

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-63097; File No. SR-BYX-2010-002)

October 13, 2010

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing of Proposed Rule Change to Amend BATS Y-Exchange Rules to Conform to the Current Rules of BATS Exchange.

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 4, 2010, 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 and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it 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 is proposing to amend BYX Rules 11.9, 11.13, 11.17, and 11.18 in order to bring BYX Rules up to date with recent changes that have been made to the rules of the Exchange’s affiliate, BATS Exchange, Inc. (“BATS Exchange”). The text of the proposed rule change is available at the Exchange’s website at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

<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 amend BYX Rules 11.9, 11.13, 11.17, and 11.18 in order to bring BYX Rules up to date with the changes that were made to the rules of BATS Exchange while BYX's Form 1 Application to register as a national security exchange was pending approval.

Background

BYX plans to commence operations as a national securities exchange registered under Section 6 of the Act⁵ on October 15, 2010. As described more fully in BYX's Form 1 application,⁶ the Exchange is an affiliate of BATS Exchange: both are wholly owned subsidiaries of BATS Global Markets, Inc. ("BGM"). BYX Rules, in their current

⁵ 15 U.S.C. 78f.

⁶ See Securities Exchange Act Release No. 34-62716 (August 13, 2010), 75 FR 51295 (August 19, 2010) (order approving application of BATS Y-Exchange, Inc. for registration as a national securities exchange).

form, were filed as part of Amendment No. 1 to its Form 1 on July 1, 2010 and, at that time, were nearly identical to BATS Exchange Rules. In the time between when BYX was preparing to file Amendment No. 1 to its Form 1 and the filing of this proposed rule change, BATS Exchange has made several changes to its rule book. Despite the limited time frame since the Commission approved BYX to operate as a national stock exchange, BYX and BATS Exchange already have many common members and the Exchange anticipates that the number of common members will only continue to grow. In order to prevent confusion among common members, to ensure consistent operation of both BYX and BATS Exchange, and to bring the Exchange's Rules in line with industry standards, the Exchange proposes to amend BYX Rules as described below.

Match Trade Prevention

The Exchange proposes to make a minor change to its Member Match Trade Prevention, or MMTP, functionality, described in BYX Rule 11.9(f) and to rename the functionality as Match Trade Prevention. Specifically, the Exchange is proposing to allow Users to opt-out of the default behavior of the MMTP Decrement and Cancel ("MDC") modifier to automatically cancel two orders in their entirety when the resting order contains an MMTP modifier rather than MDC and is larger than the incoming order. Also, as mentioned above, the Exchange also proposes to rename the functionality as Match Trade Prevention ("MTP"). These changes would make BYX Rule 11.9(f) consistent with BATS Exchange Rule 11.9(f) and are identical to changes made by BATS Exchange when modifying its MMTP rules.⁷

⁷ Securities Exchange Act Release No. 62102 (May 13, 2010), 75 FR 28670 (May 21, 2010) (SR-BATS-2010-11).

Routing Strategies

The Exchange also proposes to amend Rule 11.13(a), which describes its order routing processes, to modify the existing general description of Exchange routing functionality, to describe available routing options in greater detail, and to add certain new routing options. Specifically, the Exchange is proposing various modifications to its general routing standards, which modifications, the Exchange believes, will help clarify the rule, including adding a reference to the “RECYCLE Option” in its rule.

Additionally, the Exchange is proposing to amend the Rule to include a definition of “System routing table,” in order to reflect the fact that the Exchange, like other trading venues, maintains different routing tables for different routing options and modifies them on a regular basis to reflect assessments about the destination markets. Finally, the Exchange proposes to add descriptions of the following routing options: CYCLE, Parallel D, Parallel 2D, Parallel T, DRT, and Destination Specific Orders. These changes would make BYX Rule 11.13 consistent with BATS Exchange Rule 11.13 and are substantively identical to changes made by BATS Exchange when modifying its execution and routing rules.⁸

Clearly Erroneous Executions

The Exchange also proposes to amend its Rule 11.17, entitled Clearly Erroneous Executions, to provide for uniform treatment: (1) of clearly erroneous execution reviews in Multi-Stock Events involving twenty or more securities; and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the

⁸ Securities Exchange Act Release No. 61883 (April 9, 2010), 75 FR 20418 (April 19, 2010) (SR-BATS-2010-007).

primary market and subsequent transactions that occur before the trading pause is in effect on the Exchange. The Exchange also proposes additional changes to Rule 11.17 that reduce the ability of the Exchange to deviate from the objective standards set forth in the Rule. These changes would make BYX Rule 11.17 consistent with BATS Exchange Rule 11.17 and are identical to changes made by BATS Exchange when modifying its clearly erroneous executions rules.⁹

Individual Stock Trading Pause

The Exchange also proposes to amend its Rule 11.18, which describes BYX's procedures for trading halts due to extraordinary market volatility, on a pilot basis so that the Exchange may, from time to time, pause trading in an individual stock when the primary listing market for such stock issues a trading pause in any of the securities covered by the pilot. The Exchange is proposing the rule change in order to recognize what is now a uniform market-wide trading pause standards for individual securities in the S&P 500® Index, the Russell 1000® Index and specified Exchange Trade Products that experience rapid price movement. These changes would make BYX Rule 11.18 consistent with BATS Exchange Rule 11.18 and are identical to changes made by BATS Exchange when modifying its trading halt rule.¹⁰

2. Statutory Basis

The rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national

⁹ Securities Exchange Act Release No. 62886 (September 10, 2010), 75 FR 56613 (September 16, 2010) (SR-BATS-2010-016).

¹⁰ Securities Exchange Act Release No. 62884 (September 10, 2010), 75 FR 56618 (September 16, 2010) (SR-BATS-2010-018).

securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.¹¹ In particular, the proposed changes are consistent with Section 6(b)(5) of the Act,¹² because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest. Specifically, the Exchange believes that although BYX Rules may, in certain instances, intentionally differ from BATS Exchange rules, the proposed changes will promote uniformity with BATS Exchange with respect to rules that are intended to be identical but were difficult to modify until BYX's Form 1 application had been approved. The Exchange believes that it will reduce the potential for confusion by its members that are also members of BATS Exchange if it commences operations with only those differences between BYX and BATS Exchange rules that are intentional. Furthermore, certain of the proposed changes will align the Exchange's rules with rules of other market centers that were recently amended to address the type of sudden price declines that the market experienced on the afternoon of May 6, 2010.

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.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

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

Because the foregoing proposed rule change does not:

(i) significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹³ and Rule 19b-4(f)(6) thereunder.¹⁴

The Exchange has requested that the Commission waive the 30-day operative delay to permit the Exchange to commence operations as a national securities exchange with rules substantively identical to the equity trading rules of BATS Exchange. The Commission finds that waiver of the operative delay is consistent with the protection of investors and the public interest because such waiver will align the Exchange's rules with recently amended rules of BATS Exchange. Therefore, the Commission designates the proposal operative upon commencement of Exchange operation, which the Exchange anticipates will be October 15, 2010.¹⁵

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the self-regulatory organization to submit to the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁵ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 proposal 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 No. SR-BYX-2010-002 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 No. SR-BYX-2010-002. 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,¹⁶ 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 changes between the Commission and any person, other than those that may be withheld from the public in accordance with the

¹⁶ The text of the proposed rule change is available on the Commission's website at <http://www.sec.gov/>.

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. Copies of such filing will also 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 No. SR-BYX-2010-002 and should be submitted on or before [_____21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Florence E. Harmon
Deputy Secretary

¹⁷ 17 CFR 200.30-3(a)(12).