

### III. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.<sup>10</sup> Section 17A(b)(3)(F) of the Act requires, among other things, that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions.<sup>11</sup> Rule 17Ad-22(e)(17) requires, in relevant part, that a registered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to manage the covered clearing agency's operational risk by identifying the plausible sources of operational risk, both internal and external, and mitigating their impact through the use of appropriate systems, policies, procedures, and controls, and by ensuring that systems have a high degree of security, resiliency, operational reliability, and adequate, scalable capacity.<sup>12</sup>

The Commission finds that the proposed rule change, which modifies ICE Clear Europe's EOD Price Discovery Policy to implement a direct price submission process for Clearing Members, is consistent with Section 17A of the Act and Rule 17Ad-22 thereunder. The proposed rule change is consistent with the requirements of Section 17A(b)(3)(F) that the rules of a registered clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions and, to the extent applicable, derivative agreements, contracts, and transactions. By reducing operational risk the proposed rule changes reduce the likelihood that ICE Clear Europe will be unable to complete its end-of-day price discovery process. Completion of the end-of-day price discovery process is a necessary and essential element in ICE Clear Europe's clearance and settlement processes. The Commission believes that the proposed changes should enhance ICE Clear Europe's ability to complete the necessary pricing process effectively and thereby promote the prompt and accurate clearance and settlement of derivative agreements, contracts and

transactions consistent with Section 17A(b)(3)(F).

For similar reasons, the proposed rule changes are also consistent with Rule 17Ad-22(e)(17) in that they are designed to reduce operational risk outside of ICE Clear Europe's control.<sup>13</sup> The proposed rule changes are intended to reduce ICE Clear Europe's external operational risk by implementing an appropriate system that will allow ICE Clear Europe to exert greater control over the price submission process by requiring direct connection and communication between ICE Clear Europe and its Clearing Members instead of relying on an intermediary to collect price information needed for ICE Clear Europe's price discovery process. As a result, because ICE Clear Europe will be able to reduce its reliance on intermediaries, and thereby reduce operational risk that is outside of its control, the Commission finds that the proposed rule changes are consistent with the requirements of Rule 17Ad-22(e)(17).

### IV. Conclusion

*It is therefore ordered* pursuant to Section 19(b)(2) of the Act that the proposed rule change (SR-ICEEU-2017-003), as amended by Amendment No. 1 thereto, be, and hereby is, approved.<sup>14</sup>

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-80976; File No. SR-BatsEDGA-2017-18]

### Self-Regulatory Organizations; Bats EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related To Amend Its Fee Schedule To Replace Current Inverted Pricing Model With Low Fee Model

June 20, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup>

<sup>13</sup> *Id.*

<sup>14</sup> In approving the proposed rule change, the Commission considered the proposal's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

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

notice is hereby given that on June 12, 2017, 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 the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to amend its fee schedule to replace its current inverted pricing model with a simple, low fee model.

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

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

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

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

##### 1. Purpose

Most exchanges today utilize maker-taker pricing under which they provide a rebate to orders that add liquidity and charge a fee to orders that remove liquidity. The Exchange currently incorporates an inverse of that pricing model under which it charges a fee to add liquidity and provides a rebate to remove liquidity. As described below, the Exchange proposes to amend its fee schedule to replace its current inverted

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

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

<sup>10</sup> 15 U.S.C. 78s(b)(2)(C).

<sup>11</sup> 15 U.S.C. 78q-1(b)(3)(F).

<sup>12</sup> 17 CFR 240.17Ad-22(e)(17).

pricing model with a simple, low fee model.

The Exchange submits this proposal in response to the industry feedback and the debate regarding exchange fee structures. Rule 610 of Regulation NMS limits the fees that a Trading Center<sup>5</sup> may charge for accessing its Protected Quotation at \$0.0030 per share.<sup>6</sup> This fee cap has served to create a cap on rebates with exchange's charging at or near the access fee cap to remove liquidity and providing a rebate to orders that add liquidity. Recent industry discourse has focused on fee structures and their purported effect on liquidity provision, liquidity taking, potential conflicts and order routing in the U.S. equity market. In addition, the Commission's Equity Market Structure Advisory Committee ("EMSAC") recommended that the Commission propose a pilot program to adjust the access fee cap under Rule 610 of Regulation NMS to better understand these dynamics.<sup>7</sup> In addition, some exchanges have experimented with solutions, such as the recent pilot implemented by the Nasdaq Stock Market LLC ("Nasdaq"), with limited success. Other exchanges have proposed to not offer rebates and implemented a low fee model<sup>8</sup> as the Exchange proposes herein. The Exchange now proposes to amend its fee schedule to no longer provide rebates and to modify or eliminate other types of incentive pricing under its current taker-maker pricing model. As amended, the Exchange would adopt a new low fee pricing model under which it would charge a low fee or provide the execution free of charge. The proposed low fee model is described below.

#### Displayed Order Fee Change

In securities priced at or above \$1.00, the Exchange currently charges a fee of \$0.0005 per share for Displayed orders that add liquidity and provides a rebate \$0.0002 per share for Displayed orders that remove liquidity. Receipt of this removal rebate is contingent on the attributed Market Participant Identifier ("MPID") adding (including Non-Displayed<sup>9</sup>) and/or routing an ADV<sup>10</sup> of

at least 50,000 shares. Any attributed MPID not meeting this criteria is charged \$0.0030 per share for removing liquidity for securities priced \$1.00 and over and 0.20% of dollar value for securities priced less than \$1.00. The Exchange now proposes to charge a fee of \$0.00030 per share to all Displayed<sup>11</sup> orders in securities priced above \$1.00, regardless of whether they add or remove liquidity. The Exchange does not propose any contingency requirements or conditions that Members must satisfy to receive the proposed rates. Therefore, the Exchange proposes to delete footnote 1<sup>12</sup> of the fee schedule as receipt of the proposed fee would not be contingent on the MPID adding (including Non-Displayed) and/or routing an ADV of at least 50,000 shares. All Displayed orders in securities priced below \$1.00 would continue to be free and not be contingent to any minimum volume requirements.

As a result of the proposed change, the Exchange proposes to make corresponding changes to the following fee codes for securities priced at or above \$1.00:

- Fee code 3, which is appended to orders that add liquidity on the Exchange in Tape A and C securities outside of Regular Trading Hours,<sup>13</sup> are currently charged a fee of \$0.00050 per share. Orders that yield fee code B would now be charged the proposed standard fee of \$0.00030 per share.
- Fee code 4, which is appended to orders that add liquidity on the Exchange in Tape B securities outside of Regular Trading Hours, are currently charged a fee of \$0.00050 per share. Orders that yield fee code 4 would now be charged the proposed standard fee of \$0.00030 per share.
- Fee code 6, which is appended to orders that remove liquidity from the Exchange in all securities outside of Regular Trading Hours, are currently provided a rebate of \$0.00020 per share. Orders that yield fee code 6 would now be charged the proposed standard fee of \$0.00030 per share.
- Fee code B, which is appended to orders that add liquidity on the Exchange in Tape B securities during

Regular Trading Hours, are currently charged a fee of \$0.00050 per share. Orders that yield fee code B would now be charged the proposed standard fee of \$0.00030 per share.

- Fee code BB, which is appended to orders that remove liquidity from the Exchange in Tape B securities during of Regular Trading Hours, are currently provided a rebate of \$0.00020 per share. Orders that yield fee code BB would now be charged the proposed standard fee of \$0.00030 per share.

- Fee code CR, which is appended to orders that remove liquidity from the Exchange using an eligible routing strategy, are currently provided a rebate of \$0.00020 per share. Under footnote 12, the eligible routing strategies for fee code CR are ROUT, RDOT, ROUE, ROUC, and ROCO. The Exchange proposes to delete fee code CR and footnote 12 as orders that remove liquidity from the Exchange, regardless of whether any portion of that order is routed away would now be charged the proposed standard fee of \$0.00030 per share as set forth under the Standard Rates table. The Exchange also proposes to delete fee code CR from the Standard Rate table.

- Fee code N, which is appended to orders that remove liquidity from the Exchange in Tape C securities during of Regular Trading Hours, are currently provided a rebate of \$0.00020 per share. Orders that yield fee code N would now be charged the proposed standard fee of \$0.00030 per share.

- Fee code PR, which is appended to orders that remove liquidity from the Exchange using an eligible routing strategy, are currently provided a rebate of \$0.00020 per share. Under footnote 6, the eligible routing strategies for fee code PR are ROUZ, ROUD, and ROUQ. The Exchange proposes to delete fee code PR and footnote 6 as orders that remove liquidity from the Exchange, regardless of whether any portion of that order is routed away would now be charged the proposed standard fee of \$0.00030 per share as set forth under the Standard Rates table. The Exchange also proposes to delete fee code PR from the Standard Rate table.

- Fee code V, which is appended to orders that add liquidity on the Exchange in Tape A securities during Regular Trading Hours, are currently charged a fee of \$0.00050 per share. Orders that yield fee code V would now be charged the proposed standard fee of \$0.00030 per share.

- Fee code W, which is appended to orders that remove liquidity from the Exchange in Tape A securities during of Regular Trading Hours, are currently provided a rebate of \$0.00020 per share.

<sup>5</sup> See 17 CR 242.600(b)(78).

<sup>6</sup> See 17 CFR 242.610(c).

<sup>7</sup> See EMSAC's Regulation NMS Subcommittee, Recommendation for an Access Fee Pilot, June 10, 2016, available at <https://www.sec.gov/spotlight/emsac/emsac-regulation-nms-recommendation-61016.pdf>.

<sup>8</sup> See the Investors Exchange, Inc. fee schedule available at <https://iextrading.com/trading/> (dated August 19, 2016).

<sup>9</sup> See Exchange Rule 11.6(e)(2).

<sup>10</sup> ADV means average daily volume calculated as the number of shares added to, removed from, or routed by, the Exchange, or any combination or

subset thereof, per day. See the Exchange's fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/edga/](http://www.bats.com/us/equities/membership/fee_schedule/edga/).

<sup>11</sup> See Exchange Rule 11.6(e)(1).

<sup>12</sup> Due to the deletion of footnote 1, as well as the proposed deletion of other footnotes described herein, the Exchange proposes to renumber the remaining footnotes and corresponding reference to those footnote throughout the fee schedule accordingly.

<sup>13</sup> Regular Trading Hours is defined as "the time between 9:30 a.m. and 4:00 p.m. Eastern Time." See Exchange Rule 1.5(y).

Orders that yield fee code W would now be charged the proposed standard fee of \$0.00030 per share.

- Fee code XR, which is appended to orders that remove liquidity from the Exchange using an eligible routing strategy, are currently provided a rebate of \$0.00020 per share. Under footnote 7, the eligible routing strategies for fee code PR are DIRC, ROUX, RDOX, INET, ROBB, SWPA, and SWPB. The Exchange proposes to delete fee code XR and footnote 7 as orders that remove liquidity from the Exchange, regardless of whether any portion of that order is routed away would now be charged the proposed standard fee of \$0.00030 per share as set forth under the Standard Rates table. The Exchange also proposes to delete fee code XR from the Standard Rate table.

- Fee code Y, which is appended to orders that add liquidity on the Exchange in Tape C securities during Regular Trading Hours, are currently charged a fee of \$0.00050 per share. Orders that yield fee code Y would now be charged the proposed standard fee of \$0.00030 per share.

The Exchange determines the liquidity adding reduced fee that it will charge Members using a tiered pricing structure. Currently, the Exchange charges reduced fee of \$0.00030 per share under three Volume Tiers and two Step-Up tiers described in footnote 4 of the Fee Schedule. The Exchange proposes to delete all tiers listed under footnote 4 as all Displayed orders would be charged a fee of \$0.00030 per share regardless of whether the Member or MPID achieves certain volume criteria. A description of each tier under footnote 4 that is to be deleted is below.

- Under Volume Tier 1, a Member must add an ADV equal to or greater than 1% of the TCV,<sup>14</sup> including orders with a Non-Displayed instruction that add liquidity.

- Under Volume Tier 2, a Members must add an ADV equal to or greater than 0.25% of the TCV, including orders with a Non-Displayed instruction that add liquidity; and removes an ADV of at least 0.25% of the TCV.

- Under Volume Tier 3, a Member must add an ADV equal to or greater than 0.15% of TCV, including Non-Displayed orders that add liquidity; and has an “added liquidity” as a percentage of “added plus removed liquidity” of at least 85%.

- Under Step-Up Tier 1, the MPID must add an ADV equal to or greater than 0.10% of the TCV more than the MPID’s December 2012 added ADV as a percentage of TCV or September 2013

added ADV as a percentage of TCV, whichever is lower.

- Under Step-Up Tier 2, the MPID adds an ADV equal to or greater than 0.05% of the TCV more than the MPID’s December 2012 added ADV as a percentage of TCV or September 2013 added ADV as a percentage of TCV, whichever is lower; and an “added liquidity” as a percentage of “added plus removed liquidity” equal to or greater than 85%.

#### Non-Displayed Order Fee Change

In securities priced at or above \$1.00, the Exchange currently charges a fee of \$0.0010 per share for Non-Displayed orders that add or remove liquidity. The Exchange now proposes to charge a fee of \$0.00050 per share to Non-Displayed orders in securities priced above \$1.00 that remove liquidity (other than for fee code DT, which will be charged no fee, as described below) and to charge no fee or rebate for Non-Displayed orders that add liquidity. Unless noted below, the Exchange does not propose to amend the fees charged for Non-Displayed orders in securities priced below \$1.00.

As a result of the proposed change, the Exchange proposes to make corresponding changes to the following fee codes for securities priced at or above \$1.00:

- Fee code DM is appended to Non-Displayed orders that add liquidity using MidPoint Discretionary Orders.<sup>15</sup> Orders that yield fee code DM in securities priced at or above \$1.00 are charged a fee of \$0.00050 per share and orders in securities priced below \$1.00 are charged a fee equal to 0.05% of the transaction’s dollar value. Orders that yield fee code DM would now be free for all securities regardless of whether they are priced above or below \$1.00.

- Fee code DT is appended to Non-Displayed orders that remove liquidity using MidPoint Discretionary Orders. Orders that yield fee code DT in securities priced at or above \$1.00 are charged a fee of \$0.00050 per share and orders in securities priced below \$1.00 are charged a fee equal to 0.05% of the transaction’s dollar value. Orders that yield fee code DT would now be free for all securities regardless of whether they are priced above or below \$1.00.

- Fee code HA is appended to Non-Displayed orders that add liquidity. Orders that yield fee code HA in securities priced at or above \$1.00 are charged a fee of \$0.00100 per share and orders in securities priced below \$1.00 are charged a fee equal to 0.10% of the transaction’s dollar value. Orders that

yield fee code HA would now be free for all securities regardless of whether they are priced above or below \$1.00.

- Fee code HR is appended to Non-Displayed orders that remove liquidity. Orders that yield fee code HR in securities priced at or above \$1.00 are charged a standard fee of \$0.0010 per share and orders in securities priced below \$1.00 are charged a fee equal to 0.10% of the transaction’s dollar value. Orders in securities priced at or above \$1.00 that yield fee code HR would now be charged the proposed standard fee of \$0.00050 per share. Orders in securities priced below \$1.00 would be charged 0.05% of the transaction’s dollar value.

- Fee code RP, which is appended to Non-Displayed orders that add liquidity using Supplemental Peg Orders,<sup>16</sup> are charged a fee of \$0.00040 per share. Orders that yield fee code RP would now be free.

In securities priced at or above \$1.00, the Exchange currently charges a fee of \$0.00080 per share for Non-Displayed orders that add or remove liquidity using MidPoint Peg Orders.<sup>17</sup> The Exchange now proposes to charge a fee of \$0.00050 per share to MidPoint Peg Orders in securities priced above \$1.00 that remove liquidity and to charge no fee or rebate for MidPoint Peg Orders that add liquidity. The Exchange does not propose to amend the fees charged for MidPoint Peg Orders in securities priced below \$1.00. As a result of the proposed change, the Exchange proposes to make corresponding changes to the following fee codes for securities priced at or above \$1.00:

- Fee code MM is appended to Non-Displayed orders that add liquidity using MidPoint Peg Orders. Orders in securities priced at or above \$1.00 that yield fee code MM are currently charged a fee of \$0.00080 per share. Orders in securities below \$1.00 that yield fee code MT are currently charged a fee equal to 0.08% of the transaction’s dollar value. Orders that yield fee code MM would now be free for all securities regardless of whether they are priced above or below \$1.00.

- Fee code MT is appended to Non-Displayed orders that remove liquidity using MidPoint Peg Orders. Orders in securities priced at or above \$1.00 that yield fee code MT are currently charged a fee of \$0.00080 per share. Orders in securities below \$1.00 that yield fee code MT are currently charged a fee equal to 0.08% of the transaction’s dollar value. Orders that yield fee code

<sup>16</sup> The operation of Supplemental Peg Orders is described in Exchange Rule 11.8(g).

<sup>17</sup> The operation of MidPoint Peg Orders is described in Exchange Rule 11.8(d).

<sup>14</sup> *Id.*

<sup>15</sup> The operation of MidPoint Discretionary Orders is described in Exchange Rule 11.8(e).

MT in securities priced at or above \$1.00 would now be charged the proposed standard fee of \$0.00050 per share. Orders in securities priced below \$1.00 would be charged 0.05% of the transaction's dollar value.

- Fee code PA, which is appended to orders that add liquidity using the RMPT or RMPL routing strategies,<sup>18</sup> are charged a fee of \$0.00080 per share. Orders that yield fee code PA would now be charged no fee.

- Fee code PT, which is appended to orders that add liquidity using the RMPT or RMPL routing strategies, are charged a fee of \$0.00100 per share. Orders that yield fee code PT would now be charged the proposed standard fee of \$0.00050 per share.

Currently footnote 2 of the fee schedule states that the rates for fee codes HA, HR, MM and MT are contingent upon Member adding or removing an ADV of at least 1,000,000 shares Non-Displayed (yields fee codes HA, HR, DM, DT, MM, MT and RP) or Member adding an ADV of at least 8,000,000 shares (Displayed and Non-Displayed). For securities priced at or above \$1.00, Members not meeting either minimum are currently charged \$0.0030 per share for fee codes HA, HR, MM and MT. For securities priced below \$1.00, Members not meeting either minimum are currently charged 0.30% of the dollar value of the transaction. The Exchange does not propose any contingency requirements or conditions that Members must satisfy to receive the proposed rates for Non-Displayed orders. Therefore, the Exchange proposes to delete footnote 2 of the fee schedule as receipt of the proposed rates would not be contingent on the Member meeting any volume requirements. All Non-Displayed orders in securities priced below \$1.00 would not be contingent to any minimum volume requirements and subject to the current rates set forth in the applicable fee code.

The Exchange also proposes to modify or delete tiers applicable to Non-Displayed Orders. The Exchange currently offers two tiers under footnote 3, the RMPT/RMPL Tiers, under which a Member receives a discounted fee of either \$0.0006 or \$0.0008 per share for orders yielding fee codes PT or PX where that Member satisfies certain

criteria. Under Tier 1, a Member receives a reduced fee of \$0.0008 per share where they add or remove an ADV greater than or equal to 2,000,000 shares using the RMPT or RMPL routing strategy. Under Tier 2, a Member receives a reduced fee of \$0.0006 per share where they add or remove an ADV greater than or equal to 4,000,000 shares using the RMPT or RMPL routing strategy. As described above, fee codes PT and PX are appended to orders that remove liquidity or are routed, respectively, using the RMPT or RMPL routing strategies. Orders that yield fee code PT would be charged a fee of \$0.00050 as proposed herein. Orders that yield fee code PX would continue to be charged a fee of \$0.00120 per share. Because the fee for orders that yield fee code PT would be lower than the reduced fee provided by the two RMPT/RMPL Tiers, the Exchange proposes to only apply the reduced fee for those tiers to orders that yield fee code PX as those orders would be charged a higher fee of \$0.00120 per share if they do not achieve the RMPT/RMPL tier's criteria.

The Exchange also offers two tiers under footnote 13, the Midpoint Add and Remove Tiers, under which a Member receives a reduced fee of \$0.0006 or \$0.0004 per share for orders that yield fee code MM or MT where that Member satisfies certain criteria. As described above, fee codes MM and MT are appended to Midpoint Peg Orders that add or remove liquidity, respectively. Under Tier 1, Members are charged a reduced fee of \$0.0006 per share where the Member has an ADV equal to or greater than 1,200,000 shares in orders that yield fee codes MM or MT. Under Tier 2, Members are charged a reduced fee of \$0.0004 per share where the Member has an ADV equal to or greater than 2,500,000 shares in orders that yield fee codes MM or MT. The Exchange proposes to delete all tiers listed under footnote 13 as all MidPoint Peg orders that remove liquidity would be charged the proposed standard rates regardless of whether the Member achieves certain volume criteria—a fee of \$0.00050 per share and those orders that add liquidity would be charged no fee.

#### Implementation Date

The Exchange proposes to implement the above changes to its fee schedule on immediately.<sup>19</sup>

<sup>19</sup> The Exchange initially filed the proposal on June 1, 2017. (SR-BatsEDGA-2017-17). On June 12, 2017, the Exchange withdrew SR-BatsEDGA-2017-17 and submitted this filing.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>20</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>21</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also believes the proposed rule change is not unfairly discriminatory as it would apply to all Members.

The Exchange believes its proposal to replace its current taker-maker pricing model with a new low fee model where it would charge a fee or provide the execution free of charge is equitable and reasonable as it would serve to simply its fee schedule to provide low standard rates for Displayed and Non-Displayed orders while also eliminating rebates and other pricing incentives. The Exchange submits this proposal in response to the industry feedback and the debate regarding exchange fee structures. Recent industry discourse has focused on fee structures and their purported effect on liquidity provision, liquidity taking, potential conflicts and order routing in the U.S. equity market. In addition, the Commission's EMSAC recommended that the Commission propose a pilot program to adjust the access fee cap under Rule 610 of Regulation NMS to better understand these dynamics.<sup>22</sup> Other exchanges have proposed to not offer rebates and implemented a low fee model<sup>23</sup> as the Exchange proposes herein. The Exchange submits this proposal in response to the industry feedback and debate regarding exchange fee structures and to move the discussion closer to a market practice of reduced transaction costs.

The proposed fee structure provides a simple, straight forward low cost model that seeks to treat both liquidity providers and removers equally. Adopting a low fee model under which Displayed orders are charged the same low fee regardless of whether they add or remove liquidity will serve to provide an equal economic incentive to Members that not only seek to remove liquidity, but also to add liquidity to the Exchange. The Exchange believes that reducing the standard fee for Displayed orders and charging no fee for Non-Displayed orders that add liquidity will

<sup>20</sup> 15 U.S.C. 78f.

<sup>21</sup> 15 U.S.C. 78f(b)(4).

<sup>22</sup> See *supra* note 7.

<sup>23</sup> See the Investors Exchange, Inc. fee schedule available at <https://iextrading.com/trading/> (dated August 19, 2016).

<sup>18</sup> The RMPL and RMPT routing strategies utilize a MidPoint Peg Order to check the System for available shares and any remaining shares are then sent to destinations on the System routing table that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the EDGA Book as a MidPoint Peg Order, unless otherwise instructed by the User. See Exchange Rule 11.11(g)(13).

seek to further incentives Members to add liquidity to the Exchange. The potential increase in posted liquidity would serve to improve price discovery, depth of liquidity, and overall execution quality on the Exchange. The Exchange further believes that it is equitable and reasonable to charge no fee for orders that yield fee code DT, which is appended to Non-Displayed orders that remove liquidity using MidPoint Discretionary Orders, as it is intended to incentivize the use of MidPoint Discretionary Orders and improve liquidity at the midpoint of the NBBO. Charging no fee for orders that yield fee code DT is designed to encourage the posting of contra-side orders that add liquidity at the midpoint of the NBBO as such orders could receive increased execution opportunities thought the possible increase in entry of MidPoint Discretionary Orders.

The modification and elimination of certain reduced fees via the current tiered pricing model as proposed herein is also equitable and reasonable because it would aid in simplifying the fee schedule and result in all Member's being charged the same rates for all transactions regardless of their monthly volumes. The Exchange generally believes that volume-based pricing provides benefits or discounts that are reasonably related to: (i) The value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns; and (iii) the introduction of higher volumes of orders into the price and volume discovery processes. However, the elimination of the Exchange's current tiered pricing is consistent with the proposed fee model which is designed to attract additional order flow through low fees for both adding and removing liquidity.

#### *B. Self-Regulatory Organization's Statement on Burden on Competition*

This proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that this change represents a significant departure from previous pricing offered by the Exchange's competitors. The proposed rates would apply uniformly to all Members, and Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. Further, excessive

fees would serve to impair an exchange's ability to compete for order flow and members rather than burdening competition. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

#### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>24</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>25</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BatsEDGA-2017-18 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-2017-18. This file number should be included on the subject line if email 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 Web site (<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 Web site 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 the filing also will 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-2017-18, and should be submitted on or before July 17, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>26</sup>

**Eduardo A. Aleman,**  
*Assistant Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-80977; File No. SR-BatsEDGX-2017-30]**

### **Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Fees for Use on Bats EDGX Exchange, Inc.**

June 20, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 12, 2017, 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

<sup>26</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f).