

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70623; File No. SR-BYX-2013-037)

October 8, 2013

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Rule Change to Add a Reference to Rule 10C-1 Under the Exchange Act in the Exchange's Rules Concerning Unlisted Trading Privileges

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 3, 2013, 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, 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 the Substance of the Proposed Rule Change

The Exchange filed a proposal add language to Rule 14.1, entitled "Unlisted Trading Privileges," that will make clear that the Exchange will not list equity securities without first ensuring that its rules comply with Rule 10C-1 under the Act ("Rule 10C-1").³

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.10C-1.

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 is proposing to add language to Rule 14.1, which will clarify the fact that the Exchange will not list equity securities without first ensuring that Exchange Rules comply with Rule 10C-1, as described below.⁴

On March 30, 2011, to implement Section 10C of the Act,⁵ as added by Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"),⁶ the Commission proposed Rule 10C-1 under the Act,⁷ which directs each national securities exchange to prohibit the listing of any equity security of any issuer, with certain exceptions, that does not comply with the rule's requirements regarding compensation committees of listed issuers and related requirements regarding compensation advisers. On June 20, 2012, the Commission adopted Rule 10C-1.⁸ Rule 10C-1 obligates the Exchange to establish listing standards that require each member of a listed issuer's compensation committee to be a member

⁴ 17 CFR 240.10C-1.

⁵ 15 U.S.C. 78j-3.

⁶ Pub. L. 111-203, 124 Stat. 1900 (2010).

⁷ See Securities Act Release No. 9199, Securities Exchange Act Release No. 64149 (March 30, 2011), 76 FR 18966 (April 6, 2011) ("Rule 10C-1 Proposing Release").

⁸ See Securities Act Release No. 9330, Securities Exchange Act Release No. 67220 (June 20, 2012), 77 FR 38422 (June 27, 2012) ("Rule 10C-1 Adopting Release").

of the issuer’s board and to be independent, as well as establish certain factors that an issuer must consider when evaluating the independence of a director.⁹ Rule 10C-1 also requires the Exchange to establish standards for evaluating the independence of a compensation consultant, legal counsel, or other adviser (“Compensation Consultant”) and requires a Company to provide funding to a compensation committee to retain such Compensation Consultant.¹⁰

The Exchange does not currently list any securities as a primary listing market. Consistent with this fact, Exchange Rule 14.1 currently states that all securities traded on the Exchange are traded pursuant to unlisted trading privileges and that the Exchange will not list any securities before first filing and obtaining Commission approval of rules that incorporate qualitative listing criteria and comply with Rule 10A-3 under the Act.¹¹ To make clear the Exchange’s intention to comply with the requirements of Rule 10C-1, the Exchange proposes to amend Rule 14.1 to state that no equity securities will be listed on the Exchange until Exchange Rules have been amended to also comply with Rule 10C-1. Because the Exchange does not presently list any equity securities, the Exchange does not believe it is necessary to make any further amendments in response Section 952 of the Dodd-Frank Act at this time.

2. Statutory Basis

The Exchange believes that its proposal 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(b) of the Act.¹² Specifically, the proposal is

⁹ 17 CFR 240.10C-1.

¹⁰ Id.

¹¹ 17 CFR 240.10A-3.

¹² 15 U.S.C. 78f(b).

consistent with Section 6(b)(5) of the Act,¹³ which requires exchange rules to 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. The Exchange believes the proposed rule change fulfills these requirements because it will add language to Rule 14.1 that clarifies the fact that the Exchange will not list equity securities without first ensuring that its rules comply with Rule 10C-1, which implements Section 10C of the Act.¹⁴

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

BYX believes the proposal is consistent with Section 6(b)(8) of the Act¹⁵ in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposed rule change will merely clarify the fact that Exchange Rules must comply with Rule 10C-1 under the Act before any listing of equity securities on the Exchange becomes effective. Thus, the rule change will not impose any burden on intermarket or intramarket 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.

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;

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ 15 U.S.C. 78j-3.

¹⁵ 15 U.S.C. 78f(b)(8).

and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁶ and Rule 19b-4(f)(6)(iii) thereunder.¹⁷

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-2013-037 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.

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6).

All submissions should refer to File Number SR-BYX-2013-037. 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 20549-1090, 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-BYX-2013-037, 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.¹⁸

Kevin M. O'Neill
Deputy Secretary

¹⁸ 17 CFR 200.30-3(a)(12).