

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69877; File No. SR-BATS-2013-036)

June 27, 2013

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Introduce a Connectivity Option Through Points of Presence

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 June 19, 2013, 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 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 proposed rule change to offer a new means of connecting to the Exchange via physical connections in a data center other than the data centers where the Exchange’s servers are located.

The text of the proposed rule change is available at the Exchange’s website at <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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to offer new physical connections to Members and non-Members of the Exchange.

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. Exchange participants, including participants trading on the Exchange and market data recipients, are required to connect directly to the Exchange at the data centers where the Exchange maintains servers. If an Exchange participant does not have a presence within the same data centers as the Exchange then such connection necessarily involves acquiring connectivity from a participant's location or data center to the data centers where the Exchange's servers are located. The Exchange is proposing to provide market participants with the ability to access the Exchange's network through data center entry points at one or more data centers other than the Exchange's primary or secondary data center ("Remote Data Centers"), or Points of Presence ("PoPs").

PoP ports will be located at Remote Data Centers in order to provide participants that may not have a presence at the Exchange's primary or secondary data center with connectivity to such data centers. Connectivity established via PoP ports at any data center where the Exchange offers them will allow market participants to perform all operations that they would typically perform when connecting directly to the Exchange at the Exchange's primary or secondary data

center, including order entry and receipt of market data. In providing this service, participants will establish a physical connection to the PoP ports in the Remote Data Center, from which point the Exchange will provide the requisite connectivity for the participants to access the Exchange's primary and/or secondary data centers through one or more third party telecommunications carriers.

PoP access will not provide any market participant a connectivity option from the PoP data center to the Exchange's primary or secondary data center that the Exchange can guarantee is any faster or more reliable than can be achieved through independently established connections to the Exchange's primary or secondary data center. However, the Exchange does believe that some participants may choose to connect to the Exchange at a PoP to the extent the Exchange's service offering makes connecting to the Exchange in this way more easily established (i.e., rather than separately establishing relationships with one or more connectivity providers) or more cost effective. While PoP access will be available to all participants, the Exchange believes it will be most attractive to smaller market participants that otherwise may not connect to the Exchange at all.

As noted above, participants that do not maintain a presence in either of the Exchange's data centers must establish connectivity to such data centers and currently must do so through third party telecommunications providers. By making PoP entry points available, the Exchange is adding additional entry points to the Exchange's network and reducing the need for such connectivity for participants located in the same data center as such PoPs. Thus, the optional means of access to the Exchange via PoPs at other data centers will provide market participants with another means of accessing the Exchange.

The Exchange proposes to provide the option to connect to the Exchange via physical ports at data centers where the Exchange maintains PoPs to any Member or non-member that has been approved to connect to the Exchange. Specifically, a PoP connection could be used by any Member, non-member service bureau that acts as a conduit for orders entered by Exchange Members, Sponsored Participant, or market data recipient. This new access option is in response to industry demand. Clients opting not to access the Exchange at a PoP point of entry will still be able to access the Exchange in the existing data centers in the same way as they do currently. The Exchange does not anticipate that demand will exceed the capacity planned for PoP access. In the event that demand does exceed the capacity planned for PoP access, the Exchange will expand its infrastructure as necessary in order to meet demand.

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.³ Specifically, the Exchange believes the proposal furthers the objectives of Section 6(b)(5)⁴ of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest and is not designed to permit unfair discrimination between customer, issuers, brokers and dealers.

Competition for customers and order flow amongst exchanges and other non-exchange market participants is considerable and the Exchange believes that the proposal to offer PoP connectivity clearly evidences such competition. The Exchange is offering this new connectivity

³ 15 U.S.C. 78f.

⁴ 15 U.S.C. 78f(b)(5).

option to keep pace with changes in the industry and evolving customer needs. PoP connectivity will be available to all Exchange constituents to whom such connectivity will be useful and cost-effective. The offering is entirely optional, and is geared towards attracting new customers, as well as retaining existing customers.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, this proposal will promote competition through the offering of an optional, additional mechanism to connect to the Exchange. The proposed rule change will enhance competition among service providers offering connections between market participants and the data centers. The offering will expand the multiple means of connectivity available, allowing customers to compare the benefits and costs connectivity with reference to numerous variables. The Exchange, and presumably its competitors, selects service providers on a competitive basis in order to pass along price advantages to their customers, and to win and maintain their business. The offering is consistent with the Exchange's own incentives to facilitate as many market participants as possible in connecting to its market.

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.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds

such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be 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-BATS-2013-036 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 Number SR-BATS-2013-036. 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 the 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-2013-036 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.⁵

Kevin M. O'Neill
Deputy Secretary

⁵ 17 CFR 200.30-3(a)(12).