

Required fields are shown with yellow backgrounds and asterisks.

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

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

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

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

The Exchange proposes a rule change to update BZX Rules 21.1, 21.7 and 21.9 to align the Exchange's rules and functionality applicable to the Exchange's Options Platform, BZX Options, with the Exchange's affiliated Options Platform, EDGX Options, which is operated by Bats EDGX Exchange, Inc.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Anders	Last Name * Franzon
Title * SVP, Associate General Counsel	
E-mail * afranzon@bats.com	
Telephone * (913) 815-7154	Fax <input type="text"/>

**Signature**

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

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

(Title \*)

Date 09/19/2016	SVP, Associate General Counsel
By Anders Franzon	<input type="text"/>
(Name *)	

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 the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> Bats BZX Exchange, Inc. (the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposal to update Rules 21.1, 21.7 and 21.9 to align the Exchange’s rules and functionality applicable to the Exchange’s options platform (“BZX Options”) with the Exchange’s affiliated options platform (“EDGX Options”), which is operated by Bats EDGX Exchange, Inc. (“EDGX”). The Exchange has designated this proposal as a non-controversial filing and requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup> If such waiver is granted by the Commission, the Exchange shall implement this rule proposal immediately.

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

(b) Not applicable

(c) Not applicable

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

Anders Franzon  
SVP, Associate General Counsel  
(913) 815-7154

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

(a) Purpose

The Exchange proposes to make two changes to the Exchange's rules and functionality applicable to the BZX Options as described below. The changes are being proposed in order to allow the Exchange to conform certain functionality between BZX Options and EDGX Options.

First, the Exchange proposes to eliminate "WAIT" orders, which are orders that when entered into the System,<sup>4</sup> the order is held for one second without processing for potential display and/or execution. After one second, an order designated as "WAIT" is processed for potential display and/or execution in accordance with all order entry instructions as determined by the entering party. WAIT orders were originally adopted by the Exchange based on similar functionality available on other options exchanges and were intended to enhance compliance with the order exposure requirement set forth in

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<sup>4</sup> Exchange Rule 16.1(a)(59) defines "System" as "the automated trading system used by BZX Options for the trading of options contracts."

Rule 22.12 (Order Exposure Requirements). Rule 22.12 prohibits Options Members<sup>5</sup> from executing as principal on BZX Options orders they represent as agent unless (i) agency orders are first exposed on BZX Options for at least one (1) second or (ii) the Options Member has been bidding or offering on BZX Options for at least one (1) second prior to receiving an agency order that is executable against such bid or offer (the “Order Exposure Rule”).

Although the Order Exposure Rule still applies on BZX Options and the Exchange is not proposing any changes to such rule in connection with this proposal, Options Members have other means to comply with the Rule, including programming their own systems to comply, and very rarely use orders with a time-in-force of WAIT. Further, such orders are not offered by EDGX Options. Accordingly, the Exchange proposes to stop offering WAIT orders on BZX Options and to eliminate reference to such orders from Rule 21.1 (Definitions). In connection with this change, the Exchange proposes to remove reference to WAIT orders from the Exchange’s rule regarding the opening procedures on the Exchange, Rule 21.7 (Market Opening Procedures).

Second, the Exchange proposes to modify the “Aggressive” Re-Route instruction contained in Exchange Rule 21.9 (Order Routing) to align the operation of such functionality with that offered by EDGX Options. Under the current Aggressive Re-Route instruction on BZX Options, set forth in Rule 21.9(a)(3)(A), to the extent the unfilled balance of a routable order has been posted to the BZX Options Book pursuant to

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<sup>5</sup> An Options Member is defined as “a firm, or organization that is registered with the Exchange pursuant to Chapter XVII of these Rules for purposes of participating in options trading on BZX Options as an ‘Options Order Entry Firm’ or ‘Options Market Maker.’” See Exchange Rule 16.1(a)(38).

paragraph (a)(2), should the order subsequently be *locked or crossed* by another accessible options exchange, the System shall route the order to the locking or crossing options exchange if the User<sup>6</sup> has selected the Aggressive Re-Route instruction. In contrast, on EDGX Options, the Aggressive Re-Route instruction routes an order posted to EDGX Options only if such order is subsequently *crossed* by another accessible options exchange. The Exchange proposes to modify the Aggressive Re-Route instruction to mirror the behavior offered on EDGX Options such that an order posted to BZX Options that has been flagged with the Aggressive Re-Route instruction will only be routed away to the extent such order is subsequently crossed by another accessible options exchange.

Although the Exchange intentionally offers certain features that differ from those offered by EDGX Options and will continue to do so, the Exchange believes that offering similar functionality on both EDGX Options and BZX Options to the extent practicable will reduce potential confusion for Users.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>8</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to

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<sup>6</sup> A User is defined as “any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access).” See Exchange Rule 16.1(a)(63).

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

<sup>8</sup> 15 U.S.C. 78f(b)(5).

and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

Consistent rules and functionality between the Exchange and EDGX will reduce complexity and help avoid potential confusion by the Users of the Exchange that are also participants on EDGX. The Exchange again notes that WAIT orders are very rarely used by Users of BZX Options and that such orders are not offered by EDGX Options. Like WAIT orders, the Aggressive Re-Route instruction is very rarely used. The Exchange also notes that the proposed changes to the Aggressive Re-Route instruction are based on EDGX rules and will result in consistent functionality between BZX Options and EDGX Options.

Also, with respect to the current implementation of Aggressive and Super Aggressive functionality, the Exchange notes that this implementation is due to a change previously made to the functionality that was primarily made by the Exchange in order to keep functionality consistent on BZX Options with the Exchange's equity securities platform ("BZX Equities").<sup>9</sup> Although as implemented on BZX Equities both Aggressive and Super Aggressive Re-Route functionality re-routes if an order is locked or crossed, there are other differences between the two features make the Super Aggressive option more aggressive. These differences, however, are not applicable to BZX Options and therefore Aggressive and Super Aggressive are redundant options. The proposed change will again make the Aggressive feature less aggressive than Super

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<sup>9</sup> See Securities Exchange Act Release No. 76623 (December 11, 2015), 80 FR 78800 (December 17, 2015) (SR-BATS-2015-112) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.13(b)(4)(A) and 21.9(a)(3)(A), Amending Aggressive Re-Route Instruction).

Aggressive, such that an order marked for Aggressive Re-Route will re-route an order only such order is crossed. A User who wishes to achieve the current Aggressive functionality to have the Exchange re-route an order if it is locked or crossed can instead select the Super Aggressive instruction.

The Exchange believes the proposed amendment will reduce complexity and increase the understanding of the Exchange's operations for all Users of the Exchange. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed rule changes do not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on EDGX Options already.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposal will further promote consistency between the Exchange and EDGX, thereby reducing complexity and avoiding potential confusion by Users of the Exchange that are also participants on EDGX. The Exchange does not believe that either of the proposed changes will have any direct impact on competition. Thus, the Exchange does not believe that the proposal creates any significant impact on competition.

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

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

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>10</sup> and paragraph (f)(6) thereunder.<sup>11</sup> The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest; (2) will not impose any significant burden on competition; and (3) will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.<sup>12</sup>

The Exchange believes that the proposed rule change is particularly appropriate for filing on an immediately effective basis under paragraph (f)(6) of Rule 19b-4. As described above, the rule changes proposed herein are to eliminate a very rarely used

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

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

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

time-in-force and routing instruction and are based on EDGX rules. Further, the Exchange does not believe that the proposal raises any new policy issues. Because this filing is based on rules currently in place for EDGX and does not present any new or novel issues that have not been previously considered by the Commission, the Exchange believes this proposal is properly filed pursuant to paragraph (f)(6) of Rule 19b-4.<sup>13</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests that the Commission waive the noted operative delay so that the Exchange may, as soon as possible, implement the changes proposed by this filing. The Exchange notes that the proposal will provide consistent functionality between the Exchange and EDGX, thereby reducing complexity by avoiding potential confusion by Users of the Exchange that are also participants on EDGX. Therefore, allowing the Exchange to adopt these changes without an operative delay is consistent with the protection of investors and the public interest.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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: (i) necessary or appropriate in the public interest; (ii) for

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<sup>13</sup> 17 CFR 240.19b-4(f)(6).

the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

As noted above, WAIT orders are not offered by EDGX Options and the proposed changes to Rules 21.1 and 21.7 are based on the rules of EDGX, specifically Rules 21.1 and 21.7, respectively. The proposed rule change to Rule 21.9 is based on and is substantially similar in all material respects to EDGX Rule 21.9.

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.

Exhibits 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BatsBZX-2016-59)

Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Update BZX Rules 21.1, 21.7 and 21.9 to Align the Exchange's Rules and Functionality Applicable to the Exchange's Options Platform, BZX Options, with the Exchange's Affiliated Options Platform, EDGX Options, which is Operated by Bats EDGX Exchange, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, Bats BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to update Rules 21.1, 21.7 and 21.9 to align the Exchange's rules and functionality applicable to the Exchange's options platform ("BZX Options") with the Exchange's affiliated options platform ("EDGX Options"), which is operated by Bats EDGX Exchange, Inc. ("EDGX"). The Exchange has designated this

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

<sup>2</sup> 17 CFR 240.19b-4.

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

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

proposal as a non-controversial filing and requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>5</sup> If such waiver is granted by the Commission, the Exchange shall implement this rule proposal immediately.

The text of the proposed rule change is available at the Exchange's website at [www.batstrading.com](http://www.batstrading.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to make two changes to the Exchange's rules and functionality applicable to the BZX Options as described below. The changes are being proposed in order to allow the Exchange to conform certain functionality between BZX Options and EDGX Options.

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<sup>5</sup> 17 CFR 240.19b-4(f)(6)(iii).

First, the Exchange proposes to eliminate “WAIT” orders, which are orders that that when entered into the System,<sup>6</sup> the order is held for one second without processing for potential display and/or execution. After one second, an order designated as “WAIT” is processed for potential display and/or execution in accordance with all order entry instructions as determined by the entering party. WAIT orders were originally adopted by the Exchange based on similar functionality available on other options exchanges and were intended to enhance compliance with the order exposure requirement set forth in Rule 22.12 (Order Exposure Requirements). Rule 22.12 prohibits Options Members<sup>7</sup> from executing as principal on BZX Options orders they represent as agent unless (i) agency orders are first exposed on BZX Options for at least one (1) second or (ii) the Options Member has been bidding or offering on BZX Options for at least one (1) second prior to receiving an agency order that is executable against such bid or offer (the “Order Exposure Rule”).

Although the Order Exposure Rule still applies on BZX Options and the Exchange is not proposing any changes to such rule in connection with this proposal, Options Members have other means to comply with the Rule, including programming their own systems to comply, and very rarely use orders with a time-in-force of WAIT. Further, such orders are not offered by EDGX Options. Accordingly, the Exchange proposes to stop offering WAIT orders on BZX Options and to eliminate reference to

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<sup>6</sup> Exchange Rule 16.1(a)(59) defines “System” as “the automated trading system used by BZX Options for the trading of options contracts.”

<sup>7</sup> An Options Member is defined as “a firm, or organization that is registered with the Exchange pursuant to Chapter XVII of these Rules for purposes of participating in options trading on BZX Options as an ‘Options Order Entry Firm’ or ‘Options Market Maker.’” See Exchange Rule 16.1(a)(38).

such orders from Rule 21.1 (Definitions). In connection with this change, the Exchange proposes to remove reference to WAIT orders from the Exchange's rule regarding the opening procedures on the Exchange, Rule 21.7 (Market Opening Procedures).

Second, the Exchange proposes to modify the "Aggressive" Re-Route instruction contained in Exchange Rule 21.9 (Order Routing) to align the operation of such functionality with that offered by EDGX Options. Under the current Aggressive Re-Route instruction on BZX Options, set forth in Rule 21.9(a)(3)(A), to the extent the unfilled balance of a routable order has been posted to the BZX Options Book pursuant to paragraph (a)(2), should the order subsequently be *locked or crossed* by another accessible options exchange, the System shall route the order to the locking or crossing options exchange if the User<sup>8</sup> has selected the Aggressive Re-Route instruction. In contrast, on EDGX Options, the Aggressive Re-Route instruction routes an order posted to EDGX Options only if such order is subsequently *crossed* by another accessible options exchange. The Exchange proposes to modify the Aggressive Re-Route instruction to mirror the behavior offered on EDGX Options such that an order posted to BZX Options that has been flagged with the Aggressive Re-Route instruction will only be routed away to the extent such order is subsequently crossed by another accessible options exchange.

Although the Exchange intentionally offers certain features that differ from those offered by EDGX Options and will continue to do so, the Exchange believes that offering similar functionality on both EDGX Options and BZX Options to the extent practicable

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<sup>8</sup> A User is defined as "any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access)." See Exchange Rule 16.1(a)(63).

will reduce potential confusion for Users.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

Consistent rules and functionality between the Exchange and EDGX will reduce complexity and help avoid potential confusion by the Users of the Exchange that are also participants on EDGX. The Exchange again notes that WAIT orders are very rarely used by Users of BZX Options and that such orders are not offered by EDGX Options. Like WAIT orders, the Aggressive Re-Route instruction is very rarely used. The Exchange also notes that the proposed changes to the Aggressive Re-Route instruction are based on EDGX rules and will result in consistent functionality between BZX Options and EDGX Options.

Also, with respect to the current implementation of Aggressive and Super Aggressive functionality, the Exchange notes that this implementation is due to a change previously made to the functionality that was primarily made by the Exchange in order to keep functionality consistent on BZX Options with the Exchange's equity securities

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

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

platform (“BZX Equities”).<sup>11</sup> Although as implemented on BZX Equities both Aggressive and Super Aggressive Re-Route functionality re-routes if an order is locked or crossed, there are other differences between the two features make the Super Aggressive option more aggressive. These differences, however, are not applicable to BZX Options and therefore Aggressive and Super Aggressive are redundant options. The proposed change will again make the Aggressive feature less aggressive than Super Aggressive, such that an order marked for Aggressive Re-Route will re-route an order only such order is crossed. A User who wishes to achieve the current Aggressive functionality to have the Exchange re-route an order if it is locked or crossed can instead select the Super Aggressive instruction.

The Exchange believes the proposed amendment will reduce complexity and increase the understanding of the Exchange’s operations for all Users of the Exchange. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system. The proposed rule changes do not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on EDGX Options already.

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

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<sup>11</sup> See Securities Exchange Act Release No. 76623 (December 11, 2015), 80 FR 78800 (December 17, 2015) (SR-BATS-2015-112) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.13(b)(4)(A) and 21.9(a)(3)(A), Amending Aggressive Re-Route Instruction).

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposal will further promote consistency between the Exchange and EDGX, thereby reducing complexity and avoiding potential confusion by Users of the Exchange that are also participants on EDGX. The Exchange does not believe that either of the proposed changes will have any direct impact on competition. Thus, the Exchange does not believe that the proposal creates any significant impact on competition.

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

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

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

Because the foregoing proposed rule change does not: (A) significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, become operative for 30 days from the date on which it was filed or such shorter time as the Commission may designate it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>13</sup> the Exchange has designated this rule filing as non-controversial. The Exchange has given the Commission written notice of its intent to file the proposed rule

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4.

change, along with a brief description and text of the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BatsBZX-2016-59 on the subject line.

##### Paper Comments:

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

All submissions should refer to File No. SR-BatsBZX-2016-59. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website

<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-BatsBZX-2016-59 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>14</sup>

Robert W. Errett  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

**Rules of Bats BZX Exchange, Inc.**

\* \* \* \* \*

**CHAPTER XXI. TRADING SYSTEMS**

## Rule 21.1. Definitions

(No change.)

(a)–(e) (No changes.)

(f) (No change.)

(1)–(3) (No changes.)

(4) [“WAIT” shall mean for orders so designated, that upon entry into the System, the order is held for one second without processing for potential display and/or execution. After one second, the order is processed for potential display and/or execution in accordance with all order entry instructions as determined by the entering party.](Reserved.)

(5) (No change.)

(g)–(j) (No change.)

\* \* \* \* \*

## Rule 21.7. Market Opening Procedures

(a) The Exchange will accept market and limit orders and quotes for inclusion in the opening process (the “Opening Process”) beginning at 7:30 am Eastern Time or immediately upon trading being halted in an option series due to the primary listing market for the applicable underlying security declaring a regulatory trading halt, suspension, or pause with respect to such security (a “Regulatory Halt”) and will continue to accept market and limit orders and quotes until such time as the Opening Process is initiated in that option series (the “Order Entry Period”), other than index options. The Exchange will not accept IOC[, ]or FOK [or WAIT] orders for queuing prior to the completion of the Opening Process. The Exchange will convert all ISOs entered for queuing prior to the completion of the Opening Process into non-ISOs. Where a User has entered instructions not to cancel its open orders upon a halt pursuant to Rule 20.3(b), such orders will be queued for participation in the Opening Process for a Regulatory

Halt or will be cancelled for a halt that is not a Regulatory Halt. Where trading is halted pursuant to Rule 20.3, but it is not due to a Regulatory Halt, there will be no Order Entry Period and trading shall be resumed upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading. Orders entered during the Order Entry Period will not be eligible for execution until the Opening Process occurs. After the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan ("First Listing Market Transaction") or the Regulatory Halt has been lifted, the related option series will be opened automatically as follows:

\* \* \* \* \*

Rule 21.9. Order Routing

(a) (No change.)

(1) – (2) (No changes.)

(3) (No change.)

(A) Aggressive. To the extent the unfilled balance of a routable order has been posted to the BZX Options Book pursuant to paragraph (a)(2) above, should the order subsequently be [locked or] crossed by another accessible options exchange, the System shall route the order to the [locking or] crossing options exchange if the User has selected the Aggressive Re-Route instruction.

(B) (No change.)

(b)–(f) (No changes.)

\* \* \* \* \*