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

File No.* SR - 2017 - * 26
Amendment No. (req. for Amendments *)

Filing by Bats EDGA 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 certain rules to add new optional functionality to orders with aMinimum Quantity Instruction.

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 10/05/2017
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 the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] Bats EDGA Exchange, Inc. ("EDGA" or the "Exchange") is filing with the Securities and Exchange Commission (the "Commission") a proposed rule change to: (i) add new optional functionality to orders that include the Minimum Execution Quantity instruction by amending paragraph (h) of Exchange Rule 11.6, Definitions; (ii) amend paragraph (b)(3) of Exchange Rule 11.8 to specify that a Minimum Execution Quantity instruction may be included on a Limit Order with a time-in-force ("TIF") of Immediate-or-Cancel ("IOC"); and (iii) amend paragraph (e)(3) of Exchange Rule 11.10, Order Execution, to make certain clarifying, non-substantive changes. The proposed amendments are identical to the rules of Bats EDGX Exchange, Inc. ("EDGX") that were recently published by the Commission for immediate effectiveness.[3] Therefore, 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 available on the Exchange's website at www.bats.com, at the Exchange's principal office and at the Public Reference Room of the Commission.

(b) The Exchange does not believe that the proposed rule change will have

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

[2] 17 CFR 240.19b-4.

[3] See EDGX Rules 11.6(h), 11.8(b)(3), and 11.10(e)(3). See also Securities Exchange Act Release No. 81457 (August 22, 2017), 82 FR 40812 (August 28, 2017) (SR-BatsEDGX-2017-34).

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

any direct or significant indirect effect on any other Exchange rule in effect at the time of this filing.

(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 Exchange's Board of Directors 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 Counsel, and Corporate Secretary
(312) 786-7462

Chris Solgan
Assistant General Counsel
(646) 856-8723

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

(a) Purpose

The Exchange proposes to: (i) add new optional functionality to orders that include the Minimum Execution Quantity instruction by amending paragraph (h) of Exchange Rule 11.6, Definitions; (ii) amend paragraph (b)(3) of Exchange Rule 11.8 to specify that a Minimum Execution Quantity instruction may be included on a Limit Order with a TIF of IOC; and (iii) amend paragraph (e)(3) of Exchange Rule 11.10, Order Execution, to make certain clarifying, non-substantive changes. These proposed amendments are identical to changes recently proposed by EDGX that were published by the Commission for immediate effectiveness.[5]

Exchange Rule 11.6(h), Proposed Individual Minimum Size

The Exchange proposes to add new optional functionality that would enhance the utility of the Minimum Execution Quantity instruction by amending paragraph (h) of Exchange Rule 11.6, Definitions. In sum, the proposal would permit an incoming order with a Minimum Execution Quantity to forego executions where multiple resting orders could otherwise be aggregated to satisfy the order's minimum quantity.

A Minimum Execution Quantity enables a User[6] to specify a minimum share amount at which the order will execute. An order with a Minimum Execution Quantity will not execute unless the volume of contra-side liquidity available to execute against the order meets or exceeds the designated minimum. Specifically, Minimum Execution Quantity is an instruction a User may attach to an order with a Non-Displayed[7] instruction or a TIF of IOC[8] requiring the System[9] to execute the order only to the extent

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5 See supra note 3.

6 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(ee).

7 The term "Non-Displayed" is defined as "[a]n instruction the User may attach to an order stating that the order is not to be displayed by the System on the EDGA Book." See Exchange Rule 11.6(e)(2).

8 As discussed below, the Exchange also proposes to clarify within Rule 11.6(h) that a Minimum Quantity instruction may also be added to an order with a TIF of IOC. See e.g., Exchange Rules 11.8(a)(3) and (c)(2) (specifying that the Minimum Quantity instruction may be included on Market Orders and ISOs with a TIF of IOC).

9 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(cc).

that a minimum quantity can be satisfied by execution against a single order or multiple aggregated orders simultaneously.[10] Today, an order with a Minimum Execution Quantity will execute upon entry against a single order or multiple orders if the sum of those orders is equal to or greater than its minimum quantity. An order with a Minimum Execution Quantity instruction may be partially executed upon entry so long as the execution size is equal to or exceeds the minimum quantity provided in the instruction. Any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the quantity provided in the instruction. Where the number of shares remaining after a partial execution are less than the quantity provided in the instruction, the Minimum Execution Quantity shall be equal to the number of shares remaining. The Minimum Execution Quantity instruction may be coupled with Market Orders with a TIF of IOC,[11] Limit Orders with a Non-Displayed instruction[12] or TIF of IOC (as discussed below), Intermarket Sweep Orders ("ISO") with a TIF of IOC,[13] MidPoint Peg Orders,[14] and Supplemental Peg Orders.[15]

The Exchange has observed that some market participants avoid sending large orders with a Minimum Execution Quantity instruction to the Exchange out of concern that such orders may interact with small orders entered by professional traders, possibly adversely impacting the execution of their larger order. Institutional orders are often

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10 Today, the System will aggregate multiple resting orders to satisfy the incoming order's minimum quantity and a User cannot elect the incoming order to execute against a single resting contra-side order.

11 See Exchange Rule 11.8(a)(3).

12 See Exchange Rule 11.8(b)(3).

13 See Exchange Rule 11.8(c)(2).

14 See Exchange Rule 11.8(d)(2).

15 See Exchange Rule 11.8(f)(2).

much larger in size than the average order in the marketplace. To facilitate the liquidation or acquisition of a large position, market participants tend to submit multiple orders into the market that may only represent a fraction of the overall institutional position to be executed. Various strategies used by institutional market participants to execute large orders are intended to limit price movement of the security at issue. Executing in small sizes, even if in the aggregate it meets the order's minimum quantity, may impact the market for that security such that the additional orders the market participant has yet to enter into the market may be more costly to execute. If an institution is able to execute in larger sizes, the contra-party to the execution is less likely to be a participant that reacts to short term changes in the stock price, and as such, the price impact to the stock may be less acute when larger individual executions are obtained.[16] As a result, these orders are often executed away from the Exchange in dark pools or other exchanges that offer the same functionality as proposed herein,[17] or via broker-dealer internalization.

To attract larger orders with a Minimum Execution Quantity, the Exchange proposes to add new optional functionality that would enhance the utility of the Minimum Execution Quantity instruction. In sum, the proposal would permit a User to elect that its incoming order with a Minimum Execution Quantity execute solely against

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[16] The Commission has long recognized this concern: "[a]nother type of implicit transaction cost reflected in the price of a security is short-term price volatility caused by temporary imbalances in trading interest. For example, a significant implicit cost for large investors (who often represent the consolidated investments of many individuals) is the price impact that their large trades can have on the market. Indeed, disclosure of these large orders can reduce the likelihood of their being filled." See Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577, 10581 (February 28, 2000) (SR-NYSE-99-48).

[17] See supra note 3.

one or more resting individual orders, each of which must satisfy the order's minimum quantity condition. In such case, the order would forego executions where multiple resting orders could otherwise be aggregated to satisfy the order's minimum quantity, but do not individually satisfy the minimum quantity condition.[18] As discussed above, under the current rule an order with a Minimum Execution Quantity will execute upon entry against any number of smaller contra-side orders that, in aggregate, meet the minimum quantity set by the User. This default behavior will remain. For example, assume there are two orders to sell resting on the EDGA Book[19] – the first for 300 shares and a second for 400 shares, with the 300 share order having time priority ahead of the 400 share order. If a User entered an order with a Minimum Execution Quantity to buy 1,000 shares at $10.00 with a minimum quantity of 500 shares, and the order was marketable against the two resting sell orders for 300 and 400 shares, the System would aggregate both sell orders for purposes of meeting the minimum quantity, thus resulting in executions of 300 shares and then 400 shares respectively with the remaining 300 shares of the an order with a Minimum Execution Quantity being posted to the EDGA Book with a minimum quantity restriction of 300 shares.

The proposed new optional functionality will not allow aggregation of smaller executions to satisfy the minimum quantity of an incoming order with a Minimum Execution Quantity. Using the same scenario as above, but with the proposed new functionality and a Minimum Execution Quantity requirement of 400 shares selected by the User, the order with a Minimum Execution Quantity would not execute against the

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18 If no election is made, the System will aggregate multiple resting orders to satisfy the incoming order's minimum quantity.

19 The term "EDGA Book" is defined as "the System's electronic file of orders." See Exchange Rule 1.5(d).

two sell orders because the 300 share order with time priority at the top of the EDGA Book is less than the incoming order's 400 share Minimum Execution Quantity. The new functionality will cause the order with a Minimum Execution Quantity to be cancelled or posted to the EDGA Book, Non-Displayed, in accordance with the characteristics of the underlying order type[20] when encountering an order with time priority that is of insufficient size to satisfy the minimum execution requirement. If posted, the order with a Minimum Execution Quantity will operate as it does currently and will only execute against individual orders that satisfy its minimum quantity as proposed herein. The Exchange notes that the User entering the order with a Minimum Execution Quantity has expressed its intention not to execute against liquidity below a certain minimum size, and therefore, cedes execution priority when it would lock an order against which it would otherwise execute if it were not for the minimum execution size restriction. The Exchange proposes to add language to paragraph (h) of Rule 11.6 to make clear that the order would cede execution priority in such in scenario.

As amended, the description of Minimum Execution Quantity under paragraph (h) of Exchange Rule 11.6 would set forth the default behavior of the Minimum Quantity instruction of executing upon entry against a single order or multiple aggregated orders simultaneously. Amended Rule 11.6(h) would set forth the proposed optional functionality where a User may alternatively specify that the incoming order's minimum quantity condition be satisfied by each order resting on the EDGA Book that would execute against the order with the Minimum Execution Quantity instruction. If there are such orders, but there are also orders that do not satisfy the minimum quantity condition,

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20 See supra notes 11 through 15 for a description of the functionality associated with orders that may include a Minimum Execution Quantity.

the incoming order with the Minimum Execution Quantity instruction will execute against orders resting on the EDGA Book in accordance with Rule 11.9, Order Priority, until it reaches an order that does not satisfy the minimum quantity condition at which point it would be posted to the EDGA Book or cancelled in accordance with the terms of the order. If, upon entry, there are no orders that satisfy the minimum quantity condition resting on the EDGA Book, the order will either be posted to the EDGA Book or cancelled in accordance with the terms of the order.

The Exchange also proposes to re-price incoming orders with a Minimum Execution Quantity instruction where that order may cross an order posted on the EDGA Book. Specifically, where there is insufficient size to satisfy an incoming order's minimum quantity condition and that incoming order, if posted at its limit price, would cross an order(s) resting on the EDGA Book, the order with the minimum quantity condition will be re-priced to and ranked at the Locking Price.[21] For example, an order to buy at $11.00 with a minimum quantity condition of 500 shares is entered and there is an order resting on the EDGA Book to sell 200 shares at $10.99. The resting order to sell does not contain sufficient size to satisfy the incoming order's minimum quantity condition of 500 shares. The price of the incoming buy order, if posted to the EDGA Book, would cross the price of the resting sell order. In such case, to avoid an internally crossed book, the System will re-price the incoming buy order to $10.99, the Locking Price. This behavior is similar to how the Exchange currently reprices Non-Displayed

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[21] "Locking Price" is defined as "[t]he price at which an order to buy (sell), that if displayed by the System on the EDGA Book, either upon entry into the System, or upon return to the System after being routed away, would be a Locking Quotation." See Exchange Rule 11.6(f).

orders that cross the Protected Quotation of an external market.[22] In addition, both the Investors Exchange, Inc. ("IEX") and the Nasdaq Stock Market LLC ("Nasdaq") also re-price similar orders to avoid an internally crossed book.[23]

The rule would further be amended to account for the partial execution against an individual order in accordance with the proposed rule change. Specifically, paragraph (h) of Exchange Rule 11.6 would further be amended to state that that an order with a Minimum Execution Quantity instruction may be partially executed so long as the execution size of the individual order or aggregate size of multiple orders, as applicable, are equal to or exceed the minimum quantity provided in the instruction.

The Exchange also proposes to amend the description of the Minimum Execution Quantity instruction to clarify its operation upon order entry and when the order is posted to the EDGA Book. The Exchange proposes to clarify that upon entry, and by default, an order with a Minimum Execution Quantity will execute against a single order or multiple aggregated orders simultaneously. A User may also specify that the order only against orders that individually satisfy the order's minimum quantity condition, as proposed herein. Once posted to the EDGA Book,[24] the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition. The Exchange also proposed to clarify that an order that includes a Minimum Execution Quantity instruction is not eligible to be routed to another Trading Center in accordance with Exchange Rule 11.11, Routing to Away Trading Centers. These proposed changes would

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22 See Exchange Rule 11.6(l)(3).

23 See Nasdaq Rule 4703(e). See IEX Rule 11.190(h)(2).

24 Orders will only post to the EDGA Book if they are designated with a TIF instruction that allows for posting. For example, an order a TIF of IOC or FOK will never post to the EDGA Book.

add additional specificity to the operation of the Minimum Execution Quantity instruction and are consistent with similar functionality offered by IEX and Nasdaq.[25]

Exchange Rule 11.8(b)(3), Limit Order Clarification

The Exchange also proposes to amend paragraph (b)(3) of Exchange Rule 11.8 to specify that a Minimum Execution Quantity instruction may be included on a Limit Order with a TIF of IOC. Currently, paragraph (b)(3) of Exchange Rule 11.8 states that Minimum Execution Quantity instruction may be placed on a Limit Order with a Non-Displayed instruction. As stated above, the Minimum Execution Quantity instruction may be coupled with, among other order types, Market Orders with a TIF of IOC and ISOs with a TIF of IOC. A Limit Order with a TIF of IOC will never be displayed or posted on the EDGA Book because, by instruction, it is to only execute upon entry, route or cancel back to the User and will never be posted to the EDGA Book.[26] Therefore, current functionality allows a Minimum Execution Quantity instruction to be included on a Limit Order with a TIF of IOC, as that order would not be displayed on the EDGA Book. The Exchange now seeks to add additional specificity to paragraph (b)(3) of Exchange Rule 11.6 to expressly state that a Minimum Execution Quantity instruction may be included on a Limit Order with a TIF of IOC. The Exchange notes that this is also consistent with the treatment of Minimum Quantity Orders on Bats BZX Exchange, Inc. ("BZX").[27]

Exchange Rule 11.10(e)(3), Replace Messages

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[25] See supra note 3.

[26] See Exchange Rule 11.6(q)(1).

[27] See BZX Rule 11.9(c)(5) (stating that BZX will only honor a specified minimum quantity on BZX Only Orders that are non-displayed or IOCs).

The Exchange also proposes to amend paragraph (e)(3) of Rule 11.10, Order Execution, to specify that the Max Floor[28] is associated with an order with a Reserve Quantity and to replace the phrase "and quantity terms" with the word "size". The rule currently states that other than changing a Limit Order to a Market Order, only the price, Stop Price,[29] the sell long indicator, Short Sale instruction,[30] Max Floor and quantity terms of the order may be changed with a Replace message. If a User desires to change any other terms of an existing order, the existing order must be cancelled and a new order must be entered. The Exchange believes these changes will add additional specificity to the rule and ensure the rule uses terminology consistent with the description of Replace messages and their impact on an order's priority under Exchange Rule 11.9(a)(4).

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[31] in general, and furthers the objectives of Section 6(b)(5) of the Act[32] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

Exchange Rule 11.6(h), Proposed Individual Minimum Size

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28 See Exchange Rule 11.6(m)(1).

29 See Exchange Rules 11.8(a)(1) and (b)(1).

30 See Exchange Rule 11.6(o).

31 15 U.S.C. 78f(b).

32 15 U.S.C. 78f(b)(5).

The proposed rule change would remove impediments to and promote just and equitable principles of trade because it would provide Users with optional functionality that enhances the use of the Minimum Execution Quantity instruction. The proposed change to the functioning of the Minimum Execution Quantity instruction will provide market participants, including institutional firms who ultimately represent individual retail investors in many cases, with better control over their orders, thereby providing them with greater potential to improve the quality of their order executions. Currently, the rule allows Users to designate a minimum acceptable quantity on an order that may aggregate multiple executions to meet the minimum quantity requirement. Once posted to the book, however, the minimum quantity requirement is equivalent to a minimum execution size requirement. The Exchange is now proposing to provide Users with control over the execution of their orders with a Minimum Execution Quantity instruction by allowing them an option to designate the minimum individual execution size upon entry. The control offered by the proposed change is consistent with the various types of control currently provided by exchange order types. For example, the Exchange and other exchanges offer limit orders, which allow a market participant control over the price it will pay or receive for a stock.[33] Similarly, exchanges offer order types that allow market participants to structure their trading activity in a manner that is more likely to avoid certain transaction cost related economic outcomes.[34]

As discussed above, the functionality proposed herein would enable Users to avoid transacting with smaller orders that they believe ultimately increases the cost of the

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33 See Exchange Rule 11.8(b).

34 For example, the Exchange's Post Only instruction. See Exchange Rule 11.6(n)(4).

transaction. Because the Exchange does not have this functionality, market participants, such as large institutions that transact a large number of orders on behalf of retail investors, have avoided sending large orders to the Exchange to avoid potentially more expensive transactions.[35] In this regard, the Exchange notes that the proposed new optional functionality may improve the Exchange's market by attracting more order flow. Such new order flow will further enhance the depth and liquidity on the Exchange, which supports just and equitable principals of trade. Furthermore, the proposed modification to the Minimum Execution Quantity instruction is consistent with providing market participants with greater control over the nature of their executions so that they may achieve their trading goals and improve the quality of their executions.

The Exchange also believes that re-pricing incoming orders with a Minimum Execution Quantity instruction where that order may cross an order posted on the EDGA Book promotes just and equitable principles of trade because it enables the Exchange to avoid an internally crossed book. The proposed re-pricing is also similar to how the Exchange currently reprices Non-Displayed orders that cross the Protected Quotation of an external market.[36] In addition, both IEX and Nasdaq also re-price minimum quantity orders to avoid an internally crossed book. In certain circumstances, Nasdaq re-prices buy (sell) orders to one minimum price increment below (above) the lowest (highest) price of such orders.[37] IEX re-prices non-displayed orders, such as minimum quantity

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35 As noted, the proposal is designed to attract liquidity to the Exchange by allowing market participants to designate a minimum size of a contra-side order to interact with, thus providing them with functionality available to them on dark markets.

36 See Exchange Rule 11.6(l)(3).

37 See Nasdaq Rule 4703(e).

orders, that include a limit price more aggressive than the midpoint of the NBBO to the midpoint of the NBBO.[38]

These proposed amendments are identical to changes recently proposed by EDGX that were published by the Commission for immediate effectiveness.[39] Moreover, the proposed optional functionality for the Minimum Execution Quantity instruction is also substantially similar to that offered by Nasdaq and IEX, both of which have been recently approved by the Commission.[40] Lastly, the proposed clarifications of the handing of orders with a Minimum Execution Quantity upon entry and once posted to the EDGA Book would add additional specificity to the operation of the Minimum Execution Quantity instruction and are consistent with similar functionality offered by Nasdaq.[41]

Clarification to Exchange Rules 11.8(b)(3) and 11.10(e)(3)

The Exchange believes the proposed amendments to paragraph (b)(3) of Rule 11.8 and paragraph (e)(3) of Rule 11.10 are also consistent with the Act in that they will add additional specificity to the rules. In particular, the proposed amendments to paragraph (b)(3) to Rule 11.8 would add additional specificity regarding the order type instructions that may be coupled with a Limit Order. The Exchange notes that this is also

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38 See IEX Rule 11.190(h)(2).

39 See supra note 3.

40 See Nasdaq Rule 4703(e) (defining Minimum Quantity). See also Securities Exchange Act Release No. 73959 (December 30, 2014), 80 FR 582 (January 6, 2015) (order approving new optional functionality for Minimum Quantity Orders). See IEX Rule 11.190(b)(11) and Supplementary Material .03 (defining Minimum Quantity Orders and MinExec with Cancel Remaining and MinExec with AON Remaining). See also Securities Exchange Act Release No. 78101 (June 17, 2016), 81 FR 41141 (June 23, 2016) (order approving the IEX exchange application, which included IEX's Minimum Quantity Orders). See also IEX Rule 11.190(d)(3) (allowing the minimum quantity size of an order to be changed via a replace message).

41 See supra note 3.

consistent with the treatment of Minimum Quantity Orders on BZX,[42] thereby making the rule clearer and avoiding potential investor confusion. Also, the amendments to paragraph (e)(3) of Rule 11.10 will ensure the rule uses terminology consistent with the description of Replace messages and their impact on an order's priority under Exchange Rule 11.9(a)(4).

4. <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. On the contrary, the Exchange believes the proposed rule change promotes competition because it will enable the Exchange to offer functionality substantially similar to that offered by Nasdaq and IEX.[43] In addition, the proposed amendments to paragraph (b)(3) of Rule 11.8 and paragraph (e)(3) of Rule 11.10 would not have any impact on competition as they simply add additional details to each rule and do not alter current System functionality. Therefore, the Exchange does not believe the proposed rule change will result in any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

No comments were solicited or received on the proposed rule change.

6. <u>Extension of Time Period for Commission Action</u>

Not applicable.

7. <u>Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated</u>

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[42] <u>See</u> BZX Rule 11.9(c)(5) (stating that BZX will only honor a specified minimum quantity on BZX Only Orders that are non-displayed or IOCs).

[43] <u>See</u> <u>supra</u> note 40.

Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[44] of the Act and Rule 19b-4(f)(6)[45] thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for thirty (30) days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization 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 business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.[46]

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4[47] because it would not significantly affect the protection of investors or the public interest. The proposed rule change does not significantly affect the protection of investors or the public interest because it simply adds optional functionality that enhances the use of the Minimum Execution Quantity instruction. These proposed amendments are identical to changes recently proposed by EDGX that were published by the Commission for immediate effectiveness.[48] In addition, the proposed functionality is substantially similar to that offered by Nasdaq and

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44 15 U.S.C. 78s(b)(3)(A).

45 17 CFR 240.19b-4(f)(6).

46 17 CFR 240.19b-4(f)(6).

47 17 CFR 240.19b-4(f)(6).

48 See supra note 3.

IEX, both of which have been recently approved by the Commission. Therefore, the proposed rule change presents no novel issues that have not already been addressed.[49] In addition, the proposed rule change does not impose any significant burden on competition for the reasons set forth under Section 4 above. The Exchange has accordingly designated this rule filing as "non-controversial" under Section 19(b)(3)(A) of the Act[50] and paragraph (f)(6) of Rule 19b-4 thereunder.[51]

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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

The proposed rule change is based on EDGX Rules 11.6(h), 11.8(b)(3), and 11.10(e)(3).[52]

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 Federal Register.

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[49] See supra note 40.

[50] 15 U.S.C. 78s(b)(3)(A).

[51] 17 C.F.R. 240.19b-4(f)(6).

[52] See supra note 3.

Exhibit 5 – Text of the Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-BatsEDGA-2017-26)

Self-Regulatory Organizations; Bats EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Certain Rules to Add New Optional Functionality to Orders with a Minimum Quantity Instruction

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 EDGA Exchange, Inc. (the "Exchange" or "EDGA") 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) add new optional functionality to orders that include the Minimum Execution Quantity instruction by amending paragraph (h) of Exchange Rule 11.6, Definitions; (ii) amend paragraph (b)(3) of Exchange Rule 11.8 to specify that a Minimum Execution Quantity instruction may be included on a Limit Order with a time-in-force ("TIF") of Immediate-or-Cancel ("IOC"); and (iii) amend

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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).

paragraph (e)(3) of Exchange Rule 11.10, Order Execution, to make certain clarifying, non-substantive changes. The proposed amendments are identical to the rules of Bats EDGX Exchange, Inc. ("EDGX") that were recently published by the Commission for immediate effectiveness.[5]

The text of the proposed rule change is available at the Exchange's website at 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: (i) add new optional functionality to orders that include the Minimum Execution Quantity instruction by amending paragraph (h) of Exchange Rule 11.6, Definitions; (ii) amend paragraph (b)(3) of Exchange Rule 11.8 to specify that a Minimum Execution Quantity instruction may be included on a Limit Order with a TIF of IOC; and (iii) amend paragraph (e)(3) of Exchange Rule 11.10,

[5] See EDGX Rules 11.6(h), 11.8(b)(3), and 11.10(e)(3). See also Securities Exchange Act Release No. 81457 (August 22, 2017), 82 FR 40812 (August 28, 2017) (SR-BatsEDGX-2017-34).

Order Execution, to make certain clarifying, non-substantive changes. These proposed amendments are identical to changes recently proposed by EDGX that were published by the Commission for immediate effectiveness.[6]

Exchange Rule 11.6(h), Proposed Individual Minimum Size

The Exchange proposes to add new optional functionality that would enhance the utility of the Minimum Execution Quantity instruction by amending paragraph (h) of Exchange Rule 11.6, Definitions. In sum, the proposal would permit an incoming order with a Minimum Execution Quantity to forego executions where multiple resting orders could otherwise be aggregated to satisfy the order's minimum quantity.

A Minimum Execution Quantity enables a User[7] to specify a minimum share amount at which the order will execute. An order with a Minimum Execution Quantity will not execute unless the volume of contra-side liquidity available to execute against the order meets or exceeds the designated minimum. Specifically, Minimum Execution Quantity is an instruction a User may attach to an order with a Non-Displayed[8] instruction or a TIF of IOC[9] requiring the System[10] to execute the order only to the extent

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6 See supra note 5.

7 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(ee).

8 The term "Non-Displayed" is defined as "[a]n instruction the User may attach to an order stating that the order is not to be displayed by the System on the EDGA Book." See Exchange Rule 11.6(e)(2).

9 As discussed below, the Exchange also proposes to clarify within Rule 11.6(h) that a Minimum Quantity instruction may also be added to an order with a TIF of IOC. See e.g., Exchange Rules 11.8(a)(3) and (c)(2) (specifying that the Minimum Quantity instruction may be included on Market Orders and ISOs with a TIF of IOC).

that a minimum quantity can be satisfied by execution against a single order or multiple aggregated orders simultaneously.[11] Today, an order with a Minimum Execution Quantity will execute upon entry against a single order or multiple orders if the sum of those orders is equal to or greater than its minimum quantity. An order with a Minimum Execution Quantity instruction may be partially executed upon entry so long as the execution size is equal to or exceeds the minimum quantity provided in the instruction. Any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the quantity provided in the instruction. Where the number of shares remaining after a partial execution are less than the quantity provided in the instruction, the Minimum Execution Quantity shall be equal to the number of shares remaining. The Minimum Execution Quantity instruction may be coupled with Market Orders with a TIF of IOC,[12] Limit Orders with a Non-Displayed instruction[13] or TIF of IOC (as discussed below), Intermarket Sweep Orders ("ISO") with a TIF of IOC,[14] MidPoint Peg Orders,[15] and Supplemental Peg Orders.[16]

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10 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(cc).

11 Today, the System will aggregate multiple resting orders to satisfy the incoming order's minimum quantity and a User cannot elect the incoming order to execute against a single resting contra-side order.

12 See Exchange Rule 11.8(a)(3).

13 See Exchange Rule 11.8(b)(3).

14 See Exchange Rule 11.8(c)(2).

15 See Exchange Rule 11.8(d)(2).

16 See Exchange Rule 11.8(f)(2).

The Exchange has observed that some market participants avoid sending large orders with a Minimum Execution Quantity instruction to the Exchange out of concern that such orders may interact with small orders entered by professional traders, possibly adversely impacting the execution of their larger order. Institutional orders are often much larger in size than the average order in the marketplace. To facilitate the liquidation or acquisition of a large position, market participants tend to submit multiple orders into the market that may only represent a fraction of the overall institutional position to be executed. Various strategies used by institutional market participants to execute large orders are intended to limit price movement of the security at issue. Executing in small sizes, even if in the aggregate it meets the order's minimum quantity, may impact the market for that security such that the additional orders the market participant has yet to enter into the market may be more costly to execute. If an institution is able to execute in larger sizes, the contra-party to the execution is less likely to be a participant that reacts to short term changes in the stock price, and as such, the price impact to the stock may be less acute when larger individual executions are obtained.[17] As a result, these orders are often executed away from the Exchange in dark

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[17] The Commission has long recognized this concern: "[a]nother type of implicit transaction cost reflected in the price of a security is short-term price volatility caused by temporary imbalances in trading interest. For example, a significant implicit cost for large investors (who often represent the consolidated investments of many individuals) is the price impact that their large trades can have on the market. Indeed, disclosure of these large orders can reduce the likelihood of their being filled." See Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577, 10581 (February 28, 2000) (SR-NYSE-99-48).

pools or other exchanges that offer the same functionality as proposed herein,[18] or via broker-dealer internalization.

To attract larger orders with a Minimum Execution Quantity, the Exchange proposes to add new optional functionality that would enhance the utility of the Minimum Execution Quantity instruction. In sum, the proposal would permit a User to elect that its incoming order with a Minimum Execution Quantity execute solely against one or more resting individual orders, each of which must satisfy the order's minimum quantity condition. In such case, the order would forego executions where multiple resting orders could otherwise be aggregated to satisfy the order's minimum quantity, but do not individually satisfy the minimum quantity condition.[19] As discussed above, under the current rule an order with a Minimum Execution Quantity will execute upon entry against any number of smaller contra-side orders that, in aggregate, meet the minimum quantity set by the User. This default behavior will remain. For example, assume there are two orders to sell resting on the EDGA Book[20] – the first for 300 shares and a second for 400 shares, with the 300 share order having time priority ahead of the 400 share order. If a User entered an order with a Minimum Execution Quantity to buy 1,000 shares at $10.00 with a minimum quantity of 500 shares, and the order was marketable against the two resting sell orders for 300 and 400 shares, the System would aggregate both sell orders for purposes of meeting the minimum quantity, thus resulting in executions of 300

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18 See supra note 5.

19 If no election is made, the System will aggregate multiple resting orders to satisfy the incoming order's minimum quantity.

20 The term "EDGA Book" is defined as "the System's electronic file of orders." See Exchange Rule 1.5(d).

shares and then 400 shares respectively with the remaining 300 shares of the an order with a Minimum Execution Quantity being posted to the EDGA Book with a minimum quantity restriction of 300 shares.

The proposed new optional functionality will not allow aggregation of smaller executions to satisfy the minimum quantity of an incoming order with a Minimum Execution Quantity. Using the same scenario as above, but with the proposed new functionality and a Minimum Execution Quantity requirement of 400 shares selected by the User, the order with a Minimum Execution Quantity would not execute against the two sell orders because the 300 share order with time priority at the top of the EDGA Book is less than the incoming order's 400 share Minimum Execution Quantity. The new functionality will cause the order with a Minimum Execution Quantity to be cancelled or posted to the EDGA Book, Non-Displayed, in accordance with the characteristics of the underlying order type[21] when encountering an order with time priority that is of insufficient size to satisfy the minimum execution requirement. If posted, the order with a Minimum Execution Quantity will operate as it does currently and will only execute against individual orders that satisfy its minimum quantity as proposed herein. The Exchange notes that the User entering the order with a Minimum Execution Quantity has expressed its intention not to execute against liquidity below a certain minimum size, and therefore, cedes execution priority when it would lock an order against which it would otherwise execute if it were not for the minimum execution

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[21] See supra notes 12 through 16 for a description of the functionality associated with orders that may include a Minimum Execution Quantity.

size restriction. The Exchange proposes to add language to paragraph (h) of Rule 11.6 to make clear that the order would cede execution priority in such in scenario.

As amended, the description of Minimum Execution Quantity under paragraph (h) of Exchange Rule 11.6 would set forth the default behavior of the Minimum Quantity instruction of executing upon entry against a single order or multiple aggregated orders simultaneously. Amended Rule 11.6(h) would set forth the proposed optional functionality where a User may alternatively specify that the incoming order's minimum quantity condition be satisfied by each order resting on the EDGA Book that would execute against the order with the Minimum Execution Quantity instruction. If there are such orders, but there are also orders that do not satisfy the minimum quantity condition, the incoming order with the Minimum Execution Quantity instruction will execute against orders resting on the EDGA Book in accordance with Rule 11.9, Order Priority, until it reaches an order that does not satisfy the minimum quantity condition at which point it would be posted to the EDGA Book or cancelled in accordance with the terms of the order. If, upon entry, there are no orders that satisfy the minimum quantity condition resting on the EDGA Book, the order will either be posted to the EDGA Book or cancelled in accordance with the terms of the order.

The Exchange also proposes to re-price incoming orders with a Minimum Execution Quantity instruction where that order may cross an order posted on the EDGA Book. Specifically, where there is insufficient size to satisfy an incoming order's minimum quantity condition and that incoming order, if posted at its limit price, would cross an order(s) resting on the EDGA Book, the order with the minimum quantity condition will be re-priced to and ranked at the Locking Price.[22] For example, an order to buy at $11.00 with a minimum quantity condition of 500 shares is entered and there is an order resting on the EDGA Book to sell 200 shares at $10.99. The resting order to sell does not contain sufficient size to satisfy the incoming order's minimum quantity condition of 500 shares. The price of the incoming buy order, if posted to the EDGA Book, would cross the price of the resting sell order. In such case, to avoid an internally crossed book, the System will re-price the incoming buy order to $10.99, the Locking Price. This behavior is similar to how the Exchange currently reprices Non-Displayed orders that cross the Protected Quotation of an external market.[23] In addition, both the Investors Exchange, Inc. ("IEX") and the Nasdaq Stock Market LLC ("Nasdaq") also re-price similar orders to avoid an internally crossed book.[24]

The rule would further be amended to account for the partial execution against an individual order in accordance with the proposed rule change. Specifically, paragraph (h) of Exchange Rule 11.6 would further be amended to state that that an order with a Minimum Execution Quantity instruction may be partially executed so long as the execution size of the individual order or aggregate size of multiple orders, as applicable, are equal to or exceed the minimum quantity provided in the instruction.

The Exchange also proposes to amend the description of the Minimum Execution Quantity instruction to clarify its operation upon order entry and when the order is posted

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[22] "Locking Price" is defined as "[t]he price at which an order to buy (sell), that if displayed by the System on the EDGA Book, either upon entry into the System, or upon return to the System after being routed away, would be a Locking Quotation." See Exchange Rule 11.6(f).

[23] See Exchange Rule 11.6(l)(3).

[24] See Nasdaq Rule 4703(e). See IEX Rule 11.190(h)(2).

to the EDGA Book. The Exchange proposes to clarify that upon entry, and by default, an order with a Minimum Execution Quantity will execute against a single order or multiple aggregated orders simultaneously. A User may also specify that the order only against orders that individually satisfy the order's minimum quantity condition, as proposed herein. Once posted to the EDGA Book,[25] the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition. The Exchange also proposed to clarify that an order that includes a Minimum Execution Quantity instruction is not eligible to be routed to another Trading Center in accordance with Exchange Rule 11.11, Routing to Away Trading Centers. These proposed changes would add additional specificity to the operation of the Minimum Execution Quantity instruction and are consistent with similar functionality offered by IEX and Nasdaq.[26]

Exchange Rule 11.8(b)(3), Limit Order Clarification

The Exchange also proposes to amend paragraph (b)(3) of Exchange Rule 11.8 to specify that a Minimum Execution Quantity instruction may be included on a Limit Order with a TIF of IOC. Currently, paragraph (b)(3) of Exchange Rule 11.8 states that Minimum Execution Quantity instruction may be placed on a Limit Order with a Non-Displayed instruction. As stated above, the Minimum Execution Quantity instruction may be coupled with, among other order types, Market Orders with a TIF of IOC and ISOs with a TIF of IOC. A Limit Order with a TIF of IOC will never be displayed or posted on the EDGA Book because, by instruction, it is to only execute upon entry, route

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[25] Orders will only post to the EDGA Book if they are designated with a TIF instruction that allows for posting. For example, an order a TIF of IOC or FOK will never post to the EDGA Book.

[26] See supra note 5.

or cancel back to the User and will never be posted to the EDGA Book.[27] Therefore, current functionality allows a Minimum Execution Quantity instruction to be included on a Limit Order with a TIF of IOC, as that order would not be displayed on the EDGA Book. The Exchange now seeks to add additional specificity to paragraph (b)(3) of Exchange Rule 11.6 to expressly state that a Minimum Execution Quantity instruction may be included on a Limit Order with a TIF of IOC. The Exchange notes that this is also consistent with the treatment of Minimum Quantity Orders on Bats BZX Exchange, Inc. ("BZX").[28]

Exchange Rule 11.10(e)(3), Replace Messages

The Exchange also proposes to amend paragraph (e)(3) of Rule 11.10, Order Execution, to specify that the Max Floor[29] is associated with an order with a Reserve Quantity and to replace the phrase "and quantity terms" with the word "size". The rule currently states that other than changing a Limit Order to a Market Order, only the price, Stop Price,[30] the sell long indicator, Short Sale instruction,[31] Max Floor and quantity terms of the order may be changed with a Replace message. If a User desires to change any other terms of an existing order, the existing order must be cancelled and a new order must be entered. The Exchange believes these changes will add additional specificity to the rule and ensure the rule uses terminology consistent with the description of Replace

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27 See Exchange Rule 11.6(q)(1).

28 See BZX Rule 11.9(c)(5) (stating that BZX will only honor a specified minimum quantity on BZX Only Orders that are non-displayed or IOCs).

29 See Exchange Rule 11.6(m)(1).

30 See Exchange Rules 11.8(a)(1) and (b)(1).

31 See Exchange Rule 11.6(o).

messages and their impact on an order's priority under Exchange Rule 11.9(a)(4).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act[32] in general, and furthers the objectives of Section 6(b)(5) of the Act[33] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

Exchange Rule 11.6(h), Proposed Individual Minimum Size

The proposed rule change would remove impediments to and promote just and equitable principles of trade because it would provide Users with optional functionality that enhances the use of the Minimum Execution Quantity instruction. The proposed change to the functioning of the Minimum Execution Quantity instruction will provide market participants, including institutional firms who ultimately represent individual retail investors in many cases, with better control over their orders, thereby providing them with greater potential to improve the quality of their order executions. Currently, the rule allows Users to designate a minimum acceptable quantity on an order that may aggregate multiple executions to meet the minimum quantity requirement. Once posted to the book, however, the minimum quantity requirement is equivalent to a minimum execution size requirement. The Exchange is now proposing to provide Users with

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[32] 15 U.S.C. 78f(b).

[33] 15 U.S.C. 78f(b)(5).

control over the execution of their orders with a Minimum Execution Quantity instruction by allowing them an option to designate the minimum individual execution size upon entry. The control offered by the proposed change is consistent with the various types of control currently provided by exchange order types. For example, the Exchange and other exchanges offer limit orders, which allow a market participant control over the price it will pay or receive for a stock.[34] Similarly, exchanges offer order types that allow market participants to structure their trading activity in a manner that is more likely to avoid certain transaction cost related economic outcomes.[35]

As discussed above, the functionality proposed herein would enable Users to avoid transacting with smaller orders that they believe ultimately increases the cost of the transaction. Because the Exchange does not have this functionality, market participants, such as large institutions that transact a large number of orders on behalf of retail investors, have avoided sending large orders to the Exchange to avoid potentially more expensive transactions.[36] In this regard, the Exchange notes that the proposed new optional functionality may improve the Exchange's market by attracting more order flow. Such new order flow will further enhance the depth and liquidity on the Exchange, which supports just and equitable principals of trade. Furthermore, the proposed modification to the Minimum Execution Quantity instruction is consistent with providing market

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34 See Exchange Rule 11.8(b).

35 For example, the Exchange's Post Only instruction. See Exchange Rule 11.6(n)(4).

36 As noted, the proposal is designed to attract liquidity to the Exchange by allowing market participants to designate a minimum size of a contra-side order to interact with, thus providing them with functionality available to them on dark markets.

participants with greater control over the nature of their executions so that they may achieve their trading goals and improve the quality of their executions.

The Exchange also believes that re-pricing incoming orders with a Minimum Execution Quantity instruction where that order may cross an order posted on the EDGA Book promotes just and equitable principles of trade because it enables the Exchange to avoid an internally crossed book. The proposed re-pricing is also similar to how the Exchange currently reprices Non-Displayed orders that cross the Protected Quotation of an external market.[37] In addition, both IEX and Nasdaq also re-price minimum quantity orders to avoid an internally crossed book. In certain circumstances, Nasdaq re-prices buy (sell) orders to one minimum price increment below (above) the lowest (highest) price of such orders.[38] IEX re-prices non-displayed orders, such as minimum quantity orders, that include a limit price more aggressive than the midpoint of the NBBO to the midpoint of the NBBO.[39]

These proposed amendments are identical to changes recently proposed by EDGX that were published by the Commission for immediate effectiveness.[40] Moreover, the proposed optional functionality for the Minimum Execution Quantity instruction is also substantially similar to that offered by Nasdaq and IEX, both of which have been recently approved by the Commission.[41] Lastly, the proposed clarifications of the handing of

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[37] See Exchange Rule 11.6(l)(3).

[38] See Nasdaq Rule 4703(e).

[39] See IEX Rule 11.190(h)(2).

[40] See supra note 5.

[41] See Nasdaq Rule 4703(e) (defining Minimum Quantity). See also Securities Exchange Act Release No. 73959 (December 30, 2014), 80 FR 582 (January 6,

orders with a Minimum Execution Quantity upon entry and once posted to the EDGA Book would add additional specificity to the operation of the Minimum Execution Quantity instruction and are consistent with similar functionality offered by Nasdaq.[42]

Clarification to Exchange Rules 11.8(b)(3) and 11.10(e)(3)

The Exchange believes the proposed amendments to paragraph (b)(3) of Rule 11.8 and paragraph (e)(3) of Rule 11.10 are also consistent with the Act in that they will add additional specificity to the rules. In particular, the proposed amendments to paragraph (b)(3) to Rule 11.8 would add additional specificity regarding the order type instructions that may be coupled with a Limit Order. The Exchange notes that this is also consistent with the treatment of Minimum Quantity Orders on BZX,[43] thereby making the rule clearer and avoiding potential investor confusion. Also, the amendments to paragraph (e)(3) of Rule 11.10 will ensure the rule uses terminology consistent with the description of Replace messages and their impact on an order's priority under Exchange Rule 11.9(a)(4).

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

The Exchange does not believe that the proposed rule change will result in any

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2015) (order approving new optional functionality for Minimum Quantity Orders). See IEX Rule 11.190(b)(11) and Supplementary Material .03 (defining Minimum Quantity Orders and MinExec with Cancel Remaining and MinExec with AON Remaining). See also Securities Exchange Act Release No. 78101 (June 17, 2016), 81 FR 41141 (June 23, 2016) (order approving the IEX exchange application, which included IEX's Minimum Quantity Orders). See also IEX Rule 11.190(d)(3) (allowing the minimum quantity size of an order to be changed via a replace message).

42 See supra note 5.

43 See BZX Rule 11.9(c)(5) (stating that BZX will only honor a specified minimum quantity on BZX Only Orders that are non-displayed or IOCs).

burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. On the contrary, the Exchange believes the proposed rule change promotes competition because it will enable the Exchange to offer functionality substantially similar to that offered by Nasdaq and IEX.[44] In addition, the proposed amendments to paragraph (b)(3) of Rule 11.8 and paragraph (e)(3) of Rule 11.10 would not have any impact on competition as they simply add additional details to each rule and do not alter current System functionality. Therefore, the Exchange does not believe the proposed rule change will result in any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

No comments were solicited or received on the proposed rule change.

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[45] and paragraph (f)(6) of Rule 19b-4 thereunder,[46] the Exchange has designated this rule filing as non-controversial. The Exchange has given the Commission written notice of its intent to file the proposed rule

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[44] See supra note 41.

[45] 15 U.S.C. 78s(b)(3)(A).

[46] 17 CFR 240.19b-4.

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

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

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-BatsEDGA-2017-26 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-BatsEDGA-2017-26. 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-BatsEDGA-2017-26 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.[47]

Robert W. Errett
Deputy Secretary

[47] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

Rules of EDGA Exchange, Inc.

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CHAPTER XI. TRADING RULES

* * * * *

Rule 11.6. Definitions

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(a) – (g) (No change).

(h) Minimum Execution Quantity. An instruction a User may attach to an order with a Non-Displayed instruction or a Time-in-Force of Immediate-or-Cancel requiring the System to execute the order only to the extent that a minimum quantity can be satisfied. By default, an order with the Minimum Execution Quantity instruction will [by execution]execute upon entry against a single order or multiple aggregated orders simultaneously. A User may alternatively specify the order not execute against multiple aggregated orders simultaneously and that the minimum quantity condition be satisfied by each individual order resting on the EDGA Book. If there are such orders, but there are also orders that do not satisfy the minimum quantity condition, the order with the Minimum Execution Quantity instruction will execute against orders resting on the EDGA Book in accordance with Rule 11.9, Order Priority, until it reaches an order that does not satisfy the minimum quantity condition, and then the remainder of the order will be posted to the EDGA Book or cancelled in accordance with the terms of the order. If, upon entry, there are no orders that satisfy the minimum quantity condition resting on the EDGA Book, the order will either be posted to the EDGA Book or cancelled in accordance with the terms of the order. Where there is insufficient size to satisfy an incoming order's minimum quantity condition and that incoming order, if posted at its limit price, would cross an order(s) resting on the EDGA Book, the order with the minimum quantity condition will be re-priced to and ranked at the Locking Price. An order with a Minimum Execution Quantity instruction may be partially executed so long as the execution size of the individual order or aggregate size of multiple orders, as applicable, is equal to or exceeds the quantity provided in the instruction. Any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the quantity provided in the instruction. If posted to the EDGA Book, the order may only execute against individual incoming orders with a size that satisfies the minimum quantity condition. An order with the Minimum Execution Quantity instruction cedes execution priority when it would lock an order against which it would otherwise execute if it were not for the minimum execution size restriction. Where the number of shares remaining after a partial execution are less than the quantity provided in the instruction, the Minimum Execution Quantity shall be equal to the number of shares remaining. An order that includes a Minimum Execution

Quantity instruction is not eligible to be routed to another Trading Center in accordance with Rule 11.11.

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Rule 11.8. Order Types

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(a) (No change).

(b) Limit Order. An order to buy or sell a stated amount of a security at a specified price or better. A marketable Limit Order is a Limit Order to buy (sell) at or above (below) the lowest (highest) Protected Offer (Protected Bid) for the security.

(1) – (2) (No change).

(3) Size. A Limit Order may be an Odd Lot, Round Lot or Mixed Lot. A User may include a Minimum Execution Quantity instruction for a Limit Order with a Non-Displayed instruction or TIF of IOC.

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11.10. Order Execution

(a) – (d) (No change).

(e) Cancel/Replace Messages. A User may cancel or replace an existing order entered by the User, subject to the following limitations.

(1) – (2) (No change).

(3) Other than changing a Limit Order to a Market Order, only the price, Stop Price, the sell long indicator, Short Sale instruction, Max Floor of an order with a Reserve Quantity, and [quantity terms]size of the order may be changed by a Replace Message. If a User desires to change any other terms of an existing order the existing order must be cancelled and a new order must be entered.

(4) (No change).

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