

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 26	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 40	Amendment No. (req. for Amendments *)
----------------	--	----------------------------	---------------------------------------

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 checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input 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"/>
--	--

**Description**

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

The Exchange proposed a rule change related to fees as they apply to 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 * Chris	Last Name * Solgan
Title * Assistant General Counsel	
E-mail * csolgan@bats.com	
Telephone * (646) 856-8723	Fax


**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 07/29/2016	Assistant General Counsel
By Chris Solgan	
(Name *)	



csolgan@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 \***

Add Remove View

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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

(a) 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 proposed rule change to amend the fee schedule applicable to Members<sup>3</sup> and non-Members and non-Members of the Exchange pursuant to Exchange Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal are effective upon filing.

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 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

Chris Solgan

---

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

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

<sup>3</sup> A Member is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

EVP, General Counsel

(913) 815-7000

Assistant General Counsel

(646) 856-8723

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

(a) Purpose

The Exchange proposes to amend its fee schedule for its equity options platform (“EDGX Options”) to: (i) modify the criteria necessary to achieve Customer Volume Tier 5; (ii) modify criteria necessary to achieve Market Maker Volume Tier 7 and decrease the corresponding rate; and (iii) adopt a new tier entitled the “Firm Penny Pilot Cross-Asset Tier”.

The Exchange determines the reduced fee or enhanced rebate using a tiered pricing structure offering two tiers under footnotes 1 and 2 of the fee schedule, Customer Volume Tiers and Market Maker Volume Tiers, respectively. Under the tiers, Members that achieve certain volume criteria may qualify for reduced fees or enhanced rebates for Customer<sup>4</sup> and Market Maker<sup>5</sup> orders. The Exchange proposes to modify the criteria necessary to achieve Customer Volume Tier 5 under footnote 1, and modify the corresponding rate and criteria necessary to achieve Market Maker Volume Tier 7 under footnote 2. The Exchange also proposes to adopt a new tier entitled the “Firm Penny Pilot Cross-Asset Tier” under a new footnote 4.

---

<sup>4</sup> As defined in the Exchange’s fee schedule available at [http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

<sup>5</sup> Id.

*Customer Volume Tier 5.* Fee codes PC and NC are currently appended to all Customer orders in Penny Pilot Securities<sup>6</sup> and Non-Penny Pilot Securities,<sup>7</sup> respectively, and result in a standard rebate of \$0.05 per contract. The Customer Volume Tiers in footnote 1 consist of five separate tiers, each providing an enhanced rebate to a Member's Customer order that yields fee codes PC or NC upon satisfying monthly volume criteria required by the respective tier. For instance, pursuant to Customer Volume Tier 1, the lowest volume tier, a Member will receive a rebate of \$0.10 per contract where the Member has an ADV<sup>8</sup> in Customer orders equal to or greater than 0.15% of average TCV.<sup>9</sup>

Pursuant to Customer Volume Tier 5, a Member currently will receive a rebate of \$0.21 per contract where: (i) the Member has an ADV in Customer orders equal to or greater than 0.20% of average TCV; and (ii) the Member has an ADV in Market Maker orders equal to or greater than 0.10% of average TCV. To encourage the entry of additional orders, the Exchange proposes to modify the criteria necessary to achieve Customer Volume Tier 5 to require that: (i) the Member has an ADV in Customer orders equal to or greater than 0.05% of average TCV; and (ii) the Member has an ADV in Customer or Market Maker orders equal to or greater than 0.25% of average TCV. The Exchange believes that decreasing the first prong's ADV requirement and expanding the second prong to include Customer orders, despite increasing the corresponding ADV

---

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> Id.

<sup>9</sup> As defined in the Exchange's fee schedule available at [http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

requirement, will make Customer Volume Tier 5 more attainable for additional Members who seek to receive the increased rebate for their orders that yield fee codes NC or PC.

*Market Maker Volume Tier 7.* Fee codes PM and NM are currently appended to all Market Maker orders in Penny Pilot Securities and Non-Penny Pilot Securities, respectively, and result in a standard fee of \$0.19 per contract. The Market Maker Volume Tiers in footnote 2 consist of seven separate tiers, each providing a reduced fee or rebate to a Member's Market Maker order that yields fee codes PM or NM upon satisfying the monthly volume criteria required by the respective tier. For instance, pursuant to Market Maker Volume Tier 1, the lowest volume tier, a Member will pay a reduced fee of \$0.16 per contract where the Member has an ADV in Market Maker orders equal to or greater than 0.05% of average TCV.

Pursuant to Market Maker Volume Tier 7, a Member will be charged a reduced fee of \$0.10 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.20% of average TCV; (ii) Market Maker orders equal to or greater than 0.10% of average TCV. To encourage the entry of additional orders to the Exchange, the Exchange proposes to modify the criteria necessary to achieve Market Maker Volume Tier 7 to require that: (i) the Member has an ADV in Customer orders equal to or greater than 0.05% of average TCV; and (2) the Member has an ADV in Customer or Market Maker orders equal to or greater than 0.25% of average TCV. The Exchange believes that decreasing the first prong's ADV requirement and expanding the second prong to include Customer orders, despite increasing the corresponding ADV requirement, will make Customer Volume Tier 5 more attainable for additional Members who seek to receive the increased rebate for their orders that yield fee codes NM or PM.

Additionally, the Exchange proposes to reduce the fee for the Market Maker Volume Tier 7 from \$0.10 per contract to \$0.03 per contract. In conjunction with the proposed tier, the Exchange also proposes to update the Standard Rate table.

*Firm Penny Pilot Cross-Asset Tier.* The Exchange proposes to amend its fee schedule to adopt a new tier under footnote 4 called the Firm Penny Pilot Cross-Asset Tier. The proposed tier would require participation on the Exchange's equities platform ("EDGX Equities") and would provide Members a reduced fee of \$0.32 per contract for orders that yield fee code PF<sup>10</sup> where the Member: (i) has an ADV in Firm<sup>11</sup> orders equal to or greater than 0.10% of average TCV; and (ii) has on EDGX Equities an ADAV<sup>12</sup> equal to or greater than 0.12% of average TCV. In conjunction with the proposed tier, the Exchange also proposes to append footnote 4 to fee code PF in the Fee Codes and Associate Fees table and to update the Standard Rate table.

#### Implementation Date

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

#### (b) Statutory Basis

The Exchange believes that the proposed rule change 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 of the

---

<sup>10</sup> Fee code PF is appended to Firm orders in Penny Pilot Securities.

<sup>11</sup> As defined in the Exchange's fee schedule available at [http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

<sup>12</sup> As defined in the EDGX Equities' fee schedule available at [http://batstrading.com/support/fee\\_schedule/edgx/](http://batstrading.com/support/fee_schedule/edgx/).

Act.<sup>13</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>14</sup> 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.

The Exchange believes its proposed fees and rebates pursuant to the tiered pricing structure are reasonable, fair and equitable, and non-discriminatory. The Exchange operates in a highly competitive market in which market participants may readily send order flow to many competing venues if they deem fees at the Exchange to be excessive. As a new options exchange, the proposed fee structure remains intended to attract order flow to the Exchange by offering market participants a competitive yet simple pricing structure. At the same time, the Exchange believes it is reasonable to incrementally adopt incentives intended to help to contribute to the growth of the Exchange.

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 modifications to the Customer Volume Tier 5 and Market Maker Volume Tier 7 and the addition of footnote 4, Firm Penny Pilot Cross-Asset Tier, are each intended to incentivize Members to send additional Customer and

---

<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(4).



Market Maker orders to the Exchange in an effort to qualify for the enhanced rebate or lower fee made available by the tiers.

The Exchange believes that the proposal to add a Firm Penny Pilot Cross-Asset Tier is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees because it will provide Members with an additional incentive to reach certain thresholds on both EDGX Options and EDGX Equities. The increased liquidity from this proposal also benefits all investors by deepening the EDGX Options and EDGX Equities liquidity pools, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Such pricing programs thereby reward a Member's growth pattern on the Exchange and such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. To the extent a Member participates on the EDGX Options but not on EDGX Equities, the Exchange does believe that the proposal is still reasonable, equitably allocated and non-discriminatory with respect to such Member based on the overall benefit to the Exchange resulting from the success of EDGX Equities. As noted above, such success allows the Exchange to continue to provide and potentially expand its existing incentive programs to the benefit of all participants on the Exchange, whether they participate on EDGX Equities or not. The proposed pricing program is also fair and equitable in that membership in EDGX Equities is available to all market participants which would provide them with access to the benefits on EDGX Equities provided by the proposed changes, as described above, even where a member of EDGX Equities is not necessarily eligible for the proposed increased rebates on the

Exchange.

The Exchange believes that the proposed tiers are reasonable, fair and equitable, and non-discriminatory, for the reasons set forth above with respect to volume-based pricing generally and because such changes will incentivize participants to further contribute to market quality. The proposed tiers will provide an additional way for market participants to qualify for enhanced rebates or reduced fees. The Exchange also believes that the proposed tiered pricing structure is consistent with pricing previously offered by the Exchange as well as other options exchanges and does not represent a significant departure from such pricing structures.<sup>15</sup>

4. 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. To the contrary, the Exchange has designed the proposed amendments to its fee schedule to enhance its ability to compete with other exchanges. Rather, the proposal as a whole is a competitive proposal that is seeking to further the growth of the Exchange. The Exchange has structured certain fees and rebates proposed herein to attract certain additional volume in both Customer and certain Non-Customer<sup>16</sup> orders, however, the Exchange believes that its pricing for all capacities is competitive

---

<sup>15</sup> See, e.g., Bats BZX Exchange, Inc. ("BZX") Options Fee Schedule, Footnote 1, Customer Add Volume Tier 5, which provides an enhanced rebate to Customer orders on BZX Options based on both Customer volume and Market Maker volume. The BZX Options Fee Schedule is available at: [http://www.batsoptions.com/support/fee\\_schedule/bzx/](http://www.batsoptions.com/support/fee_schedule/bzx/).

<sup>16</sup> As defined in the Exchange's fee schedule available at [http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

with that offered by other options exchanges. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that the 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. The Exchange believes that the price changes contribute to, rather than burden competition, as such changes are broadly intended to incentivize participants to increase their participation on the Exchange, which will increase the liquidity and market quality on the Exchange and further enhance the Exchange's ability to compete with other 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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>17</sup> and Rule 19b-4(f)(2) thereunder,<sup>18</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-Members, which renders the proposed rule change effective upon filing.

---

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

<sup>18</sup> 17 CFR 240.19b-4(f)(2).

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

Not applicable.

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-2016-40)

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use of the Exchange's 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, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange filed a proposal to amend the fee schedule applicable to Members<sup>5</sup> and non-Members of the Exchange pursuant to EDGX Rules 15.1(a) and (c).

---

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

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

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

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

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

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

The Exchange proposes to amend its fee schedule for its equity options platform ("EDGX Options") to: (i) modify the criteria necessary to achieve Customer Volume Tier 5; (ii) modify criteria necessary to achieve Market Maker Volume Tier 7 and decrease the corresponding rate; and (iii) adopt a new tier entitled the "Firm Penny Pilot Cross-Asset Tier".

The Exchange determines the reduced fee or enhanced rebate using a tiered pricing structure offering two tiers under footnotes 1 and 2 of the fee schedule, Customer Volume Tiers and Market Maker Volume Tiers, respectively. Under the tiers, Members that achieve certain volume criteria may qualify for reduced fees or enhanced rebates for

Customer<sup>6</sup> and Market Maker<sup>7</sup> orders. The Exchange proposes to modify the criteria necessary to achieve Customer Volume Tier 5 under footnote 1, and modify the corresponding rate and criteria necessary to achieve Market Maker Volume Tier 7 under footnote 2. The Exchange also proposes to adopt a new tier entitled the “Firm Penny Pilot Cross-Asset Tier” under a new footnote 4.

*Customer Volume Tier 5.* Fee codes PC and NC are currently appended to all Customer orders in Penny Pilot Securities<sup>8</sup> and Non-Penny Pilot Securities,<sup>9</sup> respectively, and result in a standard rebate of \$0.05 per contract. The Customer Volume Tiers in footnote 1 consist of five separate tiers, each providing an enhanced rebate to a Member’s Customer order that yields fee codes PC or NC upon satisfying monthly volume criteria required by the respective tier. For instance, pursuant to Customer Volume Tier 1, the lowest volume tier, a Member will receive a rebate of \$0.10 per contract where the Member has an ADV<sup>10</sup> in Customer orders equal to or greater than 0.15% of average TCV.<sup>11</sup>

Pursuant to Customer Volume Tier 5, a Member currently will receive a rebate of \$0.21 per contract where: (i) the Member has an ADV in Customer orders equal to or greater than 0.20% of average TCV; and (ii) the Member has an ADV in Market Maker

---

<sup>6</sup> As defined in the Exchange’s fee schedule available at [http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

<sup>7</sup> Id.

<sup>8</sup> Id.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> As defined in the Exchange’s fee schedule available at [http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

orders equal to or greater than 0.10% of average TCV. To encourage the entry of additional orders, the Exchange proposes to modify the criteria necessary to achieve Customer Volume Tier 5 to require that: (i) the Member has an ADV in Customer orders equal to or greater than 0.05% of average TCV; and (ii) the Member has an ADV in Customer or Market Maker orders equal to or greater than 0.25% of average TCV. The Exchange believes that decreasing the first prong's ADV requirement and expanding the second prong to include Customer orders, despite increasing the corresponding ADV requirement, will make Customer Volume Tier 5 more attainable for additional Members who seek to receive the increased rebate for their orders that yield fee codes NC or PC.

*Market Maker Volume Tier 7.* Fee codes PM and NM are currently appended to all Market Maker orders in Penny Pilot Securities and Non-Penny Pilot Securities, respectively, and result in a standard fee of \$0.19 per contract. The Market Maker Volume Tiers in footnote 2 consist of seven separate tiers, each providing a reduced fee or rebate to a Member's Market Maker order that yields fee codes PM or NM upon satisfying the monthly volume criteria required by the respective tier. For instance, pursuant to Market Maker Volume Tier 1, the lowest volume tier, a Member will pay a reduced fee of \$0.16 per contract where the Member has an ADV in Market Maker orders equal to or greater than 0.05% of average TCV.

Pursuant to Market Maker Volume Tier 7, a Member will be charged a reduced fee of \$0.10 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.20% of average TCV; (ii) Market Maker orders equal to or greater than 0.10% of average TCV. To encourage the entry of additional orders to the Exchange, the Exchange proposes to modify the criteria necessary to achieve Market Maker Volume



Tier 7 to require that: (i) the Member has an ADV in Customer orders equal to or greater than 0.05% of average TCV; and (2) the Member has an ADV in Customer or Market Maker orders equal to or greater than 0.25% of average TCV. The Exchange believes that decreasing the first prong's ADV requirement and expanding the second prong to include Customer orders, despite increasing the corresponding ADV requirement, will make Customer Volume Tier 5 more attainable for additional Members who seek to receive the increased rebate for their orders that yield fee codes NM or PM.

Additionally, the Exchange proposes to reduce the fee for the Market Maker Volume Tier 7 from \$0.10 per contract to \$0.03 per contract. In conjunction with the proposed tier, the Exchange also proposes to update the Standard Rate table.

*Firm Penny Pilot Cross-Asset Tier.* The Exchange proposes to amend its fee schedule to adopt a new tier under footnote 4 called the Firm Penny Pilot Cross-Asset Tier. The proposed tier would require participation on the Exchange's equities platform ("EDGX Equities") and would provide Members a reduced fee of \$0.32 per contract for orders that yield fee code PF<sup>12</sup> where the Member: (i) has an ADV in Firm<sup>13</sup> orders equal to or greater than 0.10% of average TCV; and (ii) has on EDGX Equities an ADAV<sup>14</sup> equal to or greater than 0.12% of average TCV. In conjunction with the proposed tier, the Exchange also proposes to append footnote 4 to fee code PF in the Fee Codes and Associate Fees table and to update the Standard Rate table.

---

<sup>12</sup> Fee code PF is appended to Firm orders in Penny Pilot Securities.

<sup>13</sup> As defined in the Exchange's fee schedule [available at http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

<sup>14</sup> As defined in the EDGX Equities' fee schedule [available at http://batstrading.com/support/fee\\_schedule/edgx/](http://batstrading.com/support/fee_schedule/edgx/).

### Implementation Date

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

#### 2. Statutory Basis

The Exchange believes that the proposed rule change 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 of the Act.<sup>15</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>16</sup> 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.

The Exchange believes its proposed fees and rebates pursuant to the tiered pricing structure are reasonable, fair and equitable, and non-discriminatory. The Exchange operates in a highly competitive market in which market participants may readily send order flow to many competing venues if they deem fees at the Exchange to be excessive. As a new options exchange, the proposed fee structure remains intended to attract order flow to the Exchange by offering market participants a competitive yet simple pricing structure. At the same time, the Exchange believes it is reasonable to incrementally adopt incentives intended to help to contribute to the growth of the Exchange.

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

---

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

<sup>16</sup> 15 U.S.C. 78f(b)(4).

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 modifications to the Customer Volume Tier 5 and Market Maker Volume Tier 7 and the addition of footnote 4, Firm Penny Pilot Cross-Asset Tier, are each intended to incentivize Members to send additional Customer and Market Maker orders to the Exchange in an effort to qualify for the enhanced rebate or lower fee made available by the tiers.

The Exchange believes that the proposal to add a Firm Penny Pilot Cross-Asset Tier is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees because it will provide Members with an additional incentive to reach certain thresholds on both EDGX Options and EDGX Equities. The increased liquidity from this proposal also benefits all investors by deepening the EDGX Options and EDGX Equities liquidity pools, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Such pricing programs thereby reward a Member's growth pattern on the Exchange and such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. To the extent a Member participates on the EDGX Options but not on EDGX Equities, the Exchange does believe that the proposal is still reasonable, equitably allocated and non-discriminatory with respect to such Member based on the overall benefit to the Exchange resulting from the success of EDGX

Equities. As noted above, such success allows the Exchange to continue to provide and potentially expand its existing incentive programs to the benefit of all participants on the Exchange, whether they participate on EDGX Equities or not. The proposed pricing program is also fair and equitable in that membership in EDGX Equities is available to all market participants which would provide them with access to the benefits on EDGX Equities provided by the proposed changes, as described above, even where a member of EDGX Equities is not necessarily eligible for the proposed increased rebates on the Exchange.

The Exchange believes that the proposed tiers are reasonable, fair and equitable, and non-discriminatory, for the reasons set forth above with respect to volume-based pricing generally and because such changes will incentivize participants to further contribute to market quality. The proposed tiers will provide an additional way for market participants to qualify for enhanced rebates or reduced fees. The Exchange also believes that the proposed tiered pricing structure is consistent with pricing previously offered by the Exchange as well as other options exchanges and does not represent a significant departure from such pricing structures.<sup>17</sup>

(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. To the contrary, the Exchange has designed the proposed

---

<sup>17</sup> See, e.g., Bats BZX Exchange, Inc. ("BZX") Options Fee Schedule, Footnote 1, Customer Add Volume Tier 5, which provides an enhanced rebate to Customer orders on BZX Options based on both Customer volume and Market Maker volume. The BZX Options Fee Schedule is available at: [http://www.batsoptions.com/support/fee\\_schedule/bzx/](http://www.batsoptions.com/support/fee_schedule/bzx/).

amendments to its fee schedule to enhance its ability to compete with other exchanges. Rather, the proposal as a whole is a competitive proposal that is seeking to further the growth of the Exchange. The Exchange has structured certain fees and rebates proposed herein to attract certain additional volume in both Customer and certain Non-Customer<sup>18</sup> 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 the 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. The Exchange believes that the price changes contribute to, rather than burden competition, as such changes are broadly intended to incentivize participants to increase their participation on the Exchange, which will increase the liquidity and market quality on the Exchange and further enhance the Exchange's ability to compete with other 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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

---

<sup>18</sup> As defined in the Exchange's fee schedule available at [http://www.batsoptions.com/support/fee\\_schedule/edgx/](http://www.batsoptions.com/support/fee_schedule/edgx/).

of the Act<sup>19</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>20</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the 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-2016-40 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-2016-40. 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

---

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

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

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-2016-40 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>21</sup>

Robert W. Errett  
Deputy Secretary

---

<sup>21</sup> 17 CFR 200.30-3(a)(12).

## EXHIBIT 5

Proposed new language is underlined; proposed deletions are in [brackets].

**Bats EDGX Options Exchange Fee Schedule**

Effective [July 11]August 1, 2016

\* \* \* \* \*

**Standard Rates:**

	Penny Pilot Securities		Non-Penny Pilot Securities	
	Codes	Rates	Codes	Rates
Customer	(No change).			
Market Maker	PM	\$0.19 \$0.16 \$0.13 \$0.10 \$0.07 <u>\$0.03</u> \$0.02 (\$0.01)	NM	\$0.19 \$0.16 \$0.13 \$0.10 \$0.07 <u>\$0.03</u> \$0.02 (\$0.01)
Away Market Maker – Broker Dealer	(No change).			
Firm	PF	\$0.45 <u>\$0.32</u>	NF	(No change).
Joint Back Office - Professional	(No change).			

**Fee Codes and Associated Fees:**



Fee Code	Description	Fee/(Rebate)
D1 - PC <sup>1,3</sup>	(No change).	
PF <sup>3,4</sup>	Firm, Penny Pilot	0.45
PM <sup>2,3</sup> - RR	(No change).	

\* \* \* \* \*

**Footnotes:**

**1. Customer Volume Tiers**

Applicable to fee codes PC and NC.

Tier	Rebate per contract for a Customer order	Required Criteria
Tier 1 – Tier 4	(No change).	
Tier 5	(\$0.21)	(1) Member has an ADV in Customer orders equal to or greater than [0.20]0.05% of average TCV; and (2) Member has an ADV in <u>Customer or Market Maker</u> orders equal to or greater than [0.10]0.25% of average TCV

**2. Market Maker Volume Tiers**

Applicable to fee codes PM and NM.

Tier	Transaction Fee/Rebate per contract for a Market Maker order	Required Criteria

Tier 1 - Tier 6	(No change).	
Tier 7	\$[0.10]0.03	<p>(1) Member has an ADV in Customer orders equal to or greater than [0.20]0.05% of average TCV</p> <p>(2) Member has an ADV in <u>Customer or Market Maker</u> orders equal to or greater than [0.10]0.25% of average TCV</p>

\* \* \* \* \*

**4. Firm Penny Pilot Cross-Asset Tier**

Applicable to fee code PF.

<u>Description</u>	<u>Transaction Fee per contract</u>	<u>Required Criteria</u>
<u>Tier 1</u>	<u>\$0.32</u>	<p>(1) <u>Member has an ADV in Firm orders equal to or greater than 0.10% of average TCV; and</u></p> <p>(2) <u>Member has on EDGX Equities an ADAV equal to or greater than 0.12% of average TCV</u></p>

\* \* \* \* \*