

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74589; File No. SR-BATS-2015-23)

March 26, 2015

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 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 17, 2015, BATS Exchange, Inc. (the “Exchange” or “BATS”) filed with the Securities and Exchange Commission (“SEC” or “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 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 The term “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 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 in order to: (1) modify the requirements for meeting Add Volume Tiers 5 and 6; (2) delete Tier 3 of the Cross-Asset Step-Up Tiers; (3) adjust rebates for orders that yield fee code A; (4) add new fee code RN; (5) add a clarifying statement regarding fee codes applicable to certain orders routed to NYSE Arca, Inc. ("NYSE Arca"); and (6) to make a non-substantive change to remove a typographical error.

Modifying Add Volume Tiers 5 and 6

The Exchange proposes to amend its fee schedule to raise the ADAV⁶ as a percentage of TCV⁷ required to meet Tiers 5 and 6 of the Add Volume Tiers from 0.75% and 1.00% to 1.00%

⁶ "ADAV" means average daily volume calculated as the number of shares added per day on a monthly basis.

⁷ "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.

and 1.25%, respectively. Currently, the Exchange offers a \$0.0031 rebate per share added to Members that qualify for Tier 5 of the Add Volume Tiers by having an ADAV as a percentage of TCV equal to or greater than 0.75% or an ADV⁸ as a percentage of TCV equal to or greater than 1.40%. The Exchange also offers a \$0.0032 rebate per share added to Members that qualify for Tier 6 of the Add Volume Tiers by having an ADAV as a percentage of TCV equal to or greater than 1.00% or an ADV as a percentage of TCV equal to or greater than 1.75%. The Exchange is not proposing to change the rebates or ADV as a percentage of TCV thresholds associated with Tiers 5 and 6.

Cross-Asset Step-Up Tiers

The Exchange is also proposing to eliminate Tier 3 of the Cross-Asset Step-Up Tiers. Currently, the Exchange offers a \$0.0032 rebate per share added to Members that qualify for Tier 3 of the Cross-Asset Step-Up Tiers by having a Step-Up Add TCV⁹ from December 2014 equal to or greater than 0.15% and an Options Step-Up Add TCV¹⁰ equal to or greater than 0.60%. As stated above, the Exchange is proposing to eliminate Tier 3, but is not proposing to make any changes to existing Tiers 1 and 2. As part of this change, the Exchange is also proposing to remove the third column from the Cross-Asset Step-Up Tiers chart because the deletion of Tier 3 removes any need for a column related to a Member's Step-Up Add TCV from December 2014. The Exchange also proposes to eliminate the column that includes the word "and" between the third column and the Options Step-Up Add TCV column.

⁸ "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day on a monthly basis.

⁹ "Step-Up Add TCV" means ADAV as a percentage of TCV in the relevant baseline month subtracted from current ADAV as a percentage of TCV.

¹⁰ "Options Step-Up Add TCV" means ADAV as a percentage of TCV in January 2014 subtracted from current ADAV as a percentage of TCV, using the definitions of ADAV and TCV as provided under the Exchange's fee schedule for BATS Options.

Fee Code A

In securities priced at or above \$1.00, the Exchange currently provides a rebate of \$0.0015 per share for Members' orders that yield fee code A, which routes to Nasdaq Stock Market LLC ("Nasdaq") and adds liquidity. The Exchange proposes to amend its Fee Schedule to decrease this rebate to \$0.0004 per share for Members' orders that yield fee code A. The proposed change represents a pass through of the lowest possible rebate that BATS Trading, Inc. ("BATS Trading"), the Exchange's affiliated routing broker-dealer, receives for adding liquidity on Nasdaq. When BATS Trading routes and adds liquidity to Nasdaq, it is rebated a standard rate of \$0.0004 per share for orders in select symbols ("Nasdaq's Select Symbol Program"). When BATS Trading routes to Nasdaq in other symbols, it is rebated a standard rate of \$0.0015 per share. Further, BATS Trading might qualify for tiered pricing that would increase the amount of the rebate received. However, due to billing system limitations that do not allow for separate rates on a security by security basis and in order to maintain a simple to understand fee schedule, the Exchange will provide a rebate of \$0.0004 per share for executions in all Tapes A, B & C securities routed to Nasdaq that yield fee code A.

The Exchange notes that the proposed change is in response to Nasdaq's January 2015 fee change where Nasdaq decreased the rebate it provides its customers, such as BATS Trading, for orders in symbols included in Nasdaq's Select Symbol Program from a rebate of \$0.0015 per share to a rebate of \$0.0004 per share.¹¹

Fee Code RN

The Exchange proposes to adopt new fee code RN, which would be applied to orders routed to Nasdaq using the ROOC routing strategy that add liquidity. Orders that yield fee code

¹¹ See Securities Exchange Act Release No. 73967 (December 30, 2014), 80 FR 594 (January 6, 2015) (SR-Nasdaq-2014-128).

RN will receive a rebate of \$0.0015 per share. The ROOC Routing strategy routes orders to participate in the opening, re-opening (following a halt, suspension, or pause), or closing process of a primary listing market if received before the opening/re-opening/closing time of such market. In turn, an order that has been sent to participate in an opening or closing process may add liquidity prior to the commencement of such process. Proposed fee code RN represents a pass through of the standard rebate that BATS Trading, the Exchange's affiliated routing broker-dealer, is rebated for added liquidity on Nasdaq in securities not included in Nasdaq's Select Symbol Program (presuming it does not qualify for a volume tiered rebate). When BATS Trading routes to Nasdaq using the ROOC routing strategy and an order adds liquidity, BATS Trading receives a standard rebate of \$0.0015 per share for securities that are not included in Nasdaq's Select Symbol Program. As noted above, due to billing system limitations that do not allow for separate rates on a security by security basis and in order to maintain a simple to understand fee schedule, the Exchange will pass through the rebate of \$0.0015 per share for executions in all Tapes A, B & C securities routed to Nasdaq that yield fee code RN. The Exchange notes that fee code A above will continue to be applied to all orders routed to Nasdaq not utilizing the ROOC routing strategy that add liquidity.

Orders routed via ROOC that add liquidity at Nasdaq have previously yielded fee code A, and thus, have received a rebate of \$0.0015 per share. The Exchange has proposed to add fee code RN to maintain the applicable pricing (i.e., a rebate of \$0.0015 per share) for orders that are routed via ROOC and add liquidity at Nasdaq. The Exchange notes that it has proposed to pass on the standard rebate for executions that yield fee code RN even though the Exchange will receive a lower rebate per share, \$.0004 per share, for executions of securities that are included in Nasdaq's Select Symbol Program.

NYSE and NYSE MKT Rule 49

The Exchange proposes to add a bullet under the General Notes section of the Fee Schedule to describe the rates that would apply where the New York Stock Exchange, Inc. (“NYSE”) or NYSE MKT LLC (“NYSE MKT”) declare an emergency condition under their Rule 49. Under NYSE and NYSE MKT Rule 49, the NYSE or NYSE MKT may invoke their emergency powers during an emergency condition and designate NYSE Arca as their backup facility to receive and process bids and offers and to execute orders on behalf of the NYSE or NYSE MKT. In such case, the Exchange will route any order that was intended to be routed to the NYSE or NYSE MKT to NYSE Arca and the Exchange’s System will identify such trades as being executed on NYSE Arca, not the NYSE or NYSE MKT. Because the executions occurred on NYSE Arca, NYSE Arca will charge BATS Trading their applicable fee or rebate, and BATS Trading will pass through that fee or rebate to the Exchange who would, in turn, pass that rate along to its Members. Therefore, the Exchange proposes to add a bullet to its Fee Schedule stating that fee codes applicable to orders routed to NYSE Arca will be applied to orders routed to the NYSE or NYSE MKT where, pursuant to NYSE and NYSE MKT Rule 49, the NYSE or NYSE MKT have designated NYSE Arca as their backup facility to receive and process bids and offers and to execute orders on behalf of the NYSE or NYSE MKT.

Non-Substantive Change

The Exchange is proposing to make a non-substantive change to revise references to “the BZX Top” and “the BZX Last Sale” that are currently present in the Market Data Fees section of the fee schedule. The Exchange is proposing to delete the word “the” from those references.

Implementation Date

The Exchange proposes to implement the amendments to its fee schedule effective immediately.

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.¹² Specifically, the Exchange believes that the proposed rule change is consistent with Sections 6(b)(4) of the Act and 6(b)(5) of the Act,¹³ 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.

Modifying Add Volume Tiers 5 and 6

The Exchange believes that its proposal to increase the threshold of ADAV as a percentage of TCV that a Member must achieve in order to qualify for Tiers 5 and 6 of the Add Volume Tiers is reasonable, fair, and equitable because it will provide an incentive to Members to increase the amount of liquidity that they add on the Exchange. While the proposed changes would make it more difficult to meet or exceed the threshold to qualify for Tiers 5 and 6, the Exchange believes that the increased liquidity from incentivizing Members to increase their participation on the Exchange will benefit all investors by deepening the liquidity pool on the Exchange, supporting the quality of price discovery, promoting market transparency, and

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(4) and (5).

improving investor protection would offset the negative effects that such an increase would have. The Exchange believes that tiered pricing programs such as that proposed herein reward a Member's increased participation on the Exchange and that such increased volume increases the potential revenue to the Exchange, which will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. Such pricing programs are also fair and equitable and non-discriminatory in that they are available to all Members. Further, volume-based rebates and fees such as the ones maintained by the Exchange, including those amendments 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 of 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.

Cross-Asset Step-Up Tiers

The Exchange believes that its proposal to eliminate Tier 3 from the Cross-Asset Step-Up Tiers is reasonable, fair, and equitable for several of the reasons stated above. Specifically, the requirements to qualify for Tier 3 and the increased rebate associated therewith have not operated in the way that it was designed or the way the Exchange believed in that it has not resulted in an increase in liquidity or any of the ancillary benefits to the market that come from increased liquidity on the Exchange. As such, the Exchange believes that removing the tier from its fee schedule is reasonable, fair, and equitable. The Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Fee Code A

The Exchange believes that its proposal to decrease the pass through rebate for Members' orders that yield fee code A from \$0.0015 to \$0.0004 per share represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities. Prior to the changes related to the Nasdaq Select Symbol Program, Nasdaq provided BATS Trading a rebate of \$0.0015 per share for orders that added liquidity, which BATS Trading passed through to the Exchange and the Exchange passed through to its Members pursuant to fee code A. In January 2015, Nasdaq decreased the standard rebate it provides its customers, such as BATS Trading, from a rebate of \$0.0015 per share to a rebate of \$0.0004 per share for orders that add liquidity on Nasdaq in symbols included in its Select Symbol Program.¹⁴ Therefore, the Exchange believes that the proposed change in fee code A from a rebate of \$0.0015 per share to a rebate of \$0.0004 per share is equitable and reasonable because it accounts for the pricing changes on Nasdaq and is necessary due to billing system limitations and to maintain a simple to understand fee schedule. The Exchange notes that routing through BATS Trading is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Fee Code RN

The Exchange believes its proposal to adopt new fee code RN, which would be applied to orders routed to Nasdaq using the ROOC routing strategy that add liquidity, represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to Nasdaq through BATS Trading using the ROOC routing

¹⁴ See supra note 11.

strategy. Proposed fee code RN represents a pass through of the standard rebate that BATS Trading, the Exchange's affiliated routing broker-dealer, receives for adding liquidity to Nasdaq in securities not included in Nasdaq's Select Symbol Program (presuming BATS Trading does not qualify for a volume tiered rebate). The Exchange believes the proposal to provide proposed fee code RN a rebate of \$0.0015 per share is equitable and reasonable because it accounts for pricing on Nasdaq in securities not subject to the Select Symbol Program and it allows the Exchange to continue to provide its Members a pass-through rebate of \$0.0015 per share for orders that are routed to Nasdaq using the ROOC routing strategy. The Exchange notes that it has proposed to pass on the standard rebate of \$0.0015 for executions that yield fee code RN even though the Exchange will receive a lower rebate per share, \$0.0004 per share, for executions of securities that are included in Nasdaq's Select Symbol Program. The Exchange believes that the proposed fee structure is equitable and reasonable because it does not represent a change from the current pricing applicable to orders sent through such strategy that add liquidity at Nasdaq and because orders that use the ROOC routing strategy could only add liquidity at Nasdaq immediately prior to the opening or closing processes rather than throughout the day. The Exchange notes that routing through BATS Trading is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

NYSE and NYSE MKT Rule 49

The Exchange believes that adding a bullet under the General Notes section of the Fee Schedule to describe the rates that would apply where the NYSE or NYSE MKT declare an emergency condition under their Rule 49 is reasonable because it is designed to provide greater transparency to Members by describing which rates would apply in such circumstances. In the

case when NYSE or NYSE MKT invoke their Rule 49, the Exchange will route any order that was intended for the NYSE or NYSE MKT to NYSE Arca and the Exchange's System will identify such trades as being executed on NYSE Arca, not the NYSE or NYSE MKT. Because the executions occurred on NYSE Arca, NYSE Arca will charge their applicable fee or rebate. The proposed bullet is intended to make clear within the Fee Schedule which rate would apply where the NYSE or NYSE MKT invoke their emergency powers under their Rule 49, thereby eliminating potential investor confusion, removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest. The Exchange notes that routing through BATS Trading is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Non-Substantive Changes

Finally, the Exchange believes that the non-substantive changes discussed above would contribute to the protection of investors and the public interest by helping to avoid confusion with respect the Exchange fee schedule.

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

As further described below, 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. The Exchange does not believe that the proposed changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or

competing venues to maintain their competitive standing in the financial markets.

Modifying Add Volume Tiers 5 and 6

The Exchange believes that the proposed changes to the Add Volume Tiers will allow the Exchange to compete more ably with other execution venues by drawing additional volume to the Exchange, thereby making it a more desirable destination venue for its customers. Further, the Exchange does not believe that these proposed changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed change will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

Cross-Asset Step-Up Tiers

The Exchange believes that its proposal to eliminate Tier 3 from the Cross-Asset Step-Up Tiers will have no effect on competition because, as explained above, the tier has not had a significant impact on trading activity on the Exchange.

Fee Code A

The Exchange also believes that its proposal to amend the pricing for orders routed to Nasdaq would enhance the Exchange's ability to compete because the change is designed to insure that it is not providing a greater rebate than is being provided to BATS Trading by Nasdaq for an execution. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

Fee Code RN

The Exchange believes that its proposal to add fee code RN for orders that route to

Nasdaq using the ROOC routing strategy and pass through a rebate of \$0.0015 per share to Members would increase intermarket competition because it offers customers an alternative means to route orders to Nasdaq to participate in their opening, re-opening or closing process for a similar rate as entering orders in certain symbols on Nasdaq directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

NYSE and NYSE MKT Rule 49

The Exchange believes that adding a bullet under the General Notes section of the Fee Schedule to describe which rates that would apply where the NYSE or NYSE MKT declare an emergency condition under their Rule 49 would not affect intermarket nor intramarket competition because none of these changes are designed to amend any rebate or alter the manner in which the Exchange calculates rebates. This change is not designed to have a competitive impact. Rather, it is intended to make clear to Members and investors within the Fee Schedule which rate would apply where the NYSE or NYSE MKT invoke their emergency powers under their Rule 49, thereby eliminating potential investor confusion.

Non-Substantive Changes

The Exchange believes that the non-substantive changes to the fee schedule would not affect intermarket nor intramarket competition because none of the proposed changes are designed to amend any fee or rebate or to alter the manner in which the Exchange assesses fees or rebates. The changes are intended to make the fee schedule as clear and concise as possible.

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 Act¹⁵ and paragraph (f) of Rule 19b-4 thereunder.¹⁶ 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-BATS-2015-23 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-2015-23. 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

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4(f).

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 offices 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-2015-23, 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.¹⁷

Brent J. Fields
Secretary

¹⁷ 17 CFR 200.30-3(a)(12).