

Required fields are shown with yellow backgrounds and asterisks.

Filing by Bats BZX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<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) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

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

**Description**

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

The Exchange proposes 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 *	Last Name *
Chris	Solgan
Title *	
Assistant General Counsel	
E-mail *	
csolgan@bats.com	
Telephone *	Fax
(646) 856-8723	


**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	05/01/2017	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 \***

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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

(a) Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Bats BZX Exchange, Inc. (“BZX” or the “Exchange”) proposes to amend its fees and rebates applicable to Members<sup>3</sup> and non-Members of the Exchange pursuant to BZX Rule 15.1(a) and (c). The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Exchange submits the proposed rule change pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Exchange’s Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change and, therefore, the Exchange’s internal procedures with respect to the proposed change are complete.

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

Joanne Moffic-Silver  
Executive Vice President, General  
Counsel, and Corporate Secretary  
(312) 786-7462

Chris Solgan  
Assistant General Counsel  
(646) 856-8723

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

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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> 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).

(a) Purpose

The Exchange proposes to amend its fee schedule for its equity options platform (“BZX Options”) to: (i) decrease the standard rebate provided by fee code PF; and (ii) amend certain (A) Customer Penny Pilot Add Tiers under footnote 1; (B) Quoting Incentive Program (“QIP”) Tiers under footnote 5; and (C) Customer Non-Penny Pilot Add Volume Tiers under footnote 12.

Fee Code PF

Currently, fee code PF provides a standard rebate of \$0.26 per contract for Firm,<sup>4</sup> Broker Dealer<sup>5</sup> and Joint Back Office<sup>6</sup> orders that add liquidity on the Exchange in Penny-Pilot securities.<sup>7</sup> The Exchange proposes to reduce this rebate to \$0.25 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rate.

Customer Penny Pilot Add Tiers

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<sup>4</sup> "Firm" applies to any transaction identified by a Member for clearing in the Firm range at the OCC, excluding any Joint Back Office transaction. See the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>5</sup> "Broker Dealer" applies to any order for the account of a broker dealer, including a foreign broker dealer, that clears in the Customer range at the Options Clearing Corporation ("OCC"). Id.

<sup>6</sup> "Joint Back Office" applies to any transaction identified by a Member for clearing in the Firm range at the OCC that is identified with an origin code as Joint Back Office. A Joint Back Office participant is a Member that maintains a Joint Back Office arrangement with a clearing broker-dealer. Id.

<sup>7</sup> "Penny Pilot Securities" are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01. Id.

The Exchange currently offers seven Customer<sup>8</sup> Penny Pilot Add Tiers under footnote 1, which provide an enhanced rebate ranging from \$0.40 to \$0.53 per contract for qualifying Customer orders that add liquidity in Penny Pilot Securities and yield fee code PY. The Exchange now proposes to modify Tier 3' required criteria and rebates as well as to add new Tier 7.

- Currently under Tier 3, a Member may receive a rebate of \$0.50 per contract where they have an ADV<sup>9</sup> greater than or equal to 1.30% of average OCV.<sup>10</sup> As amended, a Member may receive a rebate of \$0.51 per contract where they have an: (i) ADAV<sup>11</sup> in Customer orders greater than or equal to 0.50% of average OCV; and (ii) ADAV in Market Maker<sup>12</sup> orders greater than or equal to 2.75% of average OCV.
- Under proposed Tier 7, a Member would receive a rebate of \$0.53 per contract where they have an: (i) ADAV in Customer orders greater than or equal to

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<sup>8</sup> "Customer" applies to any transaction identified by a Member for clearing in the Customer range at the OCC, excluding any transaction for a Broker Dealer or a "Professional" as defined in Exchange Rule 16.1. Id.

<sup>9</sup> "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. See the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>10</sup> "OCV" means the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close. Id.

<sup>11</sup> "ADAV" means average daily added volume calculated as the number of contracts added and "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. Id.

<sup>12</sup> "Market Maker" applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC, where such Member is registered with the Exchange as a Market Maker as defined in Rule 16.1(a)(37). Id.

0.50% of average OCV; (ii) ADAV in Market Maker orders greater than or equal to 2.75% of average OCV; and (iii) ADAV in Firm orders in Non-Penny Pilot Securities greater than or equal to 0.05% of average OCV.

### QIP Tiers

The Exchange currently offers four QIP Tiers under footnote 5, which provide an additional rebate ranging from \$0.02 to \$0.05 per contract for qualifying Market Maker orders that add liquidity in: (i) Penny Pilot Securities that yield fee code PM and; (ii) Non-Penny Pilot Securities that yield fee code NM. The additional rebate per contract is for an order that adds liquidity to the BZX Options in options classes in which a Member is a Market Maker registered pursuant to Exchange Rule 22.2. A Market Maker must be registered with BZX Options in an average of 20% or more of the associated options series in a class in order to qualify for QIP rebates for that class. The Exchange now proposes to delete the current Tier 2 and to decrease the rebate Tier 3 and renumber it as Tier 2.

- Under the current Tier 2, a Member may receive an additional rebate of \$0.04 per contract where they have an ADV greater than or equal to 1.30% of average OCV. The Exchange proposes to delete Tier 2.
- Under Tier 3, a Member may receive an additional rebate of \$0.05 per contract where they have an ADV in greater than or equal to 3.25% of average OCV. The Exchange proposes to decrease the rebate provided by Tier 3 from \$0.05 per contract to \$0.04 per contract. The Exchange also proposes to renumber Tier 3

as Tier 2 to reflect the above deletion of the current Tier 2.<sup>13</sup>

#### Customer Non-Penny Pilot Add Volume Tiers

The Exchange currently offers two Customer Non-Penny Pilot Add Volume Tiers under footnote 12, which provide an enhanced rebate of \$1.00 or \$1.05 per contract for qualifying Customer orders which add liquidity in Non-Penny Pilot Securities and yield fee code NY. The Exchange proposes to add two new Customer Non-Penny Pilot Add Volume Tiers under footnote 12.

- Under the newly proposed Tier 1, a Member would receive a rebate of \$0.92 per contract where they have an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; and (ii) ADAV in Market Maker orders greater than or equal to 2.75% of average OCV. In connection with this change, the Exchange proposes to renumber current Tier 1 as Tier 2.. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rebate.
- Under the newly proposed Tier 3, a Member may receive a rebate of \$1.02 per share where they have an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; (ii) an ADAV in Market Maker orders greater than or equal to 2.75% of average OCV; and (iii) an ADAV in Firm, Non-Penny orders greater than or equal to 0.05% of average OCV. In connection with this change and the addition of new Tier 1 described above, the Exchange proposes to renumber current Tier 2 as Tier 4.. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rebate.

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<sup>13</sup> The Exchange also proposes to renumber Tier 4 as Tier 3 to reflect the above deletion of the current Tier 2.

### Implementation Date

The Exchange proposes to implement the above changes to its fee schedule on May 1, 2017.

### (b) Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>14</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>15</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The proposed rule changes reflect a competitive pricing structure designed to incentivize market participants to direct their order flow to the Exchange.

### Fee Codes PF

The Exchange believes that its proposal to reduce the rebate provided by fee code PF is fair and equitable and reasonable because the proposed rebate remains consistent with pricing previously offered by the Exchange as well as its competitors and does not represent a significant departure from the Exchange's general pricing structure. Specifically, the lower rebate to \$0.25 per contract for Firm, Broker Dealer and Joint Back Office orders which add liquidity in Penny Pilot Securities under fee code PF is identical to NYSE Arca, Inc. ("NYSE Arca"), which provides a standard

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<sup>14</sup> 15 U.S.C. 78f.

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



rebate of \$0.25 per contract for similar orders.<sup>16</sup> Lastly, the proposed change to fee code PF is not unfairly discriminatory because it will apply equally to all Members.

#### Tier Modifications

The Exchange believes that the proposed modifications 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 or incentives provided to be insufficient. The proposed structure remains intended to attract order flow to the Exchange by offering market participants a competitive pricing structure. The Exchange believes it is reasonable to offer and incrementally modify incentives intended to help to contribute to the growth of the Exchange.

Volume-based pricing such as that proposed herein have been widely adopted by exchanges, including the Exchange, 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: (i) the value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provisions and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes. In particular, the proposed changes to footnotes 1, 5, and 12 are intended to further incentivize Members to send increased order flow to the Exchange in an effort to qualify for the enhanced rebates made available by the tiers, in turn contributing to the growth of the Exchange. The proposed changes to the tiered pricing

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<sup>16</sup> See the NYSE Arca fee schedule available at [https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE\\_Arca\\_Options\\_Fee\\_Schedule.pdf](https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf).

structure are not unfairly discriminatory because they will apply equally to all Members.

Lastly, the Exchange believes that eliminating Tier 2 under footnote 5 is reasonable, fair, and equitable because this tier was not providing the desired result of incentivizing Members to increase their participation on the Exchange. As such, the Exchange also believes that the proposed elimination of this tier would be non-discriminatory in that it currently applies equally to all Members and, upon elimination, would no longer be available to any Members. Further, its elimination could allow the Exchange to explore other pricing mechanisms such as those described herein, in which it may enhance market quality for all Members.

#### 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposed amendment 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. The Exchange does not believe that the proposed changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange does not believe that the proposed changes to the Exchange's standard fees, rebates and tiered pricing structure burdens competition, but instead, enhances competition as it is intended to increase the competitiveness of the Exchange.

#### 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.

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

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

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

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-BatsBZX-2017-29)

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on 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 BZX Exchange, Inc. (the "Exchange" or "BZX") 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 BZX Rules 15.1(a) and (c).

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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)(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.bats.com](http://www.bats.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its fee schedule for its equity options platform ("BZX Options") to: (i) decrease the standard rebate provided by fee code PF; and (ii) amend certain (A) Customer Penny Pilot Add Tiers under footnote 1; (B) Quoting Incentive Program ("QIP") Tiers under footnote 5; and (C) Customer Non-Penny Pilot Add Volume Tiers under footnote 12.

Fee Code PF

Currently, fee code PF provides a standard rebate of \$0.26 per contract for Firm,<sup>6</sup>

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<sup>6</sup> "Firm" applies to any transaction identified by a Member for clearing in the Firm range at the OCC, excluding any Joint Back Office transaction. See the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

Broker Dealer<sup>7</sup> and Joint Back Office<sup>8</sup> orders that add liquidity on the Exchange in Penny-Pilot securities.<sup>9</sup> The Exchange proposes to reduce this rebate to \$0.25 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rate.

#### Customer Penny Pilot Add Tiers

The Exchange currently offers seven Customer<sup>10</sup> Penny Pilot Add Tiers under footnote 1, which provide an enhanced rebate ranging from \$0.40 to \$0.53 per contract for qualifying Customer orders that add liquidity in Penny Pilot Securities and yield fee code PY. The Exchange now proposes to modify Tier 3' required criteria and rebates as well as to add new Tier 7.

- Currently under Tier 3, a Member may receive a rebate of \$0.50 per contract where they have an ADV<sup>11</sup> greater than or equal to 1.30% of average OCV.<sup>12</sup> As

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<sup>7</sup> "Broker Dealer" applies to any order for the account of a broker dealer, including a foreign broker dealer, that clears in the Customer range at the Options Clearing Corporation ("OCC"). Id.

<sup>8</sup> "Joint Back Office" applies to any transaction identified by a Member for clearing in the Firm range at the OCC that is identified with an origin code as Joint Back Office. A Joint Back Office participant is a Member that maintains a Joint Back Office arrangement with a clearing broker-dealer. Id.

<sup>9</sup> "Penny Pilot Securities" are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01. Id.

<sup>10</sup> "Customer" applies to any transaction identified by a Member for clearing in the Customer range at the OCC, excluding any transaction for a Broker Dealer or a "Professional" as defined in Exchange Rule 16.1. Id.

<sup>11</sup> "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. See the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>12</sup> "OCV" means the total equity and ETF options volume that clears in the Customer range at the Options Clearing Corporation ("OCC") for the month for which the fees apply, excluding volume on any day that the Exchange experiences

amended, a Member may receive a rebate of \$0.51 per contract where they have an: (i) ADAV<sup>13</sup> in Customer orders greater than or equal to 0.50% of average OCV; and (ii) ADAV in Market Maker<sup>14</sup> orders greater than or equal to 2.75% of average OCV.

- Under proposed Tier 7, a Member would receive a rebate of \$0.53 per contract where they have an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; (ii) ADAV in Market Maker orders greater than or equal to 2.75% of average OCV; and (iii) ADAV in Firm orders in Non-Penny Pilot Securities greater than or equal to 0.05% of average OCV.

#### QIP Tiers

The Exchange currently offers four QIP Tiers under footnote 5, which provide an additional rebate ranging from \$0.02 to \$0.05 per contract for qualifying Market Maker orders that add liquidity in: (i) Penny Pilot Securities that yield fee code PM and; (ii) Non-Penny Pilot Securities that yield fee code NM. The additional rebate per contract is for an order that adds liquidity to the BZX Options in options classes in which a Member is a Market Maker registered pursuant to Exchange Rule 22.2. A Market Maker must be registered with BZX Options in an average of 20% or more of the associated options series in a class in order to qualify for QIP rebates for that class. The Exchange now

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an Exchange System Disruption and on any day with a scheduled early market close. Id.

<sup>13</sup> “ADAV” means average daily added volume calculated as the number of contracts added and “ADV” means average daily volume calculated as the number of contracts added or removed, combined, per day. Id.

<sup>14</sup> “Market Maker” applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC, where such Member is registered with the Exchange as a Market Maker as defined in Rule 16.1(a)(37). Id.



proposes to delete the current Tier 2 and to decrease the rebate Tier 3 and renumber it as Tier 2.

- Under the current Tier 2, a Member may receive an additional rebate of \$0.04 per contract where they have an ADV greater than or equal to 1.30% of average OCV. The Exchange proposes to delete Tier 2.
- Under Tier 3, a Member may receive an additional rebate of \$0.05 per contract where they have an ADV in greater than or equal to 3.25% of average OCV. The Exchange proposes to decrease the rebate provided by Tier 3 from \$0.05 per contract to \$0.04 per contract. The Exchange also proposes to renumber Tier 3 as Tier 2 to reflect the above deletion of the current Tier 2.<sup>15</sup>

#### Customer Non-Penny Pilot Add Volume Tiers

The Exchange currently offers two Customer Non-Penny Pilot Add Volume Tiers under footnote 12, which provide an enhanced rebate of \$1.00 or \$1.05 per contract for qualifying Customer orders which add liquidity in Non-Penny Pilot Securities and yield fee code NY. The Exchange proposes to add two new Customer Non-Penny Pilot Add Volume Tiers under footnote 12.

- Under the newly proposed Tier 1, a Member would receive a rebate of \$0.92 per contract where they have an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; and (ii) ADAV in Market Maker orders greater than or equal to 2.75% of average OCV. In connection with this change, the Exchange proposes to renumber current Tier 1 as Tier 2.. The Exchange also proposes to

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<sup>15</sup> The Exchange also proposes to renumber Tier 4 as Tier 3 to reflect the above deletion of the current Tier 2.

update the Standard Rates table accordingly to reflect new rebate.

- Under the newly proposed Tier 3, a Member may receive a rebate of \$1.02 per share where they have an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; (ii) an ADAV in Market Maker orders greater than or equal to 2.75% of average OCV; and (iii) an ADAV in Firm, Non-Penny orders greater than or equal to 0.05% of average OCV. In connection with this change and the addition of new Tier 1 described above, the Exchange proposes to renumber current Tier 2 as Tier 4.. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rebate.

#### Implementation Date

The Exchange proposes to implement the above changes to its fee schedule on May 1, 2017.

#### 2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>16</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>17</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive or incentives to be insufficient. The proposed rule changes reflect a competitive pricing structure designed to incentivize

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<sup>16</sup> 15 U.S.C. 78f.

<sup>17</sup> 15 U.S.C. 78f(b)(4).

market participants to direct their order flow to the Exchange.

#### Fee Codes PF

The Exchange believes that its proposal to reduce the rebate provided by fee code PF is fair and equitable and reasonable because the proposed rebate remains consistent with pricing previously offered by the Exchange as well as its competitors and does not represent a significant departure from the Exchange's general pricing structure. Specifically, the lower rebate to \$0.25 per contract for Firm, Broker Dealer and Joint Back Office orders which add liquidity in Penny Pilot Securities under fee code PF is identical to NYSE Arca, Inc. ("NYSE Arca"), which provides a standard rebate of \$0.25 per contract for similar orders.<sup>18</sup> Lastly, the proposed change to fee code PF is not unfairly discriminatory because it will apply equally to all Members.

#### Tier Modifications

The Exchange believes that the proposed modifications 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 or incentives provided to be insufficient. The proposed structure remains intended to attract order flow to the Exchange by offering market participants a competitive pricing structure. The Exchange believes it is reasonable to offer and incrementally modify incentives intended to help to contribute to the growth of the Exchange.

Volume-based pricing such as that proposed herein have been widely adopted by

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<sup>18</sup> See the NYSE Arca fee schedule [available at https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE\\_Arca\\_Options\\_Fee\\_Schedule.pdf](https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf).

exchanges, including the Exchange, 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: (i) the value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provisions and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes. In particular, the proposed changes to footnotes 1, 5, and 12 are intended to further incentivize Members to send increased order flow to the Exchange in an effort to qualify for the enhanced rebates made available by the tiers, in turn contributing to the growth of the Exchange. The proposed changes to the tiered pricing structure are not unfairly discriminatory because they will apply equally to all Members.

Lastly, the Exchange believes that eliminating Tier 2 under footnote 5 is reasonable, fair, and equitable because this tier was not providing the desired result of incentivizing Members to increase their participation on the Exchange. As such, the Exchange also believes that the proposed elimination of this tier would be non-discriminatory in that it currently applies equally to all Members and, upon elimination, would no longer be available to any Members. Further, its elimination could allow the Exchange to explore other pricing mechanisms such as those described herein, in which it may enhance market quality for all Members.

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

The Exchange believes the proposed amendment 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. The Exchange does not believe that the proposed changes represent a significant departure from previous pricing offered by the Exchange or

pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange does not believe that the proposed changes to the Exchange's standard fees, rebates and tiered pricing structure burdens competition, but instead, enhances competition as it is intended to increase the competitiveness of the Exchange.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

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

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

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

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-BatsBZX-2017-29 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-BatsBZX-2017-29. 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-BatsBZX-2017-29 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

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

EXHIBIT 5

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

**Bats BZX Options Exchange Fee Schedule**

Effective [~~April 12~~]May 1, 2017

\* \* \* \* \*

**Standard Rates:**

	Penny Pilot Securities				Non-Penny Pilot Securities			
	Add		Remove		Add		Remove	
	Code	Rates	Code	Rates	Code	Rates	Code	Rates
Customer	PY	(\$0.25) (\$0.40) (\$0.48) [(\$0.50)] <u>(\$0.51)</u> (\$0.52) (\$0.53)	(No change).		NY	(\$0.85) <u>(\$0.92)</u> (\$1.00) <u>(\$1.02)</u> (\$1.05)	(No change).	
Professional	(No change).		(No change).		(No change).		(No change).	
Firm/BD/JO	PF	[( <del>\$0.26</del> )] <u>(\$0.25)</u> (\$0.43) (\$0.46)	(No change).		(No change).		(No change).	
Market Maker	(No change).		(No change).		(No change).		(No change).	
Away Market Maker	(No change).		(No change).		(No change).		(No change).	

\* \* \* \* \*

**Fee Codes and Associated Fees:**

Fee Code	Description	Fee/(Rebate)
D1 - PC <sup>14</sup>	(No change).	
PF <sup>2,4</sup>	Adds liquidity (Firm/BD/JO), Penny Pilot	[(0.26)] <u>(0.25)</u>



PM <sup>4,5,6</sup> – RR	(No change).	

\* \* \* \* \*

**Footnotes:****<sup>1</sup> Customer Penny Pilot Add Tiers**

Applicable to fee code PY.

Tier	Rebate Per Contract to Add	Required Criteria
Tier 1 – Tier 2	(No change).	
Tier 3	[( <del>\$0.50</del> )] ( <u>\$0.51</u> )	[Member has an ADV $\geq$ 1.30% of average OCV]  <u>(1) Member has an ADAV in Customer orders <math>\geq</math> 0.50% of average OCV; and</u>  <u>(2) Member has an ADAV in Market Maker orders <math>\geq</math> 2.75% of average OCV</u>
Tier 4 – Tier 6	(No change).	
<u>Tier 7</u>	<u>(\$0.53)</u>	<u>(1) Member has an ADAV in Customer orders <math>\geq</math> 0.50% of average OCV;</u> <u>(2) Member has an ADAV in Market Maker orders <math>\geq</math> 2.75% of average OCV; and</u> <u>(3) Member has an ADAV in Firm Non-Penny orders <math>\geq</math> 0.05% of average OCV</u>
Customer Cross-Asset Add Tier	(No change).	

\* \* \* \* \*

**<sup>5</sup> Quoting Incentive Program (“QIP”) Tiers**

Applicable to the following fee codes: PM and NM.

The additional rebate is per contract for an order that adds liquidity to the BZX Options order book in options classes in which a Member is a Market Maker registered on BZX Options pursuant to Rule 22.2. A Market Maker must be registered with BZX Options in an average of 20% or more of the associated options series in a class in order to qualify for QIP rebates for that class.

Tier	Additional Rebate Per Contract to Add	Required Criteria
Tier 1	(No change).	
[Tier 2	(\$0.04)	Member has an ADV $\geq$ 1.30% of average OCV]
Tier [3] <u>2</u>	<del>[((\$0.05)]</del> (\$0.04)	Member has an ADV $\geq$ 3.25% of average OCV
Tier [4] <u>3</u>	(\$0.03)	Member has an ADAV in Market Maker orders $\geq$ 0.50% of average OCV

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## <sup>12</sup> Customer Non-Penny Pilot Add Volume Tier

Applicable to fee code NY.

Tier	Rebate Per Contract to Add	Required Criteria
<u>Tier 1</u>	<u>(\$0.92)</u>	(1) <u>Member has an ADAV in Customer orders <math>\geq</math> 0.50% of average OCV; and</u> (2) <u>Member has an ADAV in Market Maker orders <math>\geq</math> 2.75% of average OCV</u>
Tier [1] <u>2</u>	(\$1.00)	Member has an ADAV in Customer orders $\geq$ 0.90% of average OCV
<u>Tier 3</u>	<u>(\$1.02)</u>	(1) <u>Member has an ADAV in Customer orders <math>\geq</math> 0.50% of average OCV;</u> (2) <u>Member has an ADAV in Market Maker orders <math>\geq</math></u>

		<u>2.75% of average OCV; and</u> <u>(3) Member has an ADAV in</u> <u>Firm Non-Penny orders ≥</u> <u>0.05% of average OCV</u>
Tier [2]4	(\$1.05)	Member has an ADAV in Customer orders ≥ 2.10% of average OCV

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