker-dealer. Under Rule 16.1(a)(47), a "Public Customer" is defined as a person that is not a broker or dealer in securities ("broker-dealer"). The Exchange separately defines a "Professional" as any person or entity that (A) is not a broker or dealer in securities, and (B) places more than 390 orders in listed options per day on average during a calendar

month for its own beneficial account(s). The Exchange proposes to adopt the definition of Priority Customer to exclude both broker-dealers and Professionals. This change is consistent with the Exchange's fee schedule, which already excludes Professionals from the definition of the term Customer for purposes of pricing on the Exchange.<sup>7</sup> This change is also consistent Exchange Rule 20.6(a)(1)<sup>8</sup> and with the rules of other options exchanges.<sup>9</sup>

In addition, the Exchange proposes to modify Rules 21.8, 21.10, and 21.15 to refer to "Priority Customer" rather than "Customer" and "Priority Customer Order" rather than "Customer Order", to more closely reflect the Exchange's current implementation of the Rules, which follows the definition of Customer on the Exchange's fee schedule and in Rule 20.6(a)(1) by excluding broker-dealers and Professionals. As noted above, the Exchange is also proposing to replace the phrase "Customer Order", or in some instances "Customer order," with the phrase "Priority Customer Order".

The Exchange believes that each of these changes will more closely align the

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<sup>7</sup> See the EDGX Options fee schedule available at: [http://www.batsoptions.com/support/fee\\_schedule/edgx](http://www.batsoptions.com/support/fee_schedule/edgx). As defined on the fee schedule, a "Customer" is synonymous with the proposed term Priority Customer in the Exchange's Rules as the definition excludes both broker dealers and Professionals as defined in EDGX Rule 16.1.

<sup>8</sup> Rule 20.6(a)(1) similarly defines a Customer as a party other than a broker-dealer or Professional Customer. The Exchange also proposes to amend Rule 20.6(a)(1) to instead refer to a "Professional" as discussed below.

<sup>9</sup> See, e.g., MIAX Rule 100, Definitions, which defines a "Priority Customer," by excluding both broker dealers and customers who do not meet the criteria generally established by options exchanges to qualify as a Professional (i.e., 390 orders in listed options per day); see also ISE Rule 100(37A).

Exchange's rules with the Exchange's implementation of the Rules and the rules of other options exchanges.<sup>10</sup> The Exchange believes that the original discrepancy was based in part on the use of the general term "Customer" in other Exchange Rules and on the Exchange's fee schedule as noted above, which in such other contexts mirrors the definition of Priority Customer, as proposed.<sup>11</sup> The Exchange also believes that the intended application of the term Customer in Chapter 21 of the Exchange's rules is also clear. In particular, the Exchange's priority rule, Rule 21.8(e), explicitly refers to "non-Customers" as "including Professional Customers" when it discusses the priority algorithm that applies after execution of Customer (to be re-designated as "Priority Customer") orders. Thus, the change from Customer to Priority Customer in Rule 21.8, 21.10 and 21.15 will conform the Exchange's Rules to the current implementation by using a defined term that excludes broker-dealers and Professionals.

#### Additional Changes

To ensure clarity, the Exchange proposes related changes to Rule 21.8(d)(1) and Rule 21.8(e). Specifically, the Exchange proposes to restate the priority of Priority Customers as priority "over orders on behalf of all other types of participants" and to define all such other participants as non-Customers. As above, this change conforms the Rule to the Exchange's implementation of the Rule as well as the way that the Exchange believes the Rule was proposed and approved when read in light of Rule 21.8(e). The Exchange believes that the amended Rule, however, sets forth in a more clear fashion the

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<sup>10</sup> See, e.g., MIAX Rules 514, which closely resembles Exchange Rules 21.8 and uses the term Priority Customer, a term equivalent to the Exchange's proposed definition of Priority Customer.

<sup>11</sup> See supra, notes 6 and 7.

fact that all other participants other than Priority Customers, including Professionals and broker-dealers, are considered as non-Customers for purposes of the Rule. Based on this proposed change, the Exchange also proposes to remove the reference to “non-Customers, including Professional Customers” in Rule 21.8(e) and to instead refer to the definition of non-Customer that is proposed to be added to Rule 21.8(d)(1).

In addition to the proposed changes to utilize the term Priority Customer instead of Customer and the term Priority Customer Order instead of Customer Order in the Rules listed above, the Exchange also proposes to modify Rule 20.6(a)(1) to use the defined term of “Professional” rather than the term “Professional Customer,” which is not defined in Rule 16.1.

## 2. Statutory Basis

The Exchange believes that its proposal is 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(b) of the Act.<sup>12</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act<sup>13</sup> because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The proposed rule change will allow the Exchange to accept Attributable Orders

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

from all market participants, including Priority Customers, while also designating Priority Customer orders as such on applicable data feeds. As set forth above, the Exchange recently limited the use of Attributable Orders to non-Customers due to systems limitations but is now proposing to remove this limitation. The Exchange is therefore seeking to re-introduce the feature that was originally intended in connection with the launch of EDGX Options. The proposed rule change will also achieve consistency with respect to the use of the term “Priority Customer” and “Priority Customer Order” both internally in aligning with the implementation of such Rules as well as with the rules of other options exchanges. As set forth above, each of the changes proposed above will align the Exchange’s Rules with the current implementation of the Rules but will do so in a way that will avoid confusion regarding the application of the definitions used in such Rules. The Exchange believes that the proposed change is consistent with the Act for the reasons set forth above.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is intended to make a modification to the Exchange’s attribution offering to again permit Attributable Orders on behalf of all market participants, including Priority Customers. As noted above, this was the original intent when the Exchange’s rules for EDGX Options were originally approved. The Exchange does not believe that such proposal, or the proposal to adopt the definitions of Priority Customer and Priority Customer Order as described above, will result in rules that are different than the rules of other options exchanges but rather that such rules will

be better aligned with the implementation of the Exchange's Rules as well as the rules of other options exchanges.

(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

Because the foregoing proposed rule change does not: (A) significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, become operative for 30 days from the date on which it was filed or such shorter time as the Commission may designate it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>15</sup> the Exchange has designated this rule filing as non-controversial. The Exchange has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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: (1) necessary or appropriate in the public interest; (2) for

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4.

the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 proposal 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 No. SR-BatsEDGX-2016-03 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-BatsEDGX-2016-03. 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 am and 3:00 pm. 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 No. SR-BatsEDGX-2016-03 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Robert W. Errett  
Deputy Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

### **Rules of Bats EDGX Exchange, Inc.**

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#### **CHAPTER XVI. GENERAL PROVISIONS – EDGX OPTIONS**

##### Rule 16.1. Definitions

(a) (No change.)

(1)-(44) (No change.)

(45) The term “Priority Customer” means any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional. The term “Priority Customer Order” means an order for the account of a Priority Customer.

[(45)](46) The term “Professional” means any person or entity that: (A) is not a broker or dealer in securities[,]; and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Options Members.

[(46)](47) The term “Protected Quotation” has the meaning provided in Rule 27.1.

[(47)](48) The term “Public Customer” means a person that is not a broker or dealer in securities.

[(48) The term “Public Customer Order” means an order for the account of a Public Customer.]

(49)-(63) (No change.)

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#### **CHAPTER XX. REGULATION OF TRADING ON EDGX OPTIONS**

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##### Rule 20.6. Nullification and Adjustment of Options Transactions including Obvious Errors

(No change.)

(a) Definitions.

(1) *Customer*. For purposes of this Rule, a Customer shall not include any broker-dealer or Professional[ Customer].

(2)-(4) (No change.)

(b)-(l) (No change.)

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## CHAPTER XXI. TRADING SYSTEMS

### Rule 21.1. Definitions

The following definitions apply to Chapter XXI for the trading of options listed on EDGX Options.

(a)-(b) (No change.)

(c) The term “Order” shall mean a single order submitted to the System by a User and shall include both Attributable and Non-Attributable Orders, as defined below. The System shall treat all [non-Customer] Orders as Attributable Orders unless a User has entered instructions to treat such Orders as Non-Attributable Orders. [The System shall treat all Customer Orders as Non-Attributable Orders but will identify such orders as Customer Orders in accordance with Rule 21.15(c)(2) below.]

(1)-(2) (No change.)

(d)-(j) (No change.)

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### Rule 21.8. Order Display and Book Processing

(a)-(c) (No change.)

(d) (No change.)

(1) Priority Customer Orders. When this priority overlay (the “Customer Overlay”) is in effect, the highest bid and lowest offer shall have priority except that Priority Customer Orders shall have priority over orders on behalf of all other types of participants (“non-Customers”) [interest ]at the same price. If there are two or more Priority Customer Orders for the same options series at the same price, priority shall be afforded to such Priority Customer Orders in the sequence in which they are received by the System.

(2)-(3) (No change.)

(e) *Non-Customer Orders.* After executions resulting from Priority Overlays set forth in paragraph (d) above, Orders and Quotes within the System for the accounts of non-Customers, as defined in paragraph (d)(1) above[including Professional Customers], have next priority. If there is more than one highest bid or more than one lowest offer in the Consolidated Book for the account of a non-Customer, then such bids or offers will be afforded priority on a “size pro rata” basis.

(f) *Directed Market Maker Participation Entitlements.* An Options Member may designate a Market Maker (“Directed Market Maker”) on orders it enters into the System (“Directed Orders”). The Directed Market Maker must be registered with the Exchange as a Market Maker in the relevant option class at the time of receipt of the Directed Order to be eligible to receive the Directed Market Maker participation entitlement. Only Priority Customer Orders will be eligible to be directed by an Options Member. The Directed Market Maker participation entitlement shall not be in effect unless the Customer Overlay is in effect and the participation entitlement shall only apply to any remaining balance after Priority Customer [o]Orders have been satisfied. The Directed Market Maker participation entitlements are as follows:

(1) (No change.)

(g) *Primary Market Maker Participation Entitlements.* A Primary Market Maker may be appointed by the Exchange in option classes in accordance with Rule 22.2. The Primary Market Maker participation entitlements shall not be in effect unless the Customer Overlay is in effect and the participation entitlements shall only apply to any remaining balance after Priority Customer [o]Orders have been satisfied. The Primary Market Maker participation entitlements are as follows:

(1)-(2) (No change.)

(h) (No change.)

(1)-(2) (No change.)

(3) The participation entitlements shall not be in effect unless the Customer Overlay is also in effect and the participation entitlements shall only apply to any remaining balance after Priority Customer [o]Orders have been satisfied.

(4)-(6) (No change.)

(i)-(k) (No change.)

\* \* \* \* \*

(a)-(b) (No change.)

(c) The Exchange shall reveal a User's identity in the following circumstances:

(1)-(2) (No change.)

(3) if a User is acting as either a Market Maker or sending Orders on behalf of a Priority Customer; or

(4) (No change.)

\* \* \* \* \*

Rule 21.15. Data Dissemination

(a)-(b) (No change.)

(c) Notification of Priority Customer Interest on the Book.

(1) The Exchange will make available to all market participants through OPRA an indication that there is Priority Customer interest included in the BBO disseminated by the Exchange.

(2) The Exchange will identify Priority Customer [o]Orders and trades as such on messages disseminated by the Exchange through its Multicast PITCH data feed.

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