

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 28	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 41
		Amendment No. (req. for Amendments *)

Filing by Bats BZX 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"/>
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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 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 06/01/2017 Assistant General Counsel  
 By Chris Solgan

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) increase the standard fee provided by fee code PC; (ii) decrease the standard rebate provided by fee code PN; (iii) modify the conditions and rebates of the Firm,<sup>4</sup> Broker Dealer<sup>5</sup> and Joint Back Office<sup>6</sup> Non-Penny Pilot<sup>7</sup> Add Volume Tiers 1 and 2 under footnote 8; and (iv) eliminate the (A) Firm, Broker Dealer and Joint Back Office, Penny Pilot Add Volume Tier 2 under footnote 2; (B) Away Market Maker<sup>8</sup> Penny Pilot Add Volume Tiers 1 and 3 under footnote 10; and (C) Customer<sup>9</sup> Penny Pilot Take Volume Tier under footnote 14.

Fee Code PC

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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.

<sup>8</sup> "Away Market Maker" applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC, where such Member is not registered with the Exchange as a Market Maker, but is registered as a market maker on another options exchange. Id.

<sup>9</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. 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/).

Currently, fee code PC charges a standard fee of \$0.49 per contract for Customer orders that remove liquidity on the Exchange in Penny-Pilot securities.<sup>10</sup> The Exchange proposes to increase this fee to \$0.50 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rate.

#### Fee Code PN

Currently, fee code PN provides a standard rebate of \$0.30 per contract for Away Market Maker orders that add liquidity on the Exchange in Penny-Pilot securities. The Exchange proposes to reduce this rebate to \$0.26 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rate.

#### Firm, Broker Dealer and Joint Back Office Non-Penny Add Volume Tiers

The Exchange currently offers three Firm, Broker Dealer and Joint Back Office Non-Penny Add Volume Tiers under footnote 8, which provide an enhanced rebate ranging from \$0.45 to \$0.82 per contract for qualifying orders that add liquidity in Non Penny Pilot Securities and yields fee code NF.<sup>11</sup> The Exchange now proposes to modify Tier 1 and Tier 2's required criteria and rebate.

Currently under Tier 1, Member's orders that yield fee code NF will receive an enhanced rebate of \$0.45 per contract where they have an ADV<sup>12</sup> greater than or equal

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<sup>10</sup> "Penny Pilot Securities" are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01. Id.

<sup>11</sup> Fee code NF is appended to Firm, Broker Dealer and Joint Back Office orders in Non-Penny Pilot Securities that add liquidity. Orders that yield fee code NF are provided a rebate of \$0.30 per contract. Id.

<sup>12</sup> "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. Id.

to 0.20% of average OCV.<sup>13</sup> First, the Exchange proposes to reduce the rebate provided under Tier 1 from \$0.45 per contract to \$0.33 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect the new rate. Second, the Exchange proposes to increase the tier's ADV requirement from 0.20% to 1.00%. Going forward, Member's orders that yield fee code NF will receive an enhanced rebate of \$0.33 per contract where they have an ADV greater than or equal to 1.00% of average OCV.

Currently under Tier 2, Member's orders that yield fee code NF will receive an enhanced rebate of \$0.60 per contract where they have an ADV greater than or equal to 0.35% of average OCV. First, the Exchange proposes to reduce the rebate provided under Tier 1 from \$0.60 per contract to \$0.53 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect the new rate. Second, the Exchange proposes to amend the Tier's criteria by increasing the tier's current ADV requirement from 0.35% to 3.00% and to add a second criteria under which the Member must also have an ADAV<sup>14</sup> in Market Maker<sup>15</sup> orders greater than or equal to 2.75% of average OCV. Going forward, Member's orders that yield fee code NF will receive an

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<sup>13</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>14</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. *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>15</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.*

enhanced rebate of \$0.53 per contract where they have an: (i) ADV greater than or equal to 3.00% of average OCV; (ii) and ADAV in Market Maker orders greater than or equal to 2.75% of average OCV.

Firm, Broker Dealer and Joint Back Office, Penny Pilot Add Volume Tiers

The Exchange currently offers two Firm, Broker Dealer and Joint Back Office, Penny Pilot Add Volume Tiers under footnote 2, which provide an additional rebate of \$0.43 or \$0.46 per contract for qualifying Firm, Broker Dealer and Joint Back Office orders that add liquidity in Penny Pilot Securities that yield fee code PF.<sup>16</sup> The Exchange now proposes to delete Tier 2 under footnote 2. Under Tier 2, a Member's orders that yield fee code PF would have received an enhanced rebate of \$0.43 per contract where they have an: (i) an ADV greater than or equal 0.50% of average OCV; and an (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.40% of average OCV. The Exchange also proposes update the Standard Rates table accordingly to reflect deletion of the rate.

Away Market Maker Penny Pilot Add Volume Tiers

The Exchange currently offers three Away Market Maker Penny Pilot Add Volume Tiers under footnote 10, which provide an enhanced rebate ranging from \$0.40 to \$0.45 per contract for qualifying Away Market Maker orders that add liquidity in Penny Pilot Securities that yield fee code PN.<sup>17</sup> The Exchange now proposes to delete

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<sup>16</sup> Fee code PF is appended to Firm, Broker Dealer and Joint Back Office orders in Penny Pilot Securities that add liquidity. Orders that yield fee code PF are provided a rebate of \$0.25 per contract. Id.

<sup>17</sup> Fee code PN is appended to Away Market Market orders in Penny Pilot Securities that add liquidity. Orders that yield fee code PN are provided a rebate of \$0.30 per contract. Id.

current Tiers 1 and 3 under footnote 10 and to update the Standard Rates table accordingly to reflect deletion of the rate. Under the current Tier 1, a Member's orders that yield fee code PN would have received an enhanced rebate of \$0.40 per contract where they have an an ADV greater than or equal 0.40% of average OCV. . Under the current Tier 3, a Member's orders that yield fee code PN would have received an enhanced rebate of \$0.43 per contract where they have an: (i) an ADV greater than or equal 0.50% of average OCV; and an (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.40% of average OCV.

#### Customer Penny Pilot Take Volume Tier

The Exchange proposes to delete the tier described under footnote 14 of the fee schedule. The Exchange offers a single Customer Penny Pilot Take Volume Tier under footnote 14, by which a Member's orders that yield fee code PC<sup>18</sup> would have received a reduced fee of \$0.48 per contract where that Member had an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; and (ii) on the Exchange's equities trading platform ("BZX Equities") an ADAV of 0.50% of average TCV.<sup>19</sup> The Exchange also proposes to update the Standard Rates table accordingly to reflect deletion of the rate.

#### Implementation Date

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<sup>18</sup> Fee code PC is appended to Customer orders in Penny Pilot Securities that remove liquidity. Orders that yield fee code PC are charged a fee of \$0.49 per contract. Id.

<sup>19</sup> "TCV" means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close. See the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).



The Exchange proposes to implement the above changes to its fee schedule on June 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>20</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>21</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 PC and PN

The Exchange believes that its proposals to increase the fee charged by fee code PC and decrease the rebate provided by fee code PN are fair and equitable and reasonable because the proposed rates remain 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 proposed rebate for fee code PN is higher than the rebate provided by the Nasdaq Stock Market LLC ("Nasdaq") to non-Nasdaq Market Markers that add liquidity in Penny Pilot Securities

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<sup>20</sup> 15 U.S.C. 78f.

<sup>21</sup> 15 U.S.C. 78f(b)(4).

on the Nasdaq Options Market (“NOM”).<sup>22</sup> In addition, the proposed rate for fee code PC equals the rate NOM charges for Customer orders that remove liquidity in Penny Pilot Securities.<sup>23</sup> Lastly, the proposed changes to fee codes PC and PN are not unfairly discriminatory because they 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 footnote 8 are intended to

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<sup>22</sup> See Section 2(1) of the NOM fee schedule available at <http://www.nasdaqtrader.com/Micro.aspx?id=OptionsPricing> (providing a standard rebate of \$0.10 per contract to non-NOM market makers that add liquidity).

<sup>23</sup> Id.

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, which in turn, contributes to the growth of the Exchange. The Exchange also believes the rebate associated with each tier is reasonable as they continue to reflect the difficulty in achieving the corresponding tier. These incentives remain reasonably related to the value to the Exchange's market quality associated with higher levels of market activity, including liquidity provision and the introduction of higher volumes of orders into the price and volume discovery processes. 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 2, Tiers 1 and 3 under footnote 10, and the Cross Asset Tier under footnote 14 is reasonable, fair, and equitable because these tiers were not providing the desired results of incentivizing Members to increase their participation on the Exchange. As such, the Exchange also believes that the proposed elimination of these tiers would be non-discriminatory in that they currently apply equally to all Members and, upon elimination, would no longer be available to any Members. Further, their 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>24</sup> and Rule 19b-4(f)(2) thereunder,<sup>25</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

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<sup>24</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>25</sup> 17 CFR 240.19b-4(f)(2).

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-BatsBZX-2017-41)

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Bats BZX Exchange, Inc.'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 BZX Exchange, Inc. (the "Exchange" or "BZX") 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 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 its fees and rebates applicable to Members<sup>5</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.

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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

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) increase the standard fee provided by fee code PC; (ii) decrease the standard rebate provided by fee code PN; (iii) modify the conditions and rebates of the Firm,<sup>6</sup> Broker Dealer<sup>7</sup> and Joint Back Office<sup>8</sup> Non-Penny Pilot<sup>9</sup> Add Volume Tiers 1

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admitted to membership in the Exchange." See Exchange Rule 1.5(n).

<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/).

<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.*

and 2 under footnote 8; and (iv) eliminate the (A) Firm, Broker Dealer and Joint Back Office, Penny Pilot Add Volume Tier 2 under footnote 2; (B) Away Market Maker<sup>10</sup> Penny Pilot Add Volume Tiers 1 and 3 under footnote 10; and (C) Customer<sup>11</sup> Penny Pilot Take Volume Tier under footnote 14.

#### Fee Code PC

Currently, fee code PC charges a standard fee of \$0.49 per contract for Customer orders that remove liquidity on the Exchange in Penny-Pilot securities.<sup>12</sup> The Exchange proposes to increase this fee to \$0.50 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rate.

#### Fee Code PN

Currently, fee code PN provides a standard rebate of \$0.30 per contract for Away Market Maker orders that add liquidity on the Exchange in Penny-Pilot securities. The Exchange proposes to reduce this rebate to \$0.26 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect new rate.

#### Firm, Broker Dealer and Joint Back Office Non-Penny Add Volume Tiers

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

<sup>10</sup> "Away Market Maker" applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC, where such Member is not registered with the Exchange as a Market Maker, but is registered as a market maker on another options exchange. Id.

<sup>11</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. 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> "Penny Pilot Securities" are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01. Id.



The Exchange currently offers three Firm, Broker Dealer and Joint Back Office Non-Penny Add Volume Tiers under footnote 8, which provide an enhanced rebate ranging from \$0.45 to \$0.82 per contract for qualifying orders that add liquidity in Non Penny Pilot Securities and yields fee code NF.<sup>13</sup> The Exchange now proposes to modify Tier 1 and Tier 2's required criteria and rebate.

Currently under Tier 1, Member's orders that yield fee code NF will receive an enhanced rebate of \$0.45 per contract where they have an ADV<sup>14</sup> greater than or equal to 0.20% of average OCV.<sup>15</sup> First, the Exchange proposes to reduce the rebate provided under Tier 1 from \$0.45 per contract to \$0.33 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect the new rate. Second, the Exchange proposes to increase the tier's ADV requirement from 0.20% to 1.00%. Going forward, Member's orders that yield fee code NF will receive an enhanced rebate of \$0.33 per contract where they have an ADV greater than or equal to 1.00% of average OCV.

Currently under Tier 2, Member's orders that yield fee code NF will receive an enhanced rebate of \$0.60 per contract where they have an ADV greater than or equal to 0.35% of average OCV. First, the Exchange proposes to reduce the rebate provided

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<sup>13</sup> Fee code NF is appended to Firm, Broker Dealer and Joint Back Office orders in Non-Penny Pilot Securities that add liquidity. Orders that yield fee code NF are provided a rebate of \$0.30 per contract. Id.

<sup>14</sup> "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. Id.

<sup>15</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.

under Tier 1 from \$0.60 per contract to \$0.53 per contract. The Exchange also proposes to update the Standard Rates table accordingly to reflect the new rate. Second, the Exchange proposes to amend the Tier's criteria by increasing the tier's current ADV requirement from 0.35% to 3.00% and to add a second criteria under which the Member must also have an ADAV<sup>16</sup> in Market Maker<sup>17</sup> orders greater than or equal to 2.75% of average OCV. Going forward, Member's orders that yield fee code NF will receive an enhanced rebate of \$0.53 per contract where they have an: (i) ADV greater than or equal to 3.00% of average OCV; (ii) and ADAV in Market Maker orders greater than or equal to 2.75% of average OCV.

Firm, Broker Dealer and Joint Back Office, Penny Pilot Add Volume Tiers

The Exchange currently offers two Firm, Broker Dealer and Joint Back Office, Penny Pilot Add Volume Tiers under footnote 2, which provide an additional rebate of \$0.43 or \$0.46 per contract for qualifying Firm, Broker Dealer and Joint Back Office orders that add liquidity in Penny Pilot Securities that yield fee code PF.<sup>18</sup> The Exchange now proposes to delete Tier 2 under footnote 2. Under Tier 2, a Member's orders that yield fee code PF would have received an enhanced rebate of \$0.43 per contract where

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<sup>16</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. 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>17</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.*

<sup>18</sup> Fee code PF is appended to Firm, Broker Dealer and Joint Back Office orders in Penny Pilot Securities that add liquidity. Orders that yield fee code PF are provided a rebate of \$0.25 per contract. *Id.*

they have an: (i) an ADV greater than or equal 0.50% of average OCV; and an (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.40% of average OCV. The Exchange also proposes update the Standard Rates table accordingly to reflect deletion of the rate.

#### Away Market Maker Penny Pilot Add Volume Tiers

The Exchange currently offers three Away Market Maker Penny Pilot Add Volume Tiers under footnote 10, which provide an enhanced rebate ranging from \$0.40 to \$0.45 per contract for qualifying Away Market Maker orders that add liquidity in Penny Pilot Securities that yield fee code PN.<sup>19</sup> The Exchange now proposes to delete current Tiers 1 and 3 under footnote 10 and to update the Standard Rates table accordingly to reflect deletion of the rate. Under the current Tier 1, a Member's orders that yield fee code PN would have received an enhanced rebate of \$0.40 per contract where they have an an ADV greater than or equal 0.40% of average OCV. . Under the current Tier 3, a Member's orders that yield fee code PN would have received an enhanced rebate of \$0.43 per contract where they have an: (i) an ADV greater than or equal 0.50% of average OCV; and an (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.40% of average OCV.

#### Customer Penny Pilot Take Volume Tier

The Exchange proposes to delete the tier described under footnote 14 of the fee schedule. The Exchange offers a single Customer Penny Pilot Take Volume Tier under

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<sup>19</sup> Fee code PN is appended to Away Market Market orders in Penny Pilot Securities that add liquidity. Orders that yield fee code PN are provided a rebate of \$0.30 per contract. Id.

footnote 14, by which a Member's orders that yield fee code PC<sup>20</sup> would have received a reduced fee of \$0.48 per contract where that Member had an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; and (ii) on the Exchange's equities trading platform ("BZX Equities") an ADAV of 0.50% of average TCV.<sup>21</sup> The Exchange also proposes to update the Standard Rates table accordingly to reflect deletion of the rate.

### Implementation Date

The Exchange proposes to implement the above changes to its fee schedule on June 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>22</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>23</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

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<sup>20</sup> Fee code PC is appended to Customer orders in Penny Pilot Securities that remove liquidity. Orders that yield fee code PC are charged a fee of \$0.49 per contract. Id.

<sup>21</sup> "TCV" means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close. See the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>22</sup> 15 U.S.C. 78f.

<sup>23</sup> 15 U.S.C. 78f(b)(4).

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 PC and PN

The Exchange believes that its proposals to increase the fee charged by fee code PC and decrease the rebate provided by fee code PN are fair and equitable and reasonable because the proposed rates remain 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 proposed rebate for fee code PN is higher than the rebate provided by the Nasdaq Stock Market LLC ("Nasdaq") to non-Nasdaq Market Makers that add liquidity in Penny Pilot Securities on the Nasdaq Options Market ("NOM").<sup>24</sup> In addition, the proposed rate for fee code PC equals the rate NOM charges for Customer orders that remove liquidity in Penny Pilot Securities.<sup>25</sup> Lastly, the proposed changes to fee codes PC and PN are not unfairly discriminatory because they 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

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<sup>24</sup> See Section 2(1) of the NOM fee schedule available at <http://www.nasdaqtrader.com/Micro.aspx?id=OptionsPricing> (providing a standard rebate of \$0.10 per contract to non-NOM market makers that add liquidity).

<sup>25</sup> Id.

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 footnote 8 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, which in turn, contributes to the growth of the Exchange. The Exchange also believes the rebate associated with each tier is reasonable as they continue to reflect the difficulty in achieving the corresponding tier. These incentives remain reasonably related to the value to the Exchange's market quality associated with higher levels of market activity, including liquidity provision and the introduction of higher volumes of orders into the price and volume discovery processes. 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 2, Tiers 1 and 3 under footnote 10, and the Cross Asset Tier under footnote 14 is reasonable, fair, and equitable because these tiers were not providing the desired results of incentivizing

Members to increase their participation on the Exchange. As such, the Exchange also believes that the proposed elimination of these tiers would be non-discriminatory in that they currently apply equally to all Members and, upon elimination, would no longer be available to any Members. Further, their 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>26</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>27</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-BatsBZX-2017-41 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-2017-41. 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

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<sup>26</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>27</sup> 17 CFR 240.19b-4(f).



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-2017-41 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>28</sup>

Robert W. Errett  
Deputy Secretary

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<sup>28</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 [May 23]June 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	(No change).	PC	[\$0.49] [\$0.48] <u>\$0.50</u>	(No change).		(No change).			
Professional	PA	(No change).	PP	(No change).	(No change).		(No change).			
Firm/BD/ JBO	PF	(\$0.25) [(\$0.43)] (\$0.46)			NF	(\$0.30) <u>(\$0.33)</u> <u>(\$0.53)</u> [(\$0.45)] [(\$0.60)] (\$0.82)	(No change).		(No change).	
Market Maker	PM	(No change).			(No change).		(No change).		(No change).	
Away Market Maker	PN	[(0.30)] <u>(\$0.26)</u> [(\$0.40)] [(\$0.43)] (\$0.45)			(No change).		(No change).		(No change).	
					(No change).		(No change).		(No change).	

**Fee Codes and Associated Fees:**

Fee Code	Description	Fee/(Rebate)
D1 - PA <sup>9</sup>	(No change).	
PC <sup>[14]</sup>	Removes liquidity (Customer) Penny Pilot	<u>0.50</u> [0.49]

PF <sup>2,4</sup> - PM <sup>4,5,6</sup>	(No change).	
PN <sup>4,10</sup>	Adds liquidity (Away MM), Penny Pilot	<del>(0.26)</del> [(0.30)]
PP <sup>3</sup> - RR	(No change).	

\* \* \* \* \*

**Footnotes:**

<sup>1</sup> (No change).

**<sup>2</sup> Firm, Broker Dealer, and Joint Back Office Penny Pilot Add Volume Tier[s]**

(No change).

Tier	Rebate Per Contract to Add	Required Criteria
Tier 1	(No change).	
[Tier 2	(\$0.43)	(1) Member has an ADV $\geq$ 0.50% of average OCV; and (2) Member has an ADAV in Away MM/Firm/BD/JBO orders $\geq$ 0.40% of average OCV]

<sup>3-7</sup> (No change).

**<sup>8</sup> Firm, Broker Dealer, and Joint Back Office Non-Penny Pilot Add Volume Tiers**

Applicable to fee code NF.

Tier	Rebate Per Contract to Add	Required Criteria
Tier 1	<del>[(0.45)]</del> [(0.33)]	Member has an ADV $\geq$ <del>1.00</del> [0.20]% of average OCV
Tier 2	<del>[(0.60)]</del> [(0.53)]	(1) Member has an ADV $\geq$ <del>3.00</del> [0.35]% of average OCV; and (2) <u>Member has an ADAV in Market Maker orders <math>\geq</math> 2.75% of average OCV</u>
Tier 3	(No change).	

<sup>9</sup> (No change).

**<sup>10</sup> Away Market Maker Penny Pilot Add Volume Tier[s]**

(No change).

Tier	Rebate Per Contract to Add	Required Criteria
[Tier 1	(\$0.40)	Member has an ADV $\geq$ 0.40% of average OCV]
Tier [2] <u>1</u>	(\$0.45)	(1) Member has an ADAV in Away MM/Firm/BD/JBO orders $\geq$ 1.05% of average OCV; (2) Member has an ADV $\geq$ 1.95% of average OCV; and (3) Member has an ADAV in Non-Customer Non-Penny orders $\geq$ 0.20% of average OCV
[Tier 3	(\$0.43)	(1) Member has an ADV $\geq$ 0.50% of average OCV; and (2) Member has an ADAV in Away MM/Firm/BD/JBO orders $\geq$ 0.40% of average OCV]

<sup>11</sup> - <sup>13</sup> (No change).

**[<sup>14</sup> Customer Penny Pilot Take Volume Tier**

Applicable to fee code PC.

Tier	Fee Per Contract to Remove	Required Criteria
Cross-Asset Tier	\$0.48	(1) Member has an ADAV in Customer orders $\geq$ 0.50% of average OCV; and (2) Member has on BZX Equities an ADAV $\geq$ 0.50% of average TCV]

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