

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 21	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 53	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 a rule change to Rule 22.3, Continuing Options Market Maker Registration.

**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 09/28/2016	SVP, Associate General Counsel
By Anders Franzon	<input 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 Exchange Rule 22.3, Continuing Options Market Maker Registration, to remove the provision of the rule that requires termination of a Member’s Options Market Maker registration in an option series if the Options Market Maker fails to enter quotations in the series within five business days after the Options Market Maker’s registration in the series becomes effective. 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

The Exchange proposes to amend Exchange Rule 22.3 to remove subparagraph (c), which currently requires the Exchange to terminate a firm's Options Market Maker registration if it does not enter quotations in an option series in which it is registered within five business days after the Options Market Maker's registration in the series becomes effective. Currently, the Exchange surveils whether a newly registered Options Market Maker enters quotations in the series within five business days of registration. If an Options Market Maker does not, the Exchange is required by Exchange Rule 22.3(c) to automatically deregister the Options Market Maker in that series. The Exchange views Exchange Rule 22.3(c) as largely duplicative of other Exchange Rules and excessively rigid in view of other Exchange Rules that allow the Exchange discretion and flexibility in determining an appropriate remedy.

Exchange Rule 22.5(a)(6) provides that Options Market Makers are expected to "maintain active markets" in all series in which they are registered. Both Rule 22.3(c) and Rule 22.5(a)(6) impose an obligation upon registered Options Market Maker to

maintain active markets. The main difference is that Exchange Rule 22.3(c) applies only to the first five days that an Options Market Maker is registered, whereas Exchange Rule 22.5(a)(6) applies during the first five days and continues for as long as the Options Market Maker is registered in a series. The Exchange believes that there is no benefit to imposing stricter quoting obligations on a newly registered Options Market Maker than those imposed on existing registered Options Market Makers. Instead, in the Exchange's view, the requirement to maintain active markets should be the same from when an Options Market Maker first registers as any time after registration.

The Exchange notes that it will continue to be permitted to deregister a registered Options Market Maker under Exchange Rule 22.2(b) if it is found that the Options Market Maker has failed in its obligation to maintain active markets under Exchange Rule 22.5(a)(6) or fails its obligation to provide continuous two-sided quotes under Rule 22.6(d).<sup>4</sup> Removing Exchange Rule 22.3(c) would simply remove the non-discretionary requirement that the Exchange must deregister an Options Market Maker's registration in a series if it does not enter quotations in the series within five business days of registration.

The Exchange currently conducts surveillance to monitor and enforce compliance with the "active markets" provision of Exchange Rule 22.5(a)(6) for all Options Market Makers. A registered Options Market Maker is subject to the Exchange Rule 22.5(a)(6) surveillance for the entire time the Options Market Maker is registered, including the first five days covered by Exchange Rule 22.3(c). If a registered Options Market Maker is

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<sup>4</sup> See Exchange Rule 22.2(b) ("The registration of any Member as a Market Maker may be suspended or terminated by the Exchange upon a determination that such Member has failed to properly perform as a Market Maker.")

found by surveillance not to be maintaining active markets in the option series in which it is registered, the Exchange will determine the appropriate course of action against such Options Market Maker. The Exchange may take actions of escalating severity against the offending Options Market Maker from an informal warning up to deregistering the Options Market Maker in the options in which it fails to maintain active markets or bringing formal action.<sup>5</sup> The Exchange has found that this discretion has allowed for effective enforcement of Options Market Maker obligations while allowing the Exchange to consider the facts and circumstances of each case in determining the appropriate remedy.

On the other hand, current Exchange Rule 22.3(c) is non-discretionary and its enforcement can lead to potentially arbitrary results, as it does not permit the Exchange to consider the facts and circumstances of each case in enforcing the rule. While as a general matter an Options Market Maker should enter quotations in a series in which it is registered as soon as practicable, experience has shown that many factors can affect when a newly registered Options Market Maker will be in a position to begin entering quotations. Further, as discussed above, Exchange Rule 22.6(d) contemplates certain acceptable periods of inactivity. Just as the Exchange is provided discretion to enforce all Options Market Maker obligations under Exchange Rule 22.2(b), the Exchange believes that it should be afforded the same discretion to evaluate the facts and circumstances of each case in which an Options Market Maker is not active in a series within the first five days of registration and determine the appropriate remedy.

Finally, other national options exchanges do not require automatic deregistration

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<sup>5</sup> See Exchange Rules 22.2(b) and 22.5(c).

of a registered Options Market Maker from an options series when the Options Market Maker fails to submit a quote within the first five days of registration. Other exchanges allow considerably more discretion in determining the appropriate remedy for a registered Options Market Maker that fails its quoting obligations. For example, neither the Chicago Board Options Exchange (“CBOE”), nor the Miami International Securities Exchange (“MIAX”), nor NYSE Arca, Inc. Options (“NYSE Arca”), has a requirement to automatically deregister an options market maker if it fails in its quoting or other obligations within five days of registration. Instead, each of the above exchanges appears to rely on a rule substantively identical to Exchange Rule 22.2(b) that gives the respective exchange discretion as to the appropriate remedy for Options Market Makers that do not meet their obligations.<sup>6</sup>

The Exchange, therefore, proposes to amend Exchange Rule 22.3 to remove subparagraph (c) and to enforce its Options Market Maker “active market” obligations with the remedies permitted in Exchange Rule 22.2(b) and Exchange Rule 22.5(c).

(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

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<sup>6</sup> See CBOE Rule 8.2(b) (“The registration of a Market-Maker may be suspended or terminated by the Exchange upon a determination that the Market-Maker has failed to properly perform as a Market-Maker.”); MIAX Rule 600(c) (“The registration of any Member as a Lead Market Maker, Primary Lead Market Maker, or as a Registered Market Maker may be suspended or terminated by the Exchange upon a determination that such Member has failed to properly perform as a Market Maker”); NYSE Arca Options Rule 6.33 (“The registration of any person as a Market Maker may be suspended or terminated by the Exchange upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with [Market Maker Obligations].”).

exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>7</sup>

In particular, the proposal is consistent with Section 6(b)(1)<sup>8</sup> in that it enables the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Exchange Act and to comply, and to enforce compliance by its exchange members and persons associated with its exchange members, with the provisions of the Exchange Act, the rules and regulations thereunder, and the rules of the Exchange. The proposal allows the Exchange the discretion so that it may appropriately and equitably enforce compliance by its members with the rules of the Exchange – in particular, the Exchange’s Options Market Maker obligations.

Additionally, the proposal is consistent with Section 6(b)(5) of the Act<sup>9</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 amendment to remove Exchange Rule 22.3(c) will permit the Exchange to consider all facts and circumstances in instances where it appears that a registered Options Market Maker does not meet its obligations and to exercise discretion in applying the appropriate remedy for such failure.

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

The Exchange does not believe that the proposed rule change will impose any

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(1).

<sup>9</sup> 15 U.S.C. 78f(b)(5).



burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change does not introduce any burden on competition, but rather, removes the automatic deregistration requirement of Exchange Rule 22.3(c) to allow the Exchange to apply the obligation to maintain active markets to all registered Options Market Makers equally.

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>10</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>11</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

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4.

the date of filing, or such shorter time as designated by the Commission.<sup>12</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 Exchange notes that it will continue to surveil and enforce the obligation that registered Options Market Makers maintain active markets in the option series in which such Members are registered. The proposed change only removes the automatic five-day termination of an Options Market Maker that does not enter a quote within the first five days of registering in a series. This provides the Exchange with discretion to consider the facts and circumstances of each case before deciding whether to terminate an Options Market Maker's registration. As noted above, the proposed change to Exchange Rule 22.3 is similar to existing rules of other options exchanges and does not raise any new policy issues. The Exchange, therefore 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>

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 proposed change is not based on another Self-Regulatory Organization's rule because it is a proposal to remove a portion of a rule. The Exchange notes, however that

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<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

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

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

other options exchanges, including CBOE, MIAX, and NYSE Arca, do not have a rule analogous to Exchange Rule 22.3(c) requiring automatic deregistration after failing to enter a quote within five days of registration and instead appear to rely only on analogues of Exchange Rule 22.2(b) to determine whether to suspend or deregister an Options Market Maker for failing to meet its obligations.

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-2016-53)

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 22.3, Continuing Options Market Maker Registration, of Bats EDGX Exchange, Inc.

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 is proposing to make a modification to Exchange Rule 22.3, Continuing Options Market Maker Registration, to remove the provision of the rule that requires termination of a Member’s Options Market Maker registration in an option series if the Options Market Maker fails to enter quotations in the series within five business days after the Options Market Maker’s registration in the series becomes effective.

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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).

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 Exchange Rule 22.3 to remove subparagraph (c), which currently requires the Exchange to terminate a firm's Options Market Maker registration if it does not enter quotations in an option series in which it is registered within five business days after the Options Market Maker's registration in the series becomes effective. Currently, the Exchange surveils whether a newly registered Options Market Maker enters quotations in the series within five business days of registration. If an Options Market Maker does not, the Exchange is required by Exchange Rule 22.3(c) to automatically deregister the Options Market Maker in that series. The Exchange views Exchange Rule 22.3(c) as largely duplicative of other Exchange Rules and excessively rigid in view of other Exchange Rules that allow the Exchange discretion and flexibility in determining an appropriate remedy.

Exchange Rule 22.5(a)(6) provides that Options Market Makers are expected to “maintain active markets” in all series in which they are registered. Both Rule 22.3(c) and Rule 22.5(a)(6) impose an obligation upon registered Options Market Maker to maintain active markets. The main difference is that Exchange Rule 22.3(c) applies only to the first five days that an Options Market Maker is registered, whereas Exchange Rule 22.5(a)(6) applies during the first five days and continues for as long as the Options Market Maker is registered in a series. The Exchange believes that there is no benefit to imposing stricter quoting obligations on a newly registered Options Market Maker than those imposed on existing registered Options Market Makers. Instead, in the Exchange’s view, the requirement to maintain active markets should be the same from when an Options Market Maker first registers as any time after registration.

The Exchange notes that it will continue to be permitted to deregister a registered Options Market Maker under Exchange Rule 22.2(b) if it is found that the Options Market Maker has failed in its obligation to maintain active markets under Exchange Rule 22.5(a)(6) or fails its obligation to provide continuous two-sided quotes under Rule 22.6(d).<sup>5</sup> Removing Exchange Rule 22.3(c) would simply remove the non-discretionary requirement that the Exchange must deregister an Options Market Maker’s registration in a series if it does not enter quotations in the series within five business days of registration.

The Exchange currently conducts surveillance to monitor and enforce compliance with the “active markets” provision of Exchange Rule 22.5(a)(6) for all Options Market

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<sup>5</sup> See Exchange Rule 22.2(b) (“The registration of any Member as a Market Maker may be suspended or terminated by the Exchange upon a determination that such Member has failed to properly perform as a Market Maker.”)

Makers. A registered Options Market Maker is subject to the Exchange Rule 22.5(a)(6) surveillance for the entire time the Options Market Maker is registered, including the first five days covered by Exchange Rule 22.3(c). If a registered Options Market Maker is found by surveillance not to be maintaining active markets in the option series in which it is registered, the Exchange will determine the appropriate course of action against such Options Market Maker. The Exchange may take actions of escalating severity against the offending Options Market Maker from an informal warning up to deregistering the Options Market Maker in the options in which it fails to maintain active markets or bringing formal action.<sup>6</sup> The Exchange has found that this discretion has allowed for effective enforcement of Options Market Maker obligations while allowing the Exchange to consider the facts and circumstances of each case in determining the appropriate remedy.

On the other hand, current Exchange Rule 22.3(c) is non-discretionary and its enforcement can lead to potentially arbitrary results, as it does not permit the Exchange to consider the facts and circumstances of each case in enforcing the rule. While as a general matter an Options Market Maker should enter quotations in a series in which it is registered as soon as practicable, experience has shown that many factors can affect when a newly registered Options Market Maker will be in a position to begin entering quotations. Further, as discussed above, Exchange Rule 22.6(d) contemplates certain acceptable periods of inactivity. Just as the Exchange is provided discretion to enforce all Options Market Maker obligations under Exchange Rule 22.2(b), the Exchange believes that it should be afforded the same discretion to evaluate the facts and

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<sup>6</sup> See Exchange Rules 22.2(b) and 22.5(c).

circumstances of each case in which an Options Market Maker is not active in a series within the first five days of registration and determine the appropriate remedy.

Finally, other national options exchanges do not require automatic deregistration of a registered Options Market Maker from an options series when the Options Market Maker fails to submit a quote within the first five days of registration. Other exchanges allow considerably more discretion in determining the appropriate remedy for a registered Options Market Maker that fails its quoting obligations. For example, neither the Chicago Board Options Exchange (“CBOE”), nor the Miami International Securities Exchange (“MIAX”), nor NYSE Arca, Inc. Options (“NYSE Arca”), has a requirement to automatically deregister an options market maker if it fails in its quoting or other obligations within five days of registration. Instead, each of the above exchanges appears to rely on a rule substantively identical to Exchange Rule 22.2(b) that gives the respective exchange discretion as to the appropriate remedy for Options Market Makers that do not meet their obligations.<sup>7</sup>

The Exchange, therefore, proposes to amend Exchange Rule 22.3 to remove subparagraph (c) and to enforce its Options Market Maker “active market” obligations with the remedies permitted in Exchange Rule 22.2(b) and Exchange Rule 22.5(c).

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<sup>7</sup> See CBOE Rule 8.2(b) (“The registration of a Market-Maker may be suspended or terminated by the Exchange upon a determination that the Market-Maker has failed to properly perform as a Market-Maker.”); MIAX Rule 600(c) (“The registration of any Member as a Lead Market Maker, Primary Lead Market Maker, or as a Registered Market Maker may be suspended or terminated by the Exchange upon a determination that such Member has failed to properly perform as a Market Maker”); NYSE Arca Options Rule 6.33 (“The registration of any person as a Market Maker may be suspended or terminated by the Exchange upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with [Market Maker Obligations].”).



## 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>8</sup>

In particular, the proposal is consistent with Section 6(b)(1)<sup>9</sup> in that it enables the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Exchange Act and to comply, and to enforce compliance by its exchange members and persons associated with its exchange members, with the provisions of the Exchange Act, the rules and regulations thereunder, and the rules of the Exchange. The proposal allows the Exchange the discretion so that it may appropriately and equitably enforce compliance by its members with the rules of the Exchange – in particular, the Exchange’s Options Market Maker obligations.

Additionally, the proposal is consistent with Section 6(b)(5) of the Act<sup>10</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 amendment to remove Exchange Rule 22.3(c) will permit the Exchange to consider all facts and circumstances in instances where it appears that a registered Options Market Maker does not meet its

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(1).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

obligations and to exercise discretion in applying the appropriate remedy for such failure.

(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 does not introduce any burden on competition, but rather, removes the automatic deregistration requirement of Exchange Rule 22.3(c) to allow the Exchange to apply the obligation to maintain active markets to all registered Options Market Makers equally.

(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>11</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>12</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

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4.

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 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-2016-53 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-2016-53. 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-2016-53 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>13</sup>

Robert W. Errett  
Deputy Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Rules of BATS EDGX Exchange, Inc.**

\* \* \* \* \*

**CHAPTER XXII. MARKET PARTICIPANTS**

\* \* \* \* \*

Rule 22.3. Continuing Options Market Maker Registration

(a)-(b) (No changes.)

[(c) An Options Market Maker's registration in a series shall be terminated if the market maker fails to enter quotations in the series within five (5) business days after the market maker's registration in the series becomes effective.]

\* \* \* \* \*