



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information (required)**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change (required)**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or the “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to establish a revenue sharing program with Correlix, Inc. (“Correlix”) and a free trial period for new subscribers to the Correlix service. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup>

(a) The Exchange proposes to establish the revenue sharing program as described herein. The Exchange does not propose to modify the text of its rules in connection with this proposal.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on November 10, 2009. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

Questions regarding this rule filing may be directed to Eric Swanson, Senior Vice President and General Counsel of the Exchange at (913) 815-7000.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The purpose of the proposed rule change is to establish a revenue sharing program with Correlix. The Exchange has entered into an agreement with Correlix to provide to Users<sup>4</sup> of the Exchange real-time analytical tools to measure the latency of orders to and from the Exchange's system as well as the latency of market data updates transmitted from the Exchange systems to the User. Under the agreement, the Exchange will receive 30% of the total monthly subscription fees received by Correlix from parties who have contracted directly with Correlix to use their RaceTeam latency measurement service for the Exchange. The Exchange will not bill or contract with any Correlix RaceTeam customer directly.

Fees will apply separately for Users of the Exchange's cash equities platform and the Exchange's equity options platform. Pricing for the Correlix RaceTeam product for Users of the Exchange will be based on the number of ports requested by the User for monitoring by Correlix; each "port" is a FIX or binary order entry ("BOE") protocol connection to the Exchange. The fee for equities Users of the Exchange will be an initial \$2,500 monthly base fee for the first 25 ports requested by the User for latency monitoring, and an additional \$1,000 per month for each additional 25 ports (or portion thereof) requested by the User for latency monitoring. The fee for options Users of the

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<sup>4</sup> A "User" is defined in BATS Rule 1.5(cc) as any member or sponsored participant of the Exchange who is authorized to obtain access to the System.

Exchange will be an initial \$1,500 monthly fee for the first 25 ports requested by the User for latency monitoring, and an additional \$1,000 per month for each additional 25 ports (or portion thereof).

The use of ports as the basis of charging will permit order-related messages transmitted to the Exchange's cash equities platform and the Exchanges equity options platform to be differentiated and kept separate. For these purposes, the combination of port and User ID provides the mechanism for Users to receive latency data for their transactions on each particular Exchange market. The Correlix RaceTeam product will include controls such that Users will not be able to obtain latency information about options orders through an equities port connection and vice versa.

Under the program, the Correlix data collector<sup>5</sup> will see an individualized unique identifier that will allow Correlix RaceTeam to determine round trip order time,<sup>6</sup> from the time the order reaches the Exchange, through the Exchange matching engine, and back out of the Exchange. The RaceTeam product offering does not measure latency outside of the Exchange. The unique identifier serves as a technological information barrier so that the Correlix data collector will only be able to view data for Correlix RaceTeam subscribers related to latency. The Correlix data collector will not see subscriber's individual order detail such as security, price or size. Individual RaceTeam subscribers' logins will restrict access to only their own latency data. The Correlix data collector will see no specific information regarding the trading activity of non-subscribers. The

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<sup>5</sup> The Correlix data collector is a Correlix process that receives information from the Exchange that is subsequently taken into Correlix's systems for latency monitoring purposes.

<sup>6</sup> The product measures latency of orders whether the orders are rejected, executed, or partially executed.

Exchange believes that the above arrangement will provide Users of the Exchange with greater transparency into the processing of their trading activity and allow them to make more efficient trading decisions.

In addition, the Exchange proposes to establish a flexible 60-day free trial so parties will be eligible for one free 60-day trial period of Correlix services whenever they initially elect to sign-up for the service, now or in the future. The Exchange is proposing the flexible trial to ensure that all Correlix subscribers have an equal opportunity to take advantage of an initial free trial period.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>8</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. The Exchange believes the proposed rule will provide greater transparency into trade and information processing and thus allow market participants to make better-informed and more efficient trading decisions.

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<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

In addition, the Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>9</sup> in general, and with Section 6(b)(4) of the Act,<sup>10</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that the Exchange operates or controls. In particular, the Exchange notes that it operates in a highly competitive market in which market participants can readily direct orders to competing venues and that use of the Correlix RaceTeam product is completely voluntary. Further, the Exchange will make the RaceTeam product uniformly available pursuant to a standard non-discriminatory pricing schedule offered by Correlix and will offer the free trial period on a uniform and non-discriminatory basis.

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

The proposed rule change does not impose any burden on competition.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

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<sup>9</sup> 15 U.S.C. 78f.

<sup>10</sup> 15 U.S.C. 78f(b)(4).

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>11</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>12</sup> The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, and (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its 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, or such shorter time as designated by the Commission.<sup>13</sup>

The Exchange believes that the proposed filing is non-controversial because it is analogous to similar programs already in place at other exchanges<sup>14</sup> and because the use

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4.

<sup>13</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>14</sup> See, e.g., Securities Exchange Act Release Nos. 62605 (July 30, 2010), 75 FR 47651 (August 6, 2010) (SR-NASDAQ-2010-068) (order approving a proposed rule change to establish a revenue sharing program with Correlix, Inc.); 63219 (November 1, 2010), 75 FR 68387 (November 5, 2010) (SR-Phlx-2010-152) (notice of filing and immediate effectiveness of a proposed rule change to establish a revenue sharing program with Correlix, Inc. and a free trial period for new users); 63220 (November 1, 2010), 75 FR 68389 (November 5, 2010) (SR-BX-2010-072) (notice of filing and immediate effectiveness of a proposed rule change to establish a revenue sharing program with Correlix, Inc. and a free trial period for new users); 64051 (March 8, 2011), 76 FR 13692 (March 14, 2011) (SR-CBOE-2011-023) (notice of filing and immediate effectiveness of a revenue sharing program with Correlix); 64542 (May 25, 2011), 76 FR 31659 (June 1, 2011) (SR-NYSE-2011-13) (notice of filing and immediate effectiveness of a revenue sharing program with Correlix and a free trial period for new users of the Correlix service); 64543 (May 25, 2011), 76 FR 31667 (June 1, 2011) (SR-



of the Correlix RaceTeam product is completely voluntary. The real-time analytical tools will provide Users with the ability to measure the latency of orders to and from the Exchange's system as well as the latency of market data updates transmitted from the Exchange systems to the User. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>15</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>16</sup>

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.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

This proposal is based on proposals of several other exchanges that have implemented similar revenue sharing programs with Correlix, Inc.<sup>17</sup>

9. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 5: Not applicable.

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NYSEAmex-2011-20) (notice of filing and immediate effectiveness of a revenue sharing program with Correlix and a free trial period for new users of the Correlix service); 64544 (May 25, 2011), 76 FR 31668 (June 1, 2011) (SR-NYSEArca-2011-12) (notice of filing and immediate effectiveness of a revenue sharing program with Correlix and a free trial period for new users of the Correlix service).

<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 17 CFR 240.19b-4.

<sup>17</sup> Id.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-BATS-2011-042)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Revenue Sharing Program with Correlix and a Free Trial Period for New Users of the Correlix Service.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or the “Exchange Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 30, 2011, BATS Exchange, Inc. (the “Exchange” or “BATS”) 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 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 establish a revenue sharing program with Correlix, Inc. (“Correlix”) and a free trial period for new subscribers to the Correlix service.

The text of the proposed rule change is available at the Exchange’s Web site 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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 purpose of the proposed rule change is to establish a revenue sharing program with Correlix. The Exchange has entered into an agreement with Correlix to provide to Users<sup>3</sup> of the Exchange real-time analytical tools to measure the latency of orders to and from the Exchange's system as well as the latency of market data updates transmitted from the Exchange systems to the User. Under the agreement, the Exchange will receive 30% of the total monthly subscription fees received by Correlix from parties who have contracted directly with Correlix to use their RaceTeam latency measurement service for the Exchange. The Exchange will not bill or contract with any Correlix RaceTeam customer directly.

Fees will apply separately for Users of the Exchange's cash equities platform and the Exchange's equity options platform. Pricing for the Correlix RaceTeam product for Users of the Exchange will be based on the number of ports requested by the User for monitoring by Correlix; each "port" is a FIX or binary order entry ("BOE") protocol connection to the Exchange. The fee for equities Users of the Exchange will be an initial \$2,500 monthly base fee for the first 25 ports requested by the User for latency monitoring, and an additional \$1,000 per month for each additional 25 ports (or portion

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thereof) requested by the User for latency monitoring. The fee for options Users of the Exchange will be an initial \$1,500 monthly fee for the first 25 ports requested by the User for latency monitoring, and an additional \$1,000 per month for each additional 25 ports (or portion thereof).

The use of ports as the basis of charging will permit order-related messages transmitted to the Exchange's cash equities platform and the Exchanges equity options platform to be differentiated and kept separate. For these purposes, the combination of port and User ID provides the mechanism for Users to receive latency data for their transactions on each particular Exchange market. The Correlix RaceTeam product will include controls such that Users will not be able to obtain latency information about options orders through an equities port connection and vice versa.

Under the program, the Correlix data collector<sup>4</sup> will see an individualized unique identifier that will allow Correlix RaceTeam to determine round trip order time,<sup>5</sup> from the time the order reaches the Exchange, through the Exchange matching engine, and back out of the Exchange. The RaceTeam product offering does not measure latency outside of the Exchange. The unique identifier serves as a technological information barrier so that the Correlix data collector will only be able to view data for Correlix RaceTeam subscribers related to latency. The Correlix data collector will not see subscriber's individual order detail such as security, price or size. Individual RaceTeam subscribers' logins will restrict access to only their own latency data. The Correlix data collector will

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<sup>5</sup> The product measures latency of orders whether the orders are rejected, executed, or partially executed.

see no specific information regarding the trading activity of non-subscribers. The Exchange believes that the above arrangement will provide Users of the Exchange with greater transparency into the processing of their trading activity and allow them to make more efficient trading decisions.

In addition, the Exchange proposes to establish a flexible 60-day free trial so parties will be eligible for one free 60-day trial period of Correlix services whenever they initially elect to sign-up for the service, now or in the future. The Exchange is proposing the flexible trial to ensure that all Correlix subscribers have an equal opportunity to take advantage of an initial free trial period.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>7</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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. The Exchange believes the proposed rule will provide greater transparency into trade and information processing and thus allow market participants to make better-informed and more efficient trading decisions.

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

In addition, the Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,<sup>8</sup> in general, and with Section 6(b)(4) of the Act,<sup>9</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that the Exchange operates or controls. In particular, the Exchange notes that it operates in a highly competitive market in which market participants can readily direct orders to competing venues and that use of the Correlix RaceTeam product is completely voluntary. Further, the Exchange will make the RaceTeam product uniformly available pursuant to a standard non-discriminatory pricing schedule offered by Correlix and will offer the free trial period on a uniform and non-discriminatory basis.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change imposes any burden 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 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; and (iii) become operative for 30 days from the date on which it was filed,

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<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(4).

or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>11</sup>

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 proposal 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](mailto:rule-comments@sec.gov). Please include File No. SR-BATS-2011-042 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 No. SR-BATS-2011-042. 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 Web site

(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

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 changes 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 Web site 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 am and 3:00 pm. Copies of such 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 No. SR-BATS-2011-042 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

Cathy H. Ahn  
Deputy Secretary

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<sup>12</sup> 17 CFR 200.30-3(a)(12).