

technology integration that will ultimately reduce complexity for Users of the Exchange that are also participants on other CBOE Affiliated Exchanges.

The Commission believes that waiver of the 30-day operative delay is consistent with the protection of investor and the public interest. The Commission notes that the proposed rule change is based on rules of its affiliated exchanges, CBOE and C2, and thus does not raise any new or novel issues. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposed rule change as operative upon filing.²⁰

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

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

Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include File Number SR-BatsBZX-2017-68 on the subject line.

Paper Comments

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-BatsBZX-2017-68. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

²⁰ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-BatsBZX-2017-68 and should be submitted on or before November 17, 2017.

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

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-81921; File No. SR-MSRB-2017-08]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a Proposed Rule Change To Amend MSRB Form G-45 To Collect Additional Data About the Transactional Fees Primarily Assessed by Programs Established To Implement the ABLE Act

October 23, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Exchange Act" or "Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 13, 2017 the Municipal Securities Rulemaking Board (the "MSRB" or "Board") filed with the Securities and Exchange Commission (the "SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items

²¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

have been prepared by the MSRB. 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 MSRB filed with the Commission a proposed rule change to amend Form G-45 under MSRB Rule G-45, on reporting of information on municipal fund securities,³ to collect additional data about the transactional fees primarily assessed by programs established to implement the Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (the "ABLE Act" and an "ABLE program") (the "proposed rule change").⁴ The MSRB requests that the proposed rule change become effective on June 30, 2018.⁵

The text of the proposed rule change is available on the MSRB's Web site at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2017-Filings.aspx, at the MSRB's principal office, 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 MSRB 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 MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The ABLE Act added Section 529A to the Internal Revenue Code of 1986, as amended (the "Code"), to permit a state, or an agency or instrumentality thereof, to establish and maintain a new type of tax-advantaged savings program to help support individuals with disabilities in

³ Form G-45 is an electronic form on which submissions of the information required by Rule G-45 are made to the MSRB.

⁴ The ABLE Act was enacted on December 19, 2014 as part of The Tax Increase Prevention Act of 2014 (Pub. L. 113-295).

⁵ As noted under "Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change" below, the proposed rule change does not alter the date that underwriters to ABLE programs must submit data under Rule G-45 to the MSRB.

maintaining health, independence, and quality of life.⁶ Section 529A was modeled, in part, on Section 529 of the Code.⁷ Section 529 established college savings plans (“529 college savings plans”) to encourage saving for future higher education costs.⁸ The SEC has determined that interests offered by such 529 college savings plans are municipal securities under Section 3(a)(29) of the Act.⁹

Given the similarities between the structure of ABLE accounts and 529 college savings plan accounts and the manner in which interests in ABLE accounts would be distributed, the MSRB requested and received interpretive guidance from the SEC staff about the status of interests in ABLE accounts under the federal securities laws.¹⁰ SEC staff stated that “at least some interests in ABLE accounts . . . may be ‘municipal securities’ as defined in Section 3(a)(29) of the Exchange Act, depending on the facts and circumstances”¹¹ and that “[i]f a dealer is acting as an ‘underwriter’ (as defined in Rule 15c2–12(f)(8)) in connection with that primary offering, the dealer may be subject to the requirements of Rule 15c2–12.”¹²

After the MSRB received the SEC staff guidance, the MSRB provided interpretive guidance relating to interests in ABLE programs under MSRB Rule D–12, on the definition of “municipal fund security.”¹³ That

guidance was followed by the August 2016 guidance published by the Board to address particular issues, including Rule G–45, applicable to the sale of interests in ABLE programs by brokers, dealers and municipal securities dealers (collectively, “dealers”).¹⁴

Specifically, in August 2016, the MSRB filed for immediate effectiveness an amendment to Rule G–45 to delay, by two years from August 29, 2016 until August 29, 2018, the date that submissions are due under Rule G–45 from underwriters to ABLE programs (the “August filing”).¹⁵ The MSRB believed that the delay would help ensure that the MSRB would receive reliable, complete and accurate filings on Form G–45 from such underwriters. The MSRB also believed that the delay would help ensure that the MSRB would receive more meaningful data about a larger set of ABLE programs on Form G–45.¹⁶ Similarly, to receive more meaningful data about ABLE programs, the MSRB submits the proposed rule change. However, this proposed rule change does not alter the date that underwriters to ABLE programs must begin to submit data to the MSRB under Rule G–45.

(ii) The Collection of Additional Relevant Fee and Expense Data

At the time the MSRB submitted the August filing, there were two ABLE programs that were operational. Since that time, the MSRB understands that 27 more ABLE programs have become operational. As each additional ABLE program has become operational, the MSRB has reviewed the disclosure booklet for the program to determine whether there is data about the programs that would be beneficial for the MSRB to analyze under Rule G–45 that an underwriter to an ABLE program would not be required to submit under current Form G–45. But for the program type, the review process of ABLE program fees was identical to the review

process that the MSRB used in determining the data elements relating to the fees and expenses associated with an investment in a 529 college savings plan when the MSRB first developed Form G–45.

While the MSRB believes that current Form G–45 would capture most of the data that would be informative to the MSRB, the MSRB noted that there are differences between the pricing structure of certain ABLE programs and the typical 529 college savings plan. Specifically, based on the MSRB’s review, there are transactional fees assessed by ABLE programs that generally are not assessed by 529 college savings plans, and there is variance based on state residency in the level of the account maintenance fee assessed by ABLE programs that generally does not occur with 529 college savings plans.¹⁷

Rule G–45 requires dealers acting in the capacity as underwriters to ABLE programs or 529 college savings plans to submit on a semi-annual or annual basis (in the case of performance data) certain information about the programs or plans they underwrite. That information includes program or plan descriptive information, assets, asset allocation information (at the investment option level), contributions, withdrawals, fee and cost structure, performance, and other information. The MSRB and other regulatory authorities use this data to analyze 529 college savings plans (and will be able to use this data to analyze ABLE programs), monitor their growth rate, size and investment options, and compare 529 college savings plans based on fees, costs, and performance. By collecting this information, the MSRB enhances its understanding of 529 college savings plans (and will be able to enhance its understanding of ABLE programs). The Commission has agreed with the MSRB that the collection of information under Rule G–45 is intended to protect investors, municipal entities and the public interest and prevent fraudulent and manipulative acts and practices by allowing the MSRB to collect comprehensive, reliable, and consistent electronic data about such programs or

⁶ 26 U.S.C. 529A.

⁷ Report to accompany H.R. 647, Committee on Ways and Means, H.R. Rept. No. 113–614, part 1 at 7 (2014).

⁸ 26 U.S.C. 529(b)(1)(A)(ii). Section 529 also established prepaid tuition plans. 26 U.S.C. 529(b)(1)(A)(i). Under a prepaid tuition plan, an investor may purchase tuition credits or certificates on behalf of a designated beneficiary, which entitle the beneficiary to the waiver or payment of qualified higher education expenses. Prepaid tuition plans generally have residency requirements. Such credits or certificates generally are not viewed as being municipal securities, and dealers generally do not participate in the marketing of prepaid tuition plans.

⁹ Exchange Act Release No. 70462 (Sept. 20, 2013), 78 FR 67468, 67472–73 (Nov. 12, 2013). See Letter from Catherine McGuire, Chief Counsel, Division of Market Regulation, U.S. Securities and Exchange Commission, to Diane G. Klinke, General Counsel, Municipal Securities Rulemaking Board (Feb. 26, 1999) (determining that at least some interests in higher education trusts are municipal securities under the Act).

¹⁰ Letter dated March 31, 2016 from Jessica S. Kane, Director, Office of Municipal Securities, U.S. Securities and Exchange Commission to Robert A. Fippinger, Esq., Chief Legal Officer, Municipal Securities Rulemaking Board, in response to letter dated December 31, 2015 from Robert A. Fippinger to Jessica S. Kane, both letters are available at <https://www.sec.gov/info/municipal/msrb-letter-033116-interests-in-able-accounts.pdf>.

¹¹ *Id.*

¹² *Id.*

¹³ MSRB Notice 2016–14 (Apr. 12, 2016).

¹⁴ *Id.*

¹⁵ See SR–MSRB–2016–11 (Aug. 12, 2016).

¹⁶ Further, as part of that August filing, the MSRB provided guidance in supplementary material under (i) Rule G–42, that such rule applies to municipal advisors that engage in municipal advisory activities for sponsors or trustees of ABLE programs and (ii) Rule G–44, that such rule equally applies to municipal advisors that engage in municipal advisory activities for sponsors or trustees of 529 college savings plans, ABLE programs, and other municipal fund securities. That guidance provided clarity about the applicability of such rules to municipal advisors that engage in municipal advisory activities for sponsors or trustees of municipal fund securities. The MSRB provided that guidance in response to requests from industry groups in other Board rulemaking proposals. *Id.*; see also MSRB Notice 2016–20 (Aug. 12, 2016).

¹⁷ The MSRB believes that the transactional fees assessed by an ABLE program reflect the nature of an ABLE program as more of a short-term, rather than as a longer-term, savings vehicle when compared to a 529 college savings plan. Further, the MSRB believes that the variance in the level or amount of the account maintenance fee assessed by an ABLE program between an in-state and an out-of-state resident account owner reflects state disability policies.

plans.¹⁸ The Commission has stated that “to fulfill its statutory responsibilities to investors and municipal entities in the context of 529 plans, the Commission believes that it is appropriate for the MSRB to possess basic, reliable information regarding 529 plans, including the underlying investment options.”¹⁹

To help ensure that the MSRB continues to receive comprehensive information regarding ABLÉ programs and 529 college savings plans, the proposed rule change would amend Form G-45 to collect additional information relating to fees and expenses. This data would enhance the MSRB’s understanding of the markets for ABLÉ programs and 529 college savings plans, including the differences among such programs or plans. Further, as discussed under “Statutory Basis” below, the additional fee and expense information would assist the MSRB in fulfilling its investor protection mission. The information about fees and expenses would continue to be submitted in a format that is consistent with the disclosure principles of the College Savings Plan Network (“CSPN”), an affiliate of the National Association of State Treasurers,²⁰ which commenters on previous MSRB rulemaking proposals relating to Form G-45 have stated is the industry norm.²¹

Under the proposed rule change, an underwriter to an ABLÉ program or a 529 college savings plan would be required to submit data on Form G-45 about the following additional fees and expenses, as applicable:

- Account opening fee;
- investment administration fee;
- change in account owner fee;
- cancellation/withdrawal fee;
- change in investment option/transfer fee;
- rollover fee;

¹⁸ Exchange Act Release No. 71598 (Feb. 21, 2014), 79 FR 11161, 11167 (Feb. 27, 2014) (SR-MSRB-2013-04).

¹⁹ *Id.*

²⁰ CSPN published its voluntary Disclosure Principles Statement No. 6 (“Disclosure Principles No. 6”) on July 1, 2017 available at <http://www.collegesavings.org/wp-content/uploads/2015/06/CSPN-Disclosure-Principles-Statement-No.-6.pdf>. Disclosure Principles No. 6 recommends acceptable disclosure practices for state entities that establish and maintain 529 college savings plans. CSPN states that Disclosure Principles No. 6 also may be of use to qualified ABLÉ programs. See Disclosure Principles No. 6.

To assist underwriters, the MSRB included subheadings in how certain investment options fees and expenses are displayed on Form G-45 to more closely correspond with the subheadings used in Disclosure Principles No. 6. The subheadings, however, do not change any of the data elements required to be submitted on Form G-45.

²¹ See SR-MSRB-2013-04 (Jun. 10, 2013).

- returned excess aggregate contributions fee;
- rejected ACH or EFT fee;
- overnight delivery fee;
- in-network ATM fee;
- out-of-network ATM fee;
- ATM mini statement fee;
- international POS/ATM transaction fee;
- foreign transaction fee;
- overdraft fee;
- copy of check or statement fee (per request);
- copy of check images mailed with monthly statement fee;
- check fee (*i.e.*, fee for blank checks);
- returned check fee;
- checking account option fee;
- re-issue of disbursement check fee;
- stop payment fee;
- debit card fee;
- debit card replacement fee;
- outgoing wire fee;
- expedited debit card rush delivery fee;
- paper fee; and
- miscellaneous fee (to address any miscellaneous transactional fee that is not otherwise specified on Form G-45).

In addition, under the proposed rule change, the MSRB would collect data about any variance in the annual account maintenance fee due to the residency of the account owner. The proposed rule would apply to underwriters to ABLÉ programs as well as to underwriters to 529 college savings plans.²²

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act,²³ which provides that the MSRB’s rules shall:

be designed to prevent fraudulent and manipulative acts and practices, 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 municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The Act requires that the MSRB protect investors. To fulfill this responsibility, it is necessary for the MSRB to have a complete and reliable data set about ABLÉ programs and 529

²² The MSRB, however, anticipates that most of the data that would be collected by the proposed rule change would relate to ABLÉ programs. As noted, the MSRB believes that 529 college savings plans generally do not assess the fees and charges that are the subject of this proposed rule change.

²³ 15 U.S.C. 78o-4(b)(2)(C).

college savings plans. That data includes data about the fees and expenses associated with an investment in an ABLÉ program or a 529 college savings plan. The proposed rule change would provide the MSRB with more meaningful data about the transactional fees primarily assessed by ABLÉ programs and about variances in the account maintenance fee due to the residency of the account owner. The additional information about fees and expenses associated with ABLÉ programs and 529 college savings plans would facilitate the MSRB’s ability to analyze the market for ABLÉ programs and 529 college savings plans as well as to evaluate trends and differences among the ABLÉ programs and 529 college savings plans. The MSRB believes that understanding the costs associated with ABLÉ programs and 529 college savings plans as well as the other data collected under Rule G-45 are basic requirements for regulation and necessary to assist the MSRB with its evaluation as to whether its regulatory scheme for dealers that sell interests in or underwrite ABLÉ programs and/or 529 college savings plans is sufficient, or whether additional rulemaking is necessary to protect investors. Further, the information that would be collected by the proposed rule change would help the MSRB and other regulators that examine dealers prioritize their efforts with respect to those dealers that sell interests in or underwrite ABLÉ programs and 529 college savings plans. Those other regulators may use this information to determine the nature or timing of risk-based dealer examinations. In short, the MSRB believes that the information to be collected by the proposed rule change would better enable the MSRB to protect investors in these programs and plans and the public interest.

Further, the MSRB has a statutory obligation to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade. In general, underwriters to ABLÉ programs and 529 college savings plans draft or participate in the drafting of the program or plan disclosure booklets, as well as the marketing materials for the ABLÉ program or 529 college savings plans. The MSRB or other regulators may use the information submitted on Form G-45 to, among other things, determine if the disclosure documents or marketing materials prepared or reviewed by underwriters are consistent with the data submitted to the MSRB for regulatory purposes.

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

Section 15B(b)(2)(C) of the Act requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.²⁴ In accordance with the Board's policy on the use of economic analysis in rulemaking, the Board has reviewed the proposed rule change.²⁵ To fulfill its responsibility to protect investors, as ABLI programs and 529 college savings plans have significant retail investor components, the MSRB must become well informed about the fees and expenses assessed under such programs or plans and about the market for ABLI programs and 529 college savings plans as a whole. The proposed rule change is necessary for the MSRB to gather relevant data required to ensure the MSRB's regulatory scheme is sufficient and/or to determine whether additional rulemaking is necessary to protect investors and the public interest.

The proposed rule change would require an underwriter to submit additional information about the fees and expenses associated with the applicable ABLI program or 529 college savings plan. The proposed rule change would enable the MSRB to carry out its regulatory responsibilities under the Act and fulfill its mission to ensure efficiency in the market for these programs. The MSRB would realize substantial benefits in obtaining reliable and consistent information about the fees and expenses of ABLI programs and 529 college savings plans, promoting greater regulatory oversight and investor protection.

Although there are costs associated with compliance with the proposed rule change, these costs should be minimal. The data that the MSRB wishes to collect are readily available and should be known to the underwriters of these plans. Additionally, underwriters are already required to submit certain information to the MSRB on Form G-45 on a semi-annual basis.²⁶

Among the possible alternatives to the proposed rule change are (a) a manual review of information in program or plan disclosure documents submitted to

EMMA or on program or plan Web sites; or (b) a review of data supplied by information vendors voluntarily. However, neither of these alternatives would satisfy the regulatory needs of the MSRB. A manual review of information would be insufficient because some of the information sought by the MSRB is not disclosed in public documents in a uniform and consistent manner.

Moreover, a manual review of information would be time consuming and inefficient, especially given that underwriters are already required to submit certain information to the MSRB on a semi-annual basis. In addition, while a review of information voluntarily submitted to informational vendors may be of interest, it is unreliable from a regulatory standpoint. Information supplied by dealers that are underwriters to ABLI programs and/or 529 college savings plans to information vendors may differ with respect to its reliability and quality. Essentially, the MSRB would be relying on such information vendors for important regulatory activities. For regulatory purposes, the MSRB seeks a consistent set of uniform, reliable and relevant information about ABLI programs and 529 college savings plans.

On balance, the MSRB believes that semi-annual reporting of limited information, which is readily available to dealers that are underwriters to ABLI programs and/or 529 college savings plans, would not pose an unreasonable burden on such underwriters, and the likely benefits of the proposed amendments justify the likely associated costs in both the near and long term.

The MSRB does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The additional information would be submitted on an equal and non-discriminatory basis, and the requirement would apply equally to all dealers that serve as underwriters to ABLI programs and/or 529 college savings plans.

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 on the proposed rule change.

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 of up to 90 days (i) as the Commission may

designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization 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 email to rule-comments@sec.gov. Please include File Number SR-MSRB-2017-08 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549. All submissions should refer to File Number SR-MSRB-2017-08. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish

²⁴ *Id.*

²⁵ Policy on the Use of Economic Analysis in MSRB Rulemaking is available at <http://msrb.org/Rules-and-Interpretations/Economic-Analysis-Policy.aspx>.

²⁶ The proposed rule change would not impose any burden on non-underwriting dealers that only sell interests in either ABLI programs or 529 college savings plans, as the obligation to submit information semi-annually to the MSRB will only be imposed on underwriters.

to make available publicly. All submissions should refer to File Number SR–MSRB–2017–08 and should be submitted on or before November 17, 2017.

For the Commission, pursuant to delegated authority.²⁷

Eduardo A. Aleman,
Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–81920; File No. SR–BatsEDGX–2017–39]

Self-Regulatory Organizations; Bats EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 21.1, Definitions, To Modify Stop Orders and Stop Limit Orders Applicable to the Exchange’s Equity Options Platform in Preparation for the C2 Options Exchange, Incorporated Technology Migration

October 23, 2017.

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 October 10, 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 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 Act³ 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 update Rule 21.1 to make modifications to the Exchange’s rules and functionality applicable to the Exchange’s options platform (“EDGX Options”) in preparation for the technology migration of the Exchange’s affiliated options exchange, C2 Options

Exchange, Incorporated (“C2”), onto the same technology as the Exchange.

The text of the proposed rule change is available at the Exchange’s Web site 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 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

In 2016, the Exchange and its affiliates Bats BZX Exchange, Inc. (“BZX”), Bats BYX Exchange, Inc. (“BYX”), and Bats EDGA Exchange, Inc. (“EDGA”) received approval to affect a merger (the “Merger”) of the Exchange’s indirect parent company, Bats Global Markets, Inc. (“BGM”), with CBOE Holdings, Inc. (“CBOE Holdings”), the direct parent of Chicago Board Options Exchange, Incorporated (“CBOE”) and C2 Options Exchange, Incorporated (“C2”, and together with the Exchange, BZX, BYX, EDGA, and CBOE the “CBOE Affiliated Exchanges”).⁵ The CBOE Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the CBOE Affiliated Exchanges, in the context of a technology migration. Thus, the proposals set forth below are intended to add certain system functionality that is more similar to functionality offered by CBOE and C2 in order to ultimately provide a consistent technology offering for market participants who interact with the CBOE Affiliated Exchanges. Although the Exchange intentionally offers certain features that differ from those offered by its affiliates and will continue to do so, the Exchange believes that offering similar functionality to the extent

practicable will reduce potential confusion for Users.

The Exchange adopt Stop Orders and Stop Limit Orders, to be defined in Rules 21.1(d)(11) and (d)(12), respectively. In order to adopt such rules, the Exchange also proposes to re-number current Rule 21.1(d)(10) (related to “Intermarket Sweep Orders”) as Rule 21.1(d)(9) (currently reserved), and current Rule 21.1(d)(11) (related to “Qualified Contingent Cross Orders”) as Rule 21.1(d)(10).

A Stop Order would be defined in Rule 21.1(d)(11) as an order that becomes a Market Order⁶ when the stop price is elected. A Stop Order to buy would be elected when the consolidated last sale in the option occurs at or above, or the NBB is equal to or higher than, the specified stop price. A Stop Order to sell would be elected when the consolidated last sale in the option occurs at or below, or the NBO is equal to or lower than, the specified stop price.

In addition, the Exchange proposes to restrict Stop Orders, which, as described above, are converted to Market Orders when elected, from being elected when the underlying security is in a Limit State, as defined in the Limit Up-Limit Down Plan. Such an order would be held until the end of the Limit State, at which point the order would again become eligible to be elected. This aspect of the proposal is also based on the rules of CBOE⁷ and C2⁸ and is consistent with the Exchange’s current handling of Market Orders, which are not accepted when the underlying security is in a Limit State.⁹ As Stop Orders become Market Orders when elected, the Exchange believes that this change is merely an extension of its existing functionality.

A Stop Limit Order would be defined in Rule 21.1(d)(12) as an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy would be elected and would become a buy limit order when the consolidated last sale in the option

⁶ “Market Orders” are orders to buy or sell at the best price available at the time of execution. Market Orders to buy or sell an option traded on are rejected if they are 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”). Any portion of a Market Order that would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches BZX Options, whichever is greater, will be cancelled. See Exchange Rule 21.1(d)(5).

⁷ See CBOE Rule 6.53, Interpretation and Policy .01C.

⁸ See C2 Rule 6.10, Interpretation and Policy .01C.

⁹ See Exchange Rule 21.1(d)(5).

²⁷ 17 CFR 200.30–3(a)(12).

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).

⁵ See Securities Exchange Act Release No. 79585 (December 16, 2016), 81 FR 93988 (December 22, 2016) (SR–BatsBZX–2016–68; SR–BatsBYX–2016–29; SR–BatsEDGA–2016–24; SR–BatsEDGX–2016–60).