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 applicable to its equities trading platform (“BZX Equities”) to: (i) Modify the criteria required to meet the Market Depth Tier; (ii) add a new Cross-Asset Add Volume Tier 2 under footnote 1; and (iii) delete the alternate criteria to meet Tiers 1 through 6 under footnote 1.

Modifications to Market Depth Tier

The Exchange proposes to modify the required criteria for Market Depth Tier under footnote 1 of the fee schedule. The Exchange currently offers enhanced rebates ranging from $0.0025 to $0.0032 per share under eight Add Volume Tiers set forth in footnote 1 of the fee schedule. Under the Market Depth Tier, qualifying Members earn a rebate per share of $0.0032 on displayed orders that add liquidity and yield fee codes B, V, or Y. Currently, to qualify for this tier a Member must: (i) Add an ADV greater than or equal to 0.10% of the TCV; and (ii) add an ADV greater than or equal to 0.10% of the TCV in non-displayed orders that yield fee codes HA or HI. The Exchange now proposes to decrease the first prong of the tier’s criteria while increasing the second prong of the criteria for this tier, thus keeping the difficulty of achieving the tier the same while adjusting to current market dynamics. Specifically, to receive a rebate of $0.0032 per share under the Market Depth Tier a Member must now: (i) Add an ADV greater than or equal to 0.70% of the TCV and (ii) add an ADV greater than or equal to 0.12% of the TCV in non-displayed orders that yield fee codes HA or HI.

Proposed Cross-Asset Add Volume Tier 2

The Exchange proposes to offer an additional Cross-Asset Add Volume Tier under footnote 1 of the fee schedule. Included amongst the volume tiers offered by the Exchange under footnote 1 is a Cross-Asset Add Volume Tier which requires participation on the Exchange’s equity options platform (“BZX Options”). Under the Exchange’s current Cross-Asset Add Volume Tier, a Member’s order that yields fee codes B, V, or Y may receive an enhanced rebate of $0.0028 per share where that Member has an: (i) ADAV as a percentage of TCV greater than or equal to 0.15%; and (ii) Options Customer Add TCV greater than or equal to 0.10%. Under proposed tier to be called the “Cross-Asset Add Volume Tier 2”, a Member’s orders that yield fee codes B, V or Y may receive an enhanced rebate of $0.0030 per share where the Member has: (i) Has on BZX Options an ADV in Customer orders greater than or equal to 0.60% of average TCV; (ii) has on BZX Options an ADV in Market Maker orders greater than or equal to liquidity. Orders that yield fee code HI are charged no fee nor do they receive a rebate. Id. 11 "ADAV" means average daily added volume calculated as the number of contracts added and "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day. See the Exchange’s fee schedule available at http://www.bats.com/us/options/membership/fee_schedule/bzx/.

12 "Options Customer Add TCV" means, for purposes of equities pricing, ADV resulting from Customer orders as a percentage of TCV, using the definitions of ADV, Customer and TCV as provided under the Exchange’s fee schedule for BZX Options. Id. 14 "Customer" applies to any transaction identified by a Member for clearing in the Customer range at the OCC, excluding any transaction for a Broker Dealer or a “Professional” as defined in Exchange Rule 16.1. See the BZX Options fee schedule available at http://www.bats.com/us/options/membership/fee_schedule/bzx/.

15 "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). Id.
0.25% of average TCV; and (iii) Member has an ADAV greater than or equal to 0.30% of average TCV.

Deletion of Alternate Criteria To Meet Tiers 1 Through 6 Under Footnote 1

The Exchange proposes to delete the alternate criteria to meet Tiers 1–6 under footnote 1 of the fee schedule. The Exchange currently offers enhanced rebates ranging from $0.0025 to $0.0032 per share under Tiers 1 through 6 in footnote 1 of the fee schedule for Members that have an ADAV as a percentage of TCV greater than or equal to a certain percentage and/or an ADV as a percentage of TCV greater than a certain percentage. The Exchange now proposes to delete the second alternate criteria under Tiers 1 through 6 where a Member may have an ADV as a percentage of TCV greater than or equal to a certain percentage to receive the enhanced rebate provided by the tier.

• Under Tier 1, a Member may receive a rebate of $0.0025 per share where they have an: (i) ADAV as a percentage of TCV greater than or equal to 0.10%; or (ii) ADV as a percentage of TCV greater than or equal to 0.25%. As amended, the second alternate criteria will be removed and Members would no longer qualify for the tier where they have an ADV as a percentage of TCV greater than or equal to 0.25%.

• Under Tier 2, a Member may receive a rebate of $0.0028 per share where they have an: (i) ADAV as a percentage of TCV greater than or equal to 0.20%; or (ii) ADV as a percentage of TCV greater than or equal to 0.50%. As amended, the second alternate criteria will be removed and Members would no longer qualify for the tier where they have an ADV as a percentage of TCV greater than or equal to 0.50%.

• Under Tier 3, a Member may receive a rebate of $0.0029 per share where they have an: (i) ADAV as a percentage of TCV greater than or equal to 0.30%; or (ii) ADV as a percentage of TCV greater than or equal to 0.75%. As amended, the second alternate criteria will be removed and Members would no longer qualify for the tier where they have an ADV as a percentage of TCV greater than or equal to 0.75%.

• Under Tier 4, a Member may receive a rebate of $0.0030 per share where they have an: (i) ADV as a percentage of TCV greater than or equal to 0.50%; or (ii) ADV as a percentage of TCV greater than or equal to 1.00%. As amended, the second alternate criteria will be removed and Members would no longer qualify for the tier where they have an ADV as a percentage of TCV greater than or equal to 1.00%.

• Under Tier 5, a Member may receive a rebate of $0.0031 per share where they have an: (i) ADAV as a percentage of TCV greater than or equal to 1.00%; or (ii) ADV as a percentage of TCV greater than or equal to 1.40%. As amended, the second alternate criteria will be removed and Members would no longer qualify for the tier where they have an ADV as a percentage of TCV greater than or equal to 1.40%.

• Under Tier 6, a Member may receive a rebate of $0.0032 per share where they have an: (i) ADAV as a percentage of TCV greater than or equal to 1.75%; or (ii) ADV as a percentage of TCV greater than or equal to 1.75%. As amended, the second alternate criteria will be removed and Members would no longer qualify for the tier where they have an ADV as a percentage of TCV greater than or equal to 1.75%.

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule immediately.16

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,17 in general, and furthers the objectives of Section 6(b)(4),18 in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange believes that the proposed modification to the tiered pricing structure is 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 competing venues if they deem fees at the Exchange to be excessive. The proposed fee structure remains intended to attract order flow to the Exchange by offering market participants a competitive pricing structure. 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 that proposed herein have been widely adopted by exchanges, including the Exchange, 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: (i) The value to an exchange’s market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provisions and/or growth patterns; and (iii) introduction of higher volumes of orders into the price and volume discovery processes.

Modifications to Market Depth Tier

The modification proposed herein is also intended to incentivize additional Members to send orders to the Exchange in an effort to qualify for the enhanced rebate made available by the tiers, contribute to the growth of the Exchange, or will allow the Exchange to earn additional revenue that can be used to offset the addition of new pricing incentives. The Exchange believes decreasing the first prong of the tier’s criteria by 0.30%, while increasing the second prong of the criteria by 0.02%, ensures the difficulty of achieving the tier remains the same, while adjusting to reflect current market dynamics. The second prong of the criteria is a subset of the first prong. Due to market trend of decreased volatility in 2017, this tier has become more difficult to achieve. By decreasing the overall ADV required by the first prong while slightly increasing the ADV required in certain non-displayed orders by the second prong, the effect of the tier, to incentivize orders which add depth to the order book, remains in place, while adjusting for current market volatility. The result is that the difficulty of achieving the tier remains relatively similar. The Exchange does not proposed to modify the rebate offered in this tier as the difficulty is relatively unchanged. The Exchange as well as competitors of the Exchange and do not represent a significant departure from the Exchange’s general pricing structure.

Proposed Cross-Asset Add Volume Tier 2

The Exchange believes that the proposed Cross-Asset Add Volume Tier 2 is a reasonable, equitable, and not unfairly discriminatory allocation of fees and rebates because it will provide Members with an additional incentive to reach certain thresholds on both BZX Equities and BZX Options. The increased liquidity from this proposal also benefits all investors by deepening the BZX Equities and BZX Options liquidity pools, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and investor protection. Such pricing programs thereby reward a Member’s growth
Deletion of Alternate Criteria To Meet Tiers 1 Through 6 Under Footnote 1

The Exchange believes that the proposed deletions of the alternate criteria for Tiers 1 through 6 are reasonable, equitable, and not unfairly discriminatory allocation of fees and rebates. The alternate criteria available under these tiers has not affected Members’ behavior in the manner originally conceived by the Exchange as most all Members that qualify for Tier 1 through 6 do so by meeting the tier’s first criteria, which the Exchange does not propose to modify or delete. Therefore, the alternate criteria the Exchange proposes to delete for each tier would have a minimal impact on Member’s ability to qualify for a particular tier. The Exchange also believes that the proposed elimination of the alternate criteria for Tiers 1 through 6 would be non-discriminatory in that it currently applies equally to all Members and, upon elimination, would no longer be available to any Members. Further, their elimination will allow the Exchange to explore other pricing mechanisms in which it may enhance market quality for all Members.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of the proposed changes to the Exchange’s tiered pricing structure burden competition, but instead, that it enhances competition as it is intended to increase the competitiveness of BZX by modifying pricing incentives in order to attract order flow and incentivize participants to increase their participation on the Exchange. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee structures to be unreasonable or excessive. The proposed changes are generally intended to enhance the rebates for liquidity added to the Exchange, which is intended to draw additional liquidity to the Exchange. The Exchange does not believe the proposed amendments would burden intramarket competition as they would be available to all Members uniformly.

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 and paragraph (f) of Rule 19b–4 thereunder. 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. Please include File No. SR–BatsBZX–2017–19 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–BatsBZX–2017–19. 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 such 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–BatsBZX–2017–19, and should be submitted on or before April 10, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.21

Robert W. Errett,
Deputy Secretary.

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