

Commission a *Request of the United States Postal Service to Add Priority Mail Contract 359 to Competitive Product List*. Documents are available at [www.prc.gov](http://www.prc.gov), Docket Nos. MC2017–205, CP2017–313.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–81654; File No. SR–BatsBYX–2017–21]

### Self-Regulatory Organizations; Bats BYX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use on Bats BYX Exchange, Inc.

September 19, 2017.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b–4 thereunder,<sup>2</sup> notice is hereby given that on September 11, 2017, Bats BYX Exchange, Inc. (the “Exchange” or “BYX”) 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 Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b–4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

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

The text of the proposed rule change is available at the Exchange’s Web site at [www.bats.com](http://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

As further described below, the Exchange proposes to amend its fee schedule to: (i) Modify its standard rebates to remove liquidity yielding fee codes BB, N and W; (ii) adopt a new tier under footnote 1, Add/Remove Volume Tiers; and (iii) modify the pricing applicable to orders that yield fee codes ZP and ZR, applicable to the Exchange’s Retail Price Improvement (“RPI”) program, including a change to the description of fee code ZR.

###### Standard Rebates To Remove Liquidity

The Exchange currently provides a standard rebate of \$0.0010 per share for orders that remove liquidity from the Exchange in securities priced at or above \$1.00. The Exchange appends fee codes W, BB and N for orders removing liquidity in Tape A, Tape B, and Tape C securities, respectively. The Exchange proposes to reduce the standard rebate provided for orders yielding these fee codes to a rebate of \$0.0008 per share. In connection with this change, the Exchange proposes to modify the Standard Rates chart contained on the fee schedule to reflect the new standard rebate of \$0.0008 per share to remove liquidity.

###### New Remove Volume Tier

The Exchange currently offers six tiers under footnote 1 that offer reduced fees for displayed orders that add liquidity

yielding fee codes B,<sup>6</sup> V<sup>7</sup> and Y,<sup>8</sup> and an enhanced rebate for orders that remove liquidity yielding fee codes BB, N and W, as described above. The Exchange proposes to add a new tier under footnote 1, to be known as Tier 7, under which a Member would receive an enhanced rebate of \$0.0016 per share on orders that yield fee codes BB, N and W, where a Member has: (i) A Step-Up Remove TCV (proposed to be defined as described below) from July 2017 equal to or greater than 0.05%; and (ii) a remove ADV<sup>9</sup> equal to or greater than 0.20% of the TCV.<sup>10</sup>

In conjunction with this change, the Exchange proposes to adopt a definition for Step-Up Remove TCV so that this term is defined as “remove ADV as a percentage of TCV in the relevant baseline month subtracted from current remove ADV as a percentage of TCV.” This term is consistent with the existing definition of Step-Up Remove ADAV.

###### RPI Pricing

The Exchange maintains specific pricing applicable to its RPI program for executions of orders in securities priced at or above \$1.00. Specifically, the Exchange currently applies fee code ZR and provides a \$0.0025 rebate per share for a Retail Order<sup>11</sup> that removes liquidity from the Exchange, except for a Retail Order that removes displayed liquidity or Mid-Point Peg liquidity.<sup>12</sup> The Exchange currently applies fee code

<sup>6</sup> Fee code B is appended to displayed orders that add liquidity to BYX (Tape B) and is assessed a fee of \$0.0018 per share. See the Exchange’s fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/byx/](http://www.bats.com/us/equities/membership/fee_schedule/byx/).

<sup>7</sup> Fee code V is appended to displayed orders that add liquidity to BYX (Tape A) and is assessed a fee of \$0.0018 per share. *Id.*

<sup>8</sup> Fee code Y is appended to displayed orders that add liquidity to BYX (Tape C) and is assessed a fee of \$0.0018 per share. *Id.*

<sup>9</sup> “ADV” means average daily volume calculated as the number of shares added or removed, combined, per day on a monthly basis. See the Exchange’s fee schedule available at [http://www.bats.com/us/equities/membership/fee\\_schedule/byx/](http://www.bats.com/us/equities/membership/fee_schedule/byx/). The Exchange notes that in this context, because the tier is based on “remove ADV,” the Exchange will only consider volume that removes liquidity in its calculation.

<sup>10</sup> “TCV” means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply. *Id.*

<sup>11</sup> As defined in BYX Rule 11.24(a)(2), a “Retail Order” is an agency order or riskless principal that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a Retail Member organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology.

<sup>12</sup> Pursuant to footnote 5, the standard rebate/fee for accessing liquidity applies to any Retail Order that removes displayed liquidity or Mid-Point Peg liquidity.

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

<sup>2</sup> 17 CFR 240.19b–4.

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

<sup>4</sup> 17 CFR 240.19b–4(f)(2).

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

ZP and charges a fee of \$0.0025 per share for any Retail Price Improving Order<sup>13</sup> that adds liquidity to the Exchange and is removed by a Retail Order.

The Exchange proposes to reduce the rebate provided to a Retail Order that yields fee code ZR from a rebate of \$0.0025 per share to a rebate of \$0.0015 per share. The Exchange also proposes to reduce the fee charged for any Retail Price Improving Order that yields fee code ZP from a fee of \$0.0025 per share to a fee of \$0.0016 per share.

In addition to these changes, the Exchange proposes to expand the description of fee code ZR to clarify that this fee code is applied when a Retail Order executes against either a Retail Price Improving Order or a non-displayed order yielding fee code HA. This fee structure has been in place for several years<sup>14</sup> and footnote 5 explicitly defines the types of orders against which a Retail Order can execute that result in such order being assessed the standard fee or rebate.<sup>15</sup> However, the Exchange believes that fee code ZR would be clearer if it reflected the complete universe of liquidity against which a Retail Order can execute and still yield such fee code. This clarity is achieved by adding reference to non-displayed liquidity yielding fee code HA to fee code ZR.

#### Implementation Date

The Exchange proposes to implement the above changes to its fee schedule effective immediately.<sup>16</sup>

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>17</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>18</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and

other charges among its Members and other persons using its facilities.

The Exchange believes that proposed changes to fee codes BB, N, and W represent an equitable allocation of reasonable dues, fees, and other charges because the Exchange's standard rebate for removing liquidity continues to be higher than that provided by other exchanges. For example, Nasdaq BX, Inc. ("Nasdaq BX") provides a standard rebate of \$0.0003 per share for orders that remove liquidity.<sup>19</sup> The Exchange further believes that the standard rebate for fee codes BB, N, and W remains equitably allocated and not unreasonably discriminatory because such rebate is provided to all Members unless they qualify for enhanced rebates based on other factors.

The Exchange believes that the proposed Tier 7 to be added to footnote 1 is equitably allocated and reasonable because it will reward a Member's growth pattern on the Exchange and such increased volume will allow the Exchange to continue to provide and potentially expand its incentive programs. The Exchange further believes that the proposed tier is reasonable, fair and equitable because the liquidity from the proposed change would benefit all investors by deepening the Exchange's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. The Exchange also believes the proposed rebate of \$0.0016 per share for Tier 7 is reasonable in that it is equivalent to the top tier rebate to remove liquidity provided by Nasdaq BX.<sup>20</sup> The proposed pricing structure is also not unfairly discriminatory in that it is available to all Members.

In addition, volume-based fees such as that proposed herein have been widely adopted by exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to: (i) The value to an exchange's market quality; (ii) associated higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns; and (iii) the introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that the proposed tier is a reasonable, fair and equitable, and not an unfairly discriminatory

allocation of fees and rebates, because it will provide Members with an additional incentive to reach certain thresholds on the Exchange.

The Exchange believes that its proposed adjustments to pricing applicable to the RPI program are reasonable, equitably allocated and not unreasonably discriminatory because they continue to provide an enhanced rebate for Retail Orders entered to the Exchange that remove certain liquidity and yield fee code ZR, as described above, but also keep such rebates consistent with the Exchange's standard and tiered pricing structure to remove liquidity. For the same reason, the Exchange believes the reduction of the rate charged to Retail Price Improving Orders that yield fee code ZP is reasonable, equitably allocated and not unreasonably discriminatory. In addition to remaining similar to the rebate provided for contra side orders (*i.e.*, Retail Orders provided a \$0.0015 rebate per share pursuant to fee code ZR), the proposed fee of \$0.0016 per share to add liquidity with a Retail Price Improving Order is intended to incentivize liquidity providers to submit such orders as it is a reduction from the current rate as well as lower than the Exchange's current standard fee to add liquidity of \$0.0018 per share. Finally, the Exchange believes that the proposed clarification of fee code ZR is consistent with the Act as it will help to avoid potential confusion and because the rebate provided continues to be reasonable, equitably allocated and not unreasonably discriminatory for the reasons described above.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that this change represents a significant departure from previous pricing offered by the Exchange or from pricing offered by the Exchange's competitors. The proposed rates would apply uniformly to all Members, and Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets. Further, excessive fees would serve to impair an exchange's ability to compete for order flow and members rather than burdening competition. The Exchange

<sup>13</sup> As defined in BYX Rule 11.24(a)(3), a "Retail Price Improvement Order" consists of non-displayed interest on the Exchange that is priced better than the Protected NBB or Protected NBO by at least \$0.001 and that is identified as such.

<sup>14</sup> See Securities Exchange Act Release No. 71939 (April 14, 2014), 79 FR 21977, 21978 (April 18, 2014) (SR-BYX-2014-004) (notice of filing and immediate effectiveness of effectiveness of proposal to modify BYX fees, including proposal to charge the standard fee to add non-displayed liquidity to an order that adds non-displayed liquidity and is removed by a Retail Order).

<sup>15</sup> See *supra*, note 12.

<sup>16</sup> The Exchange initially filed the proposed amendments to its fee schedule on September 1, 2017 (SR-BatsBYX-2017-20). On September 11, 2017, the Exchange withdrew SR-BatsBYX-2017-20 and then subsequently submitted this filing (SR-BatsBYX-2017-21).

<sup>17</sup> 15 U.S.C. 78f.

<sup>18</sup> 15 U.S.C. 78f(b)(4).

<sup>19</sup> See the Nasdaq BX fee schedule available at [http://www.nasdaqtrader.com/Trader.aspx?id=bx\\_pricing](http://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing).

<sup>20</sup> See *id.*

believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>21</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>22</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**IV. Solicitation of Comments**

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

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-BatsBYX-2017-21 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 Number SR-BatsBYX-2017-21. 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 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-BatsBYX-2017-21, and should be submitted on or before October 16, 2017.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

**Eduardo A. Aleman,**

*Assistant Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

**Submission for OMB Review; Comment Request**

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE., Washington, DC 20549-2736

*Extension:*

Regulation S-X, SEC File No. 270-003, OMB Control No. 3235-0009.

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") has submitted to the Office of Management and Budget ("OMB") a request for extension of the previously approved collection of information discussed below.

Information collected and information prepared pursuant to Regulation S-X focus on the form and content of, and requirements for, financial statements filed with periodic reports and in connection with the offer and sale of securities. Investors need reasonably

current financial statements to make informed investment and voting decisions.

The potential respondents include all entities that file registration statements or reports pursuant to the Securities Act of 1933 (15 U.S.C. 77a, *et seq.*), the Securities Exchange Act of 1934 (15 U.S.C. 78a, *et seq.*), or the Investment Company Act of 1940 (15 U.S.C. 80a-1, *et seq.*).

Regulation S-X specifies the form and content of financial statements when those financial statements are required to be filed by other rules and forms under the federal securities laws. Compliance burdens associated with the financial statements are assigned to the rule or form that directly requires the financial statements to be filed, not to Regulation S-X. Instead, an estimated burden of one hour traditionally has been assigned to Regulation S-X for incidental reading of the regulation. The estimated average burden hours are solely for purposes of the Paperwork Reduction Act and are not derived from a comprehensive or even a representative survey or study of the costs of SEC rules or forms.

Recordkeeping retention periods are based on the disclosure required by various forms and rules other than Regulation S-X. In general, balance sheets for the preceding two fiscal years, income and cash flow statements for the preceding three fiscal years, and condensed quarterly financial statements must be filed with the Commission. Five year summary financial information is required to be disclosed by some larger registrants.

Filing financial statements, when required by the governing rule or form, is mandatory. Because these statements are provided for the purpose of disseminating information to the securities markets, they are not kept confidential.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

The public may view the information discussed in this notice at [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503, or by sending an email to: [Shagufta.Ahmed@omb.eop.gov](mailto:Shagufta.Ahmed@omb.eop.gov); and (ii) Pamela Dyson, Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street NE., Washington, DC 20549 or send an email

<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f).

<sup>23</sup> 17 CFR 200.30-3(a)(12).