

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="43"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="50"/>	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 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 * <input type="text" value="Anders"/>	Last Name * <input type="text" value="Franzon"/>
Title * <input type="text" value="SVP, Associate General Counsel"/>	
E-mail * <input type="text" value="afranzon@cboe.com"/>	
Telephone * <input type="text" value="(913) 815-7154"/>	Fax <input type="text"/>

Signature

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

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

(Title *)

Date <input type="text" value="11/08/2017"/>	<input type="text" value="SVP, Associate General Counsel"/>
By <input type="text" value="Anders Franzon"/>	<input type="text"/>
(Name *)	


afranzon@cboe.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”),¹ and Rule 19b-4 thereunder,² Cboe EDGX Exchange, Inc. (formerly known as Bats EDGX Exchange, Inc.) (the “Exchange” or “EDGX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the Fee Schedule applicable to Members³ and non-Members of the Exchange pursuant to EDGX Rules 15.1(a) and (c) (“Fee Schedule”).

The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on November 1, 2017.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel and Corporate Secretary, (312) 786-7462, or Anders Franzon, (913) 815-7154, SVP, Associate General Counsel.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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 modify the Fee Schedule applicable to the Exchange's equity options platform ("EDGX Options") to modify the existing tiered pricing structure on EDGX Options and adopt new tiers consistent with such tiered pricing, to adopt tiered pricing applicable to complex orders on EDGX Options, and to modify the Marketing Fees section of the Fee Schedule.⁴

Existing Tiered Pricing Structure

Customer Volume Tiers

The Exchange charges various reduced fees or enhanced rebates using a tiered pricing structure pursuant to footnotes set forth on the Fee Schedule. Under the tiers, Members that achieve certain volume criteria may qualify for reduced fees or enhanced rebates for their orders. As set forth in footnote 1, the Exchange offers enhanced rebates to qualifying Members for Customer⁵ orders pursuant to certain Customer Volume Tiers. The Exchange proposes to modify rebate provided and the criteria necessary to achieve Customer Volume Tier 4 and to adopt a new Customer Volume Tier 5.

⁴ The Exchange initially filed the proposed rule changes on November 1, 2017 (SR-BatsEDGX-2017-49). On November 8, 2017 the Exchange withdrew SR-BatsEDGX-2017-49 and then subsequently submitted this filing (SR-BatsEDGX-2017-50).

⁵ "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: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

Fee codes PC and NC are currently appended to all Customer orders in Penny Pilot Securities⁶ and Non-Penny Pilot Securities,⁷ respectively, and result in a standard rebate of \$0.05 per contract. The Customer Volume Tiers in footnote 1 consist of four separate tiers, each providing an enhanced rebate to a Member's Customer order that yields fee codes PC or NC upon satisfying monthly volume criteria required by the respective tier. For instance, pursuant to Customer Volume Tier 1, the lowest volume tier, a Member will currently receive a rebate of \$0.10 per contract where the Member has an ADV⁸ in Customer orders equal to or greater than 0.20% of average OCV.⁹

Pursuant to Customer Volume Tier 4, a Member currently will receive a rebate of \$0.21 per contract where: (i) the Member has an ADV in Customer orders equal to or greater than 0.05% of average OCV; and (ii) the Member has an ADV in Customer or Market Maker orders equal to or greater than 0.35% of average OCV. To encourage the entry of additional orders, the Exchange proposes to modify the first prong of the criteria necessary to achieve Customer Volume Tier 4 to require that the Member has an ADV in

⁶ "Penny Pilot Securities" are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01. Id.

⁷ The term "Non-Penny Pilot Security" applies to those issues that are not Penny Pilot Securities quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01.

⁸ "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. Additional details regarding the calculation of ADV are contained on the Exchange's Fee Schedule. See the Exchange's Fee Schedule available at:
https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

⁹ "OCV" stands for "OCC Customer Volume" and means the total equity and ETF options volume that clears in the Customer range at the 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. See id.

Customer orders equal to or greater than 0.15% of average OCV. The Exchange does not propose to modify the second prong, requiring the Member to have an ADV in Customer or Market Maker orders equal to or greater than 0.35% of average OCV. The Exchange also proposes to reduce the enhanced rebate provided under Customer Volume Tier 4 from a rebate of \$0.21 per contract to a rebate of \$0.16 per contract.

The Exchange also proposes to offer an additional Customer Volume Tier, Customer Volume Tier 5, to provide Members with another way to achieve the highest rebate for Customer orders, a rebate of \$0.21 per contract.¹⁰ The Exchange proposes to adopt criteria for Tier 5 such that the enhanced rebate of \$0.21 per contract is provided to Members that have: (i) an ADV in Customer orders equal to or greater than 0.30% of average OCV; and (ii) an ADV in Customer or Market Maker orders equal to or greater than 0.50% of average OCV.

Market Maker Volume Tiers

As set forth in footnote 2, the Exchange offers enhanced rebates to qualifying Members for Market Maker¹¹ orders pursuant to certain Market Maker Volume Tiers. The Exchange proposes to modify the criteria necessary to achieve Market Maker Volume Tiers 7 and 8.

¹⁰ A rebate of \$0.21 per contract will continue to be available to Members that achieve the criteria for Customer Volume Tier 3, which the Exchange has not proposed to modify, but will no longer be available through Customer Volume Tier 4.

¹¹ “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). See the Exchange’s Fee Schedule available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

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

Pursuant to Market Maker Volume Tier 7, a Member will currently be charged a reduced fee of \$0.03 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.05% of average OCV; and (ii) Customer or Market Maker orders equal to or greater than 0.35% of average OCV. To encourage the entry of additional orders to the Exchange, the Exchange proposes to modify the first prong of the criteria necessary to achieve Market Maker Volume Tier 7 to require that the Member has an ADV in Customer orders equal to or greater than 0.15% of average OCV. The Exchange does not propose to modify the second prong, requiring the Member to have an ADV in Customer or Market Maker orders equal to or greater than 0.35% of average OCV.

Pursuant to Market Maker Volume Tier 8, a Member will currently be charged a reduced fee of \$0.02 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.05% of average OCV; (ii) Customer or Market Maker orders

equal to or greater than 0.35% of average OCV; and (iii) BAM Agency Orders¹² equal to or greater than 10,000 contracts. The Exchange proposes to modify each of these criteria as follows: increase the ADV requirement of the first prong to 0.30% of average OCV, increase the ADV requirement of the second prong to 0.50% of average OCV, and increase the ADV requirement of the third prong to 25,000 contracts. In addition, the Exchange proposes to adopt a new prong also necessary to qualify for Market Maker Volume Tier 8, which is intended to incentivize the entry of complex orders to the Exchange. Specifically, in order to qualify for Market Maker Volume Tier 8, the Exchange also proposes to require a Member to have an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 5,000 contracts.

Thus, as proposed, pursuant to Market Maker Volume Tier 8, a Member will be charged a reduced fee of \$0.02 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.30% of average OCV; (ii) Customer or Market Maker orders equal to or greater than 0.50% of average OCV; (iii) BAM Agency Orders equal to or greater than 25,000 contracts; and (iv) complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 5,000 contracts.

Tiered Pricing – Complex Orders

The Exchange recently began accepting complex orders in connection with the launch of the EDGX Options complex order book (“COB”).¹³ In turn, the Exchange

¹² BAM Agency Orders are orders represented as agent by a Member on behalf of another party and submitted to BAM for potential price improvement pursuant to Rule 21.19. See the Exchange’s Fee Schedule available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

¹³ See Securities Exchange Act Release No. 81891 (October 17, 2017) (SR-BatsEDGX-2017-29) (order approving rules for EDGX complex order book).

adopted base fees and rebates applicable to complex orders to accommodate the acceptance of complex orders.¹⁴ The Exchange now proposes to adopt various tiers to incentivize the entry of complex orders to the Exchange. As noted above, the Exchange also proposes to add criteria to existing Market Maker Volume Tier 8 to incentivize the entry of complex orders to the Exchange.

Customer Volume Tiers – Complex Orders

Under the recently adopted fees, the Exchange applies fee code ZA to Customer complex orders that are executed on the COB with a non-Customer¹⁵ as the contra-party in Penny Pilot Securities and provides such orders a standard rebate of \$0.47 per contract. Similarly, the Exchange applies fee code ZB to Customer complex orders that are executed on the COB with a non-Customer as the contra-party in Non-Penny Pilot Securities and provides such orders a standard rebate of \$0.97 per contract.

The Exchange proposes to adopt two sets of tiers applicable to the Customer Volume Tiers under footnote 1 that would provide enhanced rebates for orders yielding fee codes ZA and ZB.

The Exchange proposes to provide enhanced rebates for orders yielding fee code ZA (i.e., Customer complex orders executed on the COB/non-Customer contra-party/Penny Pilot Securities) under Tiers 1 through 3. As proposed, pursuant to Tier 1 the Exchange would provide an enhanced rebate of \$0.48 per contract for Members with

¹⁴ The Exchange initially filed to adopt complex order pricing on October 23, 2017 (SR-BatsEDGX-2017-42). On October 31, 2017 the Exchange withdrew SR-BatsEDGX-2017-42 and submitted a filing to replace such filing (SR-BatsEDGX-2017-48).

¹⁵ “Non-Customer” applies to any transaction that is not a Customer order. Id.

an ADV in Customer orders equal to or greater than 0.30% of average OCV. Pursuant to Tier 2 the Exchange would provide an enhanced rebate of \$0.49 per contract for Members with an ADV in Customer orders equal to or greater than 0.40% of average OCV. Pursuant to Tier 3 the Exchange would provide an enhanced rebate of \$0.50 per contract for Members with an ADV in Customer orders equal to or greater than 0.65% of average OCV.

The Exchange proposes to provide enhanced rebates for orders yielding fee code ZB (i.e., Customer complex orders executed on the COB/non-Customer contra-party/Non-Penny Pilot Securities) under Tiers 1 through 3 with criteria identical to that described above with respect to tiers applicable to fee code ZA (but rebates that are an enhancement to the standard rebate for orders yielding fee code ZB). Thus, pursuant to Tier 1 the Exchange would provide an enhanced rebate of \$0.98 per contract for Members with an ADV in Customer orders equal to or greater than 0.30% of average OCV. Pursuant to Tier 2 the Exchange would provide an enhanced rebate of \$0.99 per contract for Members with an ADV in Customer orders equal to or greater than 0.40% of average OCV. Pursuant to Tier 3 the Exchange would provide an enhanced rebate of \$1.00 per contract for Members with an ADV in Customer orders equal to or greater than 0.65% of average OCV.

In connection with these changes, the Exchange proposes to append footnote 1 to fee codes ZA and ZB on the Fee Codes and Associated Fees table of the Fee Schedule.

Market Maker Volume Tiers – Complex Orders

Under the recently adopted fees, the Exchange applies fee code ZM to Market Maker complex orders that are executed on the COB with a Customer as the contra-party

in Penny Pilot Securities and charges such orders a standard fee of \$0.50 per contract.

The Exchange applies fee code ZN to Market Maker complex orders that are executed on the COB with a Customer as the contra-party in Non-Penny Pilot Securities and charges such orders a standard fee of \$1.10 per contract.

Similar to the new tiers proposed for footnote 1 as described above, the Exchange proposes to adopt new tiers under footnote 2 applicable to fee codes ZM and ZN, respectively. The Exchange proposes to adopt a single tier applicable to fee code ZM, Tier 1, under which the Exchange would charge a reduced fee of \$0.48 per contract for Members with an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 10,000 contracts. The Exchange proposes a similar tier applicable to fee code ZN, again Tier 1, under which the Exchange would charge a reduced fee of \$1.05 per contract for Members with an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 10,000 contracts.

In connection with these changes, the Exchange proposes to append footnote 2 to fee codes ZM and ZN on the Fee Codes and Associated Fees table of the Fee Schedule.

Marketing Fees

The Fee Schedule currently contains a section entitled “Marketing Fees” that specifies that marketing fees are charged to all Market Makers who are counterparties to a trade with a Customer. In connection with the recent adoption of fees applicable to complex orders, the Exchange specified that marketing fees shall not apply to executions of complex orders on the COB.¹⁶ The Exchange proposes to extend this exclusion to orders subject to BAM Pricing set forth in footnote 6 and Qualified Contingent Cross

¹⁶ See supra, note 14.

Orders. The Exchange notes with respect to the proposed language regarding BAM Pricing that certain orders executed through BAM are assessed standard fee rates as set forth in footnote 6 and that marketing fees will continue to be assessed for such transactions. Accordingly, the Exchange has proposed to limit the exclusion from marketing fees being assessed to those orders that are subject to BAM Pricing and not all orders executed through BAM.

Implementation Date

The Exchange proposes to implement the proposed changes immediately.

(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 Act.¹⁷ Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁸ 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.

In sum, the Exchange believes that the proposed fee and rebate structure is designed to promote the growth of EDGX Options, including the EDGX Options COB, which benefits all market participants by providing additional trading opportunities. The goal is to attract both Customers and liquidity providers and an increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional

¹⁷ 15 U.S.C. 78f.

¹⁸ 15 U.S.C. 78f(b)(4).

corresponding increase in order flow originating from other market participants.

Volume-based rebates such as those currently maintained on the Exchange have been widely adopted by options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. The proposed modifications to the existing Customer Volume Tiers and Market Maker Volume tiers that make such tiers more difficult to attain are each intended to incentivize Members to send additional Customer and/or Market Maker orders to the Exchange, and in the case of Market Maker Volume Tier 8, also to encourage the submission of complex orders to the Exchange in an effort to qualify or continue to qualify for the enhanced rebate or lower fee made available by the tiers. With respect to the reduction of the rebate provided for Customer Volume Tier 4, this change is reasonable, fair and equitable because the Exchange is adopting an additional Tier, Tier 5, as another means to achieve the rebate previously provided by Tier 4 (in addition to Tier 3, which also provides such rebate and remains unchanged). With respect to Tier 5, the Exchange believes this Tier is reasonable, equitably allocated and non-discriminatory for the reasons set forth regarding tiered pricing generally, and also because the proposed tier is consistent with existing Tier 4 (which the Exchange has proposed to modify), only with higher criteria and a higher rebate as an incentive to achieve such criteria.

The Exchange's recent launch of a complex order book is a competitive offering, and the Exchange believes it is necessary to adopt certain incentives to encourage

Members to enter complex orders to the Exchange. In particular, the Exchange believes that incentivizing the submission of Customer orders to the Exchange, including the Exchange's COB, will help to grow participation in the COB generally, and that providing enhanced rebates and reduced fees for such participation will help to grow liquidity on the COB to the benefit of all participants on the Exchange. The proposed criteria for each tier applicable to complex orders is in-line with existing criteria on the Exchange as well as criteria proposed herein, and does not represent a significant departure in pricing applied by the Exchange. Similarly, the enhanced rebates and reduced fees provide modest incentives to Members to increase their participation on the Exchange generally, including the submission of complex orders.

The Exchange believes that the proposed tiers are reasonable, fair and equitable, and non-discriminatory, for the reasons set forth above with respect to volume-based pricing generally and because such changes will incentivize participants to further contribute to market quality. The proposed tiers will provide an additional way for market participants to qualify for enhanced rebates or reduced fees. Further, the COB is fully available to all Members, and the proposed thresholds are intended to encourage Members to do the development work necessary to participate on the COB and send complex orders to the Exchange.

Continuing to provide Customer orders a rebate for complex orders, including a potentially enhanced rebate, while assessing Non-Customers a fee for complex orders, is reasonable because of the desirability of Customer activity. The proposed fees and rebates for complex orders continue to be intended to encourage greater Customer volume on the Exchange. As set forth above, Customer activity enhances liquidity on the

Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers and other liquidity providers. The fee and rebate schedule as proposed continues to reflect differentiation among different market participants typically found in options fee and rebate schedules.¹⁹

The Exchange believes that the differentiation is reasonable and notes that unlike others (*e.g.*, Customers) some market participants like EDGX Options Market Makers commit to various obligations. For example, transactions of an EDGX Options Market Maker must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings.²⁰

Further, all Market Makers are designated as specialists on EDGX Options for all purposes under the Act or rules thereunder.²¹

Continuing to provide a rebate for Customer orders and a fee for Non-Customer Orders is also equitable and not unfairly discriminatory. This is because the Exchange's proposal to provide rebates and assess fees will apply the same to all similarly situated participants. Moreover, all similarly situated complex orders are subject to the same proposed Fee Schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory. Similarly, the Exchange believes that providing different rates

¹⁹ See the Exchange's Fee Schedule, available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/; see also, *e.g.*, MIAX Fee Schedule, NYSE Amex Options Fee Schedule, BX Options Fee Schedule and Nasdaq Options Market Fee Schedule.

²⁰ See Exchange Rule 22.5, entitled "Obligations of Market Makers".

²¹ See Exchange Rule 22.2, entitled "Options Market Maker Registration and Appointment".

for Penny Pilot Securities and Non-Penny Pilot Securities is well-established in the options industry, including on the Exchange's current fee schedule.²² The Exchange believes it is reasonable, equitably allocated and non-discriminatory to impose higher fees and provide higher rebates in Non-Penny Pilot Securities than Penny Pilot Securities because Penny Pilot Securities and Non-Penny Pilot Securities have different liquidity, spread and trading characteristics. In particular, spreads in Penny Pilot Securities are tighter than those in Non-Penny Pilot Securities (which trade in increments of \$0.05 or greater). The wider spreads in Non-Penny Pilot Securities allow for greater profit potential.

In connection with the adoption of fees applicable to complex orders, the Exchange modified the description of Marketing Fees applicable on the Exchange to make clear that such fees do not apply to complex orders.²³ The Exchange proposes to expand the exclusions listed in this section to also exclude orders subject to BAM Pricing set forth in footnote 6 and Qualified Contingent Cross Orders. The Exchange believes this proposal is a reasonable and equitable allocation of fees and dues and is not unreasonably discriminatory because the rates for Market Makers for orders subject to BAM Pricing and Qualified Contingent Cross Orders are more reasonable and equitably allocated as an all-inclusive rate but would increase such rates to a level higher than that paid by other non-Customers if Marketing Fees were also assessed on such transactions.

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

The Exchange does not believe the proposed fee changes would impose any

²² See the Exchange's Fee Schedule, available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/; see also, e.g., MIAX Fee Schedule, NYSE Amex Options Fee Schedule.

²³ See supra, note 14.

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 tiered pricing structure, including the tiered pricing structure for complex orders, represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Rather, the Exchange believes the proposal will enhance competition as it is a competitive proposal that seeks to further the growth of the Exchange by encouraging Members to enter orders to the Exchange, including Customer orders generally and complex orders.

The Exchange's proposal to adopt complex order functionality was a competitive response to complex order books operated by other options exchanges. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges. While the proposed fees and rebates are intended to attract participation on the Exchange, particularly complex orders, the Exchange does not believe that its proposed pricing significantly departs from pricing in place on other options exchanges that accept complex orders. Accordingly, the Exchange does not believe that the proposal creates an undue burden on inter-market competition.

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because

competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed charges assessed and credits available to Members under the proposed tiered pricing structure do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition. If the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result and/or will be unable to attract participants to the Exchange or the COB. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial markets. Additionally, the changes proposed herein are pro-competitive to the extent that they allow the Exchange to promote and maintain the COB, which has the potential to result in efficient executions to the benefit of market participants.

The Exchange believes that the proposed change would increase both inter-market and intra-market competition by incentivizing members to direct their orders, and particularly Customer orders, to the Exchange, which benefits all market participants by providing more trading opportunities, which attracts Market Makers. To the extent that there is a differentiation between proposed fees assessed and rebates offered to Customers as opposed to other market participants, the Exchange believes that this is appropriate because the fees and rebates should incentivize Members to direct additional order flow to the Exchange and thus provide additional liquidity that enhances the quality

of its markets and increases the volume of contracts traded on the Exchange. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on 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 Act²⁴ and Rule 19b-4(f)(2) thereunder,²⁵ 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.

²⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁵ 17 CFR 240.19b-4(f)(2).

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

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

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-BatsEDGX-2017-50)

Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Cboe EDGX Exchange, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____, Cboe EDGX Exchange, Inc. (formerly known as 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 Act³ and Rule 19b-4(f)(2) thereunder,⁴ 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 Members⁵ and non-Members of the Exchange pursuant to EDGX Rules 15.1(a) and (c).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ 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.markets.cboe.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 modify the Fee Schedule applicable to the Exchange's equity options platform ("EDGX Options") to modify the existing tiered pricing structure on EDGX Options and adopt new tiers consistent with such tiered pricing, to adopt tiered pricing applicable to complex orders on EDGX Options, and to modify the Marketing Fees section of the Fee Schedule.⁶

Existing Tiered Pricing Structure

Customer Volume Tiers

The Exchange charges various reduced fees or enhanced rebates using a tiered

⁶ The Exchange initially filed the proposed rule changes on November 1, 2017 (SR-BatsEDGX-2017-49). On November 8, 2017 the Exchange withdrew SR-BatsEDGX-2017-49 and then subsequently submitted this filing (SR-BatsEDGX-2017-50).

pricing structure pursuant to footnotes set forth on the Fee Schedule. Under the tiers, Members that achieve certain volume criteria may qualify for reduced fees or enhanced rebates for their orders. As set forth in footnote 1, the Exchange offers enhanced rebates to qualifying Members for Customer⁷ orders pursuant to certain Customer Volume Tiers. The Exchange proposes to modify rebate provided and the criteria necessary to achieve Customer Volume Tier 4 and to adopt a new Customer Volume Tier 5.

Fee codes PC and NC are currently appended to all Customer orders in Penny Pilot Securities⁸ and Non-Penny Pilot Securities,⁹ respectively, and result in a standard rebate of \$0.05 per contract. The Customer Volume Tiers in footnote 1 consist of four separate tiers, each providing an enhanced rebate to a Member's Customer order that yields fee codes PC or NC upon satisfying monthly volume criteria required by the respective tier. For instance, pursuant to Customer Volume Tier 1, the lowest volume tier, a Member will currently receive a rebate of \$0.10 per contract where the Member has an ADV¹⁰ in Customer orders equal to or greater than 0.20% of average OCV.¹¹

⁷ “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:
https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

⁸ “Penny Pilot Securities” are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01. Id.

⁹ The term “Non-Penny Pilot Security” applies to those issues that are not Penny Pilot Securities quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01.

¹⁰ “ADV” means average daily volume calculated as the number of contracts added or removed, combined, per day. Additional details regarding the calculation of ADV are contained on the Exchange’s Fee Schedule. See the Exchange’s Fee Schedule available at:
https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

Pursuant to Customer Volume Tier 4, a Member currently will receive a rebate of \$0.21 per contract where: (i) the Member has an ADV in Customer orders equal to or greater than 0.05% of average OCV; and (ii) the Member has an ADV in Customer or Market Maker orders equal to or greater than 0.35% of average OCV. To encourage the entry of additional orders, the Exchange proposes to modify the first prong of the criteria necessary to achieve Customer Volume Tier 4 to require that the Member has an ADV in Customer orders equal to or greater than 0.15% of average OCV. The Exchange does not propose to modify the second prong, requiring the Member to have an ADV in Customer or Market Maker orders equal to or greater than 0.35% of average OCV. The Exchange also proposes to reduce the enhanced rebate provided under Customer Volume Tier 4 from a rebate of \$0.21 per contract to a rebate of \$0.16 per contract.

The Exchange also proposes to offer an additional Customer Volume Tier, Customer Volume Tier 5, to provide Members with another way to achieve the highest rebate for Customer orders, a rebate of \$0.21 per contract.¹² The Exchange proposes to adopt criteria for Tier 5 such that the enhanced rebate of \$0.21 per contract is provided to Members that have: (i) an ADV in Customer orders equal to or greater than 0.30% of

¹¹ “OCV” stands for “OCC Customer Volume” and means the total equity and ETF options volume that clears in the Customer range at the 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. See id.

¹² A rebate of \$0.21 per contract will continue to be available to Members that achieve the criteria for Customer Volume Tier 3, which the Exchange has not proposed to modify, but will no longer be available through Customer Volume Tier 4.

average OCV; and (ii) an ADV in Customer or Market Maker orders equal to or greater than 0.50% of average OCV.

Market Maker Volume Tiers

As set forth in footnote 2, the Exchange offers enhanced rebates to qualifying Members for Market Maker¹³ orders pursuant to certain Market Maker Volume Tiers. The Exchange proposes to modify the criteria necessary to achieve Market Maker Volume Tiers 7 and 8.

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

Pursuant to Market Maker Volume Tier 7, a Member will currently be charged a reduced fee of \$0.03 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.05% of average OCV; and (ii) Customer or Market Maker orders equal to or greater than 0.35% of average OCV. To encourage the entry of

¹³ "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). See the Exchange's Fee Schedule available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

additional orders to the Exchange, the Exchange proposes to modify the first prong of the criteria necessary to achieve Market Maker Volume Tier 7 to require that the Member has an ADV in Customer orders equal to or greater than 0.15% of average OCV. The Exchange does not propose to modify the second prong, requiring the Member to have an ADV in Customer or Market Maker orders equal to or greater than 0.35% of average OCV.

Pursuant to Market Maker Volume Tier 8, a Member will currently be charged a reduced fee of \$0.02 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.05% of average OCV; (ii) Customer or Market Maker orders equal to or greater than 0.35% of average OCV; and (iii) BAM Agency Orders¹⁴ equal to or greater than 10,000 contracts. The Exchange proposes to modify each of these criteria as follows: increase the ADV requirement of the first prong to 0.30% of average OCV, increase the ADV requirement of the second prong to 0.50% of average OCV, and increase the ADV requirement of the third prong to 25,000 contracts. In addition, the Exchange proposes to adopt a new prong also necessary to qualify for Market Maker Volume Tier 8, which is intended to incentivize the entry of complex orders to the Exchange. Specifically, in order to qualify for Market Maker Volume Tier 8, the Exchange also proposes to require a Member to have an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 5,000 contracts.

¹⁴ BAM Agency Orders are orders represented as agent by a Member on behalf of another party and submitted to BAM for potential price improvement pursuant to Rule 21.19. See the Exchange's Fee Schedule available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/.

Thus, as proposed, pursuant to Market Maker Volume Tier 8, a Member will be charged a reduced fee of \$0.02 per contract where the Member has an ADV in: (i) Customer orders equal to or greater than 0.30% of average OCV; (ii) Customer or Market Maker orders equal to or greater than 0.50% of average OCV; (iii) BAM Agency Orders equal to or greater than 25,000 contracts; and (iv) complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 5,000 contracts.

Tiered Pricing – Complex Orders

The Exchange recently began accepting complex orders in connection with the launch of the EDGX Options complex order book (“COB”).¹⁵ In turn, the Exchange adopted base fees and rebates applicable to complex orders to accommodate the acceptance of complex orders.¹⁶ The Exchange now proposes to adopt various tiers to incentivize the entry of complex orders to the Exchange. As noted above, the Exchange also proposes to add criteria to existing Market Maker Volume Tier 8 to incentivize the entry of complex orders to the Exchange.

Customer Volume Tiers – Complex Orders

Under the recently adopted fees, the Exchange applies fee code ZA to Customer complex orders that are executed on the COB with a non-Customer¹⁷ as the contra-party in Penny Pilot Securities and provides such orders a standard rebate of \$0.47 per contract.

¹⁵ See Securities Exchange Act Release No. 81891 (October 17, 2017) (SR-BatsEDGX-2017-29) (order approving rules for EDGX complex order book).

¹⁶ The Exchange initially filed to adopt complex order pricing on October 23, 2017 (SR-BatsEDGX-2017-42). On October 31, 2017 the Exchange withdrew SR-BatsEDGX-2017-42 and submitted a filing to replace such filing (SR-BatsEDGX-2017-48).

¹⁷ “Non-Customer” applies to any transaction that is not a Customer order. Id.

Similarly, the Exchange applies fee code ZB to Customer complex orders that are executed on the COB with a non-Customer as the contra-party in Non-Penny Pilot Securities and provides such orders a standard rebate of \$0.97 per contract.

The Exchange proposes to adopt two sets of tiers applicable to the Customer Volume Tiers under footnote 1 that would provide enhanced rebates for orders yielding fee codes ZA and ZB.

The Exchange proposes to provide enhanced rebates for orders yielding fee code ZA (i.e., Customer complex orders executed on the COB/non-Customer contra-party/Penny Pilot Securities) under Tiers 1 through 3. As proposed, pursuant to Tier 1 the Exchange would provide an enhanced rebate of \$0.48 per contract for Members with an ADV in Customer orders equal to or greater than 0.30% of average OCV. Pursuant to Tier 2 the Exchange would provide an enhanced rebate of \$0.49 per contract for Members with an ADV in Customer orders equal to or greater than 0.40% of average OCV. Pursuant to Tier 3 the Exchange would provide an enhanced rebate of \$0.50 per contract for Members with an ADV in Customer orders equal to or greater than 0.65% of average OCV.

The Exchange proposes to provide enhanced rebates for orders yielding fee code ZB (i.e., Customer complex orders executed on the COB/non-Customer contra-party/Non-Penny Pilot Securities) under Tiers 1 through 3 with criteria identical to that described above with respect to tiers applicable to fee code ZA (but rebates that are an enhancement to the standard rebate for orders yielding fee code ZB). Thus, pursuant to Tier 1 the Exchange would provide an enhanced rebate of \$0.98 per contract for Members with an ADV in Customer orders equal to or greater than 0.30% of average

OCV. Pursuant to Tier 2 the Exchange would provide an enhanced rebate of \$0.99 per contract for Members with an ADV in Customer orders equal to or greater than 0.40% of average OCV. Pursuant to Tier 3 the Exchange would provide an enhanced rebate of \$1.00 per contract for Members with an ADV in Customer orders equal to or greater than 0.65% of average OCV.

In connection with these changes, the Exchange proposes to append footnote 1 to fee codes ZA and ZB on the Fee Codes and Associated Fees table of the Fee Schedule.

Market Maker Volume Tiers – Complex Orders

Under the recently adopted fees, the Exchange applies fee code ZM to Market Maker complex orders that are executed on the COB with a Customer as the contra-party in Penny Pilot Securities and charges such orders a standard fee of \$0.50 per contract. The Exchange applies fee code ZN to Market Maker complex orders that are executed on the COB with a Customer as the contra-party in Non-Penny Pilot Securities and charges such orders a standard fee of \$1.10 per contract.

Similar to the new tiers proposed for footnote 1 as described above, the Exchange proposes to adopt new tiers under footnote 2 applicable to fee codes ZM and ZN, respectively. The Exchange proposes to adopt a single tier applicable to fee code ZM, Tier 1, under which the Exchange would charge a reduced fee of \$0.48 per contract for Members with an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 10,000 contracts. The Exchange proposes a similar tier applicable to fee code ZN, again Tier 1, under which the Exchange would charge a reduced fee of \$1.05 per contract for Members with an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) equal to or greater than 10,000 contracts.

In connection with these changes, the Exchange proposes to append footnote 2 to fee codes ZM and ZN on the Fee Codes and Associated Fees table of the Fee Schedule.

Marketing Fees

The Fee Schedule currently contains a section entitled “Marketing Fees” that specifies that marketing fees are charged to all Market Makers who are counterparties to a trade with a Customer. In connection with the recent adoption of fees applicable to complex orders, the Exchange specified that marketing fees shall not apply to executions of complex orders on the COB.¹⁸ The Exchange proposes to extend this exclusion to orders subject to BAM Pricing set forth in footnote 6 and Qualified Contingent Cross Orders. The Exchange notes with respect to the proposed language regarding BAM Pricing that certain orders executed through BAM are assessed standard fee rates as set forth in footnote 6 and that marketing fees will continue to be assessed for such transactions. Accordingly, the Exchange has proposed to limit the exclusion from marketing fees being assessed to those orders that are subject to BAM Pricing and not all orders executed through BAM.

Implementation Date

The Exchange proposes to implement the proposed changes immediately.

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

¹⁸ See supra, note 16.

Act.¹⁹ Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,²⁰ 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.

In sum, the Exchange believes that the proposed fee and rebate structure is designed to promote the growth of EDGX Options, including the EDGX Options COB, which benefits all market participants by providing additional trading opportunities. The goal is to attract both Customers and liquidity providers and an increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow originating from other market participants.

Volume-based rebates such as those currently maintained on the Exchange have been widely adopted by options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. The proposed modifications to the existing Customer Volume Tiers and Market Maker Volume tiers that make such tiers more difficult to attain are each intended to incentivize Members to send additional Customer and/or Market Maker orders to the Exchange, and in the case of Market Maker Volume Tier 8, also to encourage the submission of complex orders to the Exchange in an effort to qualify or

¹⁹ 15 U.S.C. 78f.

²⁰ 15 U.S.C. 78f(b)(4).

continue to qualify for the enhanced rebate or lower fee made available by the tiers. With respect to the reduction of the rebate provided for Customer Volume Tier 4, this change is reasonable, fair and equitable because the Exchange is adopting an additional Tier, Tier 5, as another means to achieve the rebate previously provided by Tier 4 (in addition to Tier 3, which also provides such rebate and remains unchanged). With respect to Tier 5, the Exchange believes this Tier is reasonable, equitably allocated and non-discriminatory for the reasons set forth regarding tiered pricing generally, and also because the proposed tier is consistent with existing Tier 4 (which the Exchange has proposed to modify), only with higher criteria and a higher rebate as an incentive to achieve such criteria.

The Exchange's recent launch of a complex order book is a competitive offering, and the Exchange believes it is necessary to adopt certain incentives to encourage Members to enter complex orders to the Exchange. In particular, the Exchange believes that incentivizing the submission of Customer orders to the Exchange, including the Exchange's COB, will help to grow participation in the COB generally, and that providing enhanced rebates and reduced fees for such participation will help to grow liquidity on the COB to the benefit of all participants on the Exchange. The proposed criteria for each tier applicable to complex orders is in-line with existing criteria on the Exchange as well as criteria proposed herein, and does not represent a significant departure in pricing applied by the Exchange. Similarly, the enhanced rebates and reduced fees provide modest incentives to Members to increase their participation on the Exchange generally, including the submission of complex orders.

The Exchange believes that the proposed tiers are reasonable, fair and equitable, and non-discriminatory, for the reasons set forth above with respect to volume-based

pricing generally and because such changes will incentivize participants to further contribute to market quality. The proposed tiers will provide an additional way for market participants to qualify for enhanced rebates or reduced fees. Further, the COB is fully available to all Members, and the proposed thresholds are intended to encourage Members to do the development work necessary to participate on the COB and send complex orders to the Exchange.

Continuing to provide Customer orders a rebate for complex orders, including a potentially enhanced rebate, while assessing Non-Customers a fee for complex orders, is reasonable because of the desirability of Customer activity. The proposed fees and rebates for complex orders continue to be intended to encourage greater Customer volume on the Exchange. As set forth above, Customer activity enhances liquidity on the Exchange for the benefit of all market participants and benefits all market participants by providing more trading opportunities, which attracts market makers and other liquidity providers. The fee and rebate schedule as proposed continues to reflect differentiation among different market participants typically found in options fee and rebate schedules.²¹ The Exchange believes that the differentiation is reasonable and notes that unlike others (e.g., Customers) some market participants like EDGX Options Market Makers commit to various obligations. For example, transactions of an EDGX Options Market Maker must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or

²¹ See the Exchange's Fee Schedule, [available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/](https://markets.cboe.com/us/options/membership/fee_schedule/edgx/); see also, e.g., MIAX Fee Schedule, NYSE Amex Options Fee Schedule, BX Options Fee Schedule and Nasdaq Options Market Fee Schedule.

offers or enter into transactions that are inconsistent with such course of dealings.²²

Further, all Market Makers are designated as specialists on EDGX Options for all purposes under the Act or rules thereunder.²³

Continuing to provide a rebate for Customer orders and a fee for Non-Customer Orders is also equitable and not unfairly discriminatory. This is because the Exchange's proposal to provide rebates and assess fees will apply the same to all similarly situated participants. Moreover, all similarly situated complex orders are subject to the same proposed Fee Schedule, and access to the Exchange is offered on terms that are not unfairly discriminatory. Similarly, the Exchange believes that providing different rates for Penny Pilot Securities and Non-Penny Pilot Securities is well-established in the options industry, including on the Exchange's current fee schedule.²⁴ The Exchange believes it is reasonable, equitably allocated and non-discriminatory to impose higher fees and provide higher rebates in Non-Penny Pilot Securities than Penny Pilot Securities because Penny Pilot Securities and Non-Penny Pilot Securities have different liquidity, spread and trading characteristics. In particular, spreads in Penny Pilot Securities are tighter than those in Non-Penny Pilot Securities (which trade in increments of \$0.05 or greater). The wider spreads in Non-Penny Pilot Securities allow for greater profit potential.

In connection with the adoption of fees applicable to complex orders, the Exchange modified the description of Marketing Fees applicable on the Exchange to

²² See Exchange Rule 22.5, entitled "Obligations of Market Makers".

²³ See Exchange Rule 22.2, entitled "Options Market Maker Registration and Appointment".

²⁴ See the Exchange's Fee Schedule, available at: https://markets.cboe.com/us/options/membership/fee_schedule/edgx/; see also, e.g., MIAX Fee Schedule, NYSE Amex Options Fee Schedule.

make clear that such fees do not apply to complex orders.²⁵ The Exchange proposes to expand the exclusions listed in this section to also exclude orders subject to BAM Pricing set forth in footnote 6 and Qualified Contingent Cross Orders. The Exchange believes this proposal is a reasonable and equitable allocation of fees and dues and is not unreasonably discriminatory because the rates for Market Makers for orders subject to BAM Pricing and Qualified Contingent Cross Orders are more reasonable and equitably allocated as an all-inclusive rate but would increase such rates to a level higher than that paid by other non-Customers if Marketing Fees were also assessed on such transactions.

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

The Exchange does not believe the proposed fee changes would 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 tiered pricing structure, including the tiered pricing structure for complex orders, represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Rather, the Exchange believes the proposal will enhance competition as it is a competitive proposal that seeks to further the growth of the Exchange by encouraging Members to enter orders to the Exchange, including Customer orders generally and complex orders.

The Exchange's proposal to adopt complex order functionality was a competitive response to complex order books operated by other options exchanges. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges. While the proposed fees and rebates are intended to attract

²⁵ See supra, note 16.

participation on the Exchange, particularly complex orders, the Exchange does not believe that its proposed pricing significantly departs from pricing in place on other options exchanges that accept complex orders. Accordingly, the Exchange does not believe that the proposal creates an undue burden on inter-market competition.

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In terms of inter-market competition, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. In such an environment, the Exchange must continually adjust its fees to remain competitive with other exchanges. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

In this instance, the proposed charges assessed and credits available to Members under the proposed tiered pricing structure do not impose a burden on competition because the Exchange's execution services are completely voluntary and subject to extensive competition. If the changes proposed herein are unattractive to market participants, it is likely that the Exchange will lose market share as a result and/or will be unable to attract participants to the Exchange or the COB. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of members or competing order execution venues to maintain their competitive standing in the financial

markets. Additionally, the changes proposed herein are pro-competitive to the extent that they allow the Exchange to promote and maintain the COB, which has the potential to result in efficient executions to the benefit of market participants.

The Exchange believes that the proposed change would increase both inter-market and intra-market competition by incentivizing members to direct their orders, and particularly Customer orders, to the Exchange, which benefits all market participants by providing more trading opportunities, which attracts Market Makers. To the extent that there is a differentiation between proposed fees assessed and rebates offered to Customers as opposed to other market participants, the Exchange believes that this is appropriate because the fees and rebates should incentivize Members to direct additional order flow to the Exchange and thus provide additional liquidity that enhances the quality of its markets and increases the volume of contracts traded on the Exchange. To the extent that this purpose is achieved, all the Exchange's market participants should benefit from the improved market liquidity. Enhanced market quality and increased transaction volume that results from the anticipated increase in order flow directed to the Exchange will benefit all market participants and improve competition on 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 Act²⁶ and paragraph (f) of Rule 19b-4 thereunder.²⁷ 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. Please include File No. SR-BatsEDGX-2017-50 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-2017-50. 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

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f).

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-BatsEDGX-2017-50 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.²⁸

Robert W. Errett
Deputy Secretary

²⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

Cboe EDGX Options Exchange Fee Schedule

Effective November [1]8, 2017

* * * * *

Fee Codes and Associated Fees:

Fee Code	Description	Fee/(Rebate)
BA ⁶ - RR	(No change).	
ZA ^{1,8}	Complex order, Customer (contra Non-Customer), Penny	(0.47)
ZB ^{1,8}	Complex order, Customer (contra Non-Customer), Non-Penny	(0.97)
ZC ⁸ - ZJ ⁸	(No change).	
ZM ^{2,8}	Complex order, Market Maker (contra Customer), Penny	0.50
ZN ^{2,8}	Complex order, Market Maker (contra Customer), Non-Penny	1.10
ZR ⁸ - ZT ⁸	(No change).	

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Footnotes:**¹ Customer Volume Tiers**

Applicable to fee codes PC and NC.

Tier	Rebate Per Contract	Required Criteria
Tier 1 –Tier 3	(No change).	
Tier 4	(\$[0.21]0.16)	(1) Member has an ADV in Customer orders \geq [0.05]0.15% of average OCV; and (2) Member has an ADV in Customer or Market Maker orders \geq 0.35% of average OCV
<u>Tier 5</u>	<u>(\$0.21)</u>	(1) <u>Member has an ADV in Customer orders \geq 0.30% of average OCV;</u> <u>and</u> (2) <u>Member has an ADV in Customer or Market Maker orders \geq 0.50%</u>

		<u>of average OCV</u>
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Applicable to fee code ZA.

<u>Complex Customer Penny Tier</u>	<u>Rebate Per Contract</u>	<u>Required Criteria</u>
<u>Tier 1</u>	<u>(\$0.48)</u>	<u>Member has an ADV in Customer orders \geq 0.30% of average OCV</u>
<u>Tier 2</u>	<u>(\$0.49)</u>	<u>Member has an ADV in Customer orders \geq 0.40% of average OCV</u>
<u>Tier 3</u>	<u>(\$0.50)</u>	<u>Member has an ADV in Customer orders \geq 0.65% of average OCV</u>

Applicable to fee code ZB.

<u>Complex Customer Non-Penny Tier</u>	<u>Rebate Per Contract</u>	<u>Required Criteria</u>
<u>Tier 1</u>	<u>(\$0.98)</u>	<u>Member has an ADV in Customer orders \geq 0.30% of average OCV</u>
<u>Tier 2</u>	<u>(\$0.99)</u>	<u>Member has an ADV in Customer orders \geq 0.40% of average OCV</u>
<u>Tier 3</u>	<u>(\$1.00)</u>	<u>Member has an ADV in Customer orders \geq 0.65% of average OCV</u>

² Market Maker Volume Tiers

Applicable to fee codes PM and NM.

Tier	Fee/Rebate Per Contract	Required Criteria
Tier 1 - Tier 6	(No change).	
Tier 7	\$0.03	(1) Member has an ADV in Customer orders \geq [0.05]0.15% of average OCV; and (2) Member has an ADV in Customer

		or Market Maker orders \geq 0.35% of average OCV
Tier 8	\$0.02	(1) Member has an ADV in Customer orders \geq [0.05] 0.30 % of average OCV; (2) Member has an ADV in Customer or Market Maker orders \geq [0.35] 0.50 % of average OCV; [and] (3) Member has an ADV in BAM Agency Orders \geq [10,000] 25,000 contracts; and (4) Member has an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) \geq 5,000 contracts

Applicable to fee code ZM.

<u>Complex Market Maker Penny Tier</u>	<u>Fee/Rebate Per Contract</u>	<u>Required Criteria</u>
<u>Tier 1</u>	<u>\$0.48</u>	<u>Member has an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) \geq 10,000 contracts</u>

Applicable to fee code ZN.

<u>Complex Market Maker Non-Penny Tier</u>	<u>Fee/Rebate Per Contract</u>	<u>Required Criteria</u>
<u>Tier 1</u>	<u>\$1.05</u>	<u>Member has an ADV in complex Customer orders (yielding fee codes ZA, ZB, ZC, or ZD) \geq 10,000 contracts</u>

3-8 (No change).

Marketing Fees:

* * * * *

- Marketing fees are charged to all Market Makers who are counterparties to a trade with a Customer. Marketing fees shall not apply to executions of: orders subject to BAM Pricing set forth in footnote 6, Qualified Contingent Cross Orders, or complex orders on the Exchange's complex order book.

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