SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78062; File No. SR-BatsEDGX-2016-21)

June 14, 2016

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees as they Apply to the Equity Options Platform

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 1, 2016, Bats EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act[3] and Rule 19b-4(f)(2) thereunder,[4] which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to amend the fee schedule applicable to Members[5] and non-members of the Exchange pursuant to EDGX Rules 15.1(a) and (c).

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

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

2 17 CFR 240.19b-4.

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

4 17 CFR 240.19b-4(f)(2).

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

www.batstrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to amend its fee schedule for its equity options platform ("EDGX Options") to: (1) increase the Exchange's standard rates for Customer[6] orders executed on the EDGX Options and to make related changes; (2) modify the criteria to qualify for a tier under the Exchange's existing tiered pricing structure; and (3) modify the Exchange's routing fees, as further described below.

Customer Orders

Fee codes PC and NC are currently appended to all Customer orders in Penny Pilot Securities[7] and Non-Penny Pilot Securities,[8] respectively, and result in a standard rebate of $0.01

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6 The term "Customer" applies to any transaction identified by a Member for clearing in the Customer range at the Options Clearing Corporation ("OCC"), excluding any transaction for a Broker Dealer or a "Professional" as defined in Exchange Rule 16.1.

7 The term "Penny Pilot Security" applies to those issues that are quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01.

8 The term "Non-Penny Pilot Security" applies to those issues that are not Penny Pilot

per contract. The Exchange proposes to increase the standard rate for all Customer orders in Penny Pilot Securities and Non-Penny Pilot Securities to a standard rebate of $0.05 per contract. In addition to reflecting the increase in the Fee Codes and Associated Fees portion of the Exchange's fee schedule for fee codes PC and NC, the Exchange proposes to delete the reference to the $0.01 rebate on the Standard Rates table with respect to fee codes PC and NC. The Standard Rates table provides a range of rebates and fees applicable to executions on the Exchange in summary form.

In addition to the standard rebate provided to all Customer orders, the Exchange offers several Customer Volume Tiers pursuant to footnote 1. The Customer Volume Tiers currently consist of six separate tiers, each providing an enhanced rebate to a Member's Customer orders that yield fee codes PC or NC upon satisfying monthly volume criteria required by the respective tier. Pursuant to Customer Volume Tier 1, the lowest volume tier, a Member currently receives a rebate of $0.05 per contract where the Member has an ADV[9] in Customer orders equal to or greater than 0.10% of average TCV.[10] Because the Exchange is increasing its standard rebate to $0.05 per share, the Exchange proposes to delete current Tier 1 and to re-number Tiers 2 through 6 as Tiers 1 through 5.

Tiered Pricing Changes

Securities quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01.

9 "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day.

10 "TCV" means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

In addition to the Customer Volume Tiers described above and in footnote 1 of the fee schedule, the Exchange also provides reduced fees or enhanced rebates under the Market Maker Volume Tiers described in footnote 2. Fee codes PM and NM are currently appended to all Market Maker[11] orders in Penny Pilot Securities and Non-Penny Pilot Securities, respectively, and result in a standard fee of $0.19 per contract. The Market Maker Volume Tiers in footnote 2 consist of seven separate tiers, each providing a reduced fee or rebate to a Member's Market Maker orders that yield fee codes PM or NM upon satisfying monthly volume criteria required by the respective tier.

The Exchange proposes to modify the qualifying criteria for Customer Volume Tier 6 (as described above, the Exchange proposes to re-number such tier as Customer Volume Tier 5, hereafter "current Customer Volume Tier 6") under footnote 1 and for Market Maker Volume Tier 7 under footnote 2, as further described below.

Pursuant to current Customer Volume Tier 6, a Member currently will receive a rebate of $0.21 per contract where: (1) the Member has an ADV in Customer orders equal to or greater than 0.20% of average TCV; and (2) the Member has an ADV in Market Maker orders equal to or greater than 0.15% of average TCV. Similarly, pursuant to Market Maker Volume Tier 7, the Exchange provides a reduced fee of $0.10 per contract where: (1) the Member has an ADV in Customer orders equal to or greater than 0.20% of average TCV; and (2) the Member has an ADV in Market Maker orders equal to or greater than 0.15% of average TCV. Thus, the qualifying criteria for current Customer Volume Tier 6 and Market Maker Volume Tier 7 are identical.

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[11] The term "Market Maker" applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC, where such Member is registered with the Exchange as a Market Maker as defined in Rule 16.1(a)(37).

In order to encourage the entry of additional orders to the Exchange, the Exchange proposes to modify current Customer Volume Tier 6 and Market Maker Volume Tier 7 to reduce the criteria necessary to qualify. Specifically, the Exchange proposes to provide the same rebate, $0.21 per contract, and reduced fee, $0.10 per contract, as it currently provides for these tiers, respectively, and to provide such rebate or fee where: (1) the Member has an ADV in Customer orders equal to or greater than 0.20% of average TCV; and (2) the Member has an ADV in Market Maker orders equal to or greater than 0.10% of average TCV. Thus, the Exchange proposes to reduce the criteria of the second prong from 0.15% of average TCV to 0.10% of average TCV. The Exchange believes that this change will make current Customer Volume Tier 6 and Market Maker Volume Tier 7 more attainable for additional Members.

Routing Fees

The Exchange proposes to modify the fees charged for orders routed away from the Exchange and executed at various away options exchanges.[12] The Exchange currently charges flat rate routing fees for executions at away options exchanges that have been placed into groups based on the approximate cost of routing to such venues. The grouping of away options exchanges is based on the cost of transaction fees assessed by each venue as well as costs to the Exchange for routing (i.e., clearing fees, connectivity and other infrastructure costs, membership fees, etc.) (collectively, "Routing Costs"). To address different fees at various other options

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[12] Other options exchanges to which the Exchange routes include: Bats BZX Exchange, Inc. ("BZX Options"), BOX Options Exchange LLC ("BOX"), Chicago Board Options Exchange, Inc. ("CBOE"), C2 Options Exchange, Inc. ("C2"), International Securities Exchange, Inc. ("ISE"), ISE Gemini, LLC ("ISE Gemini"), ISE Mercury, LLC ("ISE Mercury"), Miami International Securities Exchange, LLC ("MIAX"), Nasdaq Options Market LLC ("NOM"), Nasdaq OMX BX LLC ("BX Options"), Nasdaq OMX PHLX LLC ("PHLX"), NYSE Arca, Inc. ("ARCA"), and NYSE MKT LLC ("AMEX").

exchanges, the Exchange proposes to increase fees applicable to routing to certain away options exchanges in Non-Penny Securities, as further described below.

With respect to Non-Customer orders in Non-Penny Pilot Securities, the Exchange appends fee code RO to all such orders routed to and executed at other options exchanges. Pursuant to fee code RO, the Exchange charges a fee of $1.20 per contract. The Exchange proposes to increase this fee from $1.20 per contract to $1.25 per contract to account for additional Routing Costs incurred by the Exchange.

With respect to Customer orders in Non-Penny Pilot Securities the Exchange applies one of two fee codes: (1) fee code RP, which results in a fee of $0.25 per contract and applies to all Customer orders (including orders in Penny Pilot Securities) routed to and executed at AMEX, BOX, BX Options, CBOE, ISE Mercury, MIAX or PHLX; or (2) fee code RR, which results in a fee of $0.90 per contract and applies to all Customer orders in Non-Penny Pilot Securities routed to and executed at ARCA, BZX Options, C2, ISE, ISE Gemini or NOM. The Exchange proposes to increase the fee under fee code RR from $0.90 per contract to $1.00 per contract to account for additional Routing Costs incurred by the Exchange. The Exchange does not propose any change to fee code RP.

As set forth above, the Exchange's proposed approach to routing fees is to set forth in a simple manner certain flat fees that approximate the cost of routing to other options exchanges. The Exchange then monitors the fees charged as compared to the costs of its routing services, as well as monitoring for specific fee changes by other options exchanges, and intends to adjust its flat routing fees and/or groupings to ensure that the Exchange's fees do indeed result in a rough approximation of overall Routing Costs, and are not significantly higher or lower in any area.

The increases are proposed primarily in order to account for increased Routing Costs incurred by the Exchange.

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule immediately.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.[13] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[14] in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls.

The Exchange believes its proposed increase to the standard rebate provided to Customer orders executed on the Exchange (as well as the related changes) is reasonable, fair and equitable, and non-discriminatory in that the rebate will provide additional incentive to all Members to enter Customer orders to the Exchange. The Exchange also believes the rebate for Customer orders remains consistent with pricing previously offered by the Exchange as well as other options exchanges and does not represent a significant departure from such pricing.

Further, the Exchange believes that the proposed modifications to the tiered pricing structure are reasonable, fair and equitable, and non-discriminatory. The Exchange operates in a highly competitive market in which market participants may readily send order flow to many

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13 15 U.S.C. 78f.

14 15 U.S.C. 78f(b)(4).

competing venues if they deem fees at the Exchange to be excessive. As a relatively new options exchange, the proposed fee structure remains intended to attract order flow to the Exchange by offering market participants a competitive yet simple pricing structure. At the same time, the Exchange believes it is reasonable to offer and incrementally modify incentives intended to help to contribute to the growth of the Exchange.

Volume-based rebates such as those currently maintained on the Exchange have been widely adopted by options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. The proposed modification to the criteria required to qualify for current Customer Volume Tier 6 and Market Maker Volume Tier 7 is intended to incentivize Members to send additional Customer orders and Market Maker orders to the Exchange in an effort to qualify for the enhanced rebate or lower fee made available by the tiers.

The Exchange believes that the proposed tiers, as proposed to be amended are reasonable, fair and equitable, and non-discriminatory, for the reasons set forth above with respect to volume-based pricing generally and because such changes will incentivize participants to further contribute to market quality. The proposed tiers will provide an additional way for market participants to qualify for enhanced rebates or reduced fees. The Exchange also believes that the tiered pricing structure remains consistent with pricing previously offered by the Exchange as well as other options exchanges and does not represent a significant departure from such pricing structures.

With respect to the proposed increases under the Exchange's routing structure, the Exchange again notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive. As explained above, the Exchange seeks to approximate the cost of routing to other options exchanges, including other applicable costs to the Exchange for routing, in order to provide a simplified and easy to understand pricing model. The Exchange believes that a pricing model based on approximate Routing Costs is a reasonable, fair and equitable approach to pricing. Specifically, the Exchange believes that its proposal to modify fees is fair, equitable and reasonable because the fees are generally an approximation of the cost to the Exchange for routing orders to such exchanges. The Exchange believes that its flat fee structure for orders routed to various venues is a fair and equitable approach to pricing, as it will provide certainty with respect to execution fees at groups of away options exchanges. In order to achieve its flat fee structure, taking all costs to the Exchange into account, the Exchange will in some instances charge a higher premium to route to certain options exchanges than to others. As a general matter, the Exchange believes that the proposed fees will allow it to recoup and cover its costs of providing routing services to such exchanges and to make some additional profit in exchange for the services it provides. The Exchange also believes that the proposed increase to the fee structure for orders routed to and executed at these away options exchanges is fair and equitable and not unreasonably discriminatory in that it applies equally to all Members. Finally, the Exchange notes that it intends to consistently evaluate its routing fees, including profit and loss attributable to routing, as applicable, in connection with the operation of a flat fee routing service, and would consider future adjustments to the proposed pricing structure to the extent it was recouping a significant profit or loss from routing to away options exchanges.

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

The Exchange believes the proposed amendments to its fee schedule would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the proposal is a competitive proposal that is seeking to further the growth of the Exchange and to update the Exchange's fees for routing orders to away options exchanges based on Routing Costs. With respect to the increase to the standard Customer rebate and other tiered pricing changes, the Exchange has structured the proposed fees and rebates to attract additional volume to the Exchange. With respect to the proposed changes to the routing fee structure, the Exchange believes that the proposed fees are competitive in that they will continue to provide a simple approach to routing pricing that some Members may favor. Additionally, Members may opt to disfavor the Exchange's pricing, including pricing for transactions on the Exchange as well as routing fees, if they believe that alternatives offer them better value. In particular, with respect to routing services, such services are available to Members from other broker-dealers as well as other options exchanges. The Exchange also notes that Members may choose to mark their orders as ineligible for routing to avoid incurring routing fees.[15] Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

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

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

15 See Exchange Rule 21.1(d)(7) (describing "Book Only" orders) and Exchange Rule 21.9(a)(1) (describing the Exchange's routing process, which requires orders to be designated as available for routing).

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[16] and paragraph (f) of Rule 19b-4 thereunder.[17] 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 proposed rule change 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 Number SR-BatsEDGX-2016-21 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 Number SR-BatsEDGX-2016-21. 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

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16 15 U.S.C. 78s(b)(3)(A).

17 17 CFR 240.19b-4(f).

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 a.m. and 3:00 p.m. 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 Number SR-BatsEDGX-2016-21 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[18]

Robert W. Errett
Deputy Secretary

[18] 17 CFR 200.30-3(a)(12).