

### III. Date of Effectiveness of the Proposed Plan and Timing for Commission Action

Pursuant to Section 17(d)(1) of the Act<sup>11</sup> and Rule 17d-2 thereunder,<sup>12</sup> February 3, 2017 declare the plan submitted by MIAx, MIAx PEARL, and FINRA, File No. 4-678, to be effective if the Commission finds that the plan is necessary or appropriate in the public interest and for the protection of investors, to foster cooperation and coordination among self-regulatory organizations, or to remove impediments to and foster the development of the national market system and a national system for the clearance and settlement of securities transactions and in conformity with the factors set forth in Section 17(d) of the Act.

### IV. Solicitation of Comments

In order to assist the Commission in determining whether to approve the proposed 17d-2 Plan and to relieve MIAx and MIAx PEARL of the responsibilities which would be assigned to FINRA, interested persons are invited to submit written data, views, and arguments concerning the foregoing. Comments may be submitted by any of the following methods:

#### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/other.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number 4-678 on the subject line.

#### Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, Station Place, 100 F Street NE., Washington, DC 20549-1090.
- All submissions should refer to File Number 4-678. 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/other.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 plan also will be available for inspection and copying at the principal offices of MIAx, MIAx PEARL, and FINRA. 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 4-678 and should be submitted on or before February 3, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-79775; File No. SR-BatsBZX-2017-01]

### Self-Regulatory Organizations; Bats BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use of the Exchange's Equity Options Platform

January 12, 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 January 3, 2017, Bats BZX Exchange, Inc. (the "Exchange" or "BZX") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is

publishing this notice to solicit comments on the proposed rule change from interested persons.

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

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

The text of the proposed rule change is available at the Exchange's Web site at [www.batstrading.com](http://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 ("BZX Options") to: (i) Add definitions of terms "OCC Customer Volume" or "OCV" and "Options Step-Up Add TCv" to the Definitions section; and (ii) modify the criteria for tiers under footnotes 1 through 13 to reflect the new definition of OCV. The Exchange also proposes to (i) increase the rebate provided in the Customer<sup>6</sup> Cross-Asset Add Tier under footnote 1; (ii) add a new Step-Up Tier under footnote 1; (iii) eliminate and replace the existing Step-Up Tier under footnote 3 with a new Step-Up Tier; (iv) add Tier 3 under footnote 7; (v) add Tier 2 and a Step-Up Tier under footnote 12; and (v) add a new footnote 14 entitled,

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

<sup>6</sup> As defined in the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>13</sup> 17 CFR 200.30-3(a)(34).

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

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

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

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

<sup>11</sup> 15 U.S.C. 78q(d)(1).

<sup>12</sup> 17 CFR 240.17d-2.

“Customer Penny Pilot Take Volume Tier.”

#### New Defined Terms

*OCC Customer Volume or OCV.* The Exchange proposes to add the definition of “OCC Customer Volume” or “OCV” to the definition section of its fee schedule. OCC Customer Volume or OCV will be defined as the total equity and Exchange Traded Fund (“ETF”) options volume that clears in the Customer range at the Options Clearing Corporation (“OCC”) for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption<sup>7</sup> and on any day with a scheduled early market close.

*Options Step-Up Add OCV.* The Exchange proposes to replace the definition of “Options Step-Up Add TCV”<sup>8</sup> with the definition of “Options Step-Up Add OCV” to reflect the new tier qualifications resulting from the change in calculation from Total Consolidated Volume (“TCV”)<sup>9</sup> to OCV. Similar to the definition of Options Step-Up Add TCV, Options Step-Up Add OCV will be defined as, “ADAV<sup>10</sup> as a percentage of OCV in the relevant baseline month subtracted from current ADAV as a percentage of OCV”. The only difference between the two definitions is replacing the term TCV with OCV.

#### Tier Qualifications Change

The Exchange proposes to replace current tier qualifications which refer to TCV with a reference to OCV in the tiers under footnotes 1 through 13. Because OCV generally makes up a smaller range than the prior TCV, the Exchange also proposes to amend the percentage of OCV necessary to achieve the tier so that it is substantially identical to the previously required percentage of TCV. Doing so will keep each tier’s criteria relatively unchanged from its current requirements. The rates for each tier are unchanged. Changes to each tier are described below.

*Customer Penny Pilot Add Tiers under footnote 1.* Customer orders that yield fee code PY<sup>11</sup> are given a standard rebate of \$0.25 per contract. Footnote 1 of the fee schedule sets forth eight tiers,

each providing enhanced rebates, ranging from \$0.40 to \$0.53 per contract, to a Member’s order that yields fee code PY upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an ADV<sup>12</sup> equal to or greater than 0.05% of average TCV. As amended, a Member must have an ADV equal to or greater than 0.05% of average OCV.<sup>13</sup>

- Tier 2 currently requires that a Member has an ADV equal to or greater than 0.30% of average TCV. As amended, a Member must have an ADV equal to or greater than 0.40% of average OCV.

- Tier 3 currently requires that a Member has an ADV equal to or greater than 1.00% of average TCV. As amended, a Member must have an ADV equal to or greater than 1.30% of average OCV.

- Tier 4 currently requires that a Member has an ADAV in Customer orders equal to or greater than 1.00% of average TCV. As amended, a Member must have an ADAV in Customer orders equal to or greater than 1.30% of average OCV.

- Tier 5 currently requires that a Member has an: (i) ADAV in Customer orders equal to or greater than 0.60% of average TCV; (ii) ADAV in Market Maker<sup>14</sup> orders equal to or greater than 0.25% of average TCV; and (iii) ADAV in orders on the Exchange equities platform (“BZX Equities”) equal to or greater than 0.30% of average TCV. As amended, a Member must have an: (i) ADAV in Customer orders equal to or greater than 0.80% of average OCV; (ii) ADAV in Market Maker orders equal to or greater than 0.35% of average OCV; and (iii) ADAV in orders on BZX Equities equal to or greater than 0.30% of average TCV.

- Tier 6 currently requires that a Member has an ADAV in Customer orders equal to or greater than 1.30% of average TCV. As amended, a Member must have an ADAV in Customer orders equal to or greater than 1.70% of average OCV.

- The Customer Step-Up Volume Tier currently requires that a Member has an Options Step-Up Add TCV in Customer orders from September 2015 baseline equal to or greater than 0.40%. As amended, a Member must have an Options Step-Up Add OCV in Customer orders from September 2015 baseline equal to or greater than 0.45%.

- The Customer Cross-Asset Add Tier currently requires that a Member has an: (i) ADV equal to or greater than 0.80% of average TCV; and (ii) ADAV on BZX Equities equal to or greater than 0.50% of average TCV. As amended, a Member must have an: (i) ADAV in Customer orders equal to or greater than 0.50% of average OCV; and (ii) ADAV on BZX Equities greater than or equal to 0.50% of average TCV. As a result of the change from requiring a Member to meet a certain threshold of ADV to a certain threshold of ADAV, the Exchange proposes to increase the rebate provided by this tier from \$0.50 to \$0.52 per contract. The Exchange believes an increased rebate more appropriately corresponds with the tier’s more stringent criteria.

*Firm,<sup>15</sup> Broker Dealer,<sup>16</sup> and Joint Back Office<sup>17</sup> Penny Pilot Add Volume Tiers under footnote 2.* Firm, Broker Dealer and Joint Back Office orders that yield fee code PF<sup>18</sup> are given a standard rebate of \$0.36 per contract. Footnote 2 of the fee schedule sets forth two tiers, each providing enhanced rebates of \$0.43 and \$0.46 per contract to a Member’s order that yields fee codes PF upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an: (i) ADAV in Away Market Maker,<sup>19</sup> Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.80% of average TCV; and (ii) ADV greater than or equal to 1.50% of average TCV. As amended, a Member must have an: (i) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 1.05% of average OCV; and (ii) ADV greater than or equal to 1.95% of average OCV.

- Tier 2 currently requires that a Member has an: (i) ADV greater than or equal to 0.40% of average TCV; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office greater than or equal to 0.30% of average TCV. As amended, a Member must have an: (i) ADV greater than or equal to 0.50% of average OCV; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office greater than or equal to 0.40% of average OCV.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> Fee code PF is appended to a Member’s Firm, Broker Deal and Joint Back Office orders which add liquidity in Penny Pilot options. As defined in the Exchange’s fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>19</sup> *Id.*

<sup>7</sup> An “Exchange System Disruption” means “any day that the Exchange’s system experiences a disruption that lasts for more than 60 minutes during Regular Trading Hours.” *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> As defined in the Exchange’s fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>10</sup> *Id.*

<sup>11</sup> Fee code PY is appended to a Member’s Customer orders which add liquidity in Penny Pilot options. *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> The Exchange proposes to retain the 0.05% requirement as adjusting that number to reflect replacing TCV with OCV will result in a de minimis change in the percentage.

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

*Non-Customer Penny Pilot Take Volume Tiers under footnote 3.* Non-Customer orders that yield fee code PP<sup>20</sup> are charged a standard fee of \$0.50 per contract. Footnote 3 of the fee schedule sets forth three tiers, each providing reduced fees ranging from \$0.44 to \$0.47 per contract to a Member's order that yields fee codes PP upon satisfying monthly volume criteria.<sup>21</sup>

- Tier 1 currently requires that a Member has an: (i) ADAV in Customer orders greater than or equal to 0.60% of average TCX; (ii) ADAV in Market Maker orders greater than or equal to 0.25% of average TCX and (iii) ADAV on BZX Equities greater than or equal to 0.30% of average TCX. As amended, a Member must have an: (i) ADAV in Customer orders greater than or equal to 0.80% of average OCV; (ii) ADAV in Market Maker orders greater than or equal to 0.35% of average OCV; and (iii) ADAV on BZX Equities greater than or equal to 0.30% of average TCX.

- Tier 2 currently requires that a Member has an ADAV in Customer orders greater than or equal to 1.00% of average TCX. As amended, a Member must have an ADAV in Customer orders greater than or equal to 1.30% of average OCV.

- Tier 3 currently requires that a Member has an ADAV in Customer orders greater than or equal to 1.30% of average TCX. As amended, a Member must have an ADAV in Customer orders greater than or equal to 1.70% of average OCV.

*National Best Bid or Best Offer ("NBBO") Setter Tiers under footnote 4.* Footnote 4 of the fee schedule sets forth five tiers, each providing enhanced rebates, ranging from \$0.02 to \$0.05 per contract, to a Member's orders that establish a new NBBO and yield fee codes PF, PM<sup>22</sup> or PN<sup>23</sup> upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an ADV greater than or equal to 0.30% of average TCX. As

amended, a Member must have an ADV greater than or equal to 0.40% of average OCV.

- Tier 2 currently requires that a Member has an ADV greater than or equal to 1.00% of average TCX. As amended, a Member must have an ADV greater than or equal to 1.30% of average OCV.

- Tier 3 currently requires that a Member has an: (i) ADV greater than or equal to 0.40% of average TCX; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.30% of average TCX. As amended, a Member must have an: (i) ADV greater than or equal to 0.50% of average OCV; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.40% of average OCV.

- Tier 4 currently requires that a Member has an ADAV in Market Maker<sup>24</sup> orders greater than or equal to 0.40% of average TCX. As amended a Member must have an ADAV in Market Maker orders greater than or equal to 0.50% of average OCV.

- Tier 5 currently requires that a Member has an ADAV in Non-Customer orders greater than or equal to 2.30% of average TCX. As amended a Member must have an ADAV in Non-Customer orders greater than or equal to 3.00% of average OCV.

*Quoting Incentive Program ("QIP") Tiers under footnote 5.* Footnote 5 sets forth four tiers each providing additional rebates ranging from \$0.02 to \$0.05 per contract for an order appended with fee code PM or NM<sup>25</sup> that adds liquidity to the BZX Options order book in options classes in which a Member is a Market Maker registered on BZX Options pursuant to Exchange Rule 22.2. A Market Maker must be registered with BZX Options in an average of 20% or more of the associated options series in a class in order to qualify for QIP rebates for that class.

- Tier 1 currently requires that a Member has an ADV greater than or equal to 0.30% of average TCX. As amended, a Member must have an ADV greater than or equal to 0.40% of average OCV.

- Tier 2 currently requires that a Member has an ADV greater than or equal to 1.00% of average TCX. As amended, a Member must have an ADV

greater than or equal to 1.30% of average OCV.

- Tier 3 currently requires that a Member has an ADV greater than or equal to 2.50% of average TCX. As amended, a Member must have an ADV greater than or equal to 3.25% of average OCV.

- Tier 4 currently requires that a Member has an ADV [sic] in Market Maker orders greater than or equal to 0.40% of average TCX. As amended, a Member must have an ADV [sic] in Market Maker orders greater than or equal to 0.50% of average OCV.

*Market Maker Penny Pilot Add Volume Tiers under footnote 6.* Footnote 6 of the fee schedule sets forth two tiers, each providing enhanced rebates of \$0.40 and \$0.42 per contract to a Member's order that yields fee code PM upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an ADV greater than or equal to 0.30% of average TCX. As amended, a Member must have an ADV greater than or equal to 0.40% of average OCV.

- Tier 2 currently requires that a Member has an: (i) ADAV in Market Maker and/or Away Market Maker orders greater than or equal to 1.00% of average TCX; and (ii) ADV greater than or equal to 2.00% of average TCX. As amended, a Member must have an: (i) ADAV in Market Maker and/or Away Market Maker orders greater than or equal to 1.30% of average OCV; and (ii) ADV greater than or equal to 2.60% of average OCV.

*Market Maker Non-Penny Pilot Add Volume Tiers under footnote 7.* Footnote 7 of the fee schedule sets forth two tiers, each providing enhanced rebates of \$0.45 and \$0.52 per contract to a Member's order that yields fee code NM upon satisfying monthly volume criteria.<sup>26</sup>

- Tier 1 currently requires that a Member has an ADV greater than or equal to 0.30% of average TCX. As amended, a Member must have an ADV greater than or equal to 0.40% of average OCV.

- Tier 2 currently requires that a Member has an ADV greater than or equal to 1.00% of average TCX. As amended, a Member must have an ADV greater than or equal to 1.30% of average OCV.

*Firm, Broker Dealer, and Joint Back Office Non-Penny Pilot Add Volume Tiers under footnote 8.* Firm, Broker Dealer and Joint Back Office orders that

<sup>20</sup> Fee code PP is appended to a Member's Non-Customer orders which remove liquidity in Penny Pilot options. *Id.*

<sup>21</sup> Footnote 3 also includes an additional Step-Up Tier under which Members orders that yield fee code PP receive an additional \$0.01 discount upon satisfying certain criteria. As described in more detail below, the Exchange proposes to delete this tier with a new Step-Up Tier as part of this filing.

<sup>22</sup> Fee code PM is appended to a Member's Market Maker orders which add liquidity in Penny Pilot options and provides a standard rebate of \$0.35 per contract. *Id.*

<sup>23</sup> Fee code PN is appended to a Member's Away Market Maker orders which add liquidity in Penny Pilot options and provides a standard rebate of \$0.30 per contract. As defined in the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>24</sup> *Id.*

<sup>25</sup> Fee code NM is appended to a Member's Market Maker orders which add liquidity in Non-Penny Pilot options. As defined in the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>26</sup> As described in more detail below, the Exchange also proposes to adopt a third tier under footnote 7 as part of this filing.

yield fee code NF<sup>27</sup> are given a standard rebate of \$0.30 per contract. Footnote 8 of the fee schedule sets forth three tiers, each providing enhanced rebates ranging from \$0.45 to \$0.69 per contract to a Member's order that yields fee codes NF upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an ADV greater than or equal to 0.15% of average TCV. As amended, a Member must have an ADV greater than or equal to 0.20% of average OCV.

- Tier 2 currently requires that a Member has an ADV greater than or equal to 0.25% of average TCV. As amended, a Member must have an ADV greater than or equal to 0.35% of average OCV.

- Tier 3 currently requires that a Member has an: (i) ADV greater than or equal to 1.75% of average TCV; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer, and Joint Back Office orders greater than or equal to 1.25% of average TCV. As amended, a Member must have an: (i) ADV greater than or equal to 2.30% of average OCV; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer, and Joint Back Office orders greater than or equal to 1.65% of average OCV.

*Professional Penny Pilot Add Volume Tiers under footnote 9.* Professional orders that yield fee code PA<sup>28</sup> are given a standard rebate of \$0.25 per contract. Footnote 9 of the fee schedule sets forth four tiers, each providing enhanced rebates ranging from \$0.42 to \$0.48 per contract to a Member's order that yields fee codes PA upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an ADAV in Customer and Professional orders greater than or equal to 0.10% of average TCV. As amended, a Member must have an ADAV in Customer and Professional orders greater than or equal to 0.15% of average OCV.

- Tier 2 currently requires that a Member has an ADAV in Customer and Professional orders greater than or equal to 0.20% of average TCV. As amended, a Member must have an ADAV in Customer and Professional orders greater than or equal to 0.25% of average OCV.

- Tier 3 currently requires that a Member has an ADAV in Customer and Professional orders greater than or equal to 0.30% of average TCV. As amended,

a Member must have an ADAV in Customer and Professional orders greater than or equal to 0.40% of average OCV.

- Tier 4 currently requires that a Member has an ADAV in Customer and Professional orders greater than or equal to 0.50% of average TCV. As amended a Member must have an ADAV in Customer and Professional orders greater than or equal to 0.65% of average OCV.

*Away Market Maker Penny Pilot Add Volume Tiers under footnote 10.* Away Market Maker orders that yield fee code PN are given a standard rebate of \$0.30 per contract. Footnote 10 of the fee schedule sets forth three tiers, each providing enhanced rebates ranging from \$0.40 to \$0.46 per contract to a Member's order that yields fee code PN upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an ADV greater than or equal to 0.30% of average TCV. As amended, a Member must have an ADV greater than or equal to 0.40% of average OCV.

- Tier 2 currently requires that a Member has an: (i) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.80% of average TCV; and (ii) ADV greater than or equal to 1.50% of average TCV. As amended, a Member must have an: (i) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 1.05% of average OCV; and (ii) ADV greater than or equal to 1.95% of average OCV.

- Tier 3 currently requires that a Member has an: (i) ADV greater than or equal to 0.40% of average TCV; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.30% of average TCV. As amended, a Member must have an: (i) ADV greater than or equal to 0.50% of average OCV; and (ii) ADAV in Away Market Maker, Firm, Broker Dealer and Joint Back Office orders greater than or equal to 0.40% of average OCV.

*Away Market Maker Non-Penny Pilot Add Volume Tiers under footnote 11.* Away Market Maker orders that yield fee code NN<sup>29</sup> are given a standard rebate of \$0.30 per contract. Footnote 11 of the fee schedule sets forth two tiers, each providing enhanced rebates of \$0.40 and \$0.52 per contract to a Member's order that yields fee code NN

upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an ADV greater than or equal to 0.30% of average TCV. As amended, a Member must have an ADV greater than or equal to 0.40% of average OCV.

- Tier 2 currently requires that a Member has an ADV greater than or equal to 1.00% of average TCV. As amended, a Member must have an ADV greater than or equal to 1.30% of average OCV.

*Customer Non-Penny Pilot Add Volume Tier under footnote 12.* Customer orders that yield fee code NY<sup>30</sup> are given a standard rebate of \$0.85 per contract. Footnote 12 of the fee schedule sets forth one tier, providing an enhanced rebate of \$1.00 per contract to a Member's order that yields fee code NY upon satisfying monthly volume criteria.<sup>31</sup>

- Tier 1 currently requires that a Member has an ADAV in Customer orders greater than or equal to 0.70% of average TCV. As amended a Member must have an ADAV in Customer orders greater than or equal to 0.90% of average OCV.

*Non-Customer Non-Penny Pilot Take Volume Tiers, under footnote 13.* Non-Customer orders that yield fee code NP<sup>32</sup> are charged a standard fee of \$1.07 per contract. Footnote 13 of the fee schedule sets forth three tiers, each providing reduced fees ranging from \$1.01 to \$1.02 per contract to a Member's order that yields fee code NP upon satisfying monthly volume criteria.

- Tier 1 currently requires that a Member has an: (i) ADAV in Customer orders greater than or equal to 0.60% of average TCV; (ii) ADAV in Market Maker orders greater than or equal to 0.25% of average TCV; and (iii) ADAV on BZX Equities greater than or equal to 0.30% of average TCV. As amended, a Member must have an: (i) ADAV in Customer orders greater than or equal to 0.80% of average OCV; (ii) ADAV in Market Maker orders greater than or equal to 0.35% of average OCV; and (iii) ADAV on BZX Equities greater than or equal to 0.30% of average TCV.

- Tier 2 currently requires that a Member has an ADAV in Customer

<sup>30</sup> Fee code NY is appended to a Member's Customer orders which add liquidity in Non-Penny Pilot options. As defined in the Exchange's fee schedule available at [http://www.bats.com/us/options/membership/fee\\_schedule/bzx/](http://www.bats.com/us/options/membership/fee_schedule/bzx/).

<sup>31</sup> As described in more detail below, the Exchange proposes to implement a second and third tier under footnote 12 as part of this filing.

<sup>32</sup> Fee code NP is appended to a Member's Non-Customer orders which remove liquidity in Non-Penny Pilot options. *Id.*

<sup>27</sup> Fee code NF is appended to a Member's Firm, Broker Dealer and Joint Back Office orders which add liquidity in Non-Penny Pilot options. *Id.*

<sup>28</sup> Fee code PA is appended to a Member's Professional orders which add liquidity in Penny Pilot options. *Id.*

<sup>29</sup> Fee code NN is appended to a Member's Away Market Maker orders which add liquidity in Non-Penny Pilot options. *Id.*

orders greater than or equal to 1.00% of average TCV. As amended a Member must have an ADAV in Customer orders greater than or equal to 1.30% of average OCV.

- Tier 3 currently requires that a Member has an ADAV in Customer orders greater than or equal to 1.30% of average TCV. As amended, a Member must have an ADAV in Customer orders greater than or equal to 1.70% of average OCV.

#### Addition of the Step-Up Tier, Under Footnote 1

As described above, the Exchange currently offers eight Customer Penny Pilot Add Volume Tiers under footnote 1 which provide enhanced rebates ranging from \$0.40 to \$0.53 per contract for orders which yield fee code PY and meet the required criteria. The Exchange now proposes to add a Step-Up Tier which would provide an additional rebate of \$0.02 to orders appended with fee code PY, including those orders that satisfy the required criteria under the tiers listed under footnote 1. To qualify for the additional rebate, a Member must have an Options Step-Up Add OCV in Customer orders from October 2016 baseline equal to or greater than 0.45%.

#### Elimination and Replacement of the Step-Up Tier Under Footnote 3

As described above, the Exchange currently offers three Non-Customer Penny Pilot Take Volume Tiers under footnote 3 which provide reduced fees of \$0.44 and \$0.47 per contract for orders which yield fee code PP and meet the required criteria. Additionally, footnote 3 provides a Step-Up Tier under which Members may receive an additional discount of \$0.01 per contract for orders appended with fee code PP, including those orders that satisfy the required criteria under the tiers listed under footnote 3. To receive the additional \$0.01 per contract discount, the Member must have an Options Step-Up Add TCV in Customer orders from September 2016 baseline greater than or equal to 0.30%. The Exchange now proposes to delete and replace this Step-Up Tier under footnote 3 with a new Step-Up Tier which would provide a reduced fee of \$0.47 per contract for orders which yield fee code PP and where the Member has an Options Step-Up Add OCV in Customer orders from October 2016 baseline greater than or equal to 0.45%.

#### Addition of Tier 3 Under Footnote 7

As described above, the Exchange currently offers two Market Maker Non-Penny Pilot Add Volume Tiers under

footnote 7 which provide enhanced rebates of \$0.45 and \$0.52 per contract for orders which yield fee code NM and meet the required criteria. The Exchange now proposes to add Tier 3 under which a Member would receive an enhanced rebate of \$0.65 per contract where that Member has an: (i) ADAV in Market Maker orders in Non-Penny Pilot Securities greater than or equal to 0.20% of average OCV; and (ii) ADAV in Non-Customer orders greater than or equal to 3.00% of average OCV. The Exchange also notes that changes are required to the Standard Rates table of the fee schedule applicable to fee code NM in connection with this change.

#### Addition of Tier 2 and the Customer Step-Up Tier Under Footnote 12

As described above, the Exchange currently offers one Customer Non-Penny Pilot Add Volume Tier under footnote 12 which provides an enhanced rebate of \$1.00 per contract for orders which yield fee code NY and meet the required criteria. The Exchange now proposes to add two new tiers under footnote 12. First, proposed Tier 2 would provide an enhanced rebate of \$1.05 per contract where that Member has an ADAV in Customer orders greater than or equal to 2.10% of average OCV. Second, the proposed Step-Up Tier will provide an enhanced rebate of \$1.00 per contract where that Member has an Options Step-Up Add OCV in Customer orders from October 2016 baseline greater than or equal to 0.45%. The Exchange also notes that changes are required to the Standard Rates table of the fee schedule applicable to fee code NY in connection with these changes.

#### Addition of Footnote 14, the Customer Penny Pilot Take Volume Tier

The Exchange proposes to add new footnote 14 entitled, "Customer Penny Pilot Take Volume Tier". Under the proposed Cross-Asset Tier, a Member's orders that yield fee code PC<sup>33</sup> would be charged a reduced fee of \$0.48 per contract where that Member has an: (i) ADAV in Customer orders greater than or equal to 0.50% of average OCV; and (ii) ADAV on BZX Equities greater than or equal to 0.50% of average TCV. The Exchange also notes that changes are required to the Standard Rates table of the fee schedule applicable to fee code PC in connection with this change. In addition, the Exchange proposes to append footnote 14 to fee code PC

<sup>33</sup> Fee code PC is appended to a Member's Customer orders which remove liquidity in Penny Pilot options and is charged a standard fee of \$0.49 per contract. *Id.*

within in the Fee Codes and Associated Fees table.

#### Implementation Date

The Exchange proposes to implement this amendment to its fee schedule on January 3, 2017.<sup>34</sup>

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>35</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>36</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 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 levels at a particular venue to be excessive. The Exchange believes that the proposed fee changes are equitable and non-discriminatory in that they apply uniformly to all Members. The Exchange believes the rates remain competitive with those charged by other venues and, therefore, are reasonable and equitably allocated to Members.

#### New Defined Terms

The Exchange believes adopting a definition of OCV, utilizing OCV in lieu of TCV, and changing the definition of Options Step-Up Add TCV to Options Step-Up Add OCV are reasonable, fair and equitable, and non-discriminatory because the Exchange also proposed to modify the tier's related criteria in order to maintain substantially identical requirements to qualify for the tier without changing the rate provided for by the tiers. In addition, the amount of OCV historically tends to remain reasonably consistent from month to month, as opposed to TCV which is less consistent. OCV is also more consistent than options volume that clears in the Market Maker or Firm range at the OCC, as Market Maker and Firm volume may vary drastically from month to month based on market events, as opposed to Customer options volume which remains relatively consistent. Therefore, the Exchange believes utilizing OCV would result in consistent tier criteria as OCV is a relatively static monthly number which would enable market participants to better predict whether they may achieve a tier criteria each month and qualify for that tier's preferred pricing.

<sup>34</sup> The Exchange notes that the date of the fee schedule was updated to January 3, 2017 in SR-BatsBZX-2016-90 (filed on December 27, 2016).

<sup>35</sup> 15 U.S.C. 78f.

<sup>36</sup> 15 U.S.C. 78f(b)(4).

The Exchange also believes that the use of OCV provides a calculation that is identical to that which was implemented in December 2016 on the EDGX Options fee schedule.<sup>37</sup> Additionally, the OCV calculation is reasonably identical to and is not a significant departure from tier qualifications conventions offered by other exchanges.<sup>38</sup> The Exchange believes that the proposed definition of OCV and the proposed revision of the definition of Options Step-Up Add TCV to Options Step-Up Add OCV are reasonable, fair and equitable, and non-discriminatory, and will provide additional transparency and simplicity to Members regarding the calculations used to determine volume levels for purposes of the proposed tiered pricing model.

#### Volume-Based Tier Modifications

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 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.

<sup>37</sup> See Securities Exchange Act Release No. 239239 [sic] (December 7, 2016), 81 FR 90009 (December 13, 2016) (SR-BatsEDGX-2016-68).

<sup>38</sup> See the NYSE MKT LLC ("NYSE MKT") fee schedule available at [https://www.nyse.com/publicdocs/nyse/markets/amex-options/NYSE\\_Amex\\_Options\\_Fee\\_Schedule.pdf](https://www.nyse.com/publicdocs/nyse/markets/amex-options/NYSE_Amex_Options_Fee_Schedule.pdf) (setting forth tiers that provide preferred pricing to options market makers who meet certain criteria, including achieving a specific "Monthly Volume as a % of Industry Customer Equity and Exchange Traded Fund ("ETF") Option Volume"); NYSE Arca, Inc. ("NYSE ARCA") options fee schedule available at [https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE\\_Arca\\_Options\\_Fee\\_Schedule.pdf](https://www.nyse.com/publicdocs/nyse/markets/arca-options/NYSE_Arca_Options_Fee_Schedule.pdf) (setting forth a Market Maker Incentive tier that provides preferred pricing to market makers who meet certain criteria, including achieving a specific percentage of "Total Industry Customer equity and ETF option ADV"); Nasdaq Stock Market LLC ("Nasdaq") options fee schedule available at <http://www.nasdaqtrader.com/Micro.aspx?id=optionsPricing> (setting forth tiers that provide preferred pricing to market makers who meet certain criteria, including achieving a specific percentage of "total industry customer equity and ETF option ADV contracts per month"); and Nasdaq BX LLC ("BX") options fee schedule available at <http://www.nasdaqtrader.com/Micro.aspx?id=BXOptionsPricing> (setting forth tiers that provide preferred pricing to market makers who meet certain criteria, including achieving a specific percentage of "total industry customer equity and ETF option ADV contracts per month").

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.

The proposed modifications and additions proposed herein are 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. The Exchange believes the proposed change to each tier's criteria is consistent with the Act.

*Proposed Revisions and New Tiers under Footnotes 1, 3, 7, and 12.* The Exchange believes the proposed tiers under footnotes 1, 3, 7, and 12 are reasonable, fair and equitable, and non-discriminatory. The proposed tiers are intended to attract order flow to the Exchange by offering market participants a competitive pricing structure. The Exchange believes it is reasonable to offer incrementally modified incentives intended to help to contribute to the growth of the Exchange. First, the Exchange believes the revisions to the Customer Cross-Asset Add Tier under footnote 1 are equitable and reasonable because further incentivize Members to reach certain thresholds on both BZX Options and BZX Equities. Such pricing programs thereby reward a Member's growth pattern on the Exchange and such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. To the extent a Member participates on the BZX Options but not on BZX Equities, the Exchange does believe that the proposal is still reasonable, equitably allocated and non-discriminatory with respect to such Member based on the overall benefit to the Exchange resulting from the success of BZX Equities.

Additionally, the Exchange believes the elimination and replacement of the Step-Up tier under footnote 3 is reasonable, fair, and equitable because the current tier was not providing the desired result of incentivizing Members to increase their participation over time. Therefore, eliminating the current Step-Up Tier under footnote 3 will have a negligible effect on order flow and

market behavior. The Exchange believes the proposed new Step-Up Tier under footnote 3 should incentivize Members to increase their participation in Customer and Non-Customer orders. Likewise, the proposed tiers under footnotes 1, 7 and 12 are also designed to incentivize Members to increase their participation on the Exchange. The Exchange believes it is reasonable to continue to modify the volume based incentives to help to contribute to the growth of the Exchange. The Exchange also believes the proposed change is not unfairly discriminatory because it will apply equally to all participants.

*Addition of Footnote 14, Customer Penny Pilot Take Volume Tier.* The Exchange believes that the proposal to add a Cross-Asset Tier is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates for similar reasons stated above with regard to the revisions of the Customer Cross-Asset Add Tier under footnote 1. Specifically, the Exchange believes the proposed tier 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 improving investor protection. Such pricing programs thereby reward a Member's growth pattern on the Exchange and such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. To the extent a Member participates on the Exchange but not on BZX Equities, the Exchange does believe that the proposal is still reasonable, equitably allocated and non-discriminatory with respect to such Member based on the overall benefit to the Exchange resulting from the success of BZX Options. As noted above, such success allows the Exchange to continue to provide and potentially expand its existing incentive programs to the benefit of all participants on the Exchange, whether they participate on BZX Options or not. The proposed pricing program is also fair and equitable in that membership in BZX Options is available to all market participants which would provide them with access to the benefits on BZX Options provided by the proposed changes, as described above, even where a member of BZX Options is not

necessarily eligible for the proposed increased rebates on the Exchange. Further, the proposed changes will result in Members receiving either the same or an increased rebate than they would currently receive. The Exchange also believes that the proposed tiered pricing structure is 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.<sup>39</sup>

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

The Exchange does not believe its proposed amendment to its fee schedule would 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 the proposed changes represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. The Exchange believes that its proposal to amend the qualification criteria and to incorporate OCV as proposed would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act because the Exchange also proposed to modify the tier's related criteria in order to maintain substantially identical requirements to qualify for each tier. Additionally, 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 to the volume discount and rebate structure will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate changes would continue to apply uniformly to all Members. As stated above, 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 Exchange does not believe the proposed tiers would burden intramarket competition as they would apply to all Members uniformly.

<sup>39</sup> See, e.g., BZX Exchange Options Fee Schedule, Footnote 1, Customer Add Tier, which provides an enhanced rebate to Customer orders on BZX Options based on both Customer volume and Market Maker volume. The BZX Options Fee Schedule is available at: [http://www.batsoptions.com/support/fee\\_schedule/bzx/](http://www.batsoptions.com/support/fee_schedule/bzx/).

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>40</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>41</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 Number SR-BatsBZX-2017-01 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090. All submissions should refer to File Number SR-BatsBZX-2017-01. 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

<sup>40</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>41</sup> 17 CFR 240.19b-4(f).

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 Number SR-BatsBZX-2017-01 and should be submitted on or before February 9, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>42</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

## **DEPARTMENT OF STATE**

[Public Notice: 9825]

### **60-Day Notice of Proposed Information Collection: Passport Demand Forecasting Survey**

**ACTION:** Notice of request for public comment.

**SUMMARY:** The Department of State is seeking Office of Management and Budget (OMB) approval for the information collection described below. In accordance with the Paperwork Reduction Act of 1995, we are requesting comments on this collection from all interested individuals and organizations. The purpose of this notice is to allow 60 days for public comment preceding submission of the collection to OMB.

**DATES:** The Department will accept comments from the public up to March 20, 2017.

**ADDRESSES:** You may submit comments by any of the following methods:

- *Web:* Persons with access to the Internet may comment on this notice by going to [www.Regulations.gov](http://www.Regulations.gov). You can search for the document by entering "Docket Number: DOS-2016-0079" in the Search field. Then click the "Comment Now" button and complete the comment form.

<sup>42</sup> 17 CFR 200.30-3(a)(12).