

## OMB APPROVAL

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Page 1 of \* 19

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

File No.\* SR - 2017 - \* 06

Amendment No. (req. for Amendments \*)

Filing by Bats BYX 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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		

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

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

Section 806(e)(1) \*

☐

Section 806(e)(2) \*

☐

Section 3C(b)(2) \*

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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 proposes a rule change related to fees.

### Contact Information

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

First Name \* Chris Last Name \* Solgan  
 Title \* Assistant General Counsel  
 E-mail \* csolgan@bats.com  
 Telephone \* (646) 856-8723 Fax

### Signature

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

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

(Title \*)

Date 03/31/2017

By Chris Solgan

(Name \*)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT 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

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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

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## 1. Text of the Proposed Rule Change

(a) Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> Bats BYX Exchange, Inc. (“BYX” or the “Exchange”) proposes to amend its fees and rebates applicable to Members and non-Members<sup>3</sup> of the Exchange pursuant to BYX Rules 15.1(a) and (c). Changes to the fee Schedule pursuant to this proposal are effective upon filing.

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 Exchange submits the proposed rule change pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the 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 and, therefore, the Exchange’s internal procedures with respect to the proposed change are complete.

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

Joanne Moffic-Silver  
Executive Vice President, General

Chris Solgan  
Assistant General Counsel

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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> A Member is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

Counsel, and Corporate Secretary  
(312) 786-7462

(646) 856-8723

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

(a) Purpose

The Exchange proposes to amend its fee schedule to: (i) adopt fee code PL; and (ii) modify its description of fee code PX. The Exchange recently implemented a new midpoint routing strategy known as RMPL,<sup>4</sup> under which a MidPoint Peg Order<sup>5</sup> first checks the System<sup>6</sup> for available shares and routes any remaining shares to destinations on the System routing table<sup>7</sup> that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the BYX Book<sup>8</sup> as MidPoint Peg Orders,

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<sup>4</sup> See Securities Exchange Act Release No. 79603 (December 19, 2016), 81 FR 94440 (December 23, 2016) (SR-BatsBYX-2016-41) ("RMPL Filing").

<sup>5</sup> In sum, a MidPoint Peg Order is a non-displayed Market Order or Limit Order with an instruction to execute at the midpoint of the NBBO, or, alternatively, pegged to the less aggressive of the midpoint of the NBBO or one minimum price variation inside the same side of the NBBO as the order. See Exchange Rule 11.9(c)(9).

<sup>6</sup> The term "System" is defined as "the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away." See Exchange Rule 1.5(aa).

<sup>7</sup> The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Exchange 11.13(b)(3). While the process for determining the specific trading venues to which orders are routed is proprietary, the Exchange publicly discloses the trading venues associated with each routing strategy via its website at [http://cdn.batstrading.com/resources/features/bats\\_exchange\\_routing-strategies.pdf](http://cdn.batstrading.com/resources/features/bats_exchange_routing-strategies.pdf).

<sup>8</sup> The term "BYX Book" is defined as the "System's electronic file of orders." See Exchange Rule 1.5(e).

unless otherwise instructed by the User.<sup>9</sup> As a result of this additional functionality, the Exchange proposes to amend its fee schedule to adopt fees which would apply to orders routed pursuant to the RMPL routing strategy.

*Fee Code PL.* The Exchange proposes adopt fee code PL, which would apply to orders routed to Bats BZX Exchange, Inc. (“BZX”), Bats EDGX Exchange, Inc. (“EDGX”), the New York Stock Exchange, Inc. (“NYSE”), NYSE Arca, Inc. (“NYSE Arca”), or Nasdaq Stock Market LLC (“Nasdaq”) using a RMPL routing strategy. Orders that yield fee code PL would be charged a fee of \$0.0030 per share in securities priced at or above \$1.00 and 0.29% of the trade’s total dollar value in securities priced below \$1.00.<sup>10</sup>

*Fee Code PX.* Currently, fee code PX only applies to orders routed using a RMPT routing strategy. Orders that yield fee code PX are assessed a fee of \$0.0012 per share in securities priced at or above \$1.00 and 0.29% of the trade’s total dollar value in securities priced below \$1.00. The RMPT routing strategy operates similarly to RMPL in that under both Mid-Point Peg Orders check the System for available shares and any remaining shares are then sent to destinations on the System routing table that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the BYX Book as a Mid-Point Peg Order, unless otherwise instructed by the User.

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<sup>9</sup> The term “User” is defined as “any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.” See Exchange Rule 1.5(cc).

<sup>10</sup> Pursuant to footnote 8, the Exchange charges 0.29% of the transactions total dollar value in securities priced below \$1.00 that are routed using the following routing strategies: Parallel D, Parallel 2D, ROUT, ROUX, Post to Away, RMPL, and RMPT routed executions. The Exchange proposes to modify footnote 8 to include RMPL and to append footnote 8 to fee code PL.

While RMPL and RMPT operate in an identical manner, the trading venues that each routing strategy routes to and the order in which it routes them differ. The Exchange now proposes modify the application of fee code PX not only apply to RMPT, but to also apply RMPL. However, fee code PX would only apply to orders routed to destinations not covered by fee code PL using the RMPL routing strategy, as set forth above. The Exchange does not propose to modify the fee associated with fee code PX.

#### Implementation Date

The Exchange proposes to implement the above changes to its fee schedule on April 3, 2017.

#### (b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>12</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange believes the proposed fees under fee codes PL and PX for orders routed using the options RMPL routing strategy represents an equitable allocation of reasonable dues, fees, and other charges. The proposed change would enable the Exchange to charge a rate reasonably related to the rate that Bats Trading, Inc. (“Bats Trading”), the Exchange’s affiliated routing broker-dealer, would be charged for routing orders to destinations described in fee codes PL and PX when it does not qualify for a volume tier reduced fee. As a result, when Bats Trading is charged a fee when it routes

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<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> 15 U.S.C. 78f(b)(4).

an order which removes liquidity from a destination described in fee codes PL and PX.<sup>13</sup>

Bats Trading will pass through these rates to the Exchange and the Exchange, in turn, will charge the rates under fee codes PL or PX, as applicable. The proposed fee under fee codes PL and PX for orders routed pursuant to the RMPL routing strategy would enable the Exchange to equitably allocate its costs among all Members.

The Exchange notes that routing through Bats Trading is voluntary. Members seeking to midpoint eligible route orders to BZX, EDGX, NYSE, NYSE Arca, Nasdaq, or to any other destination covered by the RMPL routing strategy may connect to those destinations directly and be charged the fee or provided the rebate from that destination. The Exchange further believes that this pricing structure is non-discriminatory, as it applies equally to all Members.

#### 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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that this change represents a significant departure from previous pricing offered by the Exchange or from pricing offered by the Exchange's

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<sup>13</sup> For example, Nasdaq, NYSE, NYSE Arca, BZX, and EDGX charge a fee of \$0.0030 per share for orders that remove midpoint liquidity. See Nasdaq's fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>; NYSE's price list available at [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf); NYSE Arca's price list available at [https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Marketplace\\_Fees.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf); BZX's fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/bzx/](http://www.bats.com/us/equities/membership/fee_schedule/bzx/); and EDGX's fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/edgx/](http://www.bats.com/us/equities/membership/fee_schedule/edgx/).

competitors. The proposed rates would apply uniformly to all Members, and Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange believes that its proposal to fees would increase intermarket competition by offering customers an alternative means to route to destinations covered by fee codes PL and PX. As stated above, routing through Bats Trading is voluntary and Members may utilize other avenues to route orders to destinations covered by fee codes PL and PX, such as connecting to those destinations directly. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value or if they view the fees as excessive. Further, excessive fees would serve to impair an exchange's ability to compete for order flow and members rather than burdening competition. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

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 unsolicited written comments from Members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

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



Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>14</sup> and Rule 19b-4(f)(2) thereunder,<sup>15</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-members, which renders the proposed rule change effective upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

Not applicable.

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

Not applicable.

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

Not applicable.

11. Exhibits

Exhibit 1: Form of Notice of Proposed Rule Change for Publication in the Federal Register.

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of the Proposed Rule Change.

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>15</sup> 17 CFR 240.19b-4(f)(2).

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BatsBYX-2017-06)

## Self-Regulatory Organizations; Bats BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees

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

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

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

The text of the proposed rule change is available at the Exchange’s website at

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

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

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

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

<sup>5</sup> The term “Member” is defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

[www.bats.com](http://www.bats.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to amend its fee schedule to: (i) adopt fee code PL; and (ii) modify its description of fee code PX. The Exchange recently implemented a new midpoint routing strategy known as RMPL,<sup>6</sup> under which a MidPoint Peg Order<sup>7</sup> first checks the System<sup>8</sup> for available shares and routes any remaining shares to destinations

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<sup>6</sup> See Securities Exchange Act Release No. 79603 (December 19, 2016), 81 FR 94440 (December 23, 2016) (SR-BatsBYX-2016-41) ("RMPL Filing").

<sup>7</sup> In sum, a MidPoint Peg Order is a non-displayed Market Order or Limit Order with an instruction to execute at the midpoint of the NBBO, or, alternatively, pegged to the less aggressive of the midpoint of the NBBO or one minimum price variation inside the same side of the NBBO as the order. See Exchange Rule 11.9(c)(9).

<sup>8</sup> The term "System" is defined as "the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away." See Exchange Rule 1.5(aa).

on the System routing table<sup>9</sup> that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the BYX Book<sup>10</sup> as MidPoint Peg Orders, unless otherwise instructed by the User.<sup>11</sup> As a result of this additional functionality, the Exchange proposes to amend its fee schedule to adopt fees which would apply to orders routed pursuant to the RMPL routing strategy.

*Fee Code PL.* The Exchange proposes adopt fee code PL, which would apply to orders routed to Bats BZX Exchange, Inc. (“BZX”), Bats EDGX Exchange, Inc. (“EDGX”), the New York Stock Exchange, Inc. (“NYSE”), NYSE Arca, Inc. (“NYSE Arca”), or Nasdaq Stock Market LLC (“Nasdaq”) using a RMPL routing strategy. Orders that yield fee code PL would be charged a fee of \$0.0030 per share in securities priced at or above \$1.00 and 0.29% of the trade’s total dollar value in securities priced below \$1.00.<sup>12</sup>

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<sup>9</sup> The term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Exchange 11.13(b)(3). While the process for determining the specific trading venues to which orders are routed is proprietary, the Exchange publicly discloses the trading venues associated with each routing strategy via its website at [http://cdn.batstrading.com/resources/features/bats\\_exchange\\_routing-strategies.pdf](http://cdn.batstrading.com/resources/features/bats_exchange_routing-strategies.pdf).

<sup>10</sup> The term “BYX Book” is defined as the “System’s electronic file of orders.” See Exchange Rule 1.5(e).

<sup>11</sup> The term “User” is defined as “any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.” See Exchange Rule 1.5(cc).

<sup>12</sup> Pursuant to footnote 8, the Exchange charges 0.29% of the transactions total dollar value in securities priced below \$1.00 that are routed using the following routing strategies: Parallel D, Parallel 2D, ROUT, ROUX, Post to Away, RMPL, and RMPT routed executions. The Exchange proposes to modify footnote 8 to include RMPL and to append footnote 8 to fee code PL.

*Fee Code PX.* Currently, fee code PX only applies to orders routed using a RMPT routing strategy. Orders that yield fee code PX are assessed a fee of \$0.0012 per share in securities priced at or above \$1.00 and 0.29% of the trade's total dollar value in securities priced below \$1.00. The RMPT routing strategy operates similarly to RMPL in that under both Mid-Point Peg Orders check the System for available shares and any remaining shares are then sent to destinations on the System routing table that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the BYX Book as a Mid-Point Peg Order, unless otherwise instructed by the User. While RMPL and RMPT operate in an identical manner, the trading venues that each routing strategy routes to and the order in which it routes them differ. The Exchange now proposes modify the application of fee code PX not only apply to RMPT, but to also apply RMPL. However, fee code PX would only apply to orders routed to destinations not covered by fee code PL using the RMPL routing strategy, as set forth above. The Exchange does not propose to modify the fee associated with fee code PX.

#### Implementation Date

The Exchange proposes to implement the above changes to its fee schedule on April 3, 2017.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>13</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>14</sup> in particular, as it is designed to provide for the equitable allocation of

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<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(4).

reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange believes the proposed fees under fee codes PL and PX for orders routed using the options RMPL routing strategy represents an equitable allocation of reasonable dues, fees, and other charges. The proposed change would enable the Exchange to charge a rate reasonably related to the rate that Bats Trading, Inc. (“Bats Trading”), the Exchange’s affiliated routing broker-dealer, would be charged for routing orders to destinations described in fee codes PL and PX when it does not qualify for a volume tier reduced fee. As a result, when Bats Trading is charged a fee when it routes an order which removes liquidity from a destination described in fee codes PL and PX.<sup>15</sup> Bats Trading will pass through these rates to the Exchange and the Exchange, in turn, will charge the rates under fee codes PL or PX, as applicable. The proposed fee under fee codes PL and PX for orders routed pursuant to the RMPL routing strategy would enable the Exchange to equitably allocate its costs among all Members.

The Exchange notes that routing through Bats Trading is voluntary. Members seeking to midpoint eligible route orders to BZX, EDGX, NYSE, NYSE Arca, Nasdaq, or to any other destination covered by the RMPL routing strategy may connect to those

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<sup>15</sup> For example, Nasdaq, NYSE, NYSE Arca, BZX, and EDGX charge a fee of \$0.0030 per share for orders that remove midpoint liquidity. See Nasdaq’s fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2>; NYSE’s price list available at [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf); NYSE Arca’s price list available at [https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE\\_Arca\\_Marketplace\\_Fees.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse-arca/NYSE_Arca_Marketplace_Fees.pdf); BZX’s fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/bzx/](http://www.bats.com/us/equities/membership/fee_schedule/bzx/); and EDGX’s fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/edgx/](http://www.bats.com/us/equities/membership/fee_schedule/edgx/).

destinations directly and be charged the fee or provided the rebate from that destination.

The Exchange further believes that this pricing structure is non-discriminatory, as it applies equally to all Members.

(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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that this change represents a significant departure from previous pricing offered by the Exchange or from pricing offered by the Exchange's competitors. The proposed rates would apply uniformly to all Members, and Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange believes that its proposal to fees would increase intermarket competition by offering customers an alternative means to route to destinations covered by fee codes PL and PX. As stated above, routing through Bats Trading is voluntary and Members may utilize other avenues to route orders to destinations covered by fee codes PL and PX, such as connecting to those destinations directly. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value or if they view the fees as excessive. Further, excessive fees would serve to impair an exchange's ability to compete for order flow and members rather than burdening competition. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

(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 unsolicited written comments from Members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>17</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BatsBYX-2017-06 on the subject line.

Paper Comments:

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

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



- 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-BatsBYX-2017-06. 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-BatsBYX-2017-06 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>18</sup>

Robert W. Errett  
Deputy Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

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

**Bats BYX Exchange Fee Schedule**

Effective [February 2]April 3, 2017

\* \* \* \* \*

**Fee Codes and Associated Fees:**

<b>Fee Code</b>	<b>Description</b>	<b>Fee/(Rebate)</b>
10 <sup>10</sup> - P <sup>10</sup>	(No change).	
<u>PL</u> <sup>8</sup>	<u>Routed to BZX, EDGX, NYSE, NYSE Arca, or Nasdaq using RMPL routing strategy</u>	<u>0.00300</u>
PX <sup>8</sup>	Routed using RMPT routing strategy <u>or routed to any destination not covered by Fee Code PL using RMPL routing strategy</u>	0.00120
R - ZR <sup>5,6</sup>	(No change).	

\* \* \* \* \*

**Footnotes:**

1. - 7. (No change).

8. Remove liquidity in securities priced below \$1.00 for Parallel D, Parallel 2D, ROUT, ROUX, Post to Away, RMPL, and RMPT routed executions: 0.29% charge of the total dollar value.

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