SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63149; File No. SR-BYX-2010-004)

October 21, 2010

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Fees for Use of BATS Y-Exchange, Inc.

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 14, 2010, BATS Y-Exchange, Inc. (the "Exchange" or "BYX") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 proposes to modify its fee schedule applicable to Members[3] of the Exchange pursuant to BYX Rules 15.1(a) and (c). While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on October 15, 2010.

The text of the proposed rule change is available at the Exchange's Web site at http://www.batstrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to implement a fee schedule applicable to use of the Exchange commencing on the date it begins operating as a national securities exchange. The Exchange currently intends to commence operations on October 15, 2010. Please find below a description of the fees and rebates that the Exchange intends to impose under the initial, proposed fee schedule.

The Exchange does not propose to charge different fees or grant different rebates depending on the amount of orders submitted to, and/or trades executed on or through, the Exchange. Accordingly, all fees and rebates described below are applicable to all Members, regardless of the overall volume of their trading activities on the Exchange. Furthermore, the proposed fees are different but structurally similar to those of the Exchange's affiliated exchange, BATS Exchange, Inc. ("BATS Exchange" or "BATS"), though the Exchange has omitted fees that are not currently proposed to be charged by the Exchange or that are not pertinent to the Exchange's planned business.

(i) Standard Order Execution Fees – Removing Liquidity.

The Exchange is proposing to rebate $0.0003 per share for executions that remove liquidity from the Exchange, with the exception of executions involving securities priced under $1.00 per share. With respect to securities priced under $1.00 per share that remove liquidity from the Exchange's book, the Exchange proposes to charge a fee of 0.10% of the total dollar value of the execution.

(ii) Standard Order Execution Fees – Adding Liquidity.

The Exchange proposes to establish a no charge and no rebate structure for adding displayed liquidity to the BYX order book in securities priced $1.00 and above and for adding any liquidity (displayed or non-displayed) to the BYX order book securities priced below $1.00. The Exchange proposes charging $0.0005 per share that adds non-displayed liquidity to the BYX order book in securities priced $1.00 and above. As defined on the proposed fee schedule, the reference to "non-displayed liquidity" for purposes of the fee schedule includes liquidity resulting from all forms of Pegged Orders,[4] Mid-Point Peg Orders,[5] and Non-Displayed Orders,[6] but does not include liquidity resulting from Reserve Orders[7] or Discretionary Orders.[8]

(iii) Standard Routing Pricing – Best Execution Routing.

The Exchange proposes to charge the routing charges described below. All charges by the Exchange for routing are applicable only in the event that an order is executed. In other words, there is no charge for orders that are routed away from the Exchange but are not filled.

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[4] As defined in BYX Rule 11.9(c)(8).

[5] As defined in BYX Rule 11.9(c)(9).

[6] As defined in BYX Rule 11.9(c)(11).

[7] As defined in BYX Rule 11.9(c)(1).

[8] As defined in BYX Rule 11.9(c)(10).

The best execution routing fees proposed by this filing are identical to those charged by the Exchange's affiliated exchange, BATS Exchange (for identical best execution routing strategies). The standard best execution routing strategies offered by the Exchange include Parallel D, Parallel 2D, Parallel T, CYCLE, RECYCLE and DRT.

The Exchange proposes to offer the Parallel D, Parallel 2D, CYCLE and RECYCLE routing strategies at a charge of $0.0028 per share for executions that occur at other trading venues as a result of such strategies. The Exchange proposes to offer its Parallel T routing strategy with a charge of $0.0033 per share for executions that occur at other trading venues via Parallel T.

With respect to securities priced under $1.00 per share, the Exchange proposes to charge 0.28% of the total dollar value of the execution of an order that is routed away from the Exchange through Parallel D or Parallel 2D. Similarly, and based on the charge of $0.0033 per share for Parallel T routing, the Exchange proposes to charge 0.33% of the total dollar value of the execution for any security priced under $1.00 per share that is routed away from the Exchange through Parallel T.

In addition, consistent with the fees charged by BATS Exchange, BYX proposes to offer its DRT routing strategy to Members with a fee of $0.0020 per share executed at a dark liquidity venue. This lower fee is based on the fact that various dark liquidity venues to which the Exchange routes provide the possibility of executions at reduced rates. Finally, as BATS Exchange does on its fee schedule, BYX proposes to note that the current default best execution routing strategy used by the Exchange is to route through DRT to dark liquidity venues and then to other market centers through Parallel D.

(iv) Destination Specific Routing Pricing.

The Exchange proposes to charge a consistent, discounted fee for Destination Specific Orders routed to certain of the largest market centers measured by volume (NYSE, NYSE Arca and NASDAQ) (referred to by the Exchange as "One Under" pricing). The One Under pricing proposed by BYX is identical to One Under pricing offered by BYX's affiliated exchange, BATS Exchange, and in each instance the execution fee will be $0.0001 less per share for orders routed to such market centers by the Exchange than such market centers currently charge for removing liquidity. Specifically, the Exchange proposes to charge: (a) $0.0020 per share for BYX + NYSE Destination Specific Orders executed at NYSE; (b) $0.0027 per share for BYX + NYSE ARCA Destination Specific Orders executed at NYSE Arca in Tape B securities; and (c) $0.0029 per share for BYX + NASDAQ Destination Specific Orders executed at NASDAQ or BYX + NYSE ARCA Destination Specific Orders executed at NYSE Arca in Tape A or Tape C securities, while such market centers currently charge removal rates, respectively, of: (x) $0.0021 per share; (y) $0.0028 per share; and (z) $0.0030 per share.

In conjunction with this proposal, the Exchange proposes to set forth these fees under a separate heading in order to make clear the order types to which "One Under" pricing applies. All other Destination Specific Order fees (i.e., to BATS Exchange or other market centers, as described below) can be found under the heading for "Other Non-Standard Routing Options."

The Exchange also proposes to adopt pricing for a Destination Specific Order[9] routed to and executed by its affiliated exchange, BATS Exchange. The Exchange proposes to refer to this routing as "B2B" routing, and proposes to charge $0.0025 per share for B2B orders routed to and executed by BATS Exchange. This charge is the same charge a Member would incur if it

9 As defined in BATS Rule 11.9(c)(12).

routed an order to BATS Exchange directly. In addition, the Exchange proposes to adopt a charge of $0.0030 per share for Destination Specific Orders sent to and executed by any market center other than the NYSE, NYSE Arca, NASDAQ or BATS Exchange that displays a Protected Quotation[10] (each a "Protected Market Center"). Additionally, the Exchange proposes to charge $0.0020 per share for executions that occur at a dark liquidity venue through a BYX + DRT Destination Specific Order.

(v) Other Non-Standard Routing Options.

In addition to non-standard routing options described elsewhere in this filing, the Exchange also proposes to charge certain other fees identical to those charged by its affiliated exchange, BATS Exchange. Specifically, the Exchange proposes to charge $0.0033 per share for Directed ISO's.[11] The Exchange also proposes not to charge for Modified Destination Specific Orders[12] routed to and executed by a dark liquidity venue through its "Dark Scan" routing strategy.

(vi) TRIM Routing Pricing

The Exchange proposes to adopt pricing for its new TRIM order routing strategy, which strategy is focused on seeking execution of orders while minimizing execution costs by routing only to certain low cost execution venues on the Exchange's System routing table. The Exchange proposes to charge Members $0.0025 per share for TRIM orders routed to and executed by its affiliated exchange, BATS Exchange, which is the same rebate to be offered by BATS to market participants that route directly to and execute at BATS. For executions through TRIM routing that occur at a dark liquidity venue (identified by the Exchange as a "DRT"

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10 As defined in BATS Rule 1.5(t).

11 As defined in BYX Rule 11.9(d)(2).

12 As defined in BATS Rule 11.9(c)(13).

venue) or the NYSE, the Exchange proposes to charge $0.0020 per share. Finally, to the extent an order routed through TRIM executes at a low-priced venue other than BATS, a DRT venue or NYSE, the Exchange proposes neither to charge the Member any fee nor to pay any rebate for such execution.

(vii) SLIM Routing Pricing

The Exchange proposes to adopt pricing for its new SLIM order routing strategy, which, similar to TRIM, is focused on seeking execution of orders while minimizing execution costs by routing to certain low cost execution venues on the Exchange's System routing table. The primary distinction between TRIM and SLIM is that SLIM will route first to low cost execution venues but will ultimately route to all venues on the Exchange's System routing table, whereas TRIM only routes to low cost execution venues. As with TRIM, the Exchange proposes to charge Members $0.0025 per share for SLIM orders routed to and executed by its affiliated exchange, BATS. For executions through SLIM routing that occur at the NYSE, the Exchange proposes to charge $0.0020 per share. Finally, to the extent an order routed through SLIM executes at any other venue, including any DRT venue, the Exchange proposes to charge $0.0026 per share.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act. Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls.

The various routing fees proposed by this filing, including fees for order execution and routing strategies offered by the Exchange, are intended to attract order flow to BYX by offering competitive and easy to understand rates to Exchange Members. All fees are structured in a manner comparable to corresponding fees of the Exchange's affiliate, BATS Exchange, and are set at levels equal to or lower than the levels of the comparable BATS Exchange fees.

The differences between the fees charged for routing to specific market centers and routing of specific order types described above are due to different cost structures at the various market centers to which orders may be routed and other factors. For instance, lower transaction fees at NYSE allow the Exchange to charge lower routing fees for BATS + NYSE Destination Specific Orders than Destination Specific Orders routed elsewhere (i.e., to NASDAQ and other protected market centers). Similarly, lower transaction fees at dark liquidity venues permit the Exchange to charge lower routing fees for orders routed to such venues. Because the Exchange incurs additional costs and performs additional services in connection with certain routing services, such as the routing of Directed ISOs and Parallel T routing, it proposes to charge a higher routing fee for such orders. Finally, because the Exchange believes that a uniform routing fee for all other orders routed away from the Exchange through its best execution routing strategies provides Members with certainty as to transaction costs, it proposes to charge standard routing fees for such orders, rather than further differentiating routing fees that it charges to Members.

The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. Also, although routing services offered by the Exchange are available to all Members, Members are not required to use the Exchange's routing services, but instead, the Exchange's routing services are completely optional. Members can manage their own routing practices or can utilize a myriad of other routing solutions that are available to market participants.

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

The Exchange does not believe that the proposed rule change imposes any burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act[13] and Rule 19b-4(f)(2) thereunder,[14] because it establishes or changes a due, fee or other charge imposed on members by the Exchange. Accordingly, the proposal is effective upon filing with the Commission.

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.

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[13] 15 U.S.C. 78s(b)(3)(A)(ii).

[14] 17 CFR 240.19b-4(f)(2).

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 e-mail to rule-comments@sec.gov. Please include File Number SR-BYX-2010-004 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BYX-2010-004. This file number should be included on the subject line if e-mail 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 website (http://www.sec.gov/rules/sro.shtml). Copies of the submission,[15] 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 website viewing and printing in the Commission's Public Reference Room, 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

15 The text of the proposed rule change is available on the Commission's website at http://www.sec.gov/rules/sro.shtml.

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-BYX-2010-004 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[16]

Florence E. Harmon
Deputy Secretary

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[16] 17 CFR 200.30-3(a)(12).