Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 25

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2017 - * 25

Amendment No. (req. for Amendments *)

Filing by Bats EDGX Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☑	Amendment * ☐	Withdrawal ☐

Section 19(b)(2) * ☐	Section 19(b)(3)(A) * ☑	Section 19(b)(3)(B) * ☐

Rule

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐

Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

The Exchange proposes a rule change to add a new optional order instruction known as Non-Displayed Swap.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Chris   Last Name * Solgan

Title * Assistant General Counsel

E-mail * csolgan@bats.com

Telephone * (646) 856-8723   Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 05/26/2017

By Chris Solgan

(Name *)

Assistant General Counsel

csolgan@bats.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

Add   Remove   View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add   Remove   View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

Add   Remove   View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add   Remove   View

Exhibit Sent As Paper Document
☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Add   Remove   View

Exhibit Sent As Paper Document
☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

Add   Remove   View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add   Remove   View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add   Remove   View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1.   Text of the Proposed Rule Change

(a)   Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange

Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] Bats EDGX Exchange, Inc. ("EDGX"

or the "Exchange") is filing with the Securities and Exchange Commission (the

"Commission") a proposed rule change to: (i) amend paragraph (n) of Exchange Rule

11.6, Routing/Posting Instructions to add a new optional order instruction to be known as

Non-Displayed Swap; and (ii) make a related change to description of Limit Orders and

MidPoint Peg Orders under Exchange Rule 11.8. The proposed amendments are

substantially similar to the rules of the Nasdaq Stock Market LLC ("Nasdaq") and NYSE

Arca, Inc. ("Arca").[3] Therefore, the Exchange has designated this proposal as "non-

controversial" and provided the Commission with the notice required by Rule 19b-

4(f)(6)(iii) under the Act.[4]

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

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

the Commission.

(b)   The Exchange does not believe that the proposed rule change will have

any direct or significant indirect effect on any other Exchange rule in effect at the time of

this filing.

---

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

[2]   17 CFR 240.19b-4.

[3]   See Nasdaq Rule 4703(m) (defining the Trade Now order modifier). See also
        Securities Exchange Act Release No. 79282 (November 10, 2016), 81 FR 81219
        (November 17, 2016) (Notice of Filing and Immediate Effectiveness to add the
        Trade Now instruction to certain order types). See Arca Rule 7.31(d)(2)(B)
        (describing the Non-Display Remove Modifier). See also Securities Exchange
        Act Release No. 76267 (October 26, 2015), 80 FR 66951 (October 30, 2015).

[4]   17 CFR 240.19b-4(f)(6)(iii).

(c)   Not applicable.

2.   <u>Procedures of the Self-Regulatory Organization</u>

The Exchange submits the proposed rule change pursuant to authority delegated

by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will

advise the Exchange's Board of Directors of any action taken pursuant to delegated

authority. No other action is necessary for the filing of the rule change and, therefore, the

Exchange's internal procedures with respect to the proposed change are complete.

The persons on the Exchange staff prepared to respond to questions and

comments on the proposed rule change are:

<table>
<tr><td>Joanne Moffic-Silver
Executive Vice President, General
Counsel, and Corporate Secretary
(312) 786-7462</td><td>Chris Solgan
Assistant General Counsel
(646) 856-8723</td></tr>
</table>

3.   <u>Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis
for, the Proposed Rule Change</u>

(a)   <u>Purpose</u>

The Exchange proposes to: (i) amend paragraph (n) of Exchange Rule 11.6,

Routing/Posting Instructions to add a new optional order instruction to be known as Non-

Displayed Swap; and (ii) make a related change to description of Limit Orders and

MidPoint Peg Orders under Exchange Rule 11.8. These proposed amendments are

substantially similar to the rules of Nasdaq and Arca.[5]

The proposed Non-Displayed Swap ("NDS") instruction would provide orders

with a Non-Displayed[6] instruction resting on the EDGX Book[7] with a greater ability to

---

[5]   <u>See</u> <u>supra</u> note 3.

[6]   <u>See</u> Exchange Rule 11.6(e)(2).

[7]   <u>See</u> Exchange Rule 1.5(d).

receive an execution when that resting order is locked by an incoming order (e.g., the

price of the resting non-displayed order is equal to the price of the incoming order that is

to be placed on the EDGX Book). The NDS instruction would be an optional order

instruction which would allow Users[8] to have their resting non-displayed orders execute

against an incoming order with a Post Only instruction rather than have it be locked by

the incoming order. NDS would be defined as an instruction that may be attached to an

order with a Non-Displayed instruction that when such order is resting on the EDGX

Book and would be locked by an incoming order with a Post Only instruction that does

not remove liquidity pursuant to paragraph (4) of Exchange Rule 11.6(n),[9] the order with

a NDS instruction is converted to an executable order and will remove liquidity against

such incoming order. An order with a NDS instruction would not be eligible for routing

pursuant to Exchange Rule 11.11, Routing to Away Trading Centers. The proposed NDS

instruction assists in the avoidance of an internally locked EDGX Book (though such

lock would not be displayed by the Exchange)[10] by facilitating the execution of orders

that would otherwise lock each other.

---

[8]   See Exchange Rule 1.5(ee).

[9]   Under Exchange Rule 11.6(n)(4), an order with a Post Only instruction will
        remove contra-side liquidity from the EDGX Book if the order is an order to buy
        or sell a security priced below $1.00 or if the value of such execution when
        removing liquidity equals or exceeds the value of such execution if the order
        instead posted to the EDGX Book and subsequently provided liquidity, including
        the applicable fees charged or rebates provided. To determine at the time of a
        potential execution whether the value of such execution when removing liquidity
        equals or exceeds the value of such execution if the order instead posted to the
        EDGX Book and subsequently provided liquidity, the Exchange will use the
        highest possible rebate paid and highest possible fee charged for such executions
        on the Exchange.

[10]   See Exchange Rule 11.10(a)(4)(C).

The following example illustrates the operation of an order with a NDS instruction. Assume the National Best Bid and Offer is $10.00 by $10.04. There is a Limit Order to buy with a Non-Displayed instruction resting on the EDGX Book at $10.03. An order to sell with a Post Only instruction priced at $10.03 is entered. Under current behavior, the incoming sell order with a Post Only instruction would post to the EDGX Book because it would not receive sufficient price improvement.[11] This would result in the EDGX Book being internally locked.[12] As proposed, if the Limit Order to buy with Non-Displayed instruction also included a NDS instruction, the orders would instead execute against each other at $10.03, with the resting buy order with the NDS instruction becoming the remover of liquidity and the incoming sell order with a Post Only instruction becoming the liquidity provider.

Assume the same facts as above, but that a Limit Order with a Non-Displayed instruction to buy at $10.03 is also resting on the EDGX Book with time priority ahead of the Limit Order to buy with a Non-Displayed instruction mentioned above. Like above, an order to sell with a Post Only instruction priced at $10.03 is entered. Under current behavior, the incoming sell order with a Post Only instruction would post to the EDGX Book because the value of such execution against the resting buy order when removing liquidity does not equal or exceed the value of such execution if the order instead posted to the EDGX Book and subsequently provided liquidity, including the applicable fees charged or rebates provided. As proposed, if the Limit Order to buy with Non-Displayed

---

[11]   Id.

[12]   In the event the incoming order with a Post Only instruction was to be displayed, it would post and display at $10.03 and the resting buy order with a Non-Displayed instruction would not execute against it or subsequent incoming sell orders at $10.03 for so long as the sell order was displayed on the Exchange. See Exchange Rule 11.10(a)(4)(C) and (D).

instruction also included a NDS instruction, the incoming sell order would execute

against the resting Limit Order with a NDS instruction at $10.03 with the resting buy

order with the NDS instruction becoming the remover of liquidity and the incoming sell

order with a Post Only instruction becoming the liquidity provider. In such case, the

Limit Order with a Non-Displayed instruction to buy at $10.03 cedes time priority to the

Limit Order with a Non-Displayed and NDS instruction because such order did not also

include a NDS instruction[13] and thus the User that submitted the order did not indicate

the preference to be treated as the remover of liquidity in favor of an execution; instead,

by not using NDS, a User indicates the preference to remain posted on the EDGX Book

as a liquidity provider.[14] However, if the incoming sell order was priced at $10.02, it

would receive sufficient price improvement to execute upon entry against all resting buy

Limit Orders in time priority at $10.03.[15]

 If the order with a NDS instruction is only partially executed, the unexecuted

portion of that order remains on the EDGX Book and maintains its priority, as is the case

---

[13] This behavior is inherent in the operation of Nasdaq's Trade Now modifier and is identical to the interaction of ALO orders with orders that contain the Non-Display Remove Modifier on Arca. See Nasdaq Rule 4703(m) and Arca Rule 7.31(e)(2)(B)(iv)(b) (providing that unless a resting order is designated with a Non-Display Remove Modifier, an ALO Order will trade only with arriving interest).

[14] Should the Limit Order to buy at $10.03 with time priority be displayed on the EDGX Book, the incoming sell order at $10.03 with a Post Only instruction will not execute against the non-displayed buy order with a NDS instruction because displayed orders have priority over non-displayed orders. In such a case, the incoming Limit Order would be handled as it is today in accordance with existing Exchange rules. See, e.g., Exchange Rules 11.6(l), 11.9, and 11.10(a).

[15] The execution occurs here because the value of the execution against the buy order when removing liquidity exceeds the value of such execution if the order instead posted to the EDGX Book and subsequently provided liquidity, including the applicable fees charged or rebates provided. See supra note 9.

today for an order that is partially executed and not cancelled by the User.[16] The

Exchange is proposing to make the NDS instruction available to Limit Orders[17] that

include a Non-Displayed instruction and MidPoint Peg Orders.[18] The NDS instruction

would not be available to all other order types provided by the Exchange under its Rule

11.8, as the execution of these order types is governed by other Exchange rules and the

NDS instruction would be inconsistent with the use of those order types.

The Exchange notes that similar functionality exists on Nasdaq and Arca. Nasdaq

refers to their functionality as the "Trade Now" instruction[19] and Arca refers to their

functionality as the "Non-Display Remove Modifier".[20] On Arca, a Limit Non-Displayed

Order may be designated with a Non-Display Remove Modifier. If so designated, a

Limit Non-Displayed Order to buy (sell) will trade as the remover of liquidity with an

incoming Adding Liquidity Only Order ("ALO Order") to sell (buy) that has a working

price equal to the working price of the Limit Non-Displayed Order.[21] On Nasdaq, Trade

---

[16] See Exchange Rule 11.9(a)(5).

[17] See Exchange Rule 11.8(b).

[18] See Exchange Rule 11.8(d).

[19] See Nasdaq Rule 4703(m). See also Securities and Exchange Act Release No.
      79282 (November 10, 2016), 81 FR 81219 (November 17, 2016) (SR-Nasdaq-
      2016-156) (Notice of Filing and Immediate Effectiveness of Proposed Rule
      Change to Amend Rule 4703 and Rule 4703 to add a "Trade Now" Instruction to
      Certain Order Types).

[20] See Arca Rule 7.31(d)(2)(B). See also Securities and Exchange Act Release No.
      76267 (October 26, 2015), 80 FR 66951 (October 30, 2015) (SR-NYSEArca-
      2015-56) (Order Approving Proposed Rule Change, and Notice of Filing and
      Order Granting Accelerated Approval of Amendment Nos. 1 and 2 Thereto,
      Adopting New Equity Trading Rules Relating to Orders and Modifiers and the
      Retail Liquidity Program To Reflect the Implementation of Pillar, the Exchange's
      New Trading Technology Platform) (including the Non-Display Remove
      Modifier).

[21] See Arca Rule 7.31(d)(2)(b).

Now is an order attribute that allows a resting order that becomes locked by an incoming

Displayed Order to execute against the available size of the contra-side locking order as a

liquidity taker, and any remaining shares of the resting order will remain posted on the

Nasdaq Book with the same priority.[22] Nasdaq requires the contra-side order to be

display eligible, while the Exchange proposes to enable an order with a NDS instruction

to remove liquidity regardless of whether the incoming order would have ultimately been

eligible for display consistent with Arca's Non-Display Remove Modifier.

      (b)   <u>Statutory Basis</u>

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act[23] in general, and furthers the objectives of Section 6(b)(5) of the Act[24] in particular,

in that it is 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 mechanism of a free and open

market and a national market system and, in general, to protect investors and the public

interest by offering Users optional functionality that will facilitate the execution of orders

that would otherwise remain unexecuted, thereby increasing the efficient functioning of

the Exchange. The NDS instruction is an optional feature that is intended to reflect the

---

[22]   Arca provides their Non-Display Remove Modifier to their Mid-Point Liquidity Orders ("MPL Orders") designated Day and MPL-ALO Orders and Arca Only Orders. Nasdaq's Trade Now functionality is available to Price to Comply Orders, Price to Display Orders, Non-Displayed Orders, Post-Only Orders, Midpoint Peg Post-Only Orders, and Market Maker Peg Orders. To the extent the NDS instruction is only available to Limit Orders with a Non-Displayed instruction and MidPoint Peg Orders, the Exchange notes that the NDS instruction will apply to different order types than Arca's Non-Display Remove Modifier and Nasdaq's Trade Now functionality.

[23]   15 U.S.C. 78f(b).

[24]   15 U.S.C. 78f(b)(5).

order management practices of various market participants. The proposed NDS

instruction assists in the avoidance of an internally locked EDGX Book by facilitating the

execution of orders that would otherwise post, or remain posted, to the EDGX Book.

4.   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, as amended. On the contrary, the Exchange believes the proposed rule change

promotes competition because it will enable the Exchange to offer functionality

substantially similar to that offered by Nasdaq and Arca.[25] Therefore, the Exchange does

not believe the proposed rule change will result in any burden on intermarket competition

that is not necessary or appropriate in furtherance of the purposes of the Act. As the NDS

feature will be equally available to all Users, the Exchange does not believe the proposed

rule change will result in any burden on intramarket competition that is not necessary or

appropriate in furtherance of the purposes of the Act.

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

No comments were solicited or received on the proposed rule change.

6.   Extension of Time Period for Commission Action

Not applicable.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated
        Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)[26]

---

[25]   See supra note 3.

[26]   15 U.S.C. 78s(b)(3)(A).

of the Act and Rule 19b-4(f)(6)[27] thereunder. The proposed rule change effects a change

that (A) does not significantly affect the protection of investors or the public interest; (B)

does not impose any significant burden on competition; and (C) by its terms, does not

become operative for thirty (30) days after the date of the filing, or such shorter time as

the Commission may designate if consistent with the protection of investors and the

public interest; provided that the self-regulatory organization has given the Commission

written notice of its intent to file the proposed rule change, along with a brief description

and text of the proposed rule change, at least five business days prior to the date of filing

of the proposed rule change, or such shorter time as designated by the Commission.[28]

The Exchange believes that the proposed rule change meets the criteria of

subparagraph (f)(6) of Rule 19b-4[29] because it would not significantly affect the

protection of investors or the public interest. The proposed rule change does not

significantly affect the protection of investors or the public interest because it would offer

Users optional functionality that will facilitate the execution of orders that would

otherwise post, or remain posted, to the EDGX Book, thereby increasing the efficient

functioning of the Exchange. As described above, the proposed functionality is

substantially similar to that offered by Nasdaq and Arca, both of which have been

approved or published by the Commission and, therefore, presents no novel issues that

have not already been addressed.[30] In addition, the proposed rule change does not impose

any significant burden on competition for the reasons set forth under Section 4 above.

---

[27]   17 CFR 240.19b-4(f)(6).

[28]   Id.

[29]   Id.

[30]   See supra note 3.

The Exchange has accordingly designated this rule filing as "non-controversial" under

Section 19(b)(3)(A) of the Act[31] and paragraph (f)(6) of Rule 19b-4 thereunder.[32]

At any time within sixty (60) days of the filing of such proposed rule change, the

Commission may summarily temporarily suspend such rule change if it appears to the

Commission that such action is necessary or appropriate in the public interest, for the

protection of investors, or otherwise in furtherance of the purposes of the Act.

8.   Proposed Rule Change Based on Rules of Another Self-Regulatory Organization
      or of the Commission

The proposed rule change to Exchange Rule 11.6(n) is based on Nasdaq Rule

4703(m) and Arca Rule 7.31(d)(2)(B). Each operate in an identical manner but for

Nasdaq requiring the contra-side order to be display eligible, while the Exchange

proposes to enable an order with a NDS instruction to remove liquidity regardless of

whether the incoming order would have ultimately been eligible for display consistent

with Arca's Non-Display Remove Modifier.

9.   Security Based-Swap Submissions Filed Pursuant to Section 3C of the Act

      Not applicable.

10.   Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and
      Settlement Supervision Act

      Not applicable.

11.   Exhibits

      Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register.

      Exhibit 5 – Text of the Proposed Rule Change.

---

[31]   15 U.S.C. 78s(b)(3)(A).

[32]   17 C.F.R. 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____; File No. SR-BatsEDGX-2017-25)

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and
Immediate Effectiveness of a Proposed Rule Change to Add a New Optional Order
Instruction Known as Non-Displayed Swap

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 _____,

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

and II below, which Items have been prepared by the Exchange. The Exchange has

designated this proposal as a "non-controversial" proposed rule change pursuant to

Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(6)(iii) thereunder,[4] which renders it

effective upon filing with the Commission. The Commission is publishing this notice to

solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to: (i) amend paragraph (n) of Exchange Rule 11.6,

Routing/Posting Instructions to add a new optional order instruction to be known as Non-

Displayed Swap; and (ii) make a related change to description of Limit Orders and

MidPoint Peg Orders under Exchange Rule 11.8.

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

---

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

[2]   17 CFR 240.19b-4.

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

[4]   17 CFR 240.19b-4(f)(6)(iii).

www.bats.com, at the principal office of the Exchange, and at the Commission's Public

Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning

the purpose of and basis for the proposed rule change and discussed any comments it

received on the proposed rule change. The text of these statements may be examined at

the places specified in Item IV below. The Exchange has prepared summaries, set forth

in Sections A, B, and C below, of the most significant parts of such statements.

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

         1.   Purpose

The Exchange proposes to: (i) amend paragraph (n) of Exchange Rule 11.6,

Routing/Posting Instructions to add a new optional order instruction to be known as Non-

Displayed Swap; and (ii) make a related change to description of Limit Orders and

MidPoint Peg Orders under Exchange Rule 11.8. The proposed amendments are

substantially similar to the rules of the Nasdaq Stock Market LLC ("Nasdaq") and NYSE

Arca, Inc. ("Arca").[5]

---

[5]   See Nasdaq Rule 4703(m) (defining the Trade Now order modifier). See also
         Securities Exchange Act Release No. 79282 (November 10, 2016), 81 FR 81219
         (November 17, 2016) (Notice of Filing and Immediate Effectiveness to add the
         Trade Now instruction to certain order types). See Arca Rule 7.31(d)(2)(B)
         (describing the Non-Display Remove Modifier). See also Securities Exchange
         Act Release No. 76267 (October 26, 2015), 80 FR 66951 (October 30, 2015).

The proposed Non-Displayed Swap ("NDS") instruction would provide orders

with a Non-Displayed[6] instruction resting on the EDGX Book[7] with a greater ability to

receive an execution when that resting order is locked by an incoming order (e.g., the

price of the resting non-displayed order is equal to the price of the incoming order that is

to be placed on the EDGX Book). The NDS instruction would be an optional order

instruction which would allow Users[8] to have their resting non-displayed orders execute

against an incoming order with a Post Only instruction rather than have it be locked by

the incoming order. NDS would be defined as an instruction that may be attached to an

order with a Non-Displayed instruction that when such order is resting on the EDGX

Book and would be locked by an incoming order with a Post Only instruction that does

not remove liquidity pursuant to paragraph (4) of Exchange Rule 11.6(n),[9] the order with

a NDS instruction is converted to an executable order and will remove liquidity against

such incoming order. An order with a NDS instruction would not be eligible for routing

pursuant to Exchange Rule 11.11, Routing to Away Trading Centers. The proposed NDS

---

[6]   See Exchange Rule 11.6(e)(2).

[7]   See Exchange Rule 1.5(d).

[8]   See Exchange Rule 1.5(ee).

[9]   Under Exchange Rule 11.6(n)(4), an order with a Post Only instruction will
        remove contra-side liquidity from the EDGX Book if the order is an order to buy
        or sell a security priced below $1.00 or if the value of such execution when
        removing liquidity equals or exceeds the value of such execution if the order
        instead posted to the EDGX Book and subsequently provided liquidity, including
        the applicable fees charged or rebates provided. To determine at the time of a
        potential execution whether the value of such execution when removing liquidity
        equals or exceeds the value of such execution if the order instead posted to the
        EDGX Book and subsequently provided liquidity, the Exchange will use the
        highest possible rebate paid and highest possible fee charged for such executions
        on the Exchange.

instruction assists in the avoidance of an internally locked EDGX Book (though such lock would not be displayed by the Exchange)[10] by facilitating the execution of orders that would otherwise lock each other.

The following example illustrates the operation of an order with a NDS instruction. Assume the National Best Bid and Offer is $10.00 by $10.04. There is a Limit Order to buy with a Non-Displayed instruction resting on the EDGX Book at $10.03. An order to sell with a Post Only instruction priced at $10.03 is entered. Under current behavior, the incoming sell order with a Post Only instruction would post to the EDGX Book because it would not receive sufficient price improvement.[11] This would result in the EDGX Book being internally locked.[12] As proposed, if the Limit Order to buy with Non-Displayed instruction also included a NDS instruction, the orders would instead execute against each other at $10.03, with the resting buy order with the NDS instruction becoming the remover of liquidity and the incoming sell order with a Post Only instruction becoming the liquidity provider.

Assume the same facts as above, but that a Limit Order with a Non-Displayed instruction to buy at $10.03 is also resting on the EDGX Book with time priority ahead of the Limit Order to buy with a Non-Displayed instruction mentioned above. Like above, an order to sell with a Post Only instruction priced at $10.03 is entered. Under current

---

[10]   See Exchange Rule 11.10(a)(4)(C).

[11]   Id.

[12]   In the event the incoming order with a Post Only instruction was to be displayed, it would post and display at $10.03 and the resting buy order with a Non-Displayed instruction would not execute against it or subsequent incoming sell orders at $10.03 for so long as the sell order was displayed on the Exchange. See Exchange Rule 11.10(a)(4)(C) and (D).

behavior, the incoming sell order with a Post Only instruction would post to the EDGX

Book because the value of such execution against the resting buy order when removing

liquidity does not equal or exceed the value of such execution if the order instead posted

to the EDGX Book and subsequently provided liquidity, including the applicable fees

charged or rebates provided. As proposed, if the Limit Order to buy with Non-Displayed

instruction also included a NDS instruction, the incoming sell order would execute

against the resting Limit Order with a NDS instruction at $10.03 with the resting buy

order with the NDS instruction becoming the remover of liquidity and the incoming sell

order with a Post Only instruction becoming the liquidity provider. In such case, the

Limit Order with a Non-Displayed instruction to buy at $10.03 cedes time priority to the

Limit Order with a Non-Displayed and NDS instruction because such order did not also

include a NDS instruction[13] and thus the User that submitted the order did not indicate

the preference to be treated as the remover of liquidity in favor of an execution; instead,

by not using NDS, a User indicates the preference to remain posted on the EDGX Book

as a liquidity provider.[14] However, if the incoming sell order was priced at $10.02, it

---

[13]   This behavior is inherent in the operation of Nasdaq's Trade Now modifier and is
         identical to the interaction of ALO orders with orders that contain the Non-
         Display Remove Modifier on Arca. See Nasdaq Rule 4703(m) and Arca Rule
         7.31(e)(2)(B)(iv)(b) (providing that unless a resting order is designated with a
         Non-Display Remove Modifier, an ALO Order will trade only with arriving
         interest).

[14]   Should the Limit Order to buy at $10.03 with time priority be displayed on the
         EDGX Book, the incoming sell order at $10.03 with a Post Only instruction will
         not execute against the non-displayed buy order with a NDS instruction because
         displayed orders have priority over non-displayed orders. In such a case, the
         incoming Limit Order would be handled as it is today in accordance with existing
         Exchange rules. See, e.g., Exchange Rules 11.6(l), 11.9, and 11.10(a).

would receive sufficient price improvement to execute upon entry against all resting buy

Limit Orders in time priority at $10.03.[15]

If the order with a NDS instruction is only partially executed, the unexecuted

portion of that order remains on the EDGX Book and maintains its priority, as is the case

today for an order that is partially executed and not cancelled by the User.[16] The

Exchange is proposing to make the NDS instruction available to Limit Orders[17] that

include a Non-Displayed instruction and MidPoint Peg Orders.[18] The NDS instruction

would not be available to all other order types provided by the Exchange under its Rule

11.8, as the execution of these order types is governed by other Exchange rules and the

NDS instruction would be inconsistent with the use of those order types.

The Exchange notes that similar functionality exists on Nasdaq and Arca. Nasdaq

refers to their functionality as the "Trade Now" instruction[19] and Arca refers to their

functionality as the "Non-Display Remove Modifier".[20] On Arca, a Limit Non-Displayed

---

[15]   The execution occurs here because the value of the execution against the buy
        order when removing liquidity exceeds the value of such execution if the order
        instead posted to the EDGX Book and subsequently provided liquidity, including
        the applicable fees charged or rebates provided. See supra note 9.

[16]   See Exchange Rule 11.9(a)(5).

[17]   See Exchange Rule 11.8(b).

[18]   See Exchange Rule 11.8(d).

[19]   See Nasdaq Rule 4703(m). See also Securities and Exchange Act Release No.
        79282 (November 10, 2016), 81 FR 81219 (November 17, 2016) (SR-Nasdaq-
        2016-156) (Notice of Filing and Immediate Effectiveness of Proposed Rule
        Change to Amend Rule 4703 and Rule 4703 to add a "Trade Now" Instruction to
        Certain Order Types).

[20]   See Arca Rule 7.31(d)(2)(B). See also Securities and Exchange Act Release No.
        76267 (October 26, 2015), 80 FR 66951 (October 30, 2015) (SR-NYSEArca-
        2015-56) (Order Approving Proposed Rule Change, and Notice of Filing and
        Order Granting Accelerated Approval of Amendment Nos. 1 and 2 Thereto,

Order may be designated with a Non-Display Remove Modifier. If so designated, a

Limit Non-Displayed Order to buy (sell) will trade as the remover of liquidity with an

incoming Adding Liquidity Only Order ("ALO Order") to sell (buy) that has a working

price equal to the working price of the Limit Non-Displayed Order.[21] On Nasdaq, Trade

Now is an order attribute that allows a resting order that becomes locked by an incoming

Displayed Order to execute against the available size of the contra-side locking order as a

liquidity taker, and any remaining shares of the resting order will remain posted on the

Nasdaq Book with the same priority.[22] Nasdaq requires the contra-side order to be

display eligible, while the Exchange proposes to enable an order with a NDS instruction

to remove liquidity regardless of whether the incoming order would have ultimately been

eligible for display consistent with Arca's Non-Display Remove Modifier.

      2.   Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the

Act[23] in general, and furthers the objectives of Section 6(b)(5) of the Act[24] in particular,

---

       Adopting New Equity Trading Rules Relating to Orders and Modifiers and the
       Retail Liquidity Program To Reflect the Implementation of Pillar, the Exchange's
       New Trading Technology Platform) (including the Non-Display Remove
       Modifier).

[21]   See Arca Rule 7.31(d)(2)(b).

[22]   Arca provides their Non-Display Remove Modifier to their Mid-Point Liquidity
       Orders ("MPL Orders") designated Day and MPL-ALO Orders and Arca Only
       Orders. Nasdaq's Trade Now functionality is available to Price to Comply
       Orders, Price to Display Orders, Non-Displayed Orders, Post-Only Orders,
       Midpoint Peg Post-Only Orders, and Market Maker Peg Orders. To the extent the
       NDS instruction is only available to Limit Orders with a Non-Displayed
       instruction and MidPoint Peg Orders, the Exchange notes that the NDS instruction
       will apply to different order types than Arca's Non-Display Remove Modifier and
       Nasdaq's Trade Now functionality.

[23]   15 U.S.C. 78f(b).

in that it is 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 mechanism of a free and open

market and a national market system and, in general, to protect investors and the public

interest by offering Users optional functionality that will facilitate the execution of orders

that would otherwise remain unexecuted, thereby increasing the efficient functioning of

the Exchange. The NDS instruction is an optional feature that is intended to reflect the

order management practices of various market participants. The proposed NDS

instruction assists in the avoidance of an internally locked EDGX Book by facilitating the

execution of orders that would otherwise post, or remain posted, to the EDGX Book.

(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, as amended. On the contrary, the Exchange believes the proposed rule change

promotes competition because it will enable the Exchange to offer functionality

substantially similar to that offered by Nasdaq and Arca.[25] Therefore, the Exchange does

not believe the proposed rule change will result in any burden on intermarket competition

that is not necessary or appropriate in furtherance of the purposes of the Act. As the NDS

feature will be equally available to all Users, the Exchange does not believe the proposed

rule change will result in any burden on intramarket competition that is not necessary or

appropriate in furtherance of the purposes of the Act.

---

[24]   15 U.S.C. 78f(b)(5).

[25]   See supra note 5.

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

No comments were solicited or received on the proposed rule change.

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

Because the foregoing proposed rule change does not: (A) significantly affect the

protection of investors or the public interest; (B) impose any significant burden on

competition; and (C) by its terms, become operative for 30 days from the date on which it

was filed or such shorter time as the Commission may designate it has become effective

pursuant to Section 19(b)(3)(A) of the Act[26] and paragraph (f)(6) of Rule 19b-4

thereunder,[27] the Exchange has designated this rule filing as non-controversial. The

Exchange has given the Commission written notice of its intent to file the proposed rule

change, along with a brief description and text of the proposed rule change at least five

business days prior to the date of filing of the proposed rule change, or such shorter time

as designated by the Commission.

At any time within 60 days of the filing of the proposed rule change, the

Commission summarily may temporarily suspend such rule change if it appears to the

Commission that such action is: (1) necessary or appropriate in the public interest; (2) for

the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If

the Commission takes such action, the Commission shall institute proceedings to

determine whether the proposed rule should be approved or disapproved.

IV.   Solicitation of Comments

---

[26]   15 U.S.C. 78s(b)(3)(A).

[27]   17 CFR 240.19b-4.

Interested persons are invited to submit written data, views and arguments

concerning the foregoing, including whether the proposal 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 No. SR-
  BatsEDGX-2017-25 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange

  Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-BatsEDGX-2017-25. 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 am and

3:00 pm. Copies of such filing will also be available for inspection and copying at the

principal office of the Exchange. All comments received will be posted without change;

the Commission does not edit personal identifying information from submissions. You

should submit only information that you wish to make available publicly. All

submissions should refer to File No. SR-BatsEDGX-2017-25 and should be submitted on

or before [_____21 days from publication in the Federal Register].

    For the Commission, by the Division of Trading and Markets, pursuant to

delegated authority.[28]

                     Robert W. Errett
                     Deputy Secretary

---

[28]   17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is <u>underlined</u>; proposed deletions are marked by [brackets].

Rules of EDGX Exchange, Inc.

* * * * *

CHAPTER XI. TRADING RULES

* * * * *

Rule 11.6. Definitions

(No change).

>   (a) – (m)   (No change).
>
>   (n)   Routing/Posting Instructions
>
>   (1) – (6)   (No change).
>
>   (7)   Non-Displayed Swap ("NDS"). An instruction that may be attached to an order with a Non-Displayed instruction that when such order is resting on the EDGX Book and is locked by an incoming order with a Post Only instruction that does not remove liquidity pursuant to paragraph (4) of this rule, the order with an NDS instruction is converted to an executable order and will remove liquidity against such incoming order. An order with an NDS instruction is not eligible for routing pursuant to Rule 11.11.
>
>   (o) – (s)   (No change).

* * * * *

Rule 11.8. Order Types

(No change).

>   (a)   (No change).
>
>   (b)   Limit Order. An order to buy or sell a stated amount of a security at a specified price or better. A marketable Limit Order is a Limit Order to buy (sell) at or above (below) the lowest (highest) Protected Offer (Protected Bid) for the security.
>
>   (1) – (6)   (No change).

(7)   Routing/Posting. A Limit Order may include a Post Only or Book Only instruction. <u>A Limit Order with a Non-Displayed instruction may also include a NDS instruction.</u> Unless a Limit Order includes a Post Only<u>,</u> [or]Book Only<u>, or NDS</u> instruction, a marketable Limit Order will be eligible to be routed to a Trading Center pursuant to Rule 11.11. A routable Limit Order may include a Destination Specified, or Destination-On-Open instruction. A Limit Order which is routable under Rule 11.11 may also include an Aggressive or Super Aggressive instruction.

(8)   (No change).

The following functionality described in paragraphs (9) – (11) below is available for Limit Orders that include a Post Only or Book Only instruction or TIF instruction of Day, GTD or GTX.

(9) – (12)   (No change).

(c)   (No change).

(d)   MidPoint Peg Order. A non-displayed Market Order or Limit Order with an instruction to execute at the midpoint of the NBBO, or, alternatively, pegged to the less aggressive of the midpoint of the NBBO or one minimum price variation inside the same side of the NBBO as the order. A MidPoint Peg Order with a limit price that is more aggressive than the midpoint of the NBBO will execute at the midpoint of the NBBO or better subject to its limit price. A MidPoint Peg Order may execute at its limit price or better when its limit price is less aggressive than the midpoint of the NBBO. A MidPoint Peg Order will be ranked at the midpoint of the NBBO where its limit price is equal to or more aggressive than the midpoint of the NBBO. A MidPoint Peg Order will not be eligible for execution when an NBBO is not available. In such case, a MidPoint Peg Order would rest on the EDGX Book and would not be eligible for execution in the System until an NBBO is available. The MidPoint Peg Order will receive a new time stamp when an NBBO becomes available and a new midpoint of the NBBO is established. In such case, pursuant to Rule 11.9, all MidPoint Peg Orders that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System. A MidPoint Peg Order will be ranked at its limit price where its limit price is less aggressive than the midpoint of the NBBO. Notwithstanding that a MidPoint Peg Order may be a Market Order or a Limit Order, its operation and available modifiers are limited to this Rule 11.8(d).

(1) – (4)   (No change).

(5)   Routing/Posting. A MidPoint Peg Order may include a Book Only or Post Only instruction. MidPoint Peg Orders are not eligible for routing pursuant to Rule 11.11. <u>A MidPoint Peg Order may include a NDS instruction.</u>

* * * * *