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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-75108; File No. SR-BYX-2015-26]

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Rule 13.8 Describing a Communication and Routing Service Known as BATS Connect

June 4, 2015

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 May 27, 2015, 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 adopt Rule 13.8 to describe a communication and routing service known as BATS Connect. The proposed rule change is based on an identical service

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).

offered by the Exchange's affiliate, EDGX Exchange, Inc. ("EDGX").⁵

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 adopt Rule 13.8 to describe a communication and routing service known as BATS Connect. The Exchange proposes to offer BATS Connect on a voluntary basis in a capacity similar to a vendor. BATS Connect would operate in the same fashion as an identical service, also called BATS Connect, offered by the Exchange's affiliate, EDGX.⁶ BATS Connect is a communication service that provides Members⁷ an additional

⁵ See EDGX Rule 13.9. See also Securities Exchange Act Release Nos. 73780 (December 8, 2014), 79 FR 73942 (December 12, 2014) (SR-EDGX-2014-28); and 74935 (May 12, 2015), 80 FR 28335 (May 18, 2015) (SR-EDGX-2015-19).

⁶ See *supra* note 5.

⁷ The term "Member" is defined as "any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange. A Member will have the status of a "member" of the Exchange as that term is defined in Section 3(a)(3) of the Act." See Exchange Rule 1.5(n).

means to receive market data from and route orders to any destination connected to Exchange's network. BATS Connect does not provide any advantage to subscribers for connecting to the Exchange's affiliates⁸ as compared to other method of connectivity available to subscribers. The servers of the Member need not be located in the same facilities as the Exchange in order to subscribe to BATS Connect. Members may also seek to utilize BATS Connect in the event of a market disruption where other alternative connection methods become unavailable.

Specifically, this service would allow Members to route orders to other exchanges and market centers that are connected to the Exchange's network. This communications or routing service would not effect trade executions and would not report trades to the relevant Securities Information Processor. An order sent via the service does not pass through the Exchange's matching engine before going to a market center outside of the Exchange (i.e., a participant could choose to route an order directly to any market center on the Exchange's network). A participant would be responsible for identifying the appropriate destination for any orders sent through the service and for ensuring that it had authority to access the selected destination; the Exchange would merely provide the connectivity by which orders (and associated messages) could be routed by a participant to a destination and from the destination back to the participant.⁹

The Exchange will charge a monthly connectivity fee to Members utilizing BATS

⁸ The Exchange's affiliated exchanges are EDGX, EDGA Exchange, Inc., and BATS Exchange, Inc. The Exchange understands that its affiliated Exchange's intend to file identical proposed rule changes to adopt the BATS Connect service with the Commission.

⁹ This service is an alternative to a service that the Exchange already provides to its Members — current order-sending Members route orders through access provided by the Exchange to the Exchange that either check the Exchange for available liquidity and then route to other destinations or, in certain circumstances, bypass the Exchange and route to other destinations. See Exchange Rule 11.13(b)(3) (setting forth routing options whereby Members may select their orders be routed to other market centers).

Connect to route orders to other exchanges and broker-dealers that are connected to the Exchange's network. BATS Connect would also allow participants to receive market data feeds from the exchanges connected to the Exchange's network. The Exchange will file a separate proposed rule change with the Commission regarding the connectivity fees for order entry and market data to be charged for the BATS Connect service.¹⁰

2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of section 6(b) of the Act,¹¹ in general, and section 6(b)(5) of the Act,¹² in particular, in that it promotes just and equitable principles of trade, removes impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protects investors and the public interest. Specifically, the proposal is consistent with section 6(b)(5) of the Act,¹³ in that it provides Members an alternative means to receive market data from and route orders to any destination connected to the Exchange's network, thereby 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. In addition, BATS Connect removes impediments to and perfects the mechanism of a free and open market and a national market system because, in the event of a market disruption, Members would be able to utilize BATS Connect to connect to other market centers where other alternative connection methods become unavailable. BATS Connect would operate in the same fashion as an identical service, also

¹⁰ The Exchange understands that its affiliated exchanges intend to file identical proposed rule changes to adopt fees for the BATS Connect service with the Commission.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(5).

¹³ Id.

called BATS Connect, offered by the Exchange's affiliate, EDGX.¹⁴ The proposed rule change is also similar to a communication and routing service implemented by the Chicago Stock Exchange, Inc. ("CHX").¹⁵ The proposed rule change will also not permit unfair discrimination among customers, brokers, or dealers because BATS Connect will be available to all of the Exchange's customers on an equivalent basis regardless of whether the servers of the Member are located in the same facilities as the Exchange.

(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. To the contrary, the Exchange believes that the proposal will promote competition by the Exchange offering a service similar to those offered by the CHX and NYSE.¹⁶ Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the proposed rule change is designed to provide Members with an alternative means to access other market centers if they chose or in the event of a market disruption where other alternative connection methods become unavailable. Therefore, the Exchange does not believe the proposed rule change will have any effect 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

¹⁴ See supra note 5.

¹⁵ See Securities Exchange Act Release No. 54846 (November 30, 2006), 71 FR 71003 (December 7, 2006) (SR-CHX-2006-34) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding the Implementation of a Communication and Routing Service).

¹⁶ See NYSE's SFTI Americas Product and Service List available at <http://www.nyxdata.com/docs/connectivity>. See supra note 15.

change.

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

Because the 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, the proposed rule change has become effective pursuant to section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.¹⁷

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. Waiver of the 30-day operative delay would permit the Exchange to provide Members with an alternative means to access other market centers, particularly in the event of a market disruption. In addition, the Exchange represents that BATS Connect does not provide any advantage to subscribers for connecting to the Exchange's affiliates as compared to other methods of connectivity available to subscribers.¹⁸ Based on the foregoing, the Commission believes the waiver of the operative delay is consistent with the protection of

¹⁷ In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's 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.

¹⁸ See supra note 8.

investors and the public interest.¹⁹ The Commission hereby grants the waiver and designates the proposal operative upon filing.

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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-2015-26 on the subject line.

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-2015-26. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

¹⁹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 the 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 Number SR-BYX-2015-26 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.²⁰

Robert W. Errett,
Deputy Secretary.

[FR Doc. 2015-14135 Filed: 6/9/2015 08:45 am; Publication Date: 6/10/2015]

²⁰ 17 CFR 200.30-3(a)(12).