

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74352; File No. SR-BATS-2015-13)

February 23, 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 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 10, 2015, 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.

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)(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).

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) remove the reference to ROLF from fee code BO; (2) make certain changes to Cross-Asset Step-Up Tier 3; and (3) make certain non-substantive clean-up changes to the fee schedule.

Deleting Reference to ROLF

The Exchange proposes to amend its fee schedule to remove the reference to ROLF from fee code BO. Fee code BO currently provides that the Exchange will charge \$0.0030 per share for any order routed using ROLF or Destination Specific routing strategy unless otherwise specified. Under the ROLF routing strategy, an order will check the Exchange for available shares and then will be sent to LavaFlow ECN ("LavaFlow"). This change is being proposed in response to LavaFlow's announcement that it will cease market operations and its last day of trading will be Friday, January 30, 2015. As such, beginning on February 2, 2015, the Exchange will no longer route orders to LavaFlow. As proposed, the Exchange would continue to charge \$0.0030 per share for orders routed using a Destination Specific routing strategy.

Step-Up Add TCV Definition

The Exchange is also proposing to make a non-substantive change to the definition of “Step-Up Add TCV” in its fee schedule. Currently, Step-Up Add TCV means ADAV⁶ as a percentage of TCV⁷ in January 2014 subtracted from current ADAV as a percentage of TCV. In order to add an additional month to use as a baseline for calculating Step-Up Add TCV, as further described below, the Exchange is proposing to amend the fee schedule such that 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. The Exchange is also proposing to make a corresponding non-substantive change to footnote 2, titled “Step-Up Tiers,” such that the criteria to qualify for the tiers is described as the “Member’s Step-Up TCV from January 2014 is equal to or greater than” instead of “Member’s Step-Up TCV is equal to or greater than.” This change is non-substantive because the Exchange is not proposing to amend any fees, rebates, or the calculation thereof, but rather making the requisite change in order for the rebate and the criteria associated with meeting the tiers to remain the same in conjunction with the proposed changes to the definition of Step-Up Add TCV outlined above.

Cross-Asset Step-Up Tiers

The Exchange is also proposing to amend the criteria for meeting Tier 3 in the Cross-Asset Step-Up Tiers. Specifically, the Exchange is proposing to make two changes: to base the tier calculation on a Member’s Step-Up Add TCV from December 2014; and to lower the threshold required to meet Tier 3 from 0.20% to 0.15%. Currently, in order to meet Tier 3 of the

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.

Cross-Asset Step-Up Tier and receive a \$0.0032 rebate per share that adds liquidity: (i) a Member's ADAV as a percentage of TCV must be equal to or greater than 0.20%; and (ii) the Member's Options Step-Up Add TCV⁸ must be equal to or greater than 0.60%. The Exchange is not proposing to amend requirement (ii). The Exchange is proposing to amend requirement (i) such that a Member must have a Step-Up Add TCV from December 2014 of at least 0.15% instead of an ADAV as a percentage of TCV of at least 0.20%, which will encourage increased participation on the Exchange by requiring that a Member increases its participation on the Exchange as compared to December 2014, rather than maintaining a static ADAV as a percentage of TCV.

The Exchange proposes to implement the amendments to its fee schedule effective February 10, 2015.

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.⁹ 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,¹⁰ 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

⁸ "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.

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(4) and (5).

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 its proposal to eliminate ROLF from fee code BO represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities. The proposed change is in response to LavaFlow's announcement that it will cease market operations and its last day of trading will be Friday, January 30, 2015. The Exchange notes that the proposed change is not designed to amend any fee or rebate, nor alter the manner in which the Exchange assesses fees and rebates. As of February 2, 2015, the Exchange will no longer route orders to LavaFlow and, therefore, proposes to remove ROLF from the fee schedule, which will make the fee schedule clearer and less confusing for investors as well as help to eliminate potential investor confusion, 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.

The Exchange also believes that the proposed non-substantive change to the definition of Step-Up Add TCV and the corresponding non-substantive change to the Step-Up Tiers are reasonable, fair, and equitable because they are designed to make the fee schedule easier to comprehend in light of the decision to add an additional baseline month, as described above. The Exchange notes that neither of the proposed changes are designed to amend any fee or rebate, nor alter the manner in which the Exchange assesses fees and rebates. These non-substantive changes to the fee schedule are intended to make the fee schedule clearer and less confusing for investors and eliminate potential investor confusion, 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.

The Exchange also believes that the proposed change to measure the Member's Step-Up Add TCV from December 2014 instead of ADAV as a percentage of TCV is reasonable, fair, and equitable because it will incentive Members to increase their participation on the Exchange as compared to December 2014, rather than maintaining a static ADAV as a percentage of TCV. The Exchange further believes that the proposal is reasonable, fair, and equitable because 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 improving investor protection. The Exchange also believes that lowering the threshold to meet the requirement from 0.20% to 0.15% is reasonable, fair, and equitable because the measurement is changing from a measure of total added volume (ADAV as a percentage of TCV) into a measure of the increase of added volume as compared to December 2014 (Step-Up Add TCV from December 2014) and the reduction will make it easier for Members to achieve Cross-Asset Step-Up Tier 3. The Exchange believes that step-up pricing programs such as that proposed herein reward a Member's growth pattern 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 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 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 the Exchange by incentivizing increased participation by Members attempting to meet Tier 3. Accordingly, the Exchange believes that the proposed amendments to the Cross-Asset Step-Up Tiers and the incentives associated therewith are not unfairly discriminatory because they will apply uniformly to all Members and are consistent with the overall goals of enhancing market quality on 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, as amended. To the contrary, the Exchange believes that the proposed changes to the Cross-Asset Step-Up 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.

The Exchange also believes that its proposal to remove ROLF from fee code BO would not affect intermarket nor intramarket competition because the change is not designed to amend any fee or rebate or to alter the manner in which the Exchange assesses fees or calculates rebates. It is simply proposed in response to LavaFlow's announcement that it will cease market operations following the close of business on Friday, January 30, 2015.

The Exchange believes that the non-substantive and organizational 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.

As stated above, 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 structures to be unreasonable or excessive.

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

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(2).

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-2015-13 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-2015-13. 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-2015-13 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

Jill M. Peterson
Assistant Secretary

¹³ 17 CFR 200.30-3(a)(12).