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paypal.com

September 12, 2017

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

RE: Proposed Rule Change – File No. SR-BatsBZX-2017-34

Dear Mr. Fields:

PayPal Holdings, Inc. (“PayPal”) appreciates the opportunity to comment on the Bats Exchange proposal (SR-BatsBZX-2017-34) to participate in the closing match process for non-BZL listed securities. We believe that the Bats proposal would introduce incremental and undesirable fragmentation, increase volatility, and potentially harm both retail and institutional investors. We believe that the integrity of NASDAQ’s closing process is integral to the role it serves for listed companies like PayPal, and that NASDAQ’s market maker model helps to ensure that investors have a deep and liquid market to purchase stock at the most reliable price.

We further believe Bats participation in the closing auction would allow Bats (and potentially over time, other brokers and exchanges) to free ride on the investments that primary listing markets have made in their closing auction processes without bearing any of the costs or risks associated with conducting closing auctions. We are concerned by, and do not support, this incentive structure. Moreover, we maintain that the Bats proposal undermines competition and weakens the critical price discovery process that is the foundation for the closing auction process. Removing order volume from the auction book, which prevents those orders from competing on NASDAQ and contributing to the determination of the closing price, is detrimental to price competition at the close and does not serve issuers’ or investors’ interests.

PayPal stock trades in a complex and highly fragmented market in which trade order flow must navigate numerous exchanges, dark pools and ECNs. We believe that this fragmentation reduces transparency, degrades market quality, creates arbitrage opportunities, and increases the risk of front running. We have great confidence in the NASDAQ Official Closing Price, which is determined by the NASDAQ Closing Cross, a proven and tested electronic process that collects the maximum available liquidity in a single venue.

We submit that Bats' participation in the closing auction would undermine the NASDAQ Closing Cross and, by extension, the accuracy and reliability of the closing price for listed companies, which would potentially harm both PayPal and its stockholders. As a result, we believe there exists insufficient justification for amending this fundamental market process. Accordingly, PayPal urges the Securities and Exchange Commission to reject the proposal.

Thank you again for the opportunity to comment on the Bats Exchange proposal.

Sincerely,



Wanji Walcott
SVP, General Counsel



Gabrielle Rabinovitch
VP, Investor Relations

FN: On July 25, 2017, John D. Rainey, Executive Vice President and Chief Financial Officer of PayPal Holdings, Inc., was elected to the Nasdaq Board of Directors.