



June 15, 2015

**Via Electronic Mail ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))**

Mr. Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: File No. SR-BATS-2015-37: Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of a Proposed Rule Change, and Amendment No. 1 Thereto, to Amend Rule 11.2 to State that the BATS Exchange, Inc. Will Not Designate for Trading Any Security Admitted to Unlisted Trading Privileges on the Exchange Unless that Security Satisfies Certain Liquidity Requirements

Dear Mr. Fields:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> submits this letter in response to the proposal by BATS Exchange, Inc. (“BATS”) filed with the Securities and Exchange Commission (“Commission”). Under the proposal, BATS would amend its Rule 11.2 to state that the Exchange will not designate for trading any security admitted to unlisted trading privileges on the Exchange unless certain liquidity requirements are satisfied. SIFMA supports BATS’ proposal, which we believe could help to improve the market quality in less liquid securities.

Under the proposal, BATS would amend Rule 11.2 to provide that it could determine not to trade securities admitted to unlisted trading privileges that fall below certain consolidated average daily volume requirements.<sup>2</sup> BATS states in its proposal that the amendments to Rule 11.2 may facilitate an improvement in market quality for the securities subject to the proposal. In this regard, BATS expresses the view that liquidity providers would be incentivized to quote more competitively in less liquid securities if exchange trading in those securities was concentrated on a single exchange – *i.e.*, the listing exchange. Additionally, BATS notes that concentrating displayed liquidity on the listing exchange may provide that exchange with flexibility to innovate with alternative market structures, such as variable tick sizes or periodic batch auctions that are not currently possible when multiple exchanges are quoting and trading the securities.

SIFMA supports BATS’ proposal as a step towards improving market quality in less liquid securities. In our view, it does not benefit the market quality of less liquid securities for trading to be conducted across so many registered exchanges, which are mandatory trading venues. Rather, the market

---

<sup>1</sup> SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

<sup>2</sup> See Securities Exchange Act Release No. 74987 (May 18, 2015), 80 FR 29769 (May 22, 2015).

Mr. Brent J. Fields  
Securities and Exchange Commission  
SIFMA Comment Letter on File No. SR-BATS-2015-37  
June 15, 2015  
Page 2

quality of less liquid securities could be improved if their exchange trading presence was concentrated on the listing exchange. We encourage the other national securities exchanges to consider a similar approach and limit exchange trading under unlisted trading privileges to securities that satisfy certain liquidity requirements. In this regard, we encourage the other exchanges to consider expanding the scope of less liquid securities that would be subject to a concentrated trading threshold. However, SIFMA would oppose any proposal to establish concentrated exchange trading for actively traded stocks, where exchange competition can and should continue to thrive. And to be clear, any initiative to concentrate exchange trading must also allow for the continuation of off-exchange trading of less liquid securities. Off-exchange trading provides important supplementary benefits to exchange trading, and SIFMA would strongly oppose any proposal that would prevent off-exchange trading from continuing.

\* \* \*

We appreciate the Commission's consideration of our comments in response to BATS's proposed amendments to Rule 11.2. If you have any questions, please contact either me (at [REDACTED] or [REDACTED]) or Timothy Cummings (at [REDACTED] or [REDACTED]).

Sincerely,



Theodore R. Lazo  
Managing Director and  
Associate General Counsel

cc: The Honorable Mary Jo White, Chair  
The Honorable Luis A. Aguilar, Commissioner  
The Honorable Daniel M. Gallagher, Commissioner  
The Honorable Michael S. Piwowar, Commissioner  
The Honorable Kara M. Stein, Commissioner

Stephen Luparello, Director, Division of Trading and Markets  
Gary Goldsholle, Deputy Director, Division of Trading and Markets  
David S. Shillman, Associate Director, Division of Trading and Markets