

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71940; File No. SR-BYX-2014-005)

April 14, 2014

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 April 1, 2014, BATS Y-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 Act³ and Rule 19b-4(f)(2) thereunder,⁴ 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 the Substance of the Proposed Rule Change

The Exchange filed a proposal to amend the fee schedule applicable to Members⁵ and non-members of the Exchange pursuant to BYX Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal are effective upon filing.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

The text of the proposed rule change is available at the Exchange's website at <http://www.batstrading.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

The Exchange recently amended its fee schedule, effective April 1, 2014, to modify the rebates it provides for orders that remove liquidity and the fees it charges to add liquidity.⁶ Specifically, the Exchange adopted a standard rebate of \$0.0015 per share for all orders that remove liquidity in securities priced \$1.00 and above, with the exception of Mid-Point Peg Order⁷ liquidity ("Mid-Point Peg liquidity"). For executions that add displayed liquidity in securities priced \$1.00 or above, the Exchange adopted a standard liquidity adding fee of \$0.0017 per share, subject to reduced fees for Members that qualify for tiered pricing based on volume added to the Exchange.

The Exchange proposes to increase both the standard rebate to remove liquidity and the standard fee to add displayed liquidity by \$0.0001 per share. Thus, for executions that remove

⁶ See SR-BYX-2014-004, available at http://batstrading.com/regulation/rule_filings/byx/.

⁷ As defined in Exchange Rule 11.9(c)(9).

liquidity in securities priced \$1.00 and above, with the exception of Mid-Point Peg liquidity, the Exchange proposes to increase the standard rebate of \$0.0015 per share to \$0.0016 per share. For executions that add displayed liquidity in securities priced \$1.00 or above, the Exchange proposes to increase the standard liquidity adding fee of \$0.0017 per share to \$0.0018 per share, subject to reduced fees for Members that qualify for tiered pricing based on volume added to the Exchange. The Exchange does not propose any other changes to the recently adopted changes.

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.⁸ Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,⁹ 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 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.

The changes to Exchange execution fees and rebates proposed by this filing are intended to attract order flow to the Exchange by continuing to offer competitive pricing while also allowing the Exchange to continue to offer incentives to provide aggressively priced displayed liquidity.

With respect to the proposed changes to the pricing structure for removing liquidity from the Exchange, the Exchange believes that its proposal is reasonable because the change provides

⁸ 15 U.S.C. 78f.

⁹ 15 U.S.C. 78f(b)(4).

only a slight additional increase to the recently adopted changes. The Exchange also believes that the rebate for removing liquidity in securities priced \$1.00 or above are reasonable and equitably allocated because the proposed changes will increase the rebate for all orders that remove liquidity (other than orders that remove Mid-Point Peg liquidity). The proposed rebates are equitably allocated and not unfairly discriminatory because the rebates will apply equally to all Members.

With respect to the slight increase to the fees charged to add displayed liquidity in securities priced \$1.00 or above, the Exchange believes that the proposed fees are reasonable, equitably allocated and not unfairly discriminatory as they are designed to attract additional removing liquidity to the Exchange. So, while the Exchange is proposing to increase fees on a per share basis, it is simultaneously providing higher rebates to all Members for removing liquidity. Thus, although the change increases the fee for orders that provide liquidity, it provides an offsetting increase in the rebate for orders removing liquidity. The tiered pricing structure and reduced fees for Members that qualify are equitably allocated and not unfairly discriminatory for the reasons described when the pricing structure was adopted.¹⁰

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. Because the market for order execution is extremely competitive, Members may choose to preference other market centers ahead of the Exchange if they believe that they can receive better fees or rebates elsewhere. Further, such changes are necessarily competitive

¹⁰ See supra note 6.

because they are intended to provide incentives to Members that will result in increased activity on the Exchange.

The Exchange also believes that its pricing for removing liquidity is appropriately competitive vis-à-vis the Exchange's competitors, with at least one such competitor, NASDAQ OMX BX, Inc. ("NASDAQ BX"), offering a similar pricing model.¹¹ In a competitive environment, the Exchange must continually adjust its fees to remain competitive with other exchanges and alternative liquidity sources. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited. The proposed changes are, in fact, a direct response to an adjustment by NASDAQ BX in response to the Exchange's recent change to its pricing structure.¹² Thus, the modifications described herein are a direct response to competition, which should be viewed as a positive signal that a competitive market exists. If the changes are unattractive to market participants, it is likely that the Exchange will lose market share as a result. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing order execution venues to maintain their competitive standing in the financial markets. Finally, the Exchange does not believe that any of the changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors.

¹¹ See NASDAQ BX Pricing List [available at](http://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing) http://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing.

¹² See Nasdaq Equity Trader Alert #2014-28 [available at](http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2014-28) <http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2014-28>.

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

No written comments were solicited or received.

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 Act¹³ and paragraph (f) of Rule 19b-4 thereunder.¹⁴ 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 e-mail to rule-comments@sec.gov. Please include File Number SR-BYX-2014-005 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-BYX-2014-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f).

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, 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, 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 such 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-BYX-2014-005 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.¹⁵

Jill M. Peterson
Assistant Secretary

¹⁵ 17 CFR 200.30-3(a)(12).