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SECURITIES AND EXCHANGE COMMISSION
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July 13, 2017

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Adopt New Rules That Describe the Trading of Complex Orders on the Exchange for the Exchange's Equity Options Platform

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 30, 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 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 for the Exchange's equity options platform ("EDGX Options") to adopt new rules that describe the trading of complex orders on the Exchange.

The text of the proposed rule change is available at the Exchange's website at www.bats.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

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

2 17 CFR 240.19b-4.

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

Overview

The Exchange proposes to adopt new rules that describe the trading of complex orders on the Exchange. Proposed new Rule 21.20, Complex Orders, details the functionality of the System[3] in the handling of complex orders on the Exchange. The proposed rules are based substantially on similar rules of other exchanges.[4] The Exchange believes that the similarity of its proposed complex order rules to those of other exchanges will allow the Exchange's proposed complex order functionality to fit seamlessly into the greater options marketplace and benefit market participants who are already familiar with similar functionality offered on other exchanges. The Exchange notes that for simplicity it has omitted from its proposal certain functionality that is offered by other options exchanges in connection with their complex order platforms but that the Exchange does not proposed to offer initially, including stock-option orders and derived orders.

Additionally, the Exchange is proposing to amend Exchange Rule 21.1, Definitions, to add two new Times in Force to be added in conjunction with the proposed change, "Good Til

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3 The term "System" means the automated trading system used by EDGX Options for the trading of options contracts. See Exchange Rule 16.1(a)(59).

4 See, e.g., Chicago Board Options Exchange, Inc. ("CBOE") Rule 6.53C; C2 Options Exchange, Inc. ("C2") Rule 6.13; Miami International Securities Exchange ("MIAX") Rule 518; International Securities Exchange LLC ("ISE") Rule 722; NYSE MKT LLC ("NYSE MKT") Rule 980NY; BOX Options Exchange LLC ("BOX") Rule 7240; NASDAQ OMX PHLX LLC ("PHLX") Rule 1098; NYSE Arca, Inc. ("NYSEArca") Rule 6.91.

Cancelled" (or "GTC") and "At the Open" (or "OPG"). The Exchange is also proposing to amend: Exchange Rule 21.15, Data Dissemination, to add references to data feeds to be added in conjunction with the proposed change; and Rule 21.16, Risk Monitor Mechanism, to make clear that complex orders are considered in connection with existing risk protections offered by the Exchange.[5]

Definitions

Proposed Rule 21.20(a) provides definitions of terms that apply to the trading of complex orders, and such terms are used throughout this proposed rule change. The Exchange proposes to specify that for purposes of Rule 21.20, the included terms will have the meanings specified in proposed paragraph (a). A term defined elsewhere in Exchange Rules will have the same meaning with respect to Rule 21.20, unless otherwise defined in paragraph (a). Below is a summary of the proposed definitions.

The term "ABBO" means the best bid(s) or offer(s) disseminated by other Eligible Exchanges (as defined in Rule 27.1(a)(7))[6] and calculated by the Exchange based on market information received by the Exchange from OPRA.

The term "BBO" means the best bid or offer on the Simple Book (as defined below) on

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5 The Exchange represents that prior to operating the proposed Complex Order Book it will separately file to propose amendments to Exchange Rule 20.6, Nullification and Adjustment of Options Transactions Including Obvious Errors, to establish the process for handling complex order obvious errors based on the rules of other exchanges that offer complex order functionality. See, e.g., CBOE Rule 6.25, Interpretation and Policy .07.

6 "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange chooses not to become a party to the Options Order Protection and Locked/Crossed Markets Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection. See Exchange Rule 27.1(a)(7).

the Exchange.

A “Complex Order Auction” or “COA” is an auction of a complex order as set forth in proposed Rule 21.20(d), described below.

A “COA-eligible order” is a complex order designated to be placed into a Complex Order Auction upon receipt that meets the requirements of Rule 21.20(d)(l), as described below.

A “complex order” is any order involving the concurrent purchase and/or sale of two or more different options in the same underlying security (the “legs” or “components” of the complex order),[7] for the same account, in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) and for the purposes of executing a particular investment strategy. Only those complex orders in the classes designated by the Exchange and communicated to Members with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis and communicated to Members, are eligible for processing. The Exchange will communicate this information to Members via specifications and/or a Regulatory Circular.

The “Complex Order Book” or “COB” is the Exchange’s electronic book of complex orders. All Members may submit orders to trade against interest or rest in the COB pursuant to the proposed Rule.

The term “complex strategy’’ means a particular combination of components and their ratios to one another. New complex strategies can be created as the result of the receipt of a complex instrument creation request or complex order for a complex strategy that is not currently in the System. The Exchange is thus proposing two methods to create a new complex strategy,

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7 The different options in the same underlying security that comprise a particular complex order are referred to as the “legs” or “components” of the complex order throughout this proposal.

one of which is a message that a Member can send to create the strategy and the other is a message a Member can send that will generate the strategy and that is also an order for that same strategy. These methods will be equally available to all Members but [sic] anticipates that Market Makers and other liquidity providers who anticipate providing larger amounts of trading activity in complex strategies are the most likely to send in a complex instrument creation request (i.e., to prepare for their trading in the complex strategy throughout the day), whereas other participants are more likely to simply send a complex order that simultaneously creates a new strategy. The Exchange may limit the number of new complex strategies that may be in the System at a particular time and will communicate any such limitation to Members via specifications and/or Regulatory Circular.

The term "NBBO" means the national best bid or offer as calculated by the Exchange based on market information received by the Exchange from the appropriate Securities Information Processor ("SIP").[8]

The term "regular trading" means trading of complex orders that occurs during a trading session other than: (i) at the opening or re-opening of the COB for trading following a halt, or (ii) during the COA process (as described below and in proposed Rule 21.20(d)).

The "Simple Book" is the Exchange's regular electronic book of orders.

The "Synthetic Best Bid or Offer" ("SBBO") is calculated using the best displayed price for each component of a complex strategy from the Simple Book.

The "Synthetic National Best Bid or Offer" ("SNBBO") is calculated using the NBBO for each component of a complex strategy to establish the best net bid and offer for a complex

8 All U.S. exchanges and associations that quote and trade exchange-listed securities must provide their data to a centralized SIP for data consolidation and dissemination. See 15 U.S.C. 78c (22)(A).

strategy.

Types of Complex Orders

Proposed Rule 21.20(b), Availability of Types of Complex Orders, describes the various types and specific times-in-force for complex orders handled by the System.

As an initial matter, proposed Rule 21.20(b) states that the Exchange will determine and communicate to Members via specifications and/or a Regulatory Circular listing which complex order types, among the complex order types set forth in the proposed Rule, are available for use on the Exchange. Additional information will be issued as additional complex order types, among those complex order types set forth in the proposed Rule, become available for use on the Exchange. Additional information will also be issued when a complex order type that had been in usage on the Exchange will no longer be available for use. This is substantially similar to, and based upon, the manner in which MIAX determines the available order types for its complex order book.[9] The purpose of this provision is to enable the Exchange to modify the complex order types that are available on the Exchange as market conditions change. The Exchange believes that this enhances its ability to remain competitive as markets and market conditions evolve.

Among the complex order types that may be submitted are limit orders and market orders, and orders with a Time in Force of Good Til Day ("GTD"), Immediate or Cancel ("IOC"), DAY, GTC, or OPG, as such terms are defined in Exchange Rule 21.1(f), as proposed to be amended.[10] In addition, the Exchange proposes to accept the following complex orders:

9 See MIAX Rule 518(b)(1).

10 For a complete description of these order types and Times in Force, see Exchange Rule 21.1, as proposed to be amended. The Exchange is proposing to offer similar order types and modifiers to those offered by other options exchanges. See, e.g., CBOE Rule 6.53C(b); BOX Rule 7240(b)(4); MIAX Rule 518(b)(1).

Complex Only orders, COA-eligible orders, do-not-COA orders, and orders with Match Trade Prevention modifiers, as such terms are defined below.

The Exchange proposes to allow orders with a Time in Force of DAY or IOC to only check against the COB (i.e., rather than the COB and the Simple Book) (such orders [sic] “Complex Only Orders”). Unless designated as Complex Only, and for all other Times in Force, an order will check against both the COB and the Simple Book. The Exchange notes that the Complex Only Order option is analogous to functionality on the MIAX complex order book, which includes certain types of orders and quotes that do not leg into the simple marketplace but instead will only execute against or post to the MIAX complex book.[11] The Exchange also believes the proposed functionality is analogous to other types of functionality already offered by the Exchange that provides Members the ability to direct the Exchange not to route their orders away from the Exchange[12] or not to remove liquidity from the Exchange.[13] Similar to such analogous features, the Exchange believes that Members may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions.

As noted above, the Exchange proposes to define a COA-eligible order as a complex order designated to be placed into a Complex Order Auction upon receipt that meets the requirements of Rule 21.20(d)(l), as described below. The Exchange proposes to allow all types

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11 See MIAX Rule 518 (c)(2)(iii) (stating that cAOC orders and market maker quotes on the MIAX complex order book are not eligible for legging to the MIAX simple order book).

12 See EDGX Rule 21.1(d)(7), which describes “Book Only Orders” as orders that do not route to away options exchanges.

13 See EDGX Rule 21.1(d)(8), which describes “Post Only Orders” as orders that do not route to away options exchanges or remove liquidity from the Exchange.

of orders to initiate a COA but proposes to have certain types of orders default to initiating a COA upon arrival with the ability to opt-out of initiating a COA and other types of orders default to not initiating a COA upon arrival with the ability to opt-in to initiating a COA.[14] Specifically, as proposed, complex orders that are marked as IOC will, by default, not initiate a COA upon arrival, but a Member that submits an order marked IOC may elect to opt-in to initiating a COA and any quantity of the IOC order not executed will be cancelled at the end of the COA. All other Times in Force will by default initiate a COA, but a Member may elect to opt-out of initiating a COA. Orders with instructions to (or which default to) initiate a COA are referred to as COA-eligible orders, subject to the additional eligibility requirements set forth in the proposed rule, while orders with instructions not to (or which default not to) initiate a COA are referred to as do-not-COA orders.

The Exchange also proposes to allow the use of certain Match Trade Prevention ("MTP") Modifiers, which allow a Member to avoid trading against the Member's own orders or orders of affiliates as specified on an identifier established by the Member ("Unique Identifiers).[15] As proposed, the System will support, when trading against other complex orders on the COB, complex orders with the following MTP Modifiers defined in Rule 21.1(g): MTP Cancel

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[14] The Exchange believes that this gives market participants extra flexibility to control the handling and execution of their complex orders by the System by giving them the additional ability to determine whether they wish to have their complex order initiate a COA. Despite the fact that the Exchange is proposing certain defaults that would be in effect, the Exchange believes its proposal is similar to CBOE Rule 6.53C(d)(ii)(B), which allows a CBOE Trading Permit Holders to affirmatively request, on an order-by-order basis, that a COA-eligible order with two legs not be placed into a CBOE Complex Order Auction (a "do-not-COA" request). The Exchange further believes that the proposed default values are consistent with the terms of the orders (e.g., IOC is intended as an immediate execution or cancellation whereas COA is a process that includes a short delay in order to broadcast and provide participants time to respond).

[15] See Rule 21.1(g).

Newest,[16] MTP Cancel Oldest[17] and MTP Cancel Both.[18] When Legging (as defined below) into the Simple Book, a complex order with any MTP Modifier will be cancelled if it would execute against any leg on the Simple Book that includes an order with an MTP Modifier and the same Unique Identifier as the complex order.

Trading of Complex Orders

Proposed Rule 21.20(c), Trading of Complex Orders, describes the manner in which complex orders will be handled and traded on the Exchange. The Exchange will determine and communicate to Members via specifications and/or Regulatory Circular which complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not Market Makers on an options exchange, and/or Market Makers on an options exchange) are eligible for entry onto the COB.[19] The proposed rule also states that complex orders will be subject to all other Exchange Rules that pertain to orders submitted to the Exchange generally, unless otherwise provided in proposed Rule 21.20.

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16 Pursuant to Rule 21.1(g)(1), an incoming order marked with the MTP Cancel Newest ("MCN") modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The incoming order marked with the MCN modifier will be cancelled back to the originating User(s). The resting order marked with an MTP modifier will remain on the EDGX Options Book.

17 Pursuant to Rule 21.1(g)(2), an incoming order marked with the MTP Cancel Oldest ("MCO") modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The resting order marked with the MTP modifier will be cancelled back to the originating User(s). The incoming order marked with the MCO modifier will remain on the EDGX Options Book.

18 Pursuant to Rule 21.1(g)(4), an incoming order marked with the MTP Cancel Both ("MCB") modifier will not execute against opposite side resting interest marked with any MTP modifier originating from the same Unique Identifier. The entire size of both orders will be cancelled back to the originating User(s).

19 See Proposed Rule 21.20(c); see also CBOE Rule 6.53C(c)(i), which states that CBOE will determine which classes and which complex order origin types (i.e., non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange) are eligible for entry into the Complex Order Book.

Proposed Rule 21.20(c)(1)(A) provides that bids and offers on complex orders may be expressed in $0.01 increments, and the component(s) of a complex order may be executed in $0.01 increments, regardless of the minimum increments otherwise applicable to individual components of the complex order,[20] and that if any component of a complex strategy would be executed at a price that is equal to a Priority Customer[21] bid or offer on the Simple Book, at least one other component of the complex strategy must trade at a price that is better than the corresponding BBO.[22]

Additionally, respecting execution pricing, proposed Rule 21.20(c)(1)(C) states generally that a complex order will not be executed at a net price that would cause any component of the complex strategy to be executed: (i) at a price of zero; or (ii) ahead of a Priority Customer Order on the Simple Book without improving the BBO of at least one component of the complex strategy. These restrictions are designed to protect the priority of Priority Customer Orders that is established in the Simple Book.

Execution of Complex Orders

Proposed Rule 21.20(c)(2) describes: the process of accepting orders prior to the opening

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20 See Proposed Rule 21.20(c)(l); see also CBOE Rule 6.42(f) and MIAX Rule 518(c)(1).

21 The term "Priority Customer" means any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional. The term "Priority Customer Order" means an order for the account of a Priority Customer. See Rule 16.1(a)(45). A "Professional" is any person or entity that: (A) is not a broker or dealer in securities; and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). All Professional orders shall be appropriately marked by Options Members. See Rule 16.1(a)(46).

22 See Proposed Rule 21.20(c)(l)(B); see also, ISE Rule 722(b)(2), which states that in this situation at least one leg must trade at a price that is better by at least one minimum trading increment, and PHLX Rule 1098(c)(iii), which states in this situation that at least one option leg must trade at a better price than the established bid or offer for that option contract and no option leg is executed at a price outside of the established bid or offer for that option contract.

of the COB for trading (and prior to re-opening after a halt); the process by which the Exchange will open the COB or re-open the COB following a halt (the "Opening Process"); the prices at which executions may occur on the Exchange for complex strategies, including through the Opening Process; execution of complex orders against the individual components or "legs" on the Simple Book; and the process of evaluation that is conducted by the System on an ongoing basis respecting complex orders.

Proposed Rule 21.20(c)(2)(A) states that Members may submit orders to the Exchange as set forth in Rule 21.6, which currently allows orders to be entered into the System beginning at 7:30 a.m. Eastern Time. The proposed Rule also states that any orders designated for the Opening Process will be queued until 9:30 a.m. at which time they will be eligible to be executed in the Opening Process. Any orders designated for a re-opening following a halt will be queued until the halt has ended, at which time they will be eligible to be executed in the Opening Process. Finally, proposed Rule 21.20(c)(2)(A) states that beginning at 7:30 a.m. and updated every five seconds thereafter, indicative prices and order imbalance information associated with the Opening Process will be disseminated by the Exchange while orders are queued prior to 9:30 a.m. or, in the case of a halt, prior to re-opening.[23]

Proposed Rule 21.20(c)(2)(B) states that complex orders do not participate in the Opening Process for the individual option series conducted pursuant to Rule 21.7.[24] The proposed rule also states that the Opening Process for the COB will operate both at the beginning of each trading session and upon re-opening after a halt. The Opening Process will commence

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23 See infra Market Data Feeds section.

24 This is similar to the opening of complex orders on other exchanges. For instance, complex orders on CBOE and NYSE MKT do not participate in the respective opening auction processes for individual component option series legs. See CBOE Rule 6.53C, Interpretation and Policy .11; NYSE MKT Rule 952NY.

when all legs of the complex strategy are open on the Simple Book. If there are complex orders that have been queued but none that can match, the System will open and transition such orders to the COB.

Proposed Rule 21.20(c)(2)(C) describes the manner in which the System determines the equilibrium price to be used for the purpose of execution of complex orders in the Opening Process. If there are complex orders that can match, the System will determine the equilibrium price where the most complex orders can trade. If there are multiple price levels that would result in the same number of strategies executed, the System will choose the price that would result in the smallest remaining imbalance. If there are multiple price levels that would result in the same number of strategies executed and would leave the same "smallest" imbalance, the System will choose the price that is closest to the Volume Based Tie Breaker ("VBTB") as the opening price. For purposes of proposed subparagraph (C), the VBTB is the midpoint of the SNBBO. If there is no valid VBTB available, the System will use the midpoint of the highest and lowest potential opening prices as the opening price. If the midpoint price would result in an invalid increment, the System will round up to the nearest permissible increment and use that as the opening price. If executing at the equilibrium price would require printing at the same price as a Priority Customer on any leg in the Simple Book, the System will adjust the equilibrium price to a price that is better than the corresponding bid or offer in the marketplace by at least a $0.01 increment.

Pursuant to proposed paragraph Proposed Rule 21.20(c)(2)(D), when an equilibrium price is established at or within the SNBBO, the Exchange will execute matching complex orders in price/time priority at the equilibrium price. Any remaining complex order or the remaining portion thereof will be entered into the COB, subject to the Member's instructions. If the System cannot match orders because it cannot determine an equilibrium price (i.e., all queued orders are Market Orders) or a permissible equilibrium price (i.e., within the SNBBO that also satisfies proposed Rule 21.20(c)(1)(C), as described above), the System will open and transition such orders to the COB after a configurable time period established by the Exchange. The Exchange believes this configurable time period is important because the opening price protections are relatively restrictive (i.e., based on the SNBBO) and the Exchange wants to have the ability to periodically optimize the process in a manner that will allow sufficient opportunity to have Opening Process executions without also waiting too long to transition to regular trading.

Next, with respect to the execution of orders on the COB, as described in proposed paragraph (c)(2)(E), incoming complex orders will be executed by the System in accordance with the provisions below, and will not be executed at prices inferior to the SBBO or at a price that is equal to the SBBO when there is a Priority Customer Order at the best SBBO price. Complex orders will never be executed at a price that is outside of the individual component prices on the Simple Book. Furthermore, the net price of a complex order executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. The purpose of this provision is to prevent a component of a complex order from being executed at a price that is inferior to the best-priced contra-side orders on the Simple Book (on which the SBBO is based) and to prevent a component of a complex order from being executed at a price that compromises the priority already established by a Priority Customer on the Simple Book. The Exchange believes that such priority should be protected and that such protection should be extended to the execution of complex orders on the COB.[25]

Incoming complex orders that could not be executed because the executions would be priced (i) outside of the SBBO, or (ii) equal to the SBBO due to a Priority Customer Order at the best SBBO price, will be cancelled if such complex orders are not eligible to be placed on the COB. Complex orders will be executed without consideration of any prices for the complex strategy that might be available on other exchanges trading the same complex strategy provided, however, that such complex order price may be subject to the Drill-Through Price Protection set forth in Interpretation and Policy .04(f) of proposed Rule 21.20.[26]

Proposed Rule 21.20(c)(2)(F) describes the Legging process through which complex orders, under certain circumstances, are executed against the individual components of a complex strategy on the Simple Book. Complex orders up to a maximum number of legs (determined by the Exchange on a class-by-class basis as either two, three, or four legs and communicated to Members via specifications and/or Regulatory Circular) may be automatically executed against bids and offers on the Simple Book for the individual legs of the complex order ("Legging"), provided the complex order can be executed in full or in a permissible ratio by such

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25 The Exchange also notes that this provision is based on and substantially similar to MIAX Rule 518(c)(2)(B) [sic]. Exchanges other than MIAX also protect Priority and Public Customer priority. ISE Priority Customer Orders on the Exchange shall have priority over Professional Orders and market maker quotes at the same price in the same options series. See ISE Rule 713(c); see also, CBOE Rule 6.45(a)(ii)(A), which states that CBOE Public Customer orders in the electronic book have priority, and NYSE MKT Rule 964NY(b)(2)(A), which provides that bids and offers in the Consolidated Book for Customer accounts have first priority over other bids or offers at the same price.

26 The Drill-Through Price Protection feature is a price protection mechanism under which, when in operation as requested by the submitting Member or pursuant to the Exchange's default settings, a buy (sell) order will not be executed at a price that is higher (lower) than the SNBBO or the SNBBO at the time of order entry plus (minus) a buffer amount (the "Drill-Through Price").

bids and offers.[27]

As proposed, all two leg COA-eligible Customer complex orders will be allowed to leg into the Simple Book without restriction. The benefit of Legging against the individual components of a complex order on the Simple Book is that complex orders can access the full liquidity of the Exchange's Simple Book, thus enhancing the possibility of executions at the best available prices on the Exchange. The Exchange believes this is particularly true for Customer complex orders and, thus, does not propose to limit the ability of such orders to leg into the Simple Book (when such orders are two leg orders).

Notwithstanding the foregoing, the Exchange is proposing to establish, in proposed Rule 21.20(c)(2)(F), that complex orders that could otherwise be eligible for Legging will only be permitted to trade against other complex orders in the COB in certain situations. Specifically, proposed Rule 21.20(c)(2)(F) would provide that other than two leg COA-eligible Customer complex orders, any other complex orders (i.e., non-Customer orders or non-COA-eligible Customer orders) with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders on the COB and will not be permitted to leg into the Simple Book. Proposed Rule 21.20(c)(2)(F) would impose a similar restriction by stating that complex orders with three or four option legs where all legs are buying or all legs are selling may only trade against other complex orders on the COB and will not leg into the Simple Book (regardless of whether the option leg is a call or a

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[27] See proposed Rule 21.20(c)(2)(F). This is similar to CBOE Rule 6.53C(c)(ii)(l), which states that complex orders in the COB will automatically execute against individual orders or quotes residing in the EBook provided the complex order can be executed in full (or in a permissible ratio) by the orders and quotes in EBook; see also BOX Rule 7240(b)(3)(ii) providing that Complex Orders will be automatically executed against bids and offers on the BOX Book for the individual legs of the Complex Order to the extent that the Complex Order can be executed in full or in a permissible ratio by such bids and offers.

put).[28]

Currently, liquidity providers (typically Market Makers, though such functionality is not currently limited to registered Market Makers) in the Simple Book are protected by way of the Risk Monitor Mechanism ("Risk Monitor")[29] by limiting the number of contracts they execute in an option class on the Exchange within a specified time period (a "specified time period") or on an absolute basis for the trading day ("absolute limits").[30] The Risk Monitor automatically cancels and removes the liquidity provider's orders from the Exchange's disseminated quotation in all series of a particular option class when it has determined that a participant has traded a number of contracts equal to or above a percentage of their quotations (the "percentage trigger") during the specified time period or on an absolute basis. The purpose of the Risk Monitor is to allow Market Makers and other liquidity providers to provide liquidity across potentially hundreds of options series without executing the full cumulative size of all such quotes before being given adequate opportunity to adjust the price and/or size of their quotes.

All of a participant's quotes in each option class are considered firm until such time as the Risk Monitor's threshold has been equaled or exceeded and the participant's quotes are removed by the Risk Monitor in all series of that option class.[31] Thus the Legging of complex

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28 This is substantially similar to ISE Rules 722(b)(3)(ii)(A) and (B), which state that complex orders with 2 option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts may only trade against other complex orders in the complex order book. The trading system will not generate legging orders for these complex orders, and complex orders with 3 or 4 option legs where all legs are buying or all legs are selling may only trade against other complex orders in the complex order book. See also Securities Exchange Act Release No. 73023 (September 9, 2014), 79 FR 55033 (September 15, 2014) (SR-ISE-2014-10).

29 See Exchange Rule 21.16.

30 As described later in this proposal, the Exchange proposes to amend the Rule governing the Risk Monitor, Rule 21.16, with respect to complex orders.

31 See Exchange Rule 612(c) [sic].

orders presents higher risk to Market Makers and other liquidity providers as compared to simple orders being entered in multiple series of an options class in the simple market, as it can result in such participants exceeding their established risk thresholds by a greater number of contracts. Although Market Makers and other liquidity providers can limit their risk through the use of the Risk Monitor, the participant's quotes are not removed until after a trade is executed. As a result, because of the way complex orders leg into the regular market as a single transaction, Market Makers and other liquidity providers may end up trading more than the cumulative risk thresholds they have established, and are therefore exposed to greater risk. The Exchange believes that Market Makers and other liquidity providers may be compelled to change their quoting and trading behavior to account for this additional risk by widening their quotes and reducing the size associated with their quotes, which would diminish the Exchange's quality of markets and the quality of the markets in general.

Based on the foregoing, the Exchange has proposed to modify the Risk Monitor as described in greater detail further below and has also proposed limitations to Rule 21.20(c)(2)(F). The purpose of the limitations in proposed Rule 21.20(c)(2)(F) is to minimize the impact of Legging on single leg Market Makers and other liquidity providers by limiting a potential source of unintended risk when certain types of complex orders leg into the Simple Book. The Exchange believes that the proposed limitation on the availability of Legging to (i) complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts, and (ii) complex orders with three or four option legs where all legs are buying or all legs are selling regardless of whether the option leg is a call or a put, should serve to reduce the risk of Market Makers and other liquidity providers trading above their risk tolerance levels. However, as noted above, the Exchange believes it is appropriate not to apply this limitation to two-leg COA-eligible Customer orders in order to afford such orders the execution benefit that comes from Legging.

Proposed Rule 21.20(c)(2)(G) sets forth the process for evaluation of complex orders, and the COB, on a regular basis and for various conditions and events that result in the System's particular handling and execution of complex orders in response to such regular evaluation, conditions and events. The System will evaluate complex orders initially once all components of the complex strategy are open as set forth in proposed Rule 21.20(c)(2)(B)-(D) as described above, upon receipt as set forth in proposed Rule 21.20(c)(5)(A) as described below, and continually as set forth in proposed Rule 21.20(c)(5)(B) as described below.[32]

The purpose of the evaluation process for complex orders is to determine (i) their eligibility to initiate, or to participate in, a COA as described in proposed Rule 21.20(d)(1); (ii) their eligibility to participate in the managed interest process as described in proposed Rule 21.20(c)(4); (iii) their eligibility for full or partial execution against a complex order resting on the COB or through Legging into the Simple Book (as described in proposed Rule 21.20(c)(2)(F)); (iv) whether the complex order should be cancelled; and (v) whether the complex order or any remaining portion thereof should be placed or remain on the COB.

The continual and event-triggered evaluation process ensures that the System is monitoring and assessing the COB for incoming complex orders, and changes in market conditions or events that cause complex orders to re-price and/or execute, and conditions or events that result in the cancellation of complex orders on the COB. This ensures the integrity of the Exchange's System in handling complex orders and results in a fair and orderly market for complex orders on the Exchange.

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[32] MIAX performs similar evaluations in the operation of its complex order book. See MIAX Rule 518(c)(2)(v).

Complex Order Priority

Proposed Rule 21.20(c)(3) describes how the System will establish priority for complex orders. As described below, the proposed priority structure for the COB differs from the priority structure applicable to the Simple Book as established in Exchange Rule 21.8.[33] A complex order may be executed at a net credit or debit price against another complex order without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such net credit or debit; provided, however, that if any of the bids or offers established in the marketplace consist of a Priority Customer Order, at least one component of the complex strategy must trade at a price that is better than the corresponding BBO by at least a $0.01 increment.[34]

Regarding execution and allocation of complex orders, proposed Rule 21.20(c)(3)(B) establishes that complex orders will be automatically executed against bids and offers on the COB in price priority. Bids and offers at the same price on the COB will be executed in time priority. Complex orders that leg into the Simple Book will be executed in accordance with Rule 21.8, which includes Priority Customer priority as well as pro rata executions. The Exchange notes that although it has proposed a different priority model for its COB (price-time) than its Simple Book (pro rata), the Exchange has proposed to operate the COB to respect Priority

33 Exchange Rule 21.8, Priority of Quotes and Orders, describes among other things the various execution priority, trade allocation and participation guarantees generally applicable to the Simple Book. Some sections of Exchange Rule 21.8 are cross-referenced herein and will apply as noted to complex orders, as the context requires.

34 See Proposed Rule 21.20(c)(3)(A); see also MIAX Rule 518(c)(3), which states that at least one leg must trade at a price that is better than the corresponding bid or offer in the marketplace by at least a $0.01 increment; ISE Rule 722(b)(2), which states that in this situation at least one leg must trade at a price that is better by at least one minimum trading increment; and PHLX Rule 1098(c)(iii), requiring in this situation that at least one option leg is executed at a better price than the established bid or offer for that option contract and no option leg is executed at a price outside of the established bid or offer for that option contract.

Customer priority on the Simple Book and will also continue to execute orders that leg into the Simple Book based on its existing priority model. The Exchange believes that operating the COB with price-time priority and without providing allocation benefits to particular types of Members will allow the Exchange to launch complex order functionality with relatively straightforward features and results. The Exchange also notes that this same priority model (COB as price-time and Simple Book as pro rata) is used by at least one other options exchange.[35]

Managed Interest Process for Complex Orders

In order to ensure that complex orders (which are non-routable) receive the best executions on the Exchange, proposed Rule 21.20(c)(4) sets forth the price(s) at which complex orders will be placed on the COB. More specifically, the managed interest process is used to manage the prices at which a complex order that is not immediately executed upon entry is handled by the System, including how such an order is priced and re-priced on the COB. The managed interest process is initiated when a complex order that is eligible to be placed on the COB cannot be executed against either the COB or the Simple Book (with the individual legs) at the complex order's net price, and is intended to ensure that a complex order to be managed does not result in a locked or crossed market on the Exchange. Once initiated, the managed interest process for complex orders will be based upon the SBBO.[36]

Under the managed interest process, a complex order that is resting on the COB and is either a complex market order as described in proposed Rule 21.20(c)(6) and discussed below, or

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[35] See ISE Rule 713, which sets forth a pro rata priority model for ISE's simple book and ISE Rule 722(b)(3), which provides ISE flexibility to vary the application from class to class but includes price-time priority on the ISE COB as an option.

[36] A complex order for which the Drill-Through Price Protection is engaged will be managed to the Drill-Through Price as described below and in proposed Rule 21.20, Interpretations and Policy .04(f).

has a limit price that locks or crosses the current opposite side SBBO when the SBBO is the best price, may be subject to the managed interest process for complex orders as discussed herein. If the order is not a COA-eligible order as defined in proposed Rules 21.20(a)(4) described above and 21.20(d)(1) described below, the System will first determine if the inbound complex order can be matched against other complex orders resting on the COB at a price that is at or inside the SBBO (provided there are no Priority Customer Orders on the Simple Book at that price). Second, the System will determine if the inbound complex order can be executed by Legging against individual orders resting on the Simple Book at the SBBO. A complex order subject to the managed interest process will never be executed at a price that is through the individual component prices on the Simple Book. Furthermore, the net price of a complex order subject to the managed interest process that is executed against another complex order on the COB will never be inferior to the price that would be available if the complex order legged into the Simple Book. When the opposite side SBBO includes a Priority Customer Order, the System will book and display such booked complex order on the COB at a price (the "book and display price") that is $0.01 away from the current opposite side SBBO. When the opposite side SBBO does not include a Priority Customer Order and is not available for execution in the ratio of such complex order, or cannot be executed through Legging with the Simple Book, the System will place such complex order on the COB and display such booked complex order at a book and display price that will lock the current opposite side SBBO (i.e., because it is a price at which another complex order can trade).

Example - <u>Complex order managed interest when Priority Customer Interest at the SBBO is Present</u>

EDGX Market Maker A quote Mar 50 Call 6.00-6.50 (10x10)

EDGX Market Maker B quote Mar 55 Call 2.00-2.30 (10x10)

EDGX Priority Customer Order Mar 55 Call 2.10 bid (1)

- The Exchange receives an initiating Priority Customer complex order to buy 1 Mar 50 Call and sell 2 Mar 55 Calls for a 2.30 debit, 100 times.
- Assume the do-not-COA instruction is present on this order, so the order will not initiate a COA auction upon arrival regardless of any other factor.
- The SBBO is 1.40 debit bid at 2.30 credit offer
- Since the Mar 55 call is 2.10 bid for only one contract (the Priority Customer Order), the complex order cannot be legged against the Simple Book at a 2.30 debit as a 2.30 debit would require selling two March 55 Calls at 2.10 while buying one March 50 Call at 6.50. Since there is Priority Customer interest on one leg of the complex order on the Simple Book, the inbound complex order cannot trade at this price by matching with other complex liquidity.
- Thus, the order is managed for display purposes at a price one penny inside of the opposite side SBBO, 2.29 and is available to trade with other complex liquidity at 2.29. The combination of the Simple Book and the COB will be a one penny wide market of 2.29 debit bid at 2.30 credit offer.
- If additional interest were to arrive on the Mar 55 Call 2.10 bid, the inbound complex order would be re-evaluated and would in this example become eligible to leg with the Priority Customer interest on the Simple Book at the 2.30 credit offer.

Example - <u>Complex order managed interest when the ratio to allow Legging does not exist, and there is no Priority Customer Interest</u>

EDGX Market Maker A quote Mar 50 call 6.00-6.50 (10x10)

EDGX Market Maker B Mar 55 call 2.00-2.30 (10x10)

EDGX Broker-Dealer A order Mar 55 Call 2.10 bid (1)

- The Exchange receives an initiating Priority Customer complex order to buy 1 Mar 50 call and sell 2 Mar 55 calls for a 2.30 debit, 100 times.
- The SBBO is 1.40 debit bid at 2.30 credit offer
- Assume the do-not-COA instruction is present on this order, so the order will not initiate a COA auction upon arrival regardless of any other factor.
- Since the Mar 55 call is 2.10 bid for only one contract (the Broker Dealer order), the complex order cannot be legged against the Simple Book at a 2.30 debit, as a 2.30 debit would require selling two March 55 Calls at 2.10 while buying one March 50 Call at 6.50. Although the inbound complex order cannot trade at this time because there is insufficient interest to buy the March 55 Call, there is no Priority Customer interest on either side of the 2.30 credit offer and therefore the order will be able to trade at that price when sufficient interest exists. Thus, the order is managed for display purposes at a price locking the opposite side SBBO 2.30 and is available to trade against other complex interest at 2.30. The combination of the Simple Book and the COB will be a locked market of 2.30 debit bid at 2.30 credit offer.

Should the SBBO change, the complex order's book and display price will continuously re-price to the new SBBO until: (i) the complex order has been executed in its entirety; (ii) if not executed, the complex order's book and display price has reached its limit price or, in the case of a complex market order, the new SBBO, subject to any applicable price protections; (iii) the complex order has been partially executed and the remainder of the order's book and display price has reached its limit price or, in the case of a complex market order, the new SBBO, subject to any applicable price protections; or (iv) the complex order or any remaining portion of the complex order is cancelled. If the Exchange receives a new complex order for the complex strategy on the opposite side of the market from the managed complex order that can be executed, the System will immediately execute the remaining contracts from the managed complex order to the extent possible at the complex order's current book and display price. If unexecuted contracts remain from the complex order on the COB, the complex order's size will be revised and disseminated to reflect the complex order's remaining contracts at its current managed book and display price.

The purpose of using the calculated SBBO is to enable the System to determine a valid trading price range for complex strategies and to protect orders resting on the Simple Book by ensuring that they are executed when entitled. Additionally, the managed interest process is designed to ensure that the System will not execute any component of a complex order at a price that would trade through an order on the Simple Book or that would disrupt the established priority of Priority Customer interest resting on the Simple Book.[37] The Exchange believes that this is reasonable because it prevents the components of a complex order from trading at a price that is inferior to a price at which the individual components may be traded on the Exchange and it maintains the priority for Priority Customers resting on the Simple Book.

Evaluation Process

Proposed Rule 21.20(c)(5) describes how and when the System determines to execute or otherwise handle complex orders in the System. As stated above, the System will evaluate complex orders and the COB on a regular basis and will respond to the existence of various conditions and/or events that trigger an evaluation. Evaluation results in the various manners of

[37] For a complete description of priority in the Simple Book, see Exchange Rule 21.8.

handling and executing complex orders as described herein. The System will evaluate complex orders initially once all components of the complex strategy are open as set forth in proposed Rule 21.20(c)(2)(B)-(D), upon receipt as set forth in proposed Rule 21.20(c)(5)(A), and continually as set forth in proposed Rule 21.20(c)(5)(B), each of which as described herein.

Proposed Rule 21.20(c)(5)(A) describes the evaluation process that occurs upon receipt of complex orders once a complex strategy is open for trading. After a complex strategy is open for trading, all new complex orders that are received for the complex strategy are evaluated upon arrival. The System will determine if such complex orders are COA-eligible orders using the process and criteria described in proposed Rule 21.20(d). The System will also evaluate: (i) whether such complex orders are eligible for full or partial execution against a complex order resting on the COB; (ii) whether such complex orders are eligible for full or partial execution through Legging with the Simple Book (as described in proposed Rule 21.20(c)(2)(F) and discussed above); (iii) whether all or any remaining portion of a complex order should be placed on the COB; (iv) the eligibility of such complex orders (as applicable) to participate in the managed interest process as described above;[38] and (v) whether such complex orders should be cancelled.[39]

Proposed Rule 21.20(c)(5)(B) describes the System's ongoing regular evaluation of the COB. The System will continue, on a regular basis, to evaluate the factors listed in (i) - (v) described above with respect to evaluation performed on receipt.

The System will also continue to evaluate whether there is a halt affecting any component of a complex strategy, and, if so, the System will handle complex orders in the manner set forth

38 See proposed Rule 21.20(c)(4).

39 For example, an order might be cancelled based on applicable price protections or MTP Modifiers, as described above.

in proposed Interpretation and Policy .05, as described below.

Proposed Rule 21.20(c)(5)(C) states that if the System determines that a complex order is a COA-eligible order (described below), such complex order will be submitted into the COA process as described in proposed Rule 21.20(d) and discussed below.

Proposed Rule 21.20(c)(5)(D) describes the handling of orders that are determined not to be COA-eligible. If the System determines that a complex order is not a COA-eligible order, such complex order may be, as applicable: (i) immediately matched and executed against a complex order resting on the COB; (ii) executed against the individual components of the complex order on the Simple Book through Legging (as described in proposed Rule 21.20(c)(2)(F) above); placed on the COB and managed pursuant to the managed interest process as described in proposed Rule 21.20(c)(4) and discussed above; or cancelled by the System if the time-in-force (e.g., IOC) of the complex order does not allow it to rest on the COB.

Proposed Rule 21.20(c)(6) states that complex orders may be submitted as market orders and may be designated as COA-eligible. The proposed rule then distinguishes between complex market orders designated as COA-eligible and those that are not so designated. Proposed Rule 21.20(c)(6)(A) states that complex market orders designated as COA-eligible may initiate a COA upon arrival. The COA process is set forth in proposed Rule 21.20(d) and discussed below. Proposed Rule 21.20(c)(6)(B) states that complex market orders not designated as COA-eligible will trade immediately with any contra-side complex orders, or against the individual legs, up to and including the SBBO, and if not fully executed due to applicable price protections, may be posted to the COB subject to the managed interest process, and the Evaluation Process, each as described above.

Complex Order Auction Process

Proposed Rule 21.20(d), COA Process, describes the process for determining if a complex order is eligible to begin a COA. All option classes will be eligible to participate in a COA.

Proposed Rule 21.20(d)(l) defines and describes the handling of a COA eligible order. A "COA-eligible order'' means a complex order that, as determined by the Exchange, is eligible to initiate a COA based upon the Member's instructions, the order's marketability (i.e., if the price of such order is equal to or better than the current SBBO, subject to applicable restrictions when a Priority Customer Order comprises a portion of the SBBO) as determined by the Exchange, number of components, and complex order origin codes (i.e., non-broker-dealer customers, broker-dealers that are not market makers on an options exchange, and/or market makers on an options exchange as determined by the Exchange). Determinations by the Exchange with respect to COA eligibility will be communicated to Members via specifications and/or Regulatory Circular).[40] Other exchanges also have limited auction eligibility for complex orders based on order origin code.[41]

In order to initiate a COA upon receipt, a COA-eligible order must be designated as such (either affirmatively or by default) and must meet the criteria described in proposed Rule 21.20, Interpretation and Policy .02, as described below.

Complex orders processed through a COA may be executed without consideration to prices of the same complex interest that might be available on other exchanges. A COA will be

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40 See MIAX Rule 518(d)(1); see also CBOE Rule 6.53C(d)(i) and NYSE MKT Rule 980NY(e)(l), which list Customers, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange.

41 See id. See also, e.g., CBOE Regulatory Circular RG14-143 (October 14, 2014), limiting Complex Order Auction ("COA") eligibility to non-broker-dealer public customer orders and professional customer orders.

allowed to occur at the same time as other COAs for the same complex strategy. The Exchange has not proposed to limit the frequency of COAs for a complex strategy and could have multiple COAs occurring concurrently with respect to a particular complex strategy.[42] The Exchange represents that it has systems capacity to process multiple overlapping COAs consistent with the proposal, including systems necessary to conduct surveillance of activity occurring in such auctions.[43]

Proposed Rule 21.20(d)(2) describes the circumstances under which a COA is begun. Upon receipt of a COA-eligible order, the Exchange will begin the COA process by sending a COA auction message to all subscribers to the Exchange's data feeds that deliver COA auction messages.[44] The COA auction message will identify the COA auction ID, instrument ID (i.e., complex strategy), origin code, quantity, and side of the market of the COA-eligible order. The Exchange may also determine to include the price in COA auction messages and if it does so it will announce such determination in published specifications and/or a Regulatory Circular to Members. The price included in the COA auction message will be the limit order price, unless the COA is initiated by a complex market order, in which case such price will be the SBBO, subject to any applicable price protections.

Proposed Rule 21.20(d)(3) defines the amount of time within which participants may respond to a COA auction message. The term "Response Time Interval" means the period of time during which responses to the RFR may be entered. The Exchange will determine the

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42 The Exchange notes that ISE historically has permitted multiple complex auctions in the same strategy to run concurrently, though this functionality is currently dormant in connection with the transition to Nasdaq INET Technology. See Securities Exchange Act Release No. 80524 (April 25, 2017), 82 FR 20405 (May 1, 2017) (SR-ISE-2017-33).

43 See also proposed Interpretation and Policy .02 to Rule 21.20, as described below in the COA Eligibility section.

44 See infra Market Data Feeds section.

duration of the Response Time Interval, which shall not exceed 500 milliseconds, and will communicate it to Members via specifications and/or Regulatory Circular.[45]

Proposed Rule 21.20(d)(4) states that Members may submit a response to the COA auction message (a "COA Response") during the Response Time Interval. COA Responses can be submitted by a Member with any origin code, including Priority Customer. COA Responses may be submitted in $0.01 increments and must specify the price, size, side of the market (i.e., a response to a buy COA as a sell or a response to a sell COA as a buy) and COA auction ID for the COA to which the response is targeted. Multiple COA Responses from the same Member may be submitted during the Response Time Interval. COA Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the Response Time Interval, though any modification to a COA Response other than a decrease of size will result in a new timestamp and a loss of priority. COA Responses will not be displayed by the Exchange. At the end of the Response Time Interval, COA Responses are firm (i.e., guaranteed at their price and size). Any COA Responses not executed in full will expire at the end of the COA.[46] Any COA Responses not executable based on the price of the COA will be cancelled immediately.

Proposed Rule 21.20(d)(5) describes how COA-eligible orders are handled following the Response Time Interval. At the end of the Response Time Interval, COA-eligible orders may be executed in whole or in part. COA-eligible orders will be executed against the best priced contra

45 The Exchange has based its Response Time Interval on MIAX Rule 518(d)(3), which similarly does not have a minimum Response Time Interval and has a maximum of 500 milliseconds. The Exchange believes that 500 milliseconds is a reasonable amount of time within which participants can respond to a COA auction message.

46 This differs slightly from, but has the same effect as, the language in CBOE Rule 6.53C(d)(vii), which states that any COA Responses not accepted in whole or in a permissible ratio will expire at the end of the Response Time Interval.

side interest, and any unexecuted portion of a COA-eligible order remaining at the end of the Response Time Interval will be placed on the COB and ranked pursuant to proposed Rule 21.20(c)(3) as discussed above or cancelled, if IOC.

The COA will terminate: (i) upon receipt of a new non-COA-eligible order on the same side as the COA but with a better price, in which case the COA will be processed and the new order will be posted to the COB; (ii) if an order is received that would improve the SBBO on the same side as the COA in progress to a price better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated; or (iii) if a Priority Customer Order is received that would join or improve the SBBO on the same side as the COA in progress to a price equal to or better than the auction price, in which case the COA will be processed, the new order will be posted to the Simple Book and the SBBO will be updated. Additionally, a COA will terminate immediately without trading if any individual component or underlying security of a complex strategy in the COA process is subject to a halt as described in proposed Rule 21.20, Interpretation and Policy .05.

COA Pricing

Proposed Rule 21.20(d)(6) describes the manner in which the System prices and executes complex orders at the conclusion of the Response Time Interval.

The proposed Rule initially states the broader pricing policy and functionality of all trading of complex orders in the System (whether a trade is executed in the COA process or in regular trading). Specifically, a complex strategy will not be executed at a net price that would cause any component of the complex strategy to be executed: (A) at a price of zero; or (B) ahead of a Priority Customer Order on the Simple Book without improving the BBO on at least one component of the complex strategy by at least $.01. At the conclusion of the Response Time

Interval, COA-eligible orders will be allocated pursuant to proposed Rule 21.20(d)(7).

<u>Example - COA takes place $.01 inside of the SBBO to avoid a situation where nothing can trade and the incoming order cannot be satisfied at the COA price</u>

EDGX Market Maker ("MM")-A Mar 50 Call 0.99-1.05 (10x10)

EDGX MM-B Mar 55 Call 0.80-0.95 (10x10)

EDGX Priority Customer Order to buy a Mar 50 Call for 1.00 (2)

- The Exchange receives an initiating Priority Customer complex order to sell 3 Mar 50 calls and buy 2 Mar 55 calls at a 1.10 credit, 100 times. The COA-eligible instruction is present on this complex order, so the complex order will initiate a COA upon arrival if it equals or improves the SBBO.
- The SBBO is 1.10 debit bid at 1.55 credit offer.
- Since the initiating Priority Customer Order price would equal or improve the SBBO upon arrival, the COA meets the eligibility requirements and a COA auction message is broadcast showing the COA auction ID, instrument ID, origin code, quantity, side of the market, and price, and a 500 millisecond Response Time Interval is started.
- The System starts the COA at the initiating Priority Customer price offering to sell 100 strategies at 1.10 (but will be restricted to executing at 1.11 or better). The following responses are received:
    - @ 50 milliseconds MM-C COA Response to buy 100 @ 1.10 debit arrives
    - @ 150 milliseconds MM-D COA Response to buy 50 @ 1.11 debit arrives
- @ 500 milliseconds the Response Time Interval expires, the COA ends and the trade is allocated against initiating Priority Customer in the following manner:

- 50 trade vs. MM-D @ 1.11
- Nothing can trade at 1.10 due to the presence of Priority Customer interest in the March 50 Call on the Simple Book at 1.00 in insufficient quantity to meet the ratio required by the Priority Customer Order. Therefore, the 1.10 COA Response by MM-C expires untraded at the end of the COA and the balance of the initiating Priority Customer complex order to sell is placed on the COB at a managed and displayed price of 1.11.

Trade Allocation Following the COA

Proposed Rule 21.20(d)(7) describes the allocation of complex orders that are executed in a COA. Once the COA is complete (at the end of the Response Time Interval), such orders will be allocated first in price priority based on their original limit price, and thereafter as stated herein.

Priority Customer Orders resting on the Simple Book have first priority. COA Responses and all other interest on the COB will have second priority and will be allocated in time priority (i.e., Priority Customer complex orders do not receive a priority advantage over other orders). Remaining individual orders in the Simple Book (i.e., non-Priority Customer orders) will have third and final priority and will allocated pursuant to the Simple Book's priority algorithm, as described in Exchange Rule 21.8.

The following examples illustrate the manner in which complex orders are allocated at the conclusion of the COA as well as the Exchange's initiation of a second COA process in the event a same-side COA-eligible order is received while a COA is already underway (in contrast to such order "joining" the COA that had already begun).

Example - Priority Customer Response does not have priority over other responding participants

EDGX MM-A Mar 50 Call 6.00-6.50 (10x10)

EDGX MM-B Mar 55 Call 3.00-3.30 (10x10)

- The Exchange receives an initiating Priority Customer complex order to buy 1 Mar 50 call and Sell l Mar 55 call for a 3.20 debit, 1000 times.
- The COA-eligible instruction is present on this complex order, so the complex order will initiate a COA upon arrival if it equals or improves the SBBO.
- The SBBO is 2.70 debit bid at 3.50 credit offer.
- Since the initiating Priority Customer Order price would improve the SBBO upon arrival, the COA meets the eligibility requirements and a COA auction message is broadcast showing the COA auction ID, instrument ID, origin code, quantity, side of the market, and price, and a 500 millisecond Response Time Interval is started.
- The System starts the auction at the initiating Priority Customer price bidding 3.20 to buy 1000 contracts. The following responses are received:
    - @ 50 milliseconds MM-A COA Response @ 3.10 credit sell of 250 arrives
    - @ 150 milliseconds MM-C COA Response @ 3.00 credit sell of 500 arrives
    - @ 200 milliseconds MM-D COA Response @ 3.20 credit sell of 500 arrives
    - @ 250 milliseconds Priority Customer 2 COA Response @ 3.10 credit sell of 250 arrives
- @ 500 milliseconds the Response Time Interval ends, the COA ends and the trade is allocated against the initiating Priority Customer using the single best price at which the greatest quantity can trade in the following manner:
    - 500 trade vs. MM-C @ 3.00 (MM-C achieved price priority by offering at 3.00)

- 250 trade vs. MM-A @ 3.10 (other interest allocated in time priority, including Priority Customer)
- 250 trade vs. Priority Customer 2 response @ 3.10 (other interest allocated in time priority, including Priority Customer)

<u>Example - Arrival of unrelated marketable complex order on the same side</u>

EDGX MM-A Mar 50 Call 6.00-6.50 (10x10)

EDGX MM-B Mar 55 Call 3.00-3.30 (10x10)

- The Exchange receives an initiating Priority Customer complex order to buy 1 Mar 50 call and Sell l Mar 55 call for a 3.20 debit, 1000 times.
- The COA-eligible order instruction is present on this order, so the order will initiate an auction upon arrival if it equals or improves the SBBO.
- The SBBO is 2.70 debit bid at 3.50 credit offer.
- Since the initiating Priority Customer Order price would improve the SBBO upon arrival, the COA meets the eligibility requirements and a COA auction message is broadcast showing the COA auction ID, instrument ID, origin code, quantity, side of the market, and price, and a 500 millisecond Response Time Interval is started.
- The System starts the auction ("COA #1") at the initiating Priority Customer price bidding 3.20 to buy 1000 contracts. The following responses are received:
  - @ 50 milliseconds BD1 COA Response @ 3.10 credit sell of 250 arrives
  - @ 150 milliseconds MM-A COA Response @ 3.00 credit sell of 500 arrives
  - @ 200 milliseconds MM-B COA Response @ 3.20 credit sell of 500 arrives
  - @ 250 milliseconds MM-C COA Response @ 3.10 credit sell of 250 arrives
  - @ 350 milliseconds BD2 submits an unrelated complex order @ 3.20 debit buy of

200

- The System starts the auction at the initiating Broker-Dealer (BD2) price bidding 3.20 to buy 200 contracts. The following responses are received:
    - @ 50 milliseconds BD1 COA Response @ 3.10 credit sell of 250 arrives
    - @ 100 milliseconds MM-A COA Response @ 3.00 credit sell of 100 arrives
    - @ 200 milliseconds MM-B COA Response @ 3.20 credit sell of 500 arrives
- @ 500 milliseconds the Response Time Interval for COA #1 ends, COA #1 ends and the trade is allocated against the initiating Priority Customer in the following manner:
    - Initiating Priority Customer buys 500 vs. MM-A @ 3.00 (the Priority Customer initiating order has origin code priority over BD2. MM-A achieved price priority over other responses by offering at 3.00)
    - Initiating Priority Customer buys 250 vs. BD1 @ 3.10 (BD 1 achieved price priority over MM-B and BD2 and time priority over MM-C)
    - Initiating Priority Customer buys 250 vs. MM-C @ 3.10 (MM-C achieved price priority over MM-B and BD2 by offering at 3.10)
    - Initiating Priority Customer's order is fulfilled and all COA Responses and portions thereof are cancelled.
- @ 500 milliseconds the Response Time Interval for COA #2 ends, COA #2 ends and the trade is allocated against the initiating Broker-Dealer in the following manner:
    - Initiating Broker-Dealer buys 100 vs. MM-A @ 3.00 (MM-A achieved price priority over other responses by offering at 3.00)
    - Initiating Broker-Dealer buys 100 vs. BD1 @ 3.10 (BD1 achieved price priority over MM-B)

- Initiating Broker-Dealer's order is fulfilled and all remaining COA Responses and portions thereof are cancelled.

Proposed Rule 21.20(d)(8) states that, consistent with Exchange Rule 21.1(d)(5), the System will reject a complex market order received when the underlying security is subject to a "Limit State" or "Straddle State" as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan"). If the underlying security of a COA-eligible order that is a market order enters a Limit State or Straddle State, the COA will end early without trading and all COA Responses will be cancelled.

Proposed Rule 21.20(d)(9), states that if, during a COA, the underlying security and/or any component of a COA-eligible order is subject to a trading halt, the COA will be handled as set forth in proposed Rule 21.20, Interpretation and Policy .05 as described in detail below.

The Exchange believes that the provisions regarding the COA provide a framework that will enable the efficient trading of complex orders in a manner that is similar to other options exchanges as stated above. Further, this clarity in the operation of the COA and its consistency with other exchanges will help promote a fair and orderly options market. As described above, the COA is designed to work in concert with the COB and with a simple priority of allocation that continues to respect the priority of allocations on the Simple Book (via the Exchange's pro rata allocation methodology).

<u>Interpretations and Policies</u>

The Exchange also proposes several Interpretations and Policies to proposed Rule 21.20.

<u>Market Maker Quoting</u>

The Exchange has not proposed different standards for participation by Market Makers on the COB (e.g., no specific benefits or obligations). Proposed Rule 21.20, Interpretation and Policy .01 makes clear that Market Makers are not required to quote on the COB. Thus, unlike the continuous quoting requirements in the simple order market, there are no continuous quoting requirements respecting complex orders.[47] Complex strategies are not subject to any requirements that are applicable to Market Makers in the simple market for individual options series or classes. Volume executed in complex strategies is not taken into consideration when determining whether Market Makers are meeting quoting obligations applicable to Market Makers in the simple market for individual options.[48]

COA Eligibility

Proposed Rule 21.20, Interpretation and Policy .02 establishes the method by which the Exchange will determine whether complex order interest is qualified to initiate a COA and also describes the operation of the proposed functionality with respect to the fact multiple COAs would be allowed to operate concurrently. If a COA-eligible order is priced equal to, or improves, the SBBO and is also priced to improve other complex orders resting at the top of the COB, the complex order will be eligible to initiate a COA, provided that if any of the bids or

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47 This is similar to ISE, where market makers are not required to enter quotes on the complex order book. Quotes for complex orders are not subject to any quotation requirements that are applicable to market maker quotes in the regular market for individual options series or classes. See ISE Rule 722, Supplementary Material .03.

48 See Proposed Rule 21.20, Interpretation and Policy .01. This is substantially similar to complex quoting functionality currently operative on both MIAX and ISE, where market makers may enter quotes for complex order strategies on the complex order book in their appointed options classes. Just as with the proposed rules, neither MIAX market makers nor ISE market makers are required to enter quotes on the complex order book. Quotes for complex orders are not subject to any quotation requirements that are applicable to MIAX market maker or ISE Market Maker quotes in the regular market for individual options series or classes, nor is any volume executed in complex orders taken into consideration when determining whether MIAX or ISE market makers are meeting quoting obligations applicable to market maker quotes in the regular market for individual options series. See MIAX Rule 518, Interpretation and Policy .02; ISE Rule 722, Supplementary Material .03.

offers on the Simple Book that comprise the SBBO consists of a Priority Customer Order, the COA will only be initiated if it will trade at a price that is better than the corresponding bid or offer by at least a $0.01 increment.

Pursuant to the proposed Rule, a COA will be allowed to commence even to the extent a COA for the same complex strategy is already underway. The Exchange notes at the outset that based on how Exchange Systems operate (and computer processes generally), it is impossible for COAs to occur "simultaneously", meaning that they would commence and conclude at exactly the same time. Thus, although it is possible as proposed for one or more COAs to overlap, each COA will be started in a sequence and with a time that will determine its processing. The Exchange proposes to codify in Interpretation and Policy .02 that to the extent there is more than one COA for a specific complex strategy underway at a time, each COA will conclude sequentially based on the exact time each COA commenced, unless terminated early pursuant to proposed paragraph (d)(5)(C) of the Rule.[49] At the time each COA concludes, such COA will be allocated pursuant to the proposed Rule and will take into account all COA Responses and unrelated complex orders on the COB at the exact time of conclusion.

Thus, even if there are two COAs that commence and conclude at nearly the same time each COA will have a distinct conclusion at which time the COA will be allocated. In turn, when the first COA concludes, orders on the Simple Book and unrelated complex orders that then exist will be considered for participation in the COA. If unrelated orders are fully executed in such COA, then there will be no unrelated orders for consideration when the subsequent COA is processed (unless new unrelated order interest has arrived). If instead there is remaining

[49] In the event there are multiple COAs underway that are each terminated early pursuant to proposed Rule 21.20(d)(5)(C), the COAs will be processed sequentially based on the order in which they commenced.

unrelated order interest after the first COA has been allocated, then such unrelated order interest will be considered for allocation when the subsequent COA is processed. As another example, each COA Response is required to specifically identify the COA for which it is targeted[50] and if not fully executed will be cancelled back at the conclusion of the COA.[51] Thus, COA Responses will only be considered in the specified COA.

Dissemination of Information

Proposed Rule 21.20, Interpretation and Policy .03 is a regulatory provision that prohibits the dissemination of information related to COA-eligible orders by the submitting Member to third parties. Such conduct will be deemed conduct inconsistent with just and equitable principles of trade as described in Exchange Rule 3.1.

Price and Other Protections

Proposed Interpretation and Policy .04 establishes Price Protection standards that are intended to ensure that certain types of complex strategies will not be executed outside of a preset standard minimum and/or maximum price limit. These Rules are based on and similar to portions of Interpretation and Policy .08 to CBOE Rule 6.53C.

First, in paragraph (a) of Proposed Rule 21.20, Interpretation and Policy .04, the Exchange proposed to define various terms necessary for such Interpretation,[52] as follows:

- A "vertical" spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

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50 See proposed Rule 21.20(d)(4).

51 See id.

52 See paragraph (a) to Proposed Rule 21.20, Interpretation and Policy .04; see also CBOE Rule 6.53C, Interpretation and Policy .08.

- A "butterfly" spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a "true" butterfly; otherwise, it is a "skewed" butterfly.
- A "box" spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

Second, in paragraph (b), the Exchange has proposed to specify credit-to-debit parameters that would prevent execution of, and instead cancel, market orders that would be executed at a net debit price after receiving a partial execution at a net credit price.[53]

Next, in paragraph (c), the Exchange proposes to set forth various Debit/Credit Price Reasonability Checks, as follows. To the extent a price check parameter is applicable, the Exchange will not accept a complex order that is a limit order for a debit strategy with a net credit price that exceeds a pre-set buffer, a limit order for a credit strategy with a net debit price that exceeds a pre-set buffer, or a market order for a credit strategy that would be executed at a net debit price that exceeds a pre-set buffer.[54] The Exchange will determine these pre-set buffer

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[53] See paragraph (b) to Proposed Rule 21.20, Interpretation and Policy .04; see also CBOE Rule 6.53C, Interpretation and Policy .08(b).

[54] As proposed, the System would not apply this check to an order for which the System cannot define whether it is a debit or credit. This would primarily be prior to the opening of trading as orders are being queued because prices may not be available in order to make such determination.

amounts and communicate them to Members via specifications and/or Regulatory Circular.[55]

As proposed in paragraph (c)(2), the System would define a complex order as a debit or credit as follows: (A) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); (B) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); and (C) an order for which all pairs and loners are debits (credits) is a debit (credit).[56]

For purposes of Debit/Credit Price Reasonability Checks, a “pair” is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and both legs have the same expiration date but different exercise prices or, for all options except European-style index options, the same exercise price but different expiration dates. A “loner” is any leg in an order that the System cannot pair with another leg in the order (including legs in orders for European-style index options that have the same exercise price but different expiration dates). The proposed rule would further specify: that the System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price; and that the System then, for all options except European-style index options, pairs legs to the extent possible with the same exercise prices across expiration dates, pairing one leg with the leg that has the next nearest expiration date.[57]

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55 The Exchange notes that ISE also employs variable “pre-set values” in connection with analogous price protections offered by ISE with respect to its complex order book. See Supplementary Material .07(c) to ISE Rule 722.

56 See paragraph (c) to Proposed Rule 21.20, Interpretation and Policy .04; see also CBOE Rule 6.53C, Interpretation and Policy .08(c).

57 See id.

A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price). A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the pair has the same exercise price). A loner to buy is a debit, and a loner to sell is a credit.[58]

In addition to the definitions and parameters described above, proposed paragraph (c)(3) would also state that the System rejects or cancels back to the Member any limit order or any market order (or any remaining size after partial execution of the order), that does not satisfy this check. Also, proposed paragraph (c)(4) would make clear that the check applies to auction responses in the same manner as it does to orders.

In addition to the proposed Debit/Credit Price Reasonability Checks described above, the Exchange proposes to adopt specific Buy Strategy Parameters that would be set forth in paragraph (d) to Interpretation and Policy .04. As proposed, the System will reject a limit order where all the components of the strategy are to buy and the order is priced at zero, any net credit price that exceeds a pre-set buffer, or a net debit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order.[59]

Proposed paragraph (e) to Interpretation and Policy .04 would set forth a Maximum

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58 See id.

59 See paragraph (d) to Proposed Rule 21.20, Interpretation and Policy .04; see also CBOE Rule 6.53C, Interpretation and Policy .08(d).

Value Acceptable Price Range as an additional price check for vertical, true butterfly or box spreads as well as certain limit and market orders.[60] Specifically, the System will reject an order if the order is a vertical, true butterfly or box spread, or a limit order or market order if it would execute at a price that is outside of an acceptable price range. The acceptable price range is set by the minimum and maximum possible value of the spread, subject to an additional buffer amount determined by the Exchange and communicated to Members via specifications and/or a Regulatory Circular. The maximum possible value of a vertical, true butterfly and box spread is the difference between the exercise prices of (A) the two legs; (B) the middle leg and the legs on either side; and (C) each pair of legs, respectively. The minimum possible value of the spread is zero.

The last paragraph of proposed Interpretation and Policy .04, paragraph (f), would set forth the Exchange's Drill-Through Price Protection. The Drill-Through Price Protection feature is a price protection mechanism applicable to all complex orders under which a buy (sell) order will not be executed at a price that is higher (lower) than the SNBBO or the SNBBO at the time of order entry plus (minus) a buffer amount (the "Drill-Through Price").[61] The Exchange will adopt a default buffer amount for the Drill-Through Price Protection and will publish this amount in publicly available specifications and/or a Regulatory Circular. A Member may modify the buffer amount applicable to Drill-Through Price Protections to either a larger or smaller amount than the Exchange default. If a buy (sell) order would execute or post to the COB at a price higher (lower) than the Drill-Through Price, the System will instead post the order to the COB at

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60 See paragraph (e) to Proposed Rule 21.20, Interpretation and Policy .04; see also CBOE Rule 6.53C, Interpretation and Policy .08(g).

61 The Exchange notes that ISE also applies configurable values in connection with an analogous price protection offered by ISE with respect to its complex order book. See Supplementary Material .07(a) to ISE Rule 722.

the Drill-Through Price, unless the terms of the order instruct otherwise. Any order (or unexecuted portion thereof) will rest in the COB (based on the time at which it enters the book for priority purposes) for a time period in milliseconds that may not exceed three seconds (which the Exchange will determine and communicate to Members via specifications and/or Regulatory Circular) with a price equal to the Drill-Through Price. If the order (or unexecuted portion thereof) does not execute during that time period, the System will cancel it.

Example - Application of Drill-Through Protection

EDGX - quote Mar 50 Call 6.00-6.50 (10x10)

EDGX - quote Mar 55 Call 2.00-2.30 (10x10)

CBOE - Mar 50 Call 6.00-6.50 (10x10)

CBOE - Mar 55 Call 2.00-2.10 (10x10)

ISE - Mar 50 Call 6.00-6.50 (10x10)

ISE - Mar 55 Call 2.10-2.30 (10x10)

- The Exchange receives an initiating Priority Customer Order to buy 1 Mar 50 call and sell 2 Mar 55 calls for a 2.50 debit x 100.
- Assume the Exchange has established two seconds as the amount of time an order will rest in the COB with a price equal to the Drill-Through Price before cancellation.
- The SBBO is 1.40 debit bid at 2.50 credit offer.
- The SNBBO is 1.80 debit bid (CBOE) at 2.30 credit offer (ISE).
- Assume the do-not-COA instruction is present on this order, so the order will not initiate a COA auction upon arrival regardless of any other factor.
- Further assume the Member has set its Drill-Through Price Protection with zero tolerance to execute through the SNBBO, so the Exchange will protect the order to the best bid for

the strategy or best offer for the strategy available from any single exchange's protected quotation in the Simple Order Market, including the Exchange.

- Due to the Drill-Through Price Protection, the inbound order cannot be legged against the Simple Book for a 2.50 debit (the strategy is offered at 2.30 on ISE). In order to display the order at its maximum tradable price, the inbound order is managed on the COB and displayed at its protected limit of 2.30 debit bid. While the (EDGX) SBBO remains 1.40 debit bid at 2.50 credit offer, the combination of the Simple Book and the COB becomes 2.30 debit bid at 2.50 credit offer.
- If the order managed and displayed at its protected limit of 2.30 debit bid is not executed within 2 seconds it will be cancelled.

Trading Halts

The Exchange is proposing to establish in proposed Rule 21.20, Interpretation and Policy .05, the details regarding the Exchange's handling of complex orders in the context of a trading halt.

Proposed Interpretation and Policy .05, paragraph (a) would govern halts during regular trading and would state that if a trading halt exists for the underlying security or a component of a complex strategy, trading in the complex strategy will be suspended. The COB will remain available for Members to enter and manage complex orders. Incoming complex orders that could otherwise execute or initiate a COA in the absence of a halt will be placed on the COB. This is similar to functionality that is currently operative on other exchanges.[62] Incoming complex

[62] The proposed rule is based on and similar to the MIAX process for trading halts, except that MIAX reopens through potential complex auctions whereas the Exchange has proposed reopening through its standard Opening Process. See MIAX Rule 518, Interpretation and Policy .05(e)(3); see also PHLX Rule 1098(c)(ii)(C), which states that

orders with a time in force of IOC will be cancelled.

Proposed in Interpretation and Policy .05, paragraph (b) would govern halts during a COA and would state that if, during a COA, any component(s) and/or the underlying security of a COA-eligible order is halted, the COA will end early without trading and all COA Responses will be cancelled. Remaining complex orders will be placed on the COB if eligible, or cancelled. When trading in the halted component(s) and/or underlying security of the complex order resumes, the System will evaluate and re-open the COB pursuant to subparagraph (c)(2)(B)-(D) described above.

Other investor protections proposed by the Exchange are described in Interpretation and Policy .06. Specifically, the Exchange proposes an additional price protection referred to as Fat Finger Price Protection as well as a complex order size protection. Both of these protections will be will be [sic] available for complex orders as determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.

Pursuant to the Fat Finger Price Protection, the Exchange will define a price range outside of which a complex limit order will not be accepted by the System.[63] The price range will be a number defined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.[64] A Member may also establish a more aggressive or restrictive value than the Exchange default. The default price range for Fat Finger Price Protection will be greater than or equal to a price through the SNBBO for the complex strategy to be determined by

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complex orders will not trade on the PHLX system during a trading halt for any options component of the Complex Order.

63 See paragraph (a) of proposed Interpretation and Policy .06 to Rule 21.20.

64 The Exchange notes that ISE also applies configurable values in connection with an analogous price protection offered by ISE with respect to its complex order book. See Supplementary Material .07(d) to ISE Rule 722.

the Exchange and communicated to Members via specifications and/or Regulatory Circular. A complex limit order to sell will not be accepted at a price that is lower than the SNBBO bid, and a complex limit order to buy will not be accepted at a price that is higher than the SNBBO offer, by more than the Exchange defined or Member established price range. A complex limit order that is priced through this range will be rejected.

With respect to the proposed order size protection, the System will prevent certain complex orders from executing or being placed on the COB if the size of the complex order exceeds the complex order size protection designated by the Member.[65] If the maximum size of complex orders is not designated by the Member, the Exchange will set a maximum size of complex orders on behalf of the Member by default. Members may designate the complex order size protection on a firm wide basis. The default maximum size for complex orders will be determined by the Exchange and communicated to Members via specifications and/or Regulatory Circular.[66]

Additional Times in Force

As noted above, the Exchange proposes to adopt two new Times in Force not currently available on the Exchange in connection with the proposal, GTC and OPG. The Exchange notes that as proposed, both of these Times in Force will ultimately be available on both the Simple Book and the COB. The Exchange proposes to include GTC and OPG within Rule 21.1(f), which currently lists all Times in Force available for use on EDGX Options. As proposed, "Good Til Cancelled or "GTC" shall mean, for an order so designated, that if after entry into the System, the order is not fully executed, the order (or the unexecuted portion thereof) shall remain

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65 See paragraph (b) of proposed Interpretation and Policy .06 to Rule 21.20.

66 The Exchange notes that ISE also applies configurable values in connection with an analogous size protection offered by ISE with respect to its complex order book. See Supplementary Material .07(e) to ISE Rule 722.

available for potential display and/or execution unless cancelled by the entering party, or until the option expires, whichever comes first. "At the Open" or "OPG" shall mean, for an order so designated, an order that shall only participate in the opening process on the Exchange. An OPG order not executed in the opening process will be cancelled.

Market Data Feeds

The Exchange currently offers various data feeds that contain information regarding activity on EDGX Options, including auctions conducted by EDGX Options. The Exchange proposes to amend Rule 21.15 to specify the data feeds the Exchange proposes to adopt in connection with this proposal. As set forth in current Rule 21.15, all data products are free of charge, except as otherwise noted in the Fee Schedule; thus, if the Exchange proposes to adopt fees in connection with any of these data feeds, it will file a separate fee filing and will add such fees to the Fee Schedule. The proposed data feeds and related changes are described below.

First, the Exchange currently offers a Multicast PITCH data feed, which is an uncompressed data feed that offers depth of book quotations and execution information based on options orders entered into the System. The Exchange proposes to adopt a similar, but separate, Multicast PITCH data feed for the COB.

Second, although it offers a "top of book" feed for its equities trading platform, EDGX Options does not currently offer such a feed. In connection with this proposal, the Exchange proposes to offer a Multicast TOP data feed. As proposed, Multicast TOP would be an uncompressed data feed that offers top of book quotations and execution information based on options orders entered into the System. The Exchange proposes to offer separate Multicast TOP data feeds for the Exchange's Simple Book and the COB.

Third, the Exchange currently offers an Auction Feed, which is an uncompressed data product that provides information regarding the current status of price and size information related to auctions conducted by the Exchange. The Exchange proposes to adopt a similar, but separate, Auction data feed for the COB.

Fourth, pursuant to current Rule 21.15(c)(2), the Exchange identifies Priority Customer Orders and trades as such on messages disseminated by the Exchange through its Multicast PITCH and Auction data feeds. The Exchange proposes to also disseminate this information on its Multicast TOP data feed.

Finally, the Exchange proposes to re-number the provisions for the DROP and Historical Data products, but does not propose any changes with respect to such products.

Risk Monitor Mechanism

The Exchange proposes to adopt Interpretation and Policy .01 to Rule 21.16 to state that complex orders will participate in the Exchange's existing risk functionality, the Risk Monitor. As noted above, the Risk Monitor functions by counting Member activity both within a specified time period and also on an absolute basis for the trading day and then rejecting or cancelling orders that exceed Member-designated volume, notional, count or percentage triggers. The Exchange proposes to make clear in this Interpretation that for purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count individual trades executed as part of a complex order when determining whether a volume trigger, notional trigger or count trigger has been reached. Further, the Exchange proposes to make clear that for purposes of counting within a specified time period and for purposes of calculating absolute limits, the Exchange will count the percentage executed of a complex order when determining whether the percentage trigger has been reached.

Implementation Date

If the proposed changes are approved by the Commission, the Exchange proposes to implement the System changes described herein on October 23, 2017.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of the Act,[67] in general, and with Section 6(b)(5) of the Act,[68] in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes in particular that its proposal regarding executions of complex orders against the Simple Book is consistent with the Act and furthers the objectives of Section 6(b)(5) of the Act[69] because it provides greater liquidity to the marketplace as a whole by fostering the interaction between the components of complex orders on the COB and the Simple Book. This should enhance the opportunity for executions of both complex orders and simple orders.

The Exchange also believes the interaction of orders will benefit investors by increasing the opportunity for complex orders to receive execution, while also enhancing execution quality for orders on the Simple Book. Generally, the options industry rules for the execution of complex orders provide that two complex orders may execute against one another if the

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[67] 15 U.S.C. 78a et seq.

[68] 15 U.S.C. 78f(b)(5).

[69] Id.

execution prices of the component legs result in a net price that is better than the best customer limit order available for the individual component legs. This permits an exchange, when executing two complex orders against one another, to execute each component leg on the market's best bid or offer so long as the execution does not trade ahead of customer interest.

The Exchange believes it is reasonable to permit complex orders that are the subject of this rule change to leg into the Simple Book. The proposed rule concerning Legging will facilitate the execution of more complex orders, and will thus benefit investors and the general public because complex orders will have a greater chance of execution when they are allowed to leg into the simple market. This will increase the execution rate for these orders, thus providing market participants with an increased opportunity to execute these orders on the Exchange. The prohibition (though inapplicable to two-leg COA-eligible Customer complex orders) against the Legging of complex orders with two option legs where both legs are buying or both legs are selling and both legs are calls or both legs are puts, and on complex orders with three or four option legs where all legs are buying or all legs are selling regardless of whether the option leg is a call or a put, protects investors and the public interest by ensuring that Market Makers providing liquidity do not trade above their established risk tolerance levels, as described above.

Despite the enhanced execution opportunities provided by legging, as described above, the Exchange believes it is reasonable and consistent with the Act to permit Members to submit orders designated as Complex Only Orders that will not leg into the Simple Book. As described above, the Exchange notes that the Complex Only Order option is analogous to functionality on the MIAX complex order book, which includes certain types of orders and quotes that do not leg into the simple marketplace but instead will only execute against or post to the MIAX complex book.[70] The Exchange also believes the proposed functionality is analogous to other types of functionality already offered by the Exchange that provides Members the ability to direct the Exchange not to route their orders away from the Exchange[71] or not to remove liquidity from the Exchange.[72] Similar to such analogous features, the Exchange believes that Members may utilize Complex Only Order functionality as part of their strategy to maintain additional control over their executions, in connection with their attempt to provide and not remove liquidity, or in connection with applicable fees for executions. Based on the foregoing, the Exchange does not believe that Complex Only Order functionality raises any new or novel concepts under the Act, and instead is consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

The Exchange also believes it is reasonable to limit other types of complex orders that are eligible to leg into the Simple Book. The Exchange believes that the vast majority of complex orders sent to the Exchange will be unaffected by this proposed rule, including two leg COA-eligible Customer complex orders, which will still be allowed to leg into the Simple Book without restriction. Moreover, the Exchange believes that the potential risk of offering Legging functionality for complex orders such as those impacted by the proposed rule could limit the amount of liquidity that Market Makers are willing to provide in the Simple Book. In particular, Market Makers, without the proposed limitation, are at risk of executing the cumulative size of their quotations across multiple options series without an opportunity to adjust their quotes. Market Makers may be compelled to change their quoting and trading behavior to account for

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70 See supra note 11.

71 See supra note 12.

72 See supra note 13.

this additional risk by widening their quotes and reducing the size associated with their quotes, which would diminish the Exchange's quality of markets and the quality of the markets in general. The limitations in proposed Rule 21.20(c)(2)(F) substantially diminish a potential source of unintended Market Maker risk when certain types of complex orders leg into the Simple Book, thereby removing impediments to and perfecting the mechanisms of a free and open market and a national market system and, in general, protecting investors and the public interest by adding confidence and stability in the Exchange's marketplace. This benefit to investors far exceeds the small amount of potential liquidity provided by the few complex orders to which this aspect of the proposal applies.

Additionally, investors will have greater opportunities to manage risk with the new availability of trading in complex orders. The proposed adoption of rules governing complex order auctions will facilitate the execution of complex orders while providing opportunities to access additional liquidity and fostering price improvement. The Exchange believes the proposed rules are appropriate in that complex orders are widely recognized by market participants as invaluable, both as an investment, and a risk management strategy. The proposed rules will provide an efficient mechanism for carrying out these strategies. In addition, the proposed complex order rules promote equal access by providing Members that subscribe to the Exchange's data feeds that include auction notifications with the opportunity to interact with orders in the COA. In this regard, any Member can subscribe to the options data provided through the Exchange's data feeds that include auction notifications.

The Exchange believes that the general provisions regarding the trading of complex orders provide a clear framework for trading of complex orders in a manner consistent with other options exchanges. This consistency should promote a fair and orderly national options market system. The Exchange believes that the proposed rules will result in efficient trading and reduce the risk for investors that complex orders could fail to execute by providing additional opportunities to fill complex orders.

The proposed execution and priority rules will allow complex orders to interact with interest in the Simple Book and, conversely, interest on the Simple Book to interact with complex orders in an efficient and orderly manner. Consistent with other exchanges and with well-established principles of customer protection, the proposed rules state that a complex order may be executed at a net credit or debit price against another complex order without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such net credit or debit; provided, however, that if any of the bids or offers established in the marketplace consist of a Priority Customer Order, at least one component of the complex strategy must trade at a price that is better than the corresponding BBO.[73] Additionally, before executing against another complex order, a complex order on the Exchange will execute first against orders on the Simple Book (except in the limited circumstance described in proposed Rule 21.20(c)(2)(F)) if any of the bids or offers established in the simple marketplace consist of a Priority Customer Order. Further, although it would not leg into the Simple Book, a Complex Only Order will similarly be constrained by the pricing provisions of the Rule to the extent a Priority Customer Order is resting on the Simple Book.

For the reasons set forth above, the Exchange believes the proposed rule change regarding complex order execution is consistent with the goals of the Act to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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73 See proposed Rule 21.20(c)(3)(A).

Types of Complex Orders

The Exchange proposes that complex orders may be submitted as limit orders and market orders, and orders with a Time in Force of GTD, IOC, DAY, GTC, or OPG, as each such term is defined in Exchange Rule 21.1, or as a Complex Only order, COA-eligible or do-not-COA order.[74] In particular, the Exchange believes that limit orders, GTD, IOC, DAY, GTC, and OPG orders all provide valuable limitations on execution price and time that help to protect Exchange participants and investors in both the Simple Book and in the proposed COB. In addition, the Exchange believes that offering participants the ability to utilize MTP Modifiers for complex orders in a similar way to the way they are used on the Simple Book provides such participants with the ability to protect themselves from inadvertently matching against their own interest. The Exchange believes that permitting complex orders to be entered with these varying order types and modifiers will give the Exchange participants greater control and flexibility over the manner and circumstances in which their orders may be executed, modified, or cancelled, and thus will provide for the protection of investors and contribute to market efficiency. In particular, the Exchange notes that while both the Complex Only Order and the do-not-COA instruction may reduce execution opportunities for the entering Member, the Exchange believes that similar features are already offered by other options exchanges in connection with complex order functionality[75] and that they are reasonable limitations a Member may wish to include on their order in order to participate on the COB.

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74 See proposed Rule 21.20(b).

75 See, e.g., CBOE Rule 6.53C(d)(ii)(B) (describing do-not-COA functionality on CBOE); MIAX Rule 518(b)(2)(i) and (c)(2)(iii) (describing cAOC orders, which, in addition to market maker quotes on the MIAX complex order book, are not eligible for legging to the MIAX simple order book).

Further, the Exchange believes it is reasonable and appropriate to add GTC and OPG modifiers as new Times in Force that will be generally available for use on the Simple Book or the COB. The Exchange notes that GTC orders are offered by other exchanges[76] as are times in force that, similar to OPG, limit an order to participating in an exchange's opening process.[77]

Evaluation

The Exchange believes that the regular and event-driven evaluation of the COB for the eligibility of complex orders to initiate a COA, and to determine their eligibility to participate in the managed interest process, their eligibility for full or partial execution against a complex order resting on the COB or through Legging with the Simple Book, whether the complex order should be cancelled, and whether the complex order or any remaining portion thereof should be placed on the COB are consistent with the principles of the Act to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

Evaluation of the executability of complex orders and for the determination as to whether a complex order is COA-eligible is central to the removal of impediments to, and the perfection of, the mechanisms of a free and open market and a national market system and, in general, the protection of investors and the public interest. The evaluation process ensures that the System will capture and act upon complex orders that are due for execution or placed in a COA. The regular and event-driven evaluation process removes potential impediments to the mechanisms of the free and open market and the national market system by ensuring that complex orders are given the best possible chance at execution at the best price, evaluating the availability of

76 See, e.g., C2 Rule 6.10(e)(2); ISE Rule 715(r).

77 See, e.g., C2 Rule 6.10(c)(7); ISE Rule 715(o).

complex orders to be handled in a number of ways as described in this proposal. Any potential impediments to the order handling and execution process respecting complex orders are substantially removed due to their continual and event-driven evaluation for subsequent action to be taken by the System. This protects investors and the public interest by ensuring that complex orders in the System are continually monitored and evaluated for potential action(s) to be taken on behalf of investors that submit their complex orders to the Exchange.

COA Process

The COA process is also designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

Following evaluation, a COA-eligible order may begin a new COA. The COA process promotes just and equitable principles of trade, fosters cooperation and coordination with persons engaged in facilitating transactions in securities, removes impediments to and perfects the mechanisms of a free and open market and a national market system and, in general, protects investors and the public interest by ensuring that eligible complex orders are given every opportunity to be executed at the best prices against an increased level of contra-side liquidity responding to the COA auction message. This mechanism of a free and open market is designed to enhance liquidity and the potential for better execution prices during the Response Time Interval, all to the benefit of investors on the Exchange, and thereby consistent with the Act.

The Exchange believes that the determination to initiate a COA removes impediments to, and perfects the mechanisms of, a free and open market and a national market system and, in general, protects investors and the public interest, by ensuring that a COA is conducted for a complex order only when there is a reasonable and realistic chance for price improvement through a COA. As described above, the Exchange has proposed to initiate a COA if a COA-eligible order is priced equal to, or improves, the SBBO and is also priced to improve other complex orders resting at the top of the COB, provided that if any of the bids or offers on the Simple Book that comprise the SBBO consists of a Priority Customer Order, the COA will only be initiated if it will trade at a price that is better than the corresponding bid or offer by at least a $0.01 increment. The purpose of this provision is to ensure that a complex order will not initiate a COA if it is priced through the bid or offer at a point where it is not reasonable to anticipate that it would generate a meaningful number of COA Responses such that there would be price improvement of the complex order's limit price. Promoting the orderly initiation of a COA is essential to maintaining a fair and orderly market for complex orders; otherwise, the initiation of COAs that are unlikely to result in price improvement might result in unnecessary activity in the marketplace when there is no meaningful opportunity for price improvement.

If a complex order is not priced equal to, or better than, the SBBO or is not priced to improve other complex orders resting at the top of the COB, the Exchange does not believe that it is reasonable to anticipate that it would generate a meaningful number of COA Responses such that there would be price improvement of the complex order's limit price. Promoting the orderly initiation of COAs is essential to maintaining a fair and orderly market for complex orders; otherwise, the initiation of COAs that are unlikely to result in price improvement could affect the orderliness of the marketplace in general. The Exchange believes that this removes impediments to and perfects the mechanisms of a free and open market and a national market system by promoting the orderly initiation of COAs, and by limiting the likelihood of unnecessary COAs that are not expected to result in price improvement.

The Exchange believes the proposed maximum 500 millisecond Response Time Interval promotes just and equitable principles of trade and removes impediments to a free and open market because it allows sufficient time for Members participating in a COA to submit COA Responses and would encourage competition among participants, thereby enhancing the potential for price improvement for complex orders in the COA to the benefit of investors and public interest. The Exchange believes the proposed rule change is not unfairly discriminatory because it establishes a Response Time Interval applicable to all Exchange participants participating in a COA.

The Exchange again notes that it has not proposed to limit the frequency of COAs for a complex strategy and could have multiple COAs occurring concurrently with respect to a particular complex strategy. The Exchange represents that it has systems capacity to process multiple overlapping COAs consistent with the proposal, including systems necessary to conduct surveillance of activity occurring in such auctions. Further, the Exchange reiterates that at least one options exchange has permitted multiple complex auctions in the same strategy to run concurrently and intends to reintroduce such functionality.[78] The Exchange also notes that other options exchanges offer auctions for orders 50 contracts or greater (generally referred to as "facilitation auctions") that are permitted to overlap.[79] The Exchange has adopted similar functionality in connection with its Bats Auction Mechanism ("BAM"), which permits overlapping BAM auctions to the extent the order is an order for 50 contracts or greater.[80]

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78 See supra note 42.

79 See, e.g., ISE Rule 716(d), which governs ISE's facilitation mechanism and does not restrict such auctions to one auction at a time. See also Boston Options Exchange ("BOX") Rule 7270.

80 See EDGX Rule 21.19(a)(3). See also Interpretation and Policy .02 to Rule 21.19, which was the basis for related language in Interpretation and Policy .04 of the proposed Rule.

The Exchange does not anticipate overlapping auctions necessarily to be a common occurrence, however, after considerable review, believes that such behavior is more fair and reasonable with respect to Members who submit orders to the COB because the alternative presents other issues to such Members. Specifically, if the Exchange does not permit overlapping COAs then a Member who wishes to submit a COA-eligible order but has its order rejected because another COA is already underway in the complex strategy must either wait for such COA to conclude and re-submit the order to the Exchange (possibly constantly resubmitting the complex order to ensure it is received by the Exchange before another COA commences) or must send the order to another options exchange that accepts complex orders.

The COA process also protects investors and the public interest by creating more opportunities for price improvement of complex orders, all to the benefit of Exchange participants and the marketplace as a whole.

Complex Order Price Protections

The Exchange believes that the proposed complex order price protections will provide market participants with valuable price and order size protections in order to enable them to better manage their risk exposure when trading complex orders. In particular, the Exchange believes the proposed price protection mechanisms will protect investors and the public interest and maintain fair and orderly markets by mitigating potential risks associated with market participants entering orders at clearly unintended prices and orders trading at prices that are extreme and potentially erroneous, which may likely have resulted from human or operational error.

Other Protections

The Exchange is proposing to suspend trading in complex orders, to remove certain complex orders from the COB, and to end a COA early when there is a halt in the underlying security of, or in an individual component of, a complex order. This protection is intended to protect investors and the public interest by causing the System not to execute during potentially disruptive conditions or events that could affect customer protection, and to resume trading in complex orders to the extent possible upon the conclusion or resolution of the potentially disruptive condition or event. The System's proposed functionality during a trading halt protects investors and the public interest by ensuring that the execution of complex orders on behalf of investors and the public will only occur at times when there is a fair and orderly market.

Market Data Feeds

The Exchange believes it is reasonable and appropriate to offer the proposed data feeds described above in order to provide information regarding activity on the COB, including COA auction messages. Each of the proposed data feeds is based on and similar to an existing data feed offered by EDGX Options and/or the EDGX equities trading platform ("EDGX Equities").[81] Further, information to identify orders as Priority Customer Orders is already being included on the Exchange's Multicast PITCH and Auction data feeds, and the Exchange does not believe that also including this information on the new Multicast TOP data feed raises any novel issues.

Risk Monitor Mechanism

The proposed amendment to Exchange Rule 21.16, Risk Monitor Mechanism, to reject complex orders that exceed Member-designated volume, notional, count or percentage triggers is

81 See EDGX Rule 13.8 for a description of the EDGX Equities TOP feed and other data feeds and EDGX Rule 21.15 for a description of the current EDGX Options data feeds, including Multicast PITCH and the Auction Feed.

designed to protect investors and the public interest by assisting Members submitting complex orders in their risk management. Members are vulnerable to the risk from system or other error or a market event that may cause them to send a large number of orders or receive multiple, automatic executions before they can adjust their order exposure in the market. Without adequate risk management tools, such as the Risk Monitor Mechanism, Members could reduce the amount of order flow and liquidity that they provide to the market. Such actions may undermine the quality of the markets available to customers and other market participants. Accordingly, the proposed amendments to the Risk Protection Monitor should instill additional confidence in Members that submit orders to the Exchange that their risk tolerance levels are protected, and thus should encourage such Members to submit additional order flow and liquidity to the Exchange with the understanding that they have this protection respecting all orders they submit to the Exchange, including complex orders, thereby removing impediments to and perfecting the mechanisms of a free and open market and a national market system and, in general, protecting investors and the public interest.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The competition among the options exchanges is vigorous and this proposal is intended to afford market participants on EDGX Options the opportunity to execute complex orders in a manner that is similar to that allowed on other options exchanges.

The Exchange believes that the proposal will enhance competition among the various markets for complex order execution, potentially resulting in more active complex order trading on all exchanges.

The Exchange notes that as to intramarket competition, its proposal is designed to treat all Exchange participants in the same category of participant equally. The Exchange believes that it is equitable and reasonable to afford trade allocation priority to certain categories of participants. The proposal to establish first priority to Priority Customer orders resting on the Simple Book is consistent with the long-standing policies of customer protection found throughout the Act and maintains the Exchange's current practice by affording such priority.[82]

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

Written comments were neither solicited nor received.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-BatsEDGX-

[82] See Exchange Rule 21.8.

2017-29 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-BatsEDGX-2017-29. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 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-BatsEDGX-2017-29 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[83]

Jill M. Peterson
Assistant Secretary

[83] 17 CFR 200.30-3(a)(12).

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