

March 27, 2015

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: Release No. 34-74223; File No. 4-668 – Response to Comments**

Dear Mr. Fields:

On December 14, 2014, BATS Exchange, Inc., BATS-Y Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., International Securities Exchange, LLC, ISE Gemini, LLC, Miami International Securities Exchange LLC, NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The NASDAQ Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc. (collectively, “SROs” or “Participants”), filed with the Securities and Exchange Commission (“Commission” or “SEC”) a proposal to amend the Plan Governing the Process of Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail (the “Selection Plan Amendment”).<sup>1</sup>

The proposal was published for comment in the Federal Register on February 11, 2015. The Commission received one comment letter from the Financial Information Forum (“FIF”) in response to the proposal.<sup>2</sup> The SROs greatly appreciate the FIF’s support for the Selection Plan Amendment and acknowledge the thoughtful comments provided by the FIF. This letter responds to the FIF’s comments.<sup>3</sup>

**A. Narrowing the List of Bidders Prior to Any Revision of Bids**

The FIF Letter recommends that the SROs narrow the list of Bidders prior to any revision of Bids taking place. The FIF Letter notes that the Selection Plan Amendment states that the “Participants have expended substantial effort in analyzing potential solutions for the consolidated audit trail (‘CAT’) by gathering and evaluating data and information from a variety of market participants, including Bidders, broker-dealers, vendors, regulators and others.”<sup>4</sup> In light of such efforts, the FIF believes that “it seems unnecessary to require all six bidders to

<sup>1</sup> See Securities Exchange Act Release No. 74223 (Feb. 6, 2015), 80 Fed. Reg. 7654 (Feb. 11, 2015) (File No. 4-668) (the “Selection Plan Amendment”). The comment period closed on March 13, 2015.

<sup>2</sup> See Letter from Manisha Kimmel, Managing Director, Financial Information Forum, to Brent J. Fields, Secretary, SEC (Mar. 13, 2015) (the “FIF Letter”), available at <http://www.sec.gov/comments/4-668/4668-18.pdf>.

<sup>3</sup> Unless otherwise noted, capitalized terms are used as defined in SEC Rule 613, the CAT NMS Plan, the Selection Plan, the Selection Plan Amendment, or in this letter.

<sup>4</sup> Selection Plan Amendment at 7655.

revise their bids.”<sup>5</sup> The FIF Letter explains further, that this “would be beneficial to both bidders and the SROs by reducing the amount of effort required to revise and analyze revisions to bids.”<sup>6</sup>

The SROs are dedicated to maximizing the efficiency and efficacy of the process for selecting the Plan Processor. Accordingly, one of the primary purposes of the Selection Plan Amendment is to provide greater flexibility to the SROs to narrow the list of Shortlisted Bidders, as needed, prior to the Commission’s approval of the CAT NMS Plan. Such flexibility provides the SROs with the ability to tailor the selection process to the bidding landscape as it unfolds. As such, the SROs prefer to have the discretion to permit Bidders to revise their Bids either before or after narrowing the list of Shortlisted Bidders. Nevertheless, the SROs recognize the value of streamlining the process for all parties involved and intend to consider this factor, among others, as they determine when to further narrow the list of Shortlisted Bidders.

#### B. System and Rule Retirement

The FIF Letter requests that, prior to the revision of Bids, detailed information on the retirement of certain systems be provided to the Shortlisted Bidders.<sup>7</sup> The FIF Letter explains further, that the “[r]etirement of these systems is critical to managing the cost of the CAT implementation.”<sup>8</sup> The SROs are committed to minimizing the costs and burdens of duplicative regulatory requirements on member firms, and to facilitating a streamlined bidding process. Accordingly, the SROs intend to move with all due haste to identify and retire regulatory processes made duplicative by the CAT.

In that regard, the SROs have discussed in the CAT NMS Plan the retirement of current reporting regimes and related systems. For instance, the CAT NMS Plan describes major data attributes that would be required to retire current reporting systems, and discusses the anticipated timeline and next steps for retiring such systems. Moreover, the SROs, as well as the FIF, have conducted gap analyses of reporting systems related to the Order Audit Trail System (“OATS”), Electronic Blue Sheet (“EBS”) and Large Trader Reporting (“Large Trader”). Based on these reviews, the SROs have found, for example, that there are approximately 33 fields identified in OATS specifications that are not currently accounted for in the CAT. These fields will be assessed and, if warranted, accounted for in the CAT technical specifications that will be developed at a later time. With respect to EBS, while there are aspects of EBS that overlap with the CAT, differences in the universe of securities currently subject to EBS and those initially covered by the CAT will make it difficult to retire EBS upon the adoption of the CAT. Similarly, certification, recordkeeping and surveillance requirements of Large Trader will make it difficult to retire that system upon the adoption of the CAT.

As noted, however, the SROs are committed to facilitating the reduction of duplicative regulatory requirements on member firms as expeditiously as possible. The SROs provided the results of the gap analyses to the Bidders for consideration as they finalize their solutions. The

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<sup>5</sup> FIF Letter at 1.

<sup>6</sup> *Id.*

<sup>7</sup> In particular, the FIF Letter recommends that “detailed information on OATS, EBS and Large Trader be provided to the narrowed list of bidders.” *Id.* at 2.

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

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SROs have been in regular communication with the Bidders and intend to ensure, through these discussions, that the Bidders have the information they need to provide the SROs with a thorough and complete Bid that can be effectively evaluated by the SROs. Moreover, as the SROs begin to develop technical specifications, which will be completed at a later time in accordance with milestones included in the CAT NMS Plan, the SROs will provide field-level requirements for the Central Repository in the technical specifications. Such field-level requirements will lay the groundwork for retiring the above-listed systems, to the extent possible.

\* \* \* \* \*

The SROs greatly appreciate the FIF's support for the Selection Plan Amendment and will take into consideration the FIF's comments moving forward. However, as discussed above, the SROs do not believe any change to the Selection Plan Amendment is necessary to address the FIF's comments because the amendment provides flexibility for the SROs to narrow the list of Bidders either before or after seeking revised Bids, and the amendment does not directly address retirement of current reporting systems. Therefore, the SROs urge the Commission to approve the Selection Plan Amendment as proposed.

Sincerely,

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[Executed signature pages are located at the end of this letter.]

BATS EXCHANGE, INC.

BY: \_\_\_\_\_

BOX OPTIONS EXCHANGE LLC

BY: \_\_\_\_\_

CHICAGO BOARD OPTIONS  
INCORPORATED INC.

BY: \_\_\_\_\_

EDGA EXCHANGE, INC.

BY: \_\_\_\_\_

FINANCIAL INDUSTRY  
REGULATORY AUTHORITY, INC.

BY: \_\_\_\_\_

ISE GEMINI LLC

BY: \_\_\_\_\_

NASDAQ OMX BX, INC.

BY: \_\_\_\_\_

BATS Y-EXCHANGE, INC.

BY: \_\_\_\_\_

C2 OPTIONS EXCHANGE, INCORPORATED

BY: \_\_\_\_\_

CHICAGO STOCK EXCHANGE, EXCHANGE,

BY: \_\_\_\_\_

EDGX EXCHANGE, INC.

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INTERNATIONAL SECURITIES  
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BY: \_\_\_\_\_

NASDAQ OMX PHLX LLC

BY: \_\_\_\_\_

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NEW YORK STOCK EXCHANGE LLC    NYSE ARCA, INC.

BY: \_\_\_\_\_ BY: \_\_\_\_\_

NYSE MKT LLC

BY: \_\_\_\_\_

cc:    The Hon. Mary Jo White, Chair  
         The Hon. Luis A. Aguilar, Commissioner  
         The Hon. Daniel M. Gallagher, Commissioner  
         The Hon. Kara M. Stein, Commissioner  
         The Hon. Michael Piwowar, Commissioner  
         Mr. Stephen Luparello, Director of Trading and Markets  
         Mr. Gary Goldsholle, Deputy Director of Trading and Markets  
         Mr. David S. Shillman, Associate Director of Trading and Markets  
         Mr. David Hsu, Assistant Director of Trading and Markets

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Name: Tamara Schademann

Title: EVP, CRO

**BATS Y-EXCHANGE, INC.**

By: Tamara Schademann

Name: Tamara Schademann

Title: EVP, CRO

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By: Bruce A. Goodhue

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Title: Chief Regulatory Officer

Date: 3/26/2015

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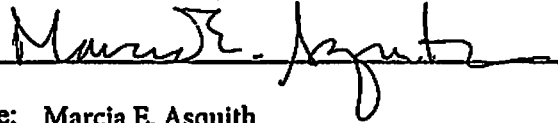
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**ISE GEMINI, LLC**

By: 

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