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SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74939; File No. SR-BYX-2015-24)

May 12, 2015

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a 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 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 1, 2015, BATS Y-Exchange, Inc. (the “Exchange” or “BYX”) 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 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 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) amend the rebate associated with removing liquidity from the Exchange; (2) eliminate the NBBO Setter Tier; and (3) simplify pricing related to Physical Connection Fees.

Standard Remove Rebate

The Exchange currently provides a rebate of \$0.0016 per share for Members' orders that remove liquidity from the Exchange, which includes those orders that yield fee codes BB, N, and W. The Exchange proposes to amend its Fee Schedule to decrease the rebate for orders that remove liquidity to \$0.0015 per share.

NBBO Setter Tier

The Exchange currently offers an additional incentive per share for orders from Members

that have an ADAV⁶ equal to or greater than 0.30% of the TCV⁷ and that add liquidity on the Exchange and establish a new NBBO. Specifically, the Exchange provides an additional rebate of \$0.0001 per share for such orders. The Exchange is proposing to eliminate this additional incentive because it has not achieved the desired effect, despite being designed to incentivize Members to add liquidity that sets the NBBO. As such, the Exchange is proposing to delete the NBBO Setter Tier in footnote 3 and replace it with “(Reserved.)” The Exchange is also proposing to delete each reference to footnote 3 in the Fee Codes and Associated Fees section of the fee schedule.

Physical Connection Fees

The Exchange currently maintains a presence in two third-party data centers: (i) the primary data center where the Exchange’s business is primarily conducted on a daily basis, and (ii) a secondary data center, which is predominantly maintained for business continuity purposes. The Exchange currently assesses fees to Members and non-Members of \$1,000 for any 1G physical port connection at either data center and of \$2,500 for any 10G physical port connection at either data center. The Exchange also provides market participants with the ability to access the Exchange’s network through another data center entry point, or Point of Presence (“PoP”), at a data center other than the Exchange’s primary or secondary data center.⁸ The Exchange currently charges \$2,000 for any 1G physical port to connect to the Exchange in any data center where the Exchange maintains a PoP other than the Exchange’s primary or secondary data center

⁶ “ADAV” means average daily volume calculated as the number of shares added per day.

⁷ “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.

⁸ See Securities Exchange Act Release No. 74050 (January 14, 2015), 80 FR 2989 (January 21, 2015) (SR-BYX-2015-01) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for use of BATS Y-Exchange, Inc.).

and \$5,000 per month for each single physical 10G port provided by the Exchange to any Member or non-member in any data center where the Exchange maintains a PoP other than the Exchange's primary or secondary data center.

The Exchange proposes to simplify its pricing structure by imposing a uniform rate for physical ports regardless of the data center in which the port connection is made. Specifically, the Exchange proposes to charge \$1,000 per month for all 1G physical port connections and \$2,500 per month for all 10G physical ports in any location where the Exchange offers the ability to connect to Exchange systems, including the secondary data center and any PoP location. In conjunction with the proposed change, the Exchange also proposes minor changes to re-format the chart that sets forth physical connection fees and also proposes to re-locate such chart and the accompanying text such that physical connection fees directly follow logical port fees.

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 objectives of Section 6 of the Act,⁹ in general, and furthers the objectives of Section 6(b)(4),¹⁰ in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also 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 the proposed rates are equitable and non-discriminatory in that they apply

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(4).

uniformly to all Members.

Standard Remove Rebate

The Exchange believes that its proposal to decrease the standard rebate for orders that remove liquidity and yield fee codes BB, N, or W represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because it will reduce costs for the Exchange, thereby allowing the Exchange to apply those costs elsewhere to the benefit of all Members. While adjusting the Exchange's rebate of \$0.0016 per share to remove liquidity to \$0.0015 per share will obviously result in a reduction in rebates paid per share to Members, the Exchange believes that any potential negative impact of this change will be outweighed by the Exchange's ability to apply the cost savings to other areas of the business, including enhanced rebates, reduced fees, and improved technology on the Exchange. The Exchange also believes that the proposed fee change is non-discriminatory because it would apply uniformly to all Members.

NBBO Setter Tier

The Exchange believes that the proposed elimination of the NBBO Setter Tier represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because, as described above, the reduced fees offered by this tier is not affecting Members' behavior in the manner originally conceived by the Exchange. While the Exchange acknowledges the benefit of Members entering orders that set the NBBO, the Exchange has generally determined that it is providing additional rebates for liquidity that would be added on the Exchange regardless of whether the tier existed. By reducing these fees, the Exchange is not only reducing the fees it receives for orders that would set the NBBO without being incentivized to do so, but also missing out on the opportunity to offer other rebates or

reduced fees that could incentivize other behavior that would enhance market quality on the Exchange, which would benefit all Members. As such, the Exchange also believes that the proposed elimination of the NBBO Setter Tier would be non-discriminatory in that it currently applies equally to all Members and, upon elimination, would no longer be available to any Members. Further, it will allow the Exchange to explore other ways in which it may enhance market quality for all Members.

Physical Connection Fees

The Exchange believes that providing uniform rates for all 1G and 10G physical connections to Exchange is reasonable because such change represents a reduction in fees for any Member that connects to the Exchange at a PoP location and no change to fees for any Member located in the Exchange's primary or secondary data center. The Exchange also believes that the proposal is equitably allocated and not unreasonably discriminatory because, as proposed, market participants will be able to access the Exchange at uniform rates regardless of whether such access is at the Exchange's primary or secondary data center location or another location where the Exchange offers access.

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

The Exchange does not believe its proposed amendments to its fee schedule would impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Standard Remove Rebate

The Exchange does not believe that its proposal to amend the standard rebate for orders that remove liquidity from the Exchange would burden competition, but, rather, enhance the Exchange's ability to compete with other market centers. As described above, the Exchange

believes that the reduced rebate would allow the Exchange opportunities to use the cost savings in order to enhance other components of the Exchange, including offering enhanced rebates, reduced fees, and improved technology on the Exchange, which the Exchange believes would better equip it to compete with other market centers.

NBBO Setter Tier

The Exchange does not believe that its proposal to eliminate the NBBO Setter Tier would burden competition, but, rather, enhance the Exchange's ability to compete with other market centers. As described above, the Exchange believes that it is offering a reduction in fees for orders that would be submitted to the Exchange without the reduced fee, which prevents the Exchange from being able to offer other rebates or reduced fees that might be able to enhance market quality to the benefit of all Members. As such, eliminating the NBBO Setter Tier will allow the Exchange other opportunities to enhance market quality on the Exchange and ultimately, better compete with other market centers.

Physical Connection Fees

The Exchange does not believe that the proposed change to physical port fees represents a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Rather, as described above, the Exchange is simply normalizing its fees for physical access to the Exchange regardless of the location where a physical connection is made. The offering is consistent with the Exchange's own economic incentives to facilitate as many market participants as possible in connecting to its market. 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. The Exchange does not believe that its proposal would burden intramarket competition because the fees for physical

connections would apply uniformly to all Members.

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 Act¹¹ and paragraph (f) of Rule 19b-4 thereunder.¹² 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-2015-24 on the subject line.

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f).

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BYX-2015-24. 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 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-BYX-2015-24, 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.¹³

Robert W. Errett
Deputy Secretary

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¹³ 17 CFR 200.30-3(a)(12).