OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response............38

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2016 - * 17
Amendment No. (req. for Amendments *)

Filing by Bats EDGX Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

The Exchange proposed a rule change to amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d) and add subparagraph (4) to Rule 21.1(h) modifying the operation of orders subject to the display price sliding process when a contra-side Post Only Order is received by the Bats EDGX Exchange Options Platform.

Contact Information

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

First Name * Chris Last Name * Solgan

Title * Assistant General Counsel

E-mail * csolgan@bats.com

Telephone * (646) 856-8723 Fax

Signature

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

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

Date 05/03/2016

By Chris Solgan

(Name *)

(Title *)

Assistant General Counsel

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.

csolgan@bats.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add Remove View	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 * Add Remove View	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 * Add Remove View	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 Add Remove View 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 Add Remove View 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 Add Remove View	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 Add Remove View	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 Add Remove View	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] Bats EDGX Exchange, Inc. f/k/a EDGX Exchange, Inc. (the "Exchange" or "EDGX") is filing with the Securities and Exchange Commission ("Commission") a proposal to: (i) amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d); and (ii) add subparagraph (4) to Rule 21.1(h) modifying the operation of orders subject to the display price sliding process when a contra-side Post Only Order[3] is received by the Exchange's options platform ("EDGX Options"). The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.[4]

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

---

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Exchange Rule 21.1(d)(8).

4 17 CFR 240.19b-4(f)(6)(iii).

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

Eric Swanson	Chris Solgan
EVP, General Counsel	Assistant General Counsel
(913) 815-7000	(646) 856-8723

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

(a) Purpose

The Exchange is proposing to: (i) amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d); and (ii) add subparagraph (4) to Rule 21.1(h) modifying the operation of orders subject to the display price sliding process when a contra-side Post Only Order is received by EDGX Options.

Price Improving Orders

Price Improving Orders are orders to buy or sell an option at a specified price at an increment smaller than the minimum price variation in the security.[5] Price Improving Orders may be entered in increments as small as (1) one cent. Price Improving Orders are displayed at the minimum price variation in the security and shall be rounded up for sell orders and rounded down for buy orders. Unless a User[6] has entered instructions not to do so, Price Improving Orders are subject to the "display-price sliding process" described in current Rule 21.1(h).

As described above, Price Improving Orders may be priced at an increment

---

5 See Exchange Rule 21.1(d)(6).

6 The term "User" means 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).

smaller than the minimum price variation in the security (i.e., for options priced in five (5) cent or ten (10) cent increments, an order priced at 1.03 is not a permissible increment for display). This may result in the order being ranked on the EDGX Options Book[7] non-displayed at a price increment smaller than the security's minimum price variation. The Exchange proposes to amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d) to prevent Price Improving Orders subject to the Price Adjust process[8] from being ranked at a non-displayed price on the EDGX Options Book. The Exchange also proposes to amend subparagraph (6) to Rule 21.1(d) to clarify how Price Improving Orders subject to the display price sliding process are currently handled on the EDGX Options Book.

First, the Exchange proposes to amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d) to prevent Price Improving Orders subject to the Price Adjust process from being ranked at a non-displayed price on the EDGX Options Book. Under the Price Adjust process, an order that, at the time of entry, would lock or cross a Protected Quotation of another options exchange or the Exchange will be ranked and displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers). This could result in Price Improving Orders in securities with minimum quoting increments of five (5) or ten (10) cents[9] that the User elected to be subject to the Price Adjust process to be

---

7 "EDGX Options Book" is defined as "the electronic book of options orders maintained by the Trading System." See Exchange Rule 16.1(a)(9).

8 See Exchange Rule 21.1(i).

9 See Exchange Rule 21.5 for a description of the Exchange's Minimum Increments.

ranked on the EDGX Options Book at a non-displayed price. To prevent such orders from being ranked at a non-displayed price, the Exchange proposes to amend subparagraph (6) to Rule 21.1(d) to state that Price Improving Orders subject to the Price Adjust process will be ranked at the displayed price. Thus, other than a potential execution against contra-side liquidity when entered, a Price Improving Order subject to the Price Adjust process will no longer be priced at an increment smaller than the minimum price variation in the security.

The following examples describe the proposed operation of Price Improving Orders subject to the Price Adjust process.

Assume the NBBO is $1.00 x $1.05 and that the security's minimum quoting increment is five (5) cents. Further assume that there is no liquidity to sell resting on the EDGX Options Book at a price below $1.05. A Price Improving Order to buy priced at $1.03 is entered and the User has elected the Price Adjust process. Under current functionality, the order will be ranked, non-displayed on the EDGX Options Book at $1.03, the price of the order, and displayed at $1.00. As proposed, the order would be ranked and displayed at $1.00, the displayed price.

Assume the same example as above except that when the Price Improving Order is entered (i.e., an order to buy priced at $1.03 subject to the Price Adjust process) there is a resting Price Improving Order to sell ranked at a price of $1.03 (i.e., an order subject to the display price sliding process). In this case, the Price Improving Order subject to the Price Adjust process would execute upon entry against the resting order at $1.03.

The Exchange also proposes to amend subparagraph (6) to Rule 21.1(d) to clarify how Price Improving Orders subject to the display price sliding process are currently handled on the EDGX Options Book. While the Exchange believes the current operation of Price Improving Orders is clear based on existing rules, the Exchange believes this clarification is necessary due to the proposed changes. Particularly, in light of the change proposed above regarding Price Improving Orders subject to the Price Adjust process, the Exchange proposes to add language to subparagraph (d)(6) clarifying the operation of Price Improving Orders subject to the display price sliding process. As proposed, Exchange Rule 21.1(d)(6) would state that Price Improving Orders subject to the display-price sliding process will be ranked at the price entered by the User down to the current NBB (for offers) or up to the current NBO (for bids). The proposed language would make clear the current operation of such orders vis-a vis the proposed operation of Price Improving Orders subject to the Price Adjust process.

Display Price Sliding Process and Post Only Orders

Under current Exchange Rule 21.1(h), an order subject to the display price sliding process that, at the time of entry, would lock or cross a Protected Quotation of another options exchange will be ranked at the locking price in the EDGX Options Book and displayed by the System at one minimum price variation below the current National Best Offer ("NBO")[10] (for bids) or to one minimum price variation above the current National Best Bid ("NBB")[11] (for offers). Post Only Orders are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or

---

[10] See Exchange Rule 16.1(a)(29) (defining the terms "NBB", "NBO", and "NBBO").

[11] Id.

cancelled, as appropriate, without routing away to another trading center.[12] Currently, a Post Only Order will not remove liquidity from the EDGX Options Book unless the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the EDGX Options Book and subsequently provided liquidity. In order to prevent circumstances on the EDGX Options Book where an order is ranked at the displayed price of a resting contra-side order, which could result in apparent violations of the Exchange's priority rule, an incoming Post Only Order is currently rejected if it would be posted at the locking price of a contra-side order subject to the display price sliding process. In particular, accepting such order would result in a situation where an order is displayed on the Exchange and a contra-side order is ranked at the same price as such order. In turn, if an execution at that price is reported by the Exchange, the Exchange believes a User representing the order displayed on the Exchange might believe that an incoming order was received by the Exchange and then bypassed such order (i.e., removing some other liquidity on the same side of the market as the displayed order). As described in further detail below, the proposal will avoid the possibility of an execution of an order subject to display-price sliding at the same price as an order displayed on the Exchange. The Exchange notes that the circumstance described above, where an incoming Post Only Order is rejected by the Exchange, is limited to times when the Exchange is not already quoting at the NBBO and a Post Only Order is seeking to join either the NBB or NBO but there is a resting display-price slid order on the contra-side of the Exchange's order book.

---

12 See Exchange Rule 21.1(d)(8).

In order to facilitate the entry of orders priced at the National Best Bid or Offer ("NBBO"), the Exchange proposes to add subparagraph (4) to Rule 21.1(h) modifying the operation of orders subject to the display price sliding process when a contra-side Post Only Order is received by EDGX Options. Under proposed subparagraph (4), to the extent an incoming Post Only Order would be ranked and displayed at a price equal to the ranked price of a contra-side order subject to display-price sliding (i.e., the locking price) the order subject to display-price sliding would be re-ranked at one (1) cent above the current NBB (for offers) or one (1) cent below the current NBO (for bids). An order subject to display price sliding that is re-ranked pursuant to proposed subparagraph (4) of Rule 21.1(h) would be re-ranked at the locking price in the event there is no longer displayed contra-side interest at the locking price. In both cases, the order would remain displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers).

The below examples describe the operation of orders subject to display price sliding under proposed subparagraph (4) to Rule 21.1(h).

<u>Example 1: Securities Quoted in Penny Increments – Proposed Operation</u>. Assume the NBBO is $1.00 x $1.01 and that the Exchange's displayed best bid and offer ("BBO") is $1.00 x $1.02. Also assume that a non-routable order to buy at $1.01 subject to display price sliding is resting on the EDGX Options Book, ranked at $1.01 and displayed at $1.00. Assume a Post Only Order to sell at $1.01 is entered and, under current functionality, would be rejected because it is executable at the locking price of the order to buy subject to display price sliding resting on the EDGX Options Book. As proposed, the order to buy subject to display price sliding would be re-ranked and would

remain displayed at $1.00, one (1) cent below the current NBO. The Post Only Order to sell would be posted to the EDGX Options Book, ranked and displayed at $1.01 (i.e., allowing the Exchange to join the NBBO of $1.00 x $1.01). If the Post Only Order to sell is executed or cancelled, the order to buy subject to display price sliding would be re-ranked at $1.01, its original ranked price, and would remain displayed at $1.00.

Example 2: Securities Quoted in Non-Penny Increments – Proposed Operation. Assume the NBBO is $1.00 x $1.05 and that the Exchange's BBO is $1.00 x $1.10. Also assume that a non-routable order to buy at $1.05 subject to display price sliding is resting on the EDGX Options Book, ranked at $1.05 and displayed at $1.00. Assume a Post Only Order to sell at $1.05 is entered and, under current functionality, would be rejected because it is executable at the locking price of the order to buy subject to display price sliding resting on the EDGX Options Book. As proposed, the order to buy subject to display price sliding would be re-ranked at $1.04, one (1) cent below the NBO, and would remain displayed at $1.00. The Post Only Order to sell would be posted to the EDGX Options Book, ranked and displayed at $1.05 (i.e., allowing the Exchange to join the NBBO of $1.00 x $1.01). If the Post Only Order to sell is executed or cancelled, the order to buy subject to display price sliding would be re-ranked at $1.05, its original ranked price, and would remain displayed at $1.00.

The Exchange notes that similar behavior currently exists on the Bats BZX Exchange, Inc. ("BZX") equities platform that permits an order to buy(sell) subject to display price sliding to be executed at one-half minimum price variation more(less) than the price of a contra-side displayed BZX Post Only Order.[13] Specifically, under BZX Rule 11.9(g)(1)(E), BZX Post Only Orders are permitted to post and be displayed opposite the ranked price of orders subject to display-price sliding. In the event an order subject to display-price sliding is ranked on the BZX Book[14] at a price equal to an opposite side order displayed by the Exchange, it cannot be executed at that price and instead will be subject to processing as set forth in BZX Rule 11.13(a)(4)(D). Under BZX Rule 11.13(a)(4)(D), in the event that an incoming order is a market order or is a limit order priced more aggressively than the displayed order, BZX will execute the incoming order at, in the case of an incoming sell order, one-half minimum price variation less than the price of the displayed order, and, in the case of an incoming buy order, at one-half minimum price variation more than the price of the displayed order. This behavior is designed to avoid an apparent priority issue. In particular, in such a situation the Exchange believes a User representing an order that is displayed on the Exchange might believe that an incoming order was received by the Exchange and then bypassed such displayed order, removing some other non-displayed liquidity on the same side of the market as such displayed order. Similar to what the Exchange proposes for EDGX Options, the above described functionality on its equites platform also effectively changes the ranked price of the order subject to display price sliding. Although the underlying solution is intended to solve the same circumstance, because half-penny executions are not permitted with respect to options transactions, on EDGX Options the Exchange proposes to adjust the ranked price of the display-price slid order when a

---

13 See BZX Rule 11.9(c)(6).

14 See BZX Rule 1.5(e).

contra-side Post Only order is received by EDGX and posted at the locking price.

(b) Statutory Basis

The Exchange believes that its proposal 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(b) of the Act.[15] In particular, the proposal is consistent with Section 6(b)(5) of the Act[16] because it is designed to encourage displayed liquidity and offer market participants greater flexibility to post liquidity on the EDGX Options Book, thereby promoting just and equitable principles of trade, fostering cooperation and coordination with persons engaged in facilitating transactions in securities, removing impediments to, and perfecting the mechanism of, a free and open market and a national market system.

Price Improving Orders

The proposed changes to the description of Price Improving Orders under Rule 21.1(d)(6) promote just and equitable principles of trade and foster cooperation and coordination with persons engaged in facilitating transactions in securities. Specifically, the proposed change regarding Price Improving Orders subject to the Price Adjust process is designed to prevent the possibility of an internally crossed book where a Price Improving Order has already been submitted and is ranked non-displayed by the Exchange and a Post Only Order subject to the Price Adjust process is entered at a price increment smaller than the security's minimum price increment and that crosses the resting order.

---

[15] 15 U.S.C. 78f(b).

[16] 15 U.S.C. 78f(b)(5).

In addition, the proposed amendment to Exchange Rule 21.1(d)(6) to clarify that Price Improving Orders subject to the display-price sliding process will be ranked at the price entered by the User down to the current NBB (for offers) or up to the current NBO (for bids) also promotes just and equitable principles of trade because it is consistent with and further clarifies the current operation of such orders. In addition, the addition of such language should avoid potential investor confusion regarding the operation of such orders with regard to the proposed language amending the operation of Price Improving Orders subject to the Price Adjust process.

Display Price Sliding Process and Post Only Orders

Under current functionality, an incoming Post Only Order would be rejected if it is executable at the locking price of a contra-side order subject to display price sliding resting on the EDGX Options Book. This, at times, inhibits market participants, including Market Makers[17] from utilizing Post Only Orders to quote at the NBBO. Post Only Orders allow Users to post aggressively priced liquidity, as such Users have certainty as to the fee or rebate they will receive from the Exchange if their order is executed. Without such ability and by rejecting such Post Only Orders in scenarios described herein, the Exchange believes that certain Users would simply post less aggressively priced liquidity, and prices available for market participants, including retail investors, would deteriorate. Accordingly, the Exchange believes that the proposed rule change promotes just and equitable principles of trade by enhancing the liquidity available to all market participants by allowing Market Makers and other liquidity providers to add liquidity to the Exchange at the NBBO without fear that their order

---

17 See Exchange Rule 16.1(a)(37).

would be rejected. In addition, the proposed rule change would assist Market Makers in satisfying their two-sided quoting obligations under Exchange Rules 22.5(a)(1) and 22.6(d)(1). The proposed rule change should increase displayed liquidity at the NBBO on the Exchange, resulting in improved market quality and price discovery for all participants. The Exchange also notes that similar behavior currently exists on BZX's equities platform that permits an order to buy(sell) subject to display price sliding to be executed at one-half minimum price variation more(less) than the price of a contra-side displayed BZX Post Only Order.[18]

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. To the contrary, the Exchange believes the proposed rule change regarding display price sliding and Post Only Orders would enhance competition by enabling market participants to post liquidity at the NBBO, thereby increasing the liquidity on the Exchange at the NBBO. In addition, the Exchange believes the proposed amendments to Price Improving Orders would does not impact competition, but rather seeks to avoid the potential of an internally crossed book on the Exchange as well as to further clarify the operation of such orders when subject to the display price sliding process. For all the reasons stated above, the Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the

---

18 See BZX Rules 11.9(g)(1)(E) and 11.13(a)(4)(D). See also Securities Exchange Act Release No. 64754 (June 27, 2011), 76 FR 38712 (July 1, 2011) (SR-BATS-2011-015) (Order Approving a Proposed Rule Change to Amend BATS Rule 11.9, Entitled "Orders and Modifiers" and BATS Rule 11.13, Entitled "Order Execution").

purposes of the Act, and believes the proposed change will enhance competition.

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

The Exchange has neither solicited nor received written comments on the 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[19] and paragraph (f)(6) of Rule 19b-4 thereunder.[20] 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) and 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.[21]

The Exchange believes that the proposed rule change does not significantly affect the protection of investors or the public interest and does not impose any significant

[19] 15 U.S.C. 78s(b)(3)(A).

[20] 17 CFR 240.19b-4.

[21] 17 CFR 240.19b-4(f)(6)(iii).

burden on competition. The Exchange believes the proposed rule change with regard to display price sliding and Post Only Orders is consistent with the protection of investors and the public interest because it would enhance the ability of market participants to post liquidity at the NBBO, thereby helping to increase liquidity on the Exchange at the NBBO. The Exchange also notes that similar behavior currently exists on BZX's equities platform that permits an order to buy(sell) subject to display price sliding to be executed at one-half minimum price variation more(less) than the price of a contra-side displayed BZX Post Only Order.[22] Both the behavior on BZX's equities platform and EDGX options are designed to avoid an apparent priority issue by changing the ranked price of the order subject to display price sliding to avoid allowing an order that is ranked but not displayed at the same price as a displayed contra-side order. Accordingly, the issues raised by the proposal have been subject to public notice and comment and approved by the Commission[23]. The Exchange also believes the proposed rule change with regard to Price Improving Orders is consistent with the protection of investors and the public interest because it rather seeks to avoid the potential of an internally crossed book on the Exchange as well as to further clarify the operation of such orders when subject to the display price sliding process. As such, the Exchange believes that the proposed rule change does not raise any new or unique regulatory issues not already considered by the Commission and, accordingly, the Exchange has designated this rule filing as non-

---

[22] See BZX Rules 11.9(g)(1)(E) and 11.13(a)(4)(D). See also Securities Exchange Act Release No. 64754 (June 27, 2011), 76 FR 38712 (July 1, 2011) (SR-BATS-2011-015) (Order Approving a Proposed Rule Change To Amend BATS Rule 11.9, Entitled "Orders and Modifiers" and BATS Rule 11.13, Entitled "Order Execution") (SR-BATS-2011-015).

[23] Id.

controversial under Section 19(b)(3)(A) of the Act[24] and paragraph (f)(6) of Rule 19b-4 thereunder.[25]

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule change may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act[26] and paragraph (f)(6) of Rule 19b-4 thereunder.[27] Waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to implement the proposed rule change on May 16, 2016. The Exchange believes that the proposed rule change will benefit market participants by enhancing their ability to post liquidity at the NBBO. Waiver of the operative delay should increase displayed liquidity at the NBBO on the Exchange, resulting in improved market quality and price discovery for all participants in a timely manner. Therefore, the Exchange believes that benefits to Exchange Users expected from the proposed rule change should not be delayed. Further, the proposed rule change will not require any systems changes by Exchange Users that would necessitate a delay, as the Exchange will now accept and no longer reject Post Only Orders in the situations described herein. Therefore, the Exchange requests that the Commission waive the 30-day operative delay.

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

---

24 15 U.S.C. 78s(b)(3)(A).

25 17 CFR 240.19b-4.

26 15 U.S.C. 78s(b)(3)(A).

27 17 C.F.R. 240.19b-4(f)(6).

Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

Proposed subparagraph (4) to Rule 21.1(h) is based on BZX Rules 11.9(g)(1)(E) and 11.13(a)(4)(D). Proposed subparagraph (4) to Rule 21.1(h) is based on BZX Rules 11.9(g)(1)(E) and 11.13(a)(4)(D). Under BZX Rules 11.9(g)(1)(E) and 11.13(a)(4)(D), BZX will execute the incoming order at, in the case of an incoming sell order, one-half minimum price variation less than the price of the displayed order, and, in the case of an incoming buy order, at one-half minimum price variation more than the price of the displayed order. Because half-penny executions are not permitted with respect to options transactions, on EDGX Options the Exchange proposes to adjust the ranked price of the display-price slid order when a contra-side Post Only order is received by EDGX and posted at the locking price.

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-2016-17)

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Description of Price Improving Orders Under Subparagraph (6) to Rule 21.1(d) and Add Subparagraph (4) to Rule 21.1(h) Modifying the Operation of Orders Subject to the Display Price Sliding Process when a Contra-Side Post Only Order is Received by the Bats EDGX Exchange Options Platform

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 ________________________, Bats EDGX Exchange, Inc. f/k/a EDGX Exchange, Inc. (the "Exchange" or "EDGX") 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[3] and Rule 19b-4(f)(6)(iii) thereunder,[4] 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: (i) amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d); and (ii) add subparagraph (4) to Rule

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A).

4 17 CFR 240.19b-4(f)(6)(iii).

21.1(h) modifying the operation of orders subject to the display price sliding process when a contra-side Post Only Order[5] is received by the Exchange's options platform ("EDGX Options").

The text of the proposed rule change is available at the Exchange's website at 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 is proposing to: (i) amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d); and (ii) add subparagraph (4) to Rule 21.1(h) modifying the operation of orders subject to the display price sliding process when a contra-side Post Only Order is received by EDGX Options.

Price Improving Orders

Price Improving Orders are orders to buy or sell an option at a specified price at

---

5 See Exchange Rule 21.1(d)(8).

an increment smaller than the minimum price variation in the security.[6] Price Improving Orders may be entered in increments as small as (1) one cent. Price Improving Orders are displayed at the minimum price variation in the security and shall be rounded up for sell orders and rounded down for buy orders. Unless a User[7] has entered instructions not to do so, Price Improving Orders are subject to the "display-price sliding process" described in current Rule 21.1(h).

As described above, Price Improving Orders may be priced at an increment smaller than the minimum price variation in the security (i.e., for options priced in five (5) cent or ten (10) cent increments, an order priced at 1.03 is not a permissible increment for display). This may result in the order being ranked on the EDGX Options Book[8] non-displayed at a price increment smaller than the security's minimum price variation. The Exchange proposes to amend the description of Price Improving Orders under subparagraph (6) to Rule 21.1(d) to prevent Price Improving Orders subject to the Price Adjust process[9] from being ranked at a non-displayed price on the EDGX Options Book. The Exchange also proposes to amend subparagraph (6) to Rule 21.1(d) to clarify how Price Improving Orders subject to the display price sliding process are currently handled on the EDGX Options Book.

First, the Exchange proposes to amend the description of Price Improving Orders

---

6 See Exchange Rule 21.1(d)(6).

7 The term "User" means 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).

8 "EDGX Options Book" is defined as "the electronic book of options orders maintained by the Trading System." See Exchange Rule 16.1(a)(9).

9 See Exchange Rule 21.1(i).

under subparagraph (6) to Rule 21.1(d) to prevent Price Improving Orders subject to the Price Adjust process from being ranked at a non-displayed price on the EDGX Options Book. Under the Price Adjust process, an order that, at the time of entry, would lock or cross a Protected Quotation of another options exchange or the Exchange will be ranked and displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers). This could result in Price Improving Orders in securities with minimum quoting increments of five (5) or ten (10) cents[10] that the User elected to be subject to the Price Adjust process to be ranked on the EDGX Options Book at a non-displayed price. To prevent such orders from being ranked at a non-displayed price, the Exchange proposes to amend subparagraph (6) to Rule 21.1(d) to state that Price Improving Orders subject to the Price Adjust process will be ranked at the displayed price. Thus, other than a potential execution against contra-side liquidity when entered, a Price Improving Order subject to the Price Adjust process will no longer be priced at an increment smaller than the minimum price variation in the security.

The following examples describe the proposed operation of Price Improving Orders subject to the Price Adjust process.

Assume the NBBO is \$1.00 x \$1.05 and that the security's minimum quoting increment is five (5) cents. Further assume that there is no liquidity to sell resting on the EDGX Options Book at a price below \$1.05. A Price Improving Order to buy priced at \$1.03 is entered and the User has elected the Price Adjust process. Under current

---

10 See Exchange Rule 21.5 for a description of the Exchange's Minimum Increments.

functionality, the order will be ranked, non-displayed on the EDGX Options Book at $1.03, the price of the order, and displayed at $1.00. As proposed, the order would be ranked and displayed at $1.00, the displayed price.

Assume the same example as above except that when the Price Improving Order is entered (i.e., an order to buy priced at $1.03 subject to the Price Adjust process) there is a resting Price Improving Order to sell ranked at a price of $1.03 (i.e., an order subject to the display price sliding process). In this case, the Price Improving Order subject to the Price Adjust process would execute upon entry against the resting order at $1.03.

The Exchange also proposes to amend subparagraph (6) to Rule 21.1(d) to clarify how Price Improving Orders subject to the display price sliding process are currently handled on the EDGX Options Book. While the Exchange believes the current operation of Price Improving Orders is clear based on existing rules, the Exchange believes this clarification is necessary due to the proposed changes. Particularly, in light of the change proposed above regarding Price Improving Orders subject to the Price Adjust process, the Exchange proposes to add language to subparagraph (d)(6) clarifying the operation of Price Improving Orders subject to the display price sliding process. As proposed, Exchange Rule 21.1(d)(6) would state that Price Improving Orders subject to the display-price sliding process will be ranked at the price entered by the User down to the current NBB (for offers) or up to the current NBO (for bids). The proposed language would make clear the current operation of such orders vis-a vis the proposed operation of Price Improving Orders subject to the Price Adjust process.

Display Price Sliding Process and Post Only Orders

Under current Exchange Rule 21.1(h), an order subject to the display price sliding process that, at the time of entry, would lock or cross a Protected Quotation of another options exchange will be ranked at the locking price in the EDGX Options Book and displayed by the System at one minimum price variation below the current National Best Offer ("NBO")[11] (for bids) or to one minimum price variation above the current National Best Bid ("NBB")[12] (for offers). Post Only Orders are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another trading center.[13] Currently, a Post Only Order will not remove liquidity from the EDGX Options Book unless the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the EDGX Options Book and subsequently provided liquidity. In order to prevent circumstances on the EDGX Options Book where an order is ranked at the displayed price of a resting contra-side order, which could result in apparent violations of the Exchange's priority rule, an incoming Post Only Order is currently rejected if it would be posted at the locking price of a contra-side order subject to the display price sliding process. In particular, accepting such order would result in a situation where an order is displayed on the Exchange and a contra-side order is ranked at the same price as such order. In turn, if an execution at that price is reported by the Exchange, the Exchange believes a User representing the order displayed on the Exchange might believe that an incoming order was received by the Exchange and then bypassed such

---

11 See Exchange Rule 16.1(a)(29) (defining the terms "NBB", "NBO", and "NBBO").

12 Id.

13 See Exchange Rule 21.1(d)(8).

order (i.e., removing some other liquidity on the same side of the market as the displayed order). As described in further detail below, the proposal will avoid the possibility of an execution of an order subject to display-price sliding at the same price as an order displayed on the Exchange. The Exchange notes that the circumstance described above, where an incoming Post Only Order is rejected by the Exchange, is limited to times when the Exchange is not already quoting at the NBBO and a Post Only Order is seeking to join either the NBB or NBO but there is a resting display-price slid order on the contra-side of the Exchange's order book.

In order to facilitate the entry of orders priced at the National Best Bid or Offer ("NBBO"), the Exchange proposes to add subparagraph (4) to Rule 21.1(h) modifying the operation of orders subject to the display price sliding process when a contra-side Post Only Order is received by EDGX Options. Under proposed subparagraph (4), to the extent an incoming Post Only Order would be ranked and displayed at a price equal to the ranked price of a contra-side order subject to display-price sliding (i.e., the locking price) the order subject to display-price sliding would be re-ranked at one (1) cent above the current NBB (for offers) or one (1) cent below the current NBO (for bids). An order subject to display price sliding that is re-ranked pursuant to proposed subparagraph (4) of Rule 21.1(h) would be re-ranked at the locking price in the event there is no longer displayed contra-side interest at the locking price. In both cases, the order would remain displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers).

The below examples describe the operation of orders subject to display price sliding under proposed subparagraph (4) to Rule 21.1(h).

Example 1: Securities Quoted in Penny Increments – Proposed Operation. Assume the NBBO is $1.00 x $1.01 and that the Exchange's displayed best bid and offer ("BBO") is $1.00 x $1.02. Also assume that a non-routable order to buy at $1.01 subject to display price sliding is resting on the EDGX Options Book, ranked at $1.01 and displayed at $1.00. Assume a Post Only Order to sell at $1.01 is entered and, under current functionality, would be rejected because it is executable at the locking price of the order to buy subject to display price sliding resting on the EDGX Options Book. As proposed, the order to buy subject to display price sliding would be re-ranked and would remain displayed at $1.00, one (1) cent below the current NBO. The Post Only Order to sell would be posted to the EDGX Options Book, ranked and displayed at $1.01 (i.e., allowing the Exchange to join the NBBO of $1.00 x $1.01). If the Post Only Order to sell is executed or cancelled, the order to buy subject to display price sliding would be re-ranked at $1.01, its original ranked price, and would remain displayed at $1.00.

Example 2: Securities Quoted in Non-Penny Increments – Proposed Operation. Assume the NBBO is $1.00 x $1.05 and that the Exchange's BBO is $1.00 x $1.10. Also assume that a non-routable order to buy at $1.05 subject to display price sliding is resting on the EDGX Options Book, ranked at $1.05 and displayed at $1.00. Assume a Post Only Order to sell at $1.05 is entered and, under current functionality, would be rejected because it is executable at the locking price of the order to buy subject to display price sliding resting on the EDGX Options Book. As proposed, the order to buy subject to display price sliding would be re-ranked at $1.04, one (1) cent below the NBO, and would remain displayed at $1.00. The Post Only Order to sell would be posted to the EDGX Options Book, ranked and displayed at $1.05 (i.e., allowing the Exchange to join the

NBBO of $1.00 x $1.01). If the Post Only Order to sell is executed or cancelled, the order to buy subject to display price sliding would be re-ranked at $1.05, its original ranked price, and would remain displayed at $1.00.

The Exchange notes that similar behavior currently exists on the Bats BZX Exchange, Inc. ("BZX") equities platform that permits an order to buy(sell) subject to display price sliding to be executed at one-half minimum price variation more(less) than the price of a contra-side displayed BZX Post Only Order.[14] Specifically, under BZX Rule 11.9(g)(1)(E), BZX Post Only Orders are permitted to post and be displayed opposite the ranked price of orders subject to display-price sliding. In the event an order subject to display-price sliding is ranked on the BZX Book[15] at a price equal to an opposite side order displayed by the Exchange, it cannot be executed at that price and instead will be subject to processing as set forth in BZX Rule 11.13(a)(4)(D). Under BZX Rule 11.13(a)(4)(D), in the event that an incoming order is a market order or is a limit order priced more aggressively than the displayed order, BZX will execute the incoming order at, in the case of an incoming sell order, one-half minimum price variation less than the price of the displayed order, and, in the case of an incoming buy order, at one-half minimum price variation more than the price of the displayed order. This behavior is designed to avoid an apparent priority issue. In particular, in such a situation the Exchange believes a User representing an order that is displayed on the Exchange might believe that an incoming order was received by the Exchange and then bypassed such displayed order, removing some other non-displayed liquidity on the same

---

14 See BZX Rule 11.9(c)(6).

15 See BZX Rule 1.5(e).

side of the market as such displayed order. Similar to what the Exchange proposes for EDGX Options, the above described functionality on its equites platform also effectively changes the ranked price of the order subject to display price sliding. Although the underlying solution is intended to solve the same circumstance, because half-penny executions are not permitted with respect to options transactions, on EDGX Options the Exchange proposes to adjust the ranked price of the display-price slid order when a contra-side Post Only order is received by EDGX and posted at the locking price.

2. Statutory Basis

The Exchange believes that its proposal 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(b) of the Act.[16] In particular, the proposal is consistent with Section 6(b)(5) of the Act[17] because it is designed to encourage displayed liquidity and offer market participants greater flexibility to post liquidity on the EDGX Options Book, thereby promoting just and equitable principles of trade, fostering cooperation and coordination with persons engaged in facilitating transactions in securities, removing impediments to, and perfecting the mechanism of, a free and open market and a national market system.

Price Improving Orders

The proposed changes to the description of Price Improving Orders under Rule 21.1(d)(6) promote just and equitable principles of trade and foster cooperation and coordination with persons engaged in facilitating transactions in securities. Specifically,

---

[16] 15 U.S.C. 78f(b).

[17] 15 U.S.C. 78f(b)(5).

the proposed change regarding Price Improving Orders subject to the Price Adjust process is designed to prevent the possibility of an internally crossed book where a Price Improving Order has already been submitted and is ranked non-displayed by the Exchange and a Post Only Order subject to the Price Adjust process is entered at a price increment smaller than the security's minimum price increment and that crosses the resting order.

In addition, the proposed amendment to Exchange Rule 21.1(d)(6) to clarify that Price Improving Orders subject to the display-price sliding process will be ranked at the price entered by the User down to the current NBB (for offers) or up to the current NBO (for bids) also promotes just and equitable principles of trade because it is consistent with and further clarifies the current operation of such orders. In addition, the addition of such language should avoid potential investor confusion regarding the operation of such orders with regard to the proposed language amending the operation of Price Improving Orders subject to the Price Adjust process.

Display Price Sliding Process and Post Only Orders

Under current functionality, an incoming Post Only Order would be rejected if it is executable at the locking price of a contra-side order subject to display price sliding resting on the EDGX Options Book. This, at times, inhibits market participants, including Market Makers[18] from utilizing Post Only Orders to quote at the NBBO. Post Only Orders allow Users to post aggressively priced liquidity, as such Users have certainty as to the fee or rebate they will receive from the Exchange if their order is executed. Without such ability and by rejecting such Post Only Orders in scenarios

---

[18] See Exchange Rule 16.1(a)(37).

described herein, the Exchange believes that certain Users would simply post less aggressively priced liquidity, and prices available for market participants, including retail investors, would deteriorate. Accordingly, the Exchange believes that the proposed rule change promotes just and equitable principles of trade by enhancing the liquidity available to all market participants by allowing Market Makers and other liquidity providers to add liquidity to the Exchange at the NBBO without fear that their order would be rejected. In addition, the proposed rule change would assist Market Makers in satisfying their two-sided quoting obligations under Exchange Rules 22.5(a)(1) and 22.6(d)(1). The proposed rule change should increase displayed liquidity at the NBBO on the Exchange, resulting in improved market quality and price discovery for all participants. The Exchange also notes that similar behavior currently exists on BZX's equities platform that permits an order to buy(sell) subject to display price sliding to be executed at one-half minimum price variation more(less) than the price of a contra-side displayed BZX Post Only Order.[19]

(B) 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. To the contrary, the Exchange believes the proposed rule change regarding display price sliding and Post Only Orders would enhance competition by enabling market participants to post liquidity at the NBBO, thereby increasing the liquidity on the

---

[19] See BZX Rules 11.9(g)(1)(E) and 11.13(a)(4)(D). See also Securities Exchange Act Release No. 64754 (June 27, 2011), 76 FR 38712 (July 1, 2011) (SR-BATS-2011-015) (Order Approving a Proposed Rule Change to Amend BATS Rule 11.9, Entitled "Orders and Modifiers" and BATS Rule 11.13, Entitled "Order Execution").

Exchange at the NBBO. In addition, the Exchange believes the proposed amendments to Price Improving Orders would does not impact competition, but rather seeks to avoid the potential of an internally crossed book on the Exchange as well as to further clarify the operation of such orders when subject to the display price sliding process. For all the reasons stated above, the Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, and believes the proposed change will enhance competition.

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

The Exchange has neither solicited nor received written comments on the 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[20] and paragraph (f)(6) of Rule 19b-4 thereunder,[21] 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 change, along with a brief description and text of the proposed rule change at least five

20 15 U.S.C. 78s(b)(3)(A).

21 17 CFR 240.19b-4.

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. Please include File No. SR-BatsEDGX-2016-17 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-2016-17. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-BatsEDGX-2016-17 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.[22]

Robert W. Errett
Deputy Secretary

---

[22] 17 CFR 200.30-3(a)(12).

Note: Proposed new language is <u>underlined</u>. Proposed deletions are enclosed in [brackets].

Rules of Bats EDGX Exchange, Inc.

* * * * *

CHAPTER XXI. TRADING SYSTEMS

Rule 21.1. Definitions

(No change.)

(a) – (c) (No changes.)

(d) (No change).

(1) – (5) (No change).

(6) "Price Improving Orders" are orders to buy or sell an option at a specified price at an increment smaller than the minimum price variation in the security. Price Improving Orders may be entered in increments as small as (1) one cent. Price Improving Orders shall be displayed at the minimum price variation in that security and shall be rounded up for sell orders and rounded down for buy orders. Unless a User has entered instructions not to do so, Price Improving Orders will be subject to the display-price sliding process as set forth in paragraph (h) below. <u>Price Improving Orders subject to the display-price sliding process will be ranked at the price entered by the User down to the current NBB (for offers) or up to the current NBO (for bids) whereas Price Improving Orders subject to the Price Adjust process as set forth in paragraph (i) below will be ranked at the displayed price.</u>

(7) – (12) (No change).

(e) – (g) (No change).

(h) Display-Price Sliding.

(1) – (3) (No change).

(4) To the extent an incoming Post Only Order would be ranked and displayed at a price equal to the ranked price of a contra-side order subject to display-price sliding ("locking price") the order subject to display-price sliding will be re-ranked at one (1) cent above the current NBB (for offers) or one (1) cent below the current NBO (for bids). An order subject to display price sliding that is re-ranked pursuant to this paragraph will be re-ranked at the locking price in the event there is no longer displayed contra-side interest at the locking price.

(i) – (j) (No change).

* * * * *