

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73080; File No. SR-BATS-2014-039)

September 11, 2014

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use of BATS 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 August 28, 2014, BATS Exchange, Inc. (the “Exchange” or “BATS”) 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 BATS 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 defined as “any registered broker or dealer that has been admitted to membership in the Exchange.” See Exchange Rule 1.5(n).

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 proposes to modify its fee schedule applicable to use of the Exchange's equities trading platform ("BATS Equities") in order to: (i) add two additional "Cross-Asset Step-Up Tiers" for purposes of tiered pricing applicable to BATS Equities; and (ii) modify fees applicable to orders routed to and executed at the New York Stock Exchange LLC ("NYSE").

Additional Step-Up Tiers

Currently, with respect to BATS Equities, the Exchange determines the liquidity adding rebate that it will provide to Members using the Exchange's tiered pricing structure, which is based on the Member meeting certain volume tiers based on their ADAV⁶ as a percentage of

⁶ As provided in the fee schedule, for purposes of BATS Equities pricing, "ADAV" means average daily added volume calculated as the number of shares added per day on a monthly basis; the Exchange excludes from the ADAV calculation routed shares as well as shares added on any day that the Exchange's system experiences a disruption that lasts for more than 60 minutes during regular trading hours ("Exchange System Disruption"),

TCV⁷ or ADV⁸ as a percentage of TCV. Under such pricing structure, a Member will receive an adding rebate of anywhere between \$0.0020 and \$0.0032 per share executed, depending on the volume tier for which such Member qualifies. The Exchange also maintains two additional types of tiers in addition to the volume tiers described above: Step-Up Tiers and a Cross-Asset Step-Up Tier. The Step-Up Tier and Cross-Asset Step-Up Tier provide Members with additional ways to qualify for enhanced rebates. The Cross-Asset Step-Up Tier includes pricing based on a Member's participation on the Exchange's equity options platform ("BATS Options"). As proposed, the existing volume tiers, including the Step-Up Tiers and Cross-Asset Step Up Tier will remain the same. However, the Exchange proposes to add two new Cross-Asset Step Up Tiers to its fee schedule as Tier 1 and Tier 2, and to re-number the existing Cross-Asset Step Up Tier as Tier 3.

The existing Cross-Asset Step-Up Tier is designed to incentivize Members to both increase their participation on the Exchange in terms of their ADAV and their ADAV on BATS Options ("Options ADAV")⁹ compared to their January 2014 ADAV and Options ADAV. The

on any day with a scheduled early market close and on the last Friday in June (the "Russell Reconstitution Day").

⁷ As provided in the fee schedule, for purposes of BATS Equities pricing, "TCV" means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption, on any with a scheduled early market close and the Russell Reconstitution Day.

⁸ As provided in the fee schedule, for purposes of BATS Equities pricing, "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day on a monthly basis; the Exchange excludes from the ADV calculation routed shares, and shares added on any day that the Exchange's system experiences an Exchange System Disruption, on any day with a scheduled early market close and on the Russell Reconstitution Day.

⁹ Similar to the definition of ADAV for BATS Equities, the BATS Options definition of ADAV is average daily added volume calculated as the number of contracts added.

existing Cross-Asset Step-Up Tier provides a rebate of \$0.0032 per share where the Member's Step-Up Add TCV¹⁰ is equal to or greater than 0.30% and the Member's Options Step-Up Add TCV, as described below, is greater than 0.40%. The Cross-Asset Step-Up Tier is similar to cross asset tiers employed by NYSE Arca, Inc. and the Nasdaq Stock Market, LLC.¹¹ The new proposed Cross-Asset Step-Up Tiers are similar to the Exchange's existing Cross-Asset Step-Up Tier in that they are designed to incentivize liquidity provision on the Exchange by providing an enhanced rebate while also incentivizing increased participation on BATS Options.

The proposed Cross-Asset Step Up Tier 1 would provide a rebate of \$0.0027 per share where the Member's Options Step-Up Add TCV is equal to or greater than 0.30%. The proposed Cross-Asset Step Up Tier 2 would provide a rebate of \$0.0028 per share where the Member's Options Step-Up Add TCV is equal to or greater than 0.40%.

A Member's Options Step-Up Add TCV is calculated as the increase in the Member's current Options ADAV as a percentage of options TCV ("Options TCV")¹² ("Current Options ADAV") over the Member's Options ADAV as a percentage of Options TCV from January 2014 ("Baseline Options ADAV"). By way of example, where a Member's Baseline Options ADAV is 0.04%, the Member would need to achieve a Current Options ADAV of 0.34% in order to qualify for Cross-Asset Step-Up Tier 1 and its \$0.0027 per share rebate or 0.44% in order to qualify for Cross-Asset Step-Up Tier 2 and its \$0.0028 per share rebate.

¹⁰ A Member's Step-Up Add TCV is based on participation on BATS Equities and defined as a percentage of TCV in January 2014 subtracted from current ADAV as a percentage of TCV.

¹¹ See Exchange Act Release No. 67424 (July 18, 2012), 77 FR 42347 (July 12, 2012) (SR-NYSEArca-2012-70); Nasdaq Rule 7018(a)(1).

¹² As provided in the fee schedule, for purposes of BATS Options pricing, "TCV" means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption.

As is currently the case pursuant to the fee schedule, a Member will receive the higher of the volume rebates, step-up rebates, or cross-asset step-up rebates for which they qualify.

Orders Routed to and Executed at NYSE

The Exchange proposes to modify the “Equities Pricing” section of its fee schedule effective September 2, 2014, in order to amend the fees for certain routing strategies based on a change of fees at the NYSE.

The Exchange has previously provided a discounted fee for Destination Specific Orders routed to certain of the largest market centers measured by volume (NYSE, NYSE Arca and NASDAQ), which, in each instance has been \$0.0001 less per share for orders routed to such market centers by the Exchange than such market centers currently charge for removing liquidity (referred to by the Exchange as “One Under” pricing). NYSE is implementing certain pricing changes effective September 2, 2014, including modification from a fee to remove liquidity of \$0.0026 per share to a fee of \$0.0027 per share.¹³ Based on the changes in pricing at NYSE, BATS is proposing to increase its fee for Destination Specific Orders¹⁴ executed at NYSE so that the fee remains \$0.0001 less per share for orders routed to NYSE. Specifically, the Exchange proposes to increase the fee charged for BATS + NYSE Destination Specific Orders executed at NYSE from \$0.0025 per share to \$0.0026 per share.

In addition, the Exchange offers a variety of routing strategies, including “SLIM” and “TRIM,” each of which has a specific fee for an execution that occurs at NYSE.¹⁵ Consistent with its One Under pricing model, the Exchange currently charges \$0.0025 per share for

¹³ See NYSE Trader Update dated August 21, 2014, http://www1.nyse.com/pdfs/NYSE_Client_Notice_Fee_Change_09_2014.pdf.

¹⁴ As defined in Exchange Rule 11.9(c)(12).

¹⁵ See Exchange Rule 11.13(a)(3)(G) for a description of the TRIM routing strategy and Exchange Rule 11.13(a)(3)(H) for a description of the SLIM routing strategy.

executions that occur at NYSE through SLIM and TRIM. Based on the increased fee at NYSE, the Exchange proposes to increase the fee charged for SLIM and TRIM orders executed at NYSE from \$0.0025 per share to \$0.0026 per share.

Implementation Date

The Exchange proposes to implement these amendments to its fee schedule on September 2, 2014.

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.¹⁶ Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁷ 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 Exchange believes that providing additional financial incentives on BATS Equities to Members that demonstrate an increase over their Options Baseline ADAV through the new proposed Cross-Asset Step-Up Tiers offer additional, flexible ways to achieve financial incentives from the Exchange and encourage Members to add liquidity to both BATS Equities and BATS Options. The Exchange believes that these incentives are reasonable, fair and equitable because the liquidity from each of these proposals also benefits all investors by

¹⁶ 15 U.S.C. 78f.

¹⁷ 15 U.S.C. 78f(b)(4).

deepening the BATS Equities and BATS Options liquidity pools, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Such pricing programs thereby reward a Member's growth pattern and such increased volume increase potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. These pricing programs are also fair and equitable in that they are available to all Members and will result in Members receiving either the same or an increased rebate than they would currently receive. The Exchange also notes that the proposed step-up tier are similar to pricing tiers currently available on Arca and Nasdaq.¹⁸

Volume-based rebates and fees such as the ones maintained on BATS Equities, including the Cross-Asset Step-Up Tiers proposed herein, have been widely adopted by equities and options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes. Further, the Exchange believes that the Cross-Asset Step-Up Tiers will provide such enhancements in market quality on both BATS Equities and BATS Options by incentivizing participation on both platforms. Although the new tiers do not require a certain amount of growth on BATS Equities in order to qualify for the enhanced rebate, the enhanced rebate is intended to incentivize enhanced participation on BATS Equities while both incentivizing and rewarding Members for additional participation on BATS Options. The Exchange notes that it is not proposing to modify any existing tiers (other than to re-number the

¹⁸ See supra note 11.

Equities Cross-Asset Step-Up Tier), but rather to add new tiers that will provide Members with additional ways to receive higher rebates. Accordingly, under the proposal a Member will receive either the same or a higher rebate than they would receive today. Accordingly, the Exchange believes that the proposed additions to the Exchange's tiered pricing structure and incentives are not unfairly discriminatory because they will apply uniformly to all Members and are consistent with the overall goals of enhancing market quality on both BATS Equities and BATS Options.

Finally, the Exchange believes that the proposed changes to certain of the Exchange's non-standard routing fees and strategies are equitably allocated, fair and reasonable, and non-discriminatory in that they are equally applicable to all Members and are designed to provide a reduced fee for orders routed to NYSE through Exchange routing strategies as compared to applicable fees for executions if such routed orders were instead executed directly by the Member at NYSE.

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. With respect to the proposed new tiered rebates, the Exchange does not believe that any such changes burden competition, but instead, enhance competition, as they are intended to increase the competitiveness of and draw additional volume to both BATS Equities and BATS Options. The Exchange also believes the proposed step-up tiers would enhance competition because they are similar to pricing tiers currently available on Arca and Nasdaq.¹⁹ As stated above, the Exchange notes that it operates in a highly competitive market in which market

¹⁹ See supra note 11.

participants can readily direct order flow to competing venues if the deemed fee structures to be unreasonable or excessive. Finally, because the market for order execution is extremely competitive, Members may readily opt to disfavor the Exchange's routing services if they believe that alternatives offer them better value. For an order routed through the Exchange and executed at NYSE through the applicable routing strategies, the proposed fee change is designed to maintain a slight discount compared to the fee the Member would have paid if such routed order was instead executed directly by a Member at NYSE.²⁰

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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 Act²¹ and paragraph (f) of Rule 19b-4 thereunder.²² 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.

²⁰ See BATS Rule 21.1(d)(8) (describing "BATS Only" orders for BATS Options) and BATS Rule 21.9(a)(1) (describing the BATS Options routing process, which requires orders to be designated as available for routing).

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f).

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-BATS-2014-039 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-BATS-2014-039. 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, 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-BATS-2014-039 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.²³

Kevin M. O'Neill
Deputy Secretary

²³ 17 CFR 200.30-3(a)(12).