

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="26"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="09"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Bats EDGX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

**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 * <input type="text" value="Chris"/>	Last Name * <input type="text" value="Solgan"/>
Title * <input type="text" value="Assistant General Counsel"/>	
E-mail * <input type="text" value="csolgan@bats.com"/>	
Telephone * <input type="text" value="(646) 856-8723"/>	Fax <input type="text"/>

**Signature**

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

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

(Title \*)

Date <input type="text" value="02/01/2017"/>	<input type="text" value="Assistant General Counsel"/>
By <input type="text" value="Chris Solgan"/>	<input type="text" value="csolgan@bats.com"/>
(Name *)	<input type="text" value="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 EDGX Exchange, Inc. (“EDGX” or the “Exchange”) proposes to amend its fees and rebates applicable to Members<sup>3</sup> and non-Members of the Exchange pursuant to EDGX 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 proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

Chris Solgan  
Assistant General Counsel  
(646) 856-8723

3. Self-Regulatory Organization’s Statement of the Purpose of, and 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 to: (i) increase the standard rate to remove liquidity to \$0.0030 per share; (ii) increase the rate for orders that yield fee codes EA or ER; (iii) add a definition for the term “Step-Up Add TCV; and (iii) add a new Step-Up Tier under footnote 1.

Standard Removal Rate

Currently, fee codes 6,<sup>4</sup> BB,<sup>5</sup> N,<sup>6</sup> PR,<sup>7</sup> W<sup>8</sup> and ZR<sup>9</sup> of the Exchange’s fee schedule set for the standard rate of \$0.0029 charged per share to orders that remove liquidity from the Exchange in securities priced equal to or greater than \$1.00. The Exchange now proposes to increase the standard rate for orders in securities priced equal

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<sup>4</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange during the pre and post market yield fee code 6 and are charged the standard removal rate of \$0.0029 per share.

<sup>5</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange in Tape B securities yield fee code BB and are charged the standard removal rate of \$0.0029 per share.

<sup>6</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange in Tape C securities yield fee code N and are charged the standard removal rate of \$0.0029 per share.

<sup>7</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange utilizing the ROUQ routing strategy yield fee code PR and are charged the standard removal rate of \$0.0029 per share. The ROUQ routing strategy is described in Exchange Rule 11.11(b)(3)(D).

<sup>8</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange in Tape A securities yield fee code W and are charged the standard removal rate of \$0.0029 per share.

<sup>9</sup> As described in the Exchange’s fee schedule, Retail Orders that remove liquidity from the Exchange yield fee code ZR and are charged the standard removal rate of \$0.0029 per share. Retail Orders are defined in Exchange Rule 11.21(a)(2).

to or greater than \$1.00 that remove liquidity from the Exchange to \$0.0030 per share.<sup>10</sup>

Therefore, the Exchange proposes to increase the rate under fee codes 6, BB, N, PR, W and ZR from \$0.0029 to \$0.0030 per share. The Exchange also proposes to update the Standard Rates table accordingly to reflect new standard rate.<sup>11</sup>

#### Fee Codes EA or ER

An Internalized Trade is a trade where the two orders inadvertently match against each other and share the same Market Participant Identifier (“MPID”). Fee code EA is appended to side of an Internalized Trade that adds liquidity, while fee code ER is appended to the side of an Internalized Trade that removes liquidity. Orders that yield fee codes EA or ER are charged a fee of \$0.00045 per share in securities priced at or above \$1.00 and 0.15% of the dollar value of the trade in securities priced below \$1.00. The Exchange now proposes to increase the fee for orders that yield fee codes EA or ER in securities priced at or above \$1.00 to \$0.00050 per share.<sup>12</sup>

#### Step-Up Add Volume Tier

The Exchange proposes to add a definition for the term “Step-Up Add TCV and add a new Step-Up Tier under footnote 1.

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<sup>10</sup> The Exchange does not proposes to amend the standard removal rate for orders in securities priced below \$1.00.

<sup>11</sup> The Exchange also proposes to add fee code PR to the Standard Fee Code row of the Standard Rates Table because, as described above, fee code PR sets forth a standard rate for removing liquidity from the Exchange.

<sup>12</sup> The Exchange does not proposes to amend the rate for orders in securities priced below \$1.00 that yield fee codes EA or ER.

First, the Exchange proposes to define the term “Step-Up Add TCV” as “ADAV<sup>13</sup> as a percentage of TCV<sup>14</sup> in the relevant baseline month subtracted from current ADAV as a percentage of TCV.”

Second, the Exchange proposes to add a new tier under footnote 1 of the fee schedule to be known as “Step-Up Tier 1”. By way of background, the Exchange determines the liquidity adding rebate that it will provide to Members using the Exchange’s tiered pricing structure. Under such pricing structure, a Member will receive a rebate of anywhere between \$0.0025 and \$0.0033 per share executed, depending on the volume tier for which such Member qualifies under footnote 1 of the fee schedule. Under the proposed Step-Up Tier, a Member would receive a rebate of \$0.0032 per share for orders that add liquidity where that Member adds an ADV<sup>15</sup> equal to or greater than 0.40% of the TCV and has a Step-Up Add TCV from January 2017 equal to or greater than 0.10%.

#### Implementation Date

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

#### (b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the

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<sup>13</sup> As defined in the Exchange’s fee schedule.

<sup>14</sup> As defined in the Exchange’s fee schedule.

<sup>15</sup> As defined in the Exchange’s fee schedule.

Act.<sup>16</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>17</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange 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 to be excessive. The Exchange also believes that each of the proposed amendments are non-discriminatory because each will apply uniformly to all Members.

#### Standard Removal Rate

The Exchange believes that its proposal to increase the standard fee charged for orders that remove liquidity from the Exchange is reasonable and equitable because it will allow the Exchange to utilize the additional revenue to offset providing volume based enhanced rebates for removing liquidity as proposed herein. In addition, the Exchange notes that the proposed standard removal rate is consistent with Rule 610(c)(1) of Regulation NMS<sup>18</sup> and is equal to the standard remove rate charged by other exchange to remove liquidity in securities priced at or above \$1.00.<sup>19</sup>

#### Fee Codes EA or ER

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

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

<sup>18</sup> 17 CFR 242. 610(c)(1).

<sup>19</sup> See Nasdaq Stock Market LLC's fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>, NYSE Arca fee schedule available at [https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Marketplace\\_Fees.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf), and the Bats BZX Exchange, Inc.'s ("BZX") fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/bzx/](http://www.bats.com/us/equities/membership/fee_schedule/bzx/).

The Exchange believes that its proposal to increase the fees charged for Internalized Orders is reasonable and equitable because the charge for Members inadvertently matching with themselves will continue to be no more favorable than the Exchange's maker/taker spread enabling the Exchange to continue to discourage potential wash sales.<sup>20</sup> In addition, like as stated above for the increase to the standard removal rate, the proposed increase will allow the Exchange to utilize the additional revenue to offset providing volume based enhanced rebates for removing liquidity as proposed herein.

#### Step-Up Add Volume Tier

The Exchange believes that its proposed definition of Step-Up Add TCV and the new Step-Up Tier provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange 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. The proposed rule changes reflect a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange.

In particular, the Exchange believes the definition of Step-Up Add TCV is equitable and reasonable as it is identical to the same defined term on BZX.<sup>21</sup> Volume-based rebates 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

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<sup>20</sup> The Exchange will continue to ensure that the fees applicable to Internalized Trades are no more favorable than the Exchange's prevailing maker/taker spread.

<sup>21</sup> See the BZX fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/bzx/](http://www.bats.com/us/equities/membership/fee_schedule/bzx/).



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 provision and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that the proposed tier is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will continue to provide Members with an incentive to reach certain thresholds on the Exchange.

In particular, the Exchange believes the proposed Step-Up Tier is a reasonable means to encourage Members to increase their liquidity on the Exchange. The Exchange further believes that the proposed Step-Up Tier represents an equitable allocation of reasonable dues, fees, and other charges because the thresholds necessary to achieve the tier encourages Members to add increased liquidity to the EDGX Book<sup>22</sup> each month. The increased liquidity benefits all investors by deepening the Exchange's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Such pricing programs thereby reward a Member's growth pattern on the Exchange and such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. Specifically, the Exchange believes the level of the enhanced rebate provided by the tier reasonably reflects the criteria necessary to achieve the tier. For example, a Member would receive a rebate of \$0.0032 per share where they not only add an ADV equal to or greater than 0.40% of the TCV, but also has a Step-Up

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<sup>22</sup> See Exchange Rule 1.5(d).

Add TCV from January 2017 equal to or greater than 0.10%.

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

The Exchange believes the proposed amendments to its fee schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange has designed the proposed amendments to its fee schedule in order to enhance its ability to compete with other exchanges. Rather, the proposal as a whole is a competitive proposal that is seeking further the growth of the Exchange. The Exchange has structured the proposed fees and rebates to attract certain additional volume in both Customer and certain Non-Customer orders, however, the Exchange believes that its pricing for all capacities is competitive with that offered by other options exchanges. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value.

Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. In particular, the Exchange believes that the proposed tiers contribute to, rather than burden competition, as such changes are broadly intended to incentivize participants to increase their participation on the Exchange, which will increase the liquidity and market quality on the Exchange, which will then further enhance the Exchange's ability to compete with other exchanges. Likewise, the proposed changes to the standard removal rates and rates for Internalized Trades should not have any burden on competition on competition as they are in line with that charged by other exchanger or is designed to continue to discourage potential wash sales.

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>23</sup> and Rule 19b-4(f)(2) thereunder,<sup>24</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

Not applicable.

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<sup>23</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>24</sup> 17 CFR 240.19b-4(f)(2).

11. Exhibits

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

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BatsEDGX-2017-09)

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Fees for Use of the Exchange's Equities Platform

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, Bats EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

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

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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 to: (i) increase the standard rate to remove liquidity to \$0.0030 per share; (ii) increase the rate for orders that yield fee codes EA or ER; (iii) add a definition for the term "Step-Up Add TCV; and (iii) add a new Step-Up Tier under footnote 1.

Standard Removal Rate

Currently, fee codes 6,<sup>6</sup> BB,<sup>7</sup> N,<sup>8</sup> PR,<sup>9</sup> W<sup>10</sup> and ZR<sup>11</sup> of the Exchange's fee schedule set for the standard rate of \$0.0029 charged per share to orders that remove

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<sup>6</sup> As described in the Exchange's fee schedule, orders that remove liquidity from the Exchange during the pre and post market yield fee code 6 and are charged the standard removal rate of \$0.0029 per share.

<sup>7</sup> As described in the Exchange's fee schedule, orders that remove liquidity from the Exchange in Tape B securities yield fee code BB and are charged the standard removal rate of \$0.0029 per share.

liquidity from the Exchange in securities priced equal to or greater than \$1.00. The Exchange now proposes to increase the standard rate for orders in securities priced equal to or greater than \$1.00 that remove liquidity from the Exchange to \$0.0030 per share.<sup>12</sup> Therefore, the Exchange proposes to increase the rate under fee codes 6, BB, N, PR, W and ZR from \$0.0029 to \$0.0030 per share. The Exchange also proposes to update the Standard Rates table accordingly to reflect new standard rate.<sup>13</sup>

#### Fee Codes EA or ER

An Internalized Trade is a trade where the two orders inadvertently match against each other and share the same Market Participant Identifier (“MPID”). Fee code EA is appended to side of an Internalized Trade that adds liquidity, while fee code ER is appended to the side of an Internalized Trade that removes liquidity. Orders that yield fee codes EA or ER are charged a fee of \$0.00045 per share in securities priced at or

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<sup>8</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange in Tape C securities yield fee code N and are charged the standard removal rate of \$0.0029 per share.

<sup>9</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange utilizing the ROUQ routing strategy yield fee code PR and are charged the standard removal rate of \$0.0029 per share. The ROUQ routing strategy is described in Exchange Rule 11.11(b)(3)(D).

<sup>10</sup> As described in the Exchange’s fee schedule, orders that remove liquidity from the Exchange in Tape A securities yield fee code W and are charged the standard removal rate of \$0.0029 per share.

<sup>11</sup> As described in the Exchange’s fee schedule, Retail Orders that remove liquidity from the Exchange yield fee code ZR and are charged the standard removal rate of \$0.0029 per share. Retail Orders are defined in Exchange Rule 11.21(a)(2).

<sup>12</sup> The Exchange does not propose to amend the standard removal rate for orders in securities priced below \$1.00.

<sup>13</sup> The Exchange also proposes to add fee code PR to the Standard Fee Code row of the Standard Rates Table because, as described above, fee code PR sets forth a standard rate for removing liquidity from the Exchange.

above \$1.00 and 0.15% of the dollar value of the trade in securities priced below \$1.00.

The Exchange now proposes to increase the fee for orders that yield fee codes EA or ER in securities priced at or above \$1.00 to \$0.00050 per share.<sup>14</sup>

#### Step-Up Add Volume Tier

The Exchange proposes to add a definition for the term “Step-Up Add TCV and add a new Step-Up Tier under footnote 1.

First, the Exchange proposes to define the term “Step-Up Add TCV” as “ADAV<sup>15</sup> as a percentage of TCV<sup>16</sup> in the relevant baseline month subtracted from current ADAV as a percentage of TCV.”

Second, the Exchange proposes to add a new tier under footnote 1 of the fee schedule to be known as “Step-Up Tier 1”. By way of background, the Exchange determines the liquidity adding rebate that it will provide to Members using the Exchange’s tiered pricing structure. Under such pricing structure, a Member will receive a rebate of anywhere between \$0.0025 and \$0.0033 per share executed, depending on the volume tier for which such Member qualifies under footnote 1 of the fee schedule. Under the proposed Step-Up Tier, a Member would receive a rebate of \$0.0032 per share for orders that add liquidity where that Member adds an ADV<sup>17</sup> equal to or greater than 0.40% of the TCV and has a Step-Up Add TCV from January 2017 equal to or greater than 0.10%.

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<sup>14</sup> The Exchange does not proposes to amend the rate for orders in securities priced below \$1.00 that yield fee codes EA or ER.

<sup>15</sup> As defined in the Exchange’s fee schedule.

<sup>16</sup> As defined in the Exchange’s fee schedule.

<sup>17</sup> As defined in the Exchange’s fee schedule.



### Implementation Date

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

### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>18</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>19</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange 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 to be excessive. The Exchange also believes that each of the proposed amendments are non-discriminatory because each will apply uniformly to all Members.

### Standard Removal Rate

The Exchange believes that its proposal to increase the standard fee charged for orders that remove liquidity from the Exchange is reasonable and equitable because it will allow the Exchange to utilize the additional revenue to offset providing volume based enhanced rebates for removing liquidity as proposed herein. In addition, the Exchange notes that the proposed standard removal rate is consistent with Rule 610(c)(1)

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<sup>18</sup> 15 U.S.C. 78f.

<sup>19</sup> 15 U.S.C. 78f(b)(4).

of Regulation NMS<sup>20</sup> and is equal to the standard remove rate charged by other exchange to remove liquidity in securities priced at or above \$1.00.<sup>21</sup>

#### Fee Codes EA or ER

The Exchange believes that its proposal to increase the fees charged for Internalized Orders is reasonable and equitable because the charge for Members inadvertently matching with themselves will continue to be no more favorable than the Exchange's maker/taker spread enabling the Exchange to continue to discourage potential wash sales.<sup>22</sup> In addition, like as stated above for the increase to the standard removal rate, the proposed increase will allow the Exchange to utilize the additional revenue to offset providing volume based enhanced rebates for removing liquidity as proposed herein.

#### Step-Up Add Volume Tier

The Exchange believes that its proposed definition of Step-Up Add TCV and the new Step-Up Tier provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange 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

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<sup>20</sup> 17 CFR 242. 610(c)(1).

<sup>21</sup> See Nasdaq Stock Market LLC's fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>, NYSE Arca fee schedule available at [https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Marketplace\\_Fees.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf), and the Bats BZX Exchange, Inc.'s ("BZX") fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/bzx/](http://www.bats.com/us/equities/membership/fee_schedule/bzx/).

<sup>22</sup> The Exchange will continue to ensure that the fees applicable to Internalized Trades are no more favorable than the Exchange's prevailing maker/taker spread.

excessive. The proposed rule changes reflect a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange.

In particular, the Exchange believes the definition of Step-Up Add TCV is equitable and reasonable as it is identical to the same defined term on BZX.<sup>23</sup> Volume-based rebates 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 provision and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that the proposed tier is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will continue to provide Members with an incentive to reach certain thresholds on the Exchange.

In particular, the Exchange believes the proposed Step-Up Tier is a reasonable means to encourage Members to increase their liquidity on the Exchange. The Exchange further believes that the proposed Step-Up Tier represents an equitable allocation of reasonable dues, fees, and other charges because the thresholds necessary to achieve the tier encourages Members to add increased liquidity to the EDGX Book<sup>24</sup> each month. The increased liquidity benefits all investors by deepening the Exchange's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the

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<sup>23</sup> See the BZX fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/bzx/](http://www.bats.com/us/equities/membership/fee_schedule/bzx/).

<sup>24</sup> See Exchange Rule 1.5(d).

quality of price discovery, promoting market transparency and improving investor protection. Such pricing programs thereby reward a Member's growth pattern on the Exchange and such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. Specifically, the Exchange believes the level of the enhanced rebate provided by the tier reasonably reflects the criteria necessary to achieve the tier. For example, a Member would receive a rebate of \$0.0032 per share where they not only add an ADV equal to or greater than 0.40% of the TCV, but also has a Step-Up Add TCV from January 2017 equal to or greater than 0.10%.

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

The Exchange believes the proposed amendments to its fee schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange has designed the proposed amendments to its fee schedule in order to enhance its ability to compete with other exchanges. Rather, the proposal as a whole is a competitive proposal that is seeking further the growth of the Exchange. The Exchange has structured the proposed fees and rebates to attract certain additional volume in both Customer and certain Non-Customer orders, however, the Exchange believes that its pricing for all capacities is competitive with that offered by other options exchanges. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value.

Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. In particular, the Exchange believes that the proposed tiers contribute

to, rather than burden competition, as such changes are broadly intended to incentivize participants to increase their participation on the Exchange, which will increase the liquidity and market quality on the Exchange, which will then further enhance the Exchange's ability to compete with other exchanges. Likewise, the proposed changes to the standard removal rates and rates for Internalized Trades should not have any burden on competition on competition as they are in line with that charged by other exchanger or is designed to continue to discourage potential wash sales.

(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>25</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>26</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

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<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f).

concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BatsEDGX-2017-09 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-BatsEDGX-2017-09. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File No. SR-BatsEDGX-2017-09 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>27</sup>

Robert W. Errett  
Deputy Secretary

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<sup>27</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Bats EDGX Exchange Fee Schedule**

Effective [~~January 3~~]February 1, 2017

\* \* \* \* \*

**Standard Rates:**

Category	Adding Liquidity	Removing Liquidity	Routing and Removing Liquidity
Securities at or above \$1.00	\$(0.0020) <sup>1</sup>	\$0.00[29] <u>30</u>	\$0.0029
Securities below \$1.00	\$(0.00003)	0.30% of Dollar Value	0.30% of Dollar Value
Standard Fee Codes	B, V, Y, 3, 4	N, W, 6, BB, <u>PR, ZR</u>	X

**Fee Codes and Associated Fees:**

Fee Code	Description	Fee/(Rebate) Securities at or above \$1.00	Fee/(Rebate) Securities below \$1.00
10 – 4 <sup>1,2</sup>	(No Change.)		
6	Removes liquidity from EDGX, pre and post market (All Tapes)	0.00[290] <u>300</u>	0.30% of Dollar Value
7 – B <sup>1,2</sup>	(No Change.)		
BB	Removes liquidity from EDGX (Tape B)	0.00[290] <u>300</u>	0.30% of Dollar Value
BY – D	(No Change.)		
EA <sup>7</sup>	Internalization, adds liquidity	0.000[45] <u>50</u>	0.15% of Dollar Value
ER <sup>7</sup>	Internalization, removes liquidity	0.000[45] <u>50</u>	0.15% of Dollar Value
F – MM	(No Change.)		
N	Removes liquidity from EDGX	0.00[290] <u>300</u>	0.30% of



	(Tape C)		Dollar Value
NA – OO	(No Change.)		
PR	Removes liquidity from EDGX using ROUQ routing strategy	0.00[290]300	0.30% of Dollar Value
Q – VI	(No Change.)		
W	Removes liquidity from EDGX (Tape A)	0.00[290]300	0.30% of Dollar Value
X – ZA	(No Change.)		
ZR	Retail Order, removes liquidity	0.00[290]300	0.30% of Dollar Value

### Definitions:

- ADAV means average daily added volume calculated as the number of shares added per day and ADV means average daily volume calculated as the number of shares added to, removed from, or routed by, the Exchange, or any combination or subset thereof, per day. ADAV and ADV is calculated on a monthly basis.
  - The Exchange excludes from its calculation of ADAV and ADV shares added, removed, or routed on any day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during Regular Trading Hours (“Exchange System Disruption”), on any day with a scheduled early market close, and on the last Friday in June (the “Russell Reconstitution Day”).
  - With prior notice to the Exchange, a Member may aggregate ADAV and ADV with other Members that control, are controlled by, or are under common control with such Member (as evidenced on such Member’s Form BD).
- Step-Up Add TCV means ADAV as a percentage of TCV in the relevant baseline month subtracted from current ADAV as a percentage of TCV.

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### Footnotes:

#### <sup>1</sup>Add Volume Tiers:

The rebates to add provided by the below add volume tiers are applicable to the following fee codes: B, V, Y, 3, and 4.

Tier	Rebate Per Share to Add	Required Criteria
Mega Tier 1 - Single MPID Cross-Asset Tier	(No change).	
<u>Step-Up Tier</u>	<u>(\$0.0032)</u>	<u>(1) Member adds an ADV <math>\geq</math> 0.40% of the TCV;</u> <u>and</u> <u>(2) Member has a Step-Up Add TCV from</u> <u>January 2017 <math>\geq</math> 0.10%</u>

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