

*Required fields are shown with yellow backgrounds and asterisks.*

Page 1 of * <input style="width: 40px;" type="text" value="41"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input style="width: 40px;" type="text" value="2011"/> - * <input style="width: 40px;" type="text" value="053"/> Amendment No. (req. for Amendments *) <input style="width: 40px;" type="text"/>
Proposed Rule Change by BATS Exchange Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>
Section 19(b)(2) * <input type="checkbox"/>		
Section 19(b)(3)(A) * <input checked="" type="checkbox"/>		
Section 19(b)(3)(B) * <input type="checkbox"/>		
Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="text"/>	Date Expires * <input type="text"/>
<input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		
Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
<b>Description</b>		
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).		
<input style="width: 95%; height: 30px;" type="text" value="Amendment to the fee schedule of BATS Exchange, Inc."/>		
<b>Contact Information</b>		
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.		
First Name * <input style="width: 80%;" type="text" value="Anders"/>	Last Name * <input style="width: 80%;" type="text" value="Franzon"/>	
Title * <input style="width: 95%;" type="text" value="VP, Associate General Counsel"/>		
E-mail * <input style="width: 95%;" type="text" value="afranzon@batstrading.com"/>		
Telephone * <input style="width: 40%;" type="text" value="(913) 815-7154"/>	Fax <input style="width: 40%;" type="text" value="(913) 815-7119"/>	
<b>Signature</b>		
Pursuant to the requirements of the Securities Exchange Act of 1934,		
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.		
Date <input style="width: 80%;" type="text" value="12/30/2011"/>		
By <input style="width: 80%;" type="text" value="Anders Franzon"/>	<input style="width: 80%;" type="text" value="VP, Associate General Counsel"/>	
(Name *)	(Title *)	
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.		
<input style="width: 150px; height: 20px; background-color: #cccccc;" type="button" value="Anders Franzon,"/>		

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”),<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 amend the fee schedule applicable to Members<sup>3</sup> and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). While changes to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on January 3, 2012.

(a) The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(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> A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

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 Exchange proposes to modify the "Options Pricing" section of its fee schedule to: (i) adopt the "Grow with Us" pricing program, which will provide Members with some of the benefits of the Exchange's tiered pricing structure to the extent such Members are increasing their activity on the Exchange's options platform ("BATS Options") month over month; (ii) modify the fees charged by the Exchange to remove liquidity from BATS Options; (iii) modify the rebates provided by the Exchange for Customer<sup>4</sup> orders that add liquidity to BATS Options; (iv) modify the NBBO Setter Program, which is a program intended to incentivize aggressive quoting on BATS Options; (v) modify the Quoting Incentive Program, which is a program intended to incentivize sustained, aggressive quoting on BATS Options; and (vi) adopt fees for logical ports used to access BATS Options for order entry and receipt of market data. The Exchange also proposes minor grammatical changes to conform various sections of the Exchange's Options Pricing section.

(i) Grow With Us Pricing Program

The Exchange currently has volume tiers in place that provide Members that satisfy certain volume thresholds with additional rebates on executions for which they

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<sup>4</sup> As defined on the Exchange's fee schedule, a "Customer" order is any transaction identified by a Member for clearing in the Customer range at the Options Clearing Corporation ("OCC").

have added liquidity to the BATS Options order book and reduced fees for executions that remove liquidity from the BATS Options order book. Further, as described below, the Exchange is proposing to add certain additional tiers to its fee schedule. The Exchange's tiered pricing structure includes and will continue to include a lower tier applicable to Members with an average daily volume ("ADV")<sup>5</sup> equal to or greater than 0.30% of average total consolidated volume ("TCV")<sup>6</sup> and a second tier applicable to Members with an ADV equal to or greater than 1% of average TCV. Pursuant to the "Grow with Us" pricing program, the Exchange proposes to provide a Member with one-half of the economic benefit such Member would achieve if such Member were in the next highest volume tier to the extent such Member shows a minimum of 5 basis points TCV improvement over the Member's previous highest monthly TCV on BATS Options, or "High Water Mark." The Exchange proposes to define High Water Mark as the greater of a Member's fourth quarter 2011 TCV or a Member's best monthly TCV on BATS Options thereafter. For example, assume that for the fourth quarter of 2011, a Member has an ADV of 0.10% of average TCV. Such Member would not qualify for volume tier pricing applicable to Members with an ADV of 0.30% of average TCV. However, if, in January of 2012, such Member achieves an average TCV of 0.15% on BATS Options, such Member will receive one-half of the economic benefit such Member would receive if the Member had reached the 0.30% TCV volume tier and the Member's

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<sup>5</sup> As defined on the Exchange's fee schedule, ADV is average daily volume calculated as the number of contracts added or removed, combined, per day on a monthly basis. The fee schedule also provides that routed contracts are not included in ADV calculation.

<sup>6</sup> As defined on the Exchange's fee schedule, TCV is total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply.

new High Water Mark will now be 0.15%. The applicability of the Grow with Us pricing program is explained in further detail below.

(ii) Fees to Remove Liquidity

The Exchange currently charges \$0.42 per contract for Professional,<sup>7</sup> Firm and Market Maker<sup>8</sup> orders that remove liquidity from the BATS Options order book. The Exchange proposes to raise the fee to \$0.44 per contract for Professional, Firm and Market Maker orders that remove liquidity from the BATS Options order book.

With respect to Customer orders, the Exchange currently charges standard fees of \$0.30 per contract for Customer orders that remove liquidity from BATS Options, subject to potential reduction for any Member with an ADV of 0.30% or more of average TCV on BATS Options, as described below. Pursuant to the Exchange's tiered pricing structure Members can realize lower liquidity removal fees if such Members have an ADV equal to or greater than 0.30% of average TCV. For Members reaching this volume threshold, the Exchange currently charges a fee of \$0.27 per contract for Customer orders that remove liquidity from BATS Options.

The Exchange proposes to increase the standard fees for Customer orders that remove liquidity from BATS Options and expand the tiered pricing structure applicable to Customer orders by adding another level at which Customer orders will be subject to a discounted liquidity fee. First, the Exchange proposes to increase the standard fee to

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<sup>7</sup> As defined in Rule 16.1, the term "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

<sup>8</sup> As set forth on the Exchange's fee schedule, and consistent with the definition of a Customer order, classification as a "Firm" or "Market Maker" order depends on the identification by a Member of the applicable clearing range at the OCC.

remove liquidity for Customer orders to \$0.44 per contract, which is the same fee the Exchange proposes to assess for Professional, Firm and Market Maker orders. Second, the Exchange proposes to increase the charge per contract for a Customer order that removes liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 0.30% of average TCV from \$0.27 per contract to \$0.36 per contract. Third, the Exchange proposes to introduce a new volume tier applicable to Members with an ADV equal to or greater than 1% average TCV. As proposed, such Members will be charged \$0.28 per contract for Customer orders that remove liquidity from the BATS Options order book.

Finally, the Exchange proposes to apply its Grow with Us pricing program, as described above, to Customer orders that remove liquidity. Accordingly, a Member that does not qualify for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but achieves at least a 5 basis point increase over its previous High Water Mark will be assessed a fee of \$0.40 per contract for Customer orders that remove liquidity from BATS Options (i.e., half way between the standard fee of \$0.44 per contract and the fee of \$0.36 charged to Members that reach the 0.30% TCV tier). Similarly, a Member that qualifies for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but not the 1% of average TCV tier that achieves at least a 5 basis point increase over its previous High Water Mark will be assessed a fee of \$0.32 per contract for Customer orders that remove liquidity from BATS Options (i.e., half way between the \$0.36 per contract charged to Members that reach the 0.30% TCV tier and the \$0.28 per contract charged to Members that reach the 1% TCV tier).

(iii) Customer Rebates for Adding Liquidity

The Exchange currently provides a rebate of \$0.30 per contract for Customer orders that add liquidity to the BATS Options order book. The Exchange proposes to maintain this standard rebate but to begin to provide increased rebates to Members pursuant to volume thresholds analogous to those applied to fees for removing liquidity. First, the Exchange proposes to adopt a volume tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV, for which the Exchange will provide a rebate of \$0.40 per contract for Customer orders that add liquidity to the BATS Options order book. Second, Exchange proposes to adopt a volume tier applicable to Members with an ADV equal to or greater than 1% of average TCV, for which the Exchange will provide a rebate of \$0.42 per contract for Customer orders that add liquidity to the BATS Options order book. Finally, the Exchange proposes to apply its Grow with Us pricing program to Customer orders that add liquidity. Accordingly, a Member that does not qualify for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but achieves at least a 5 basis point increase over its previous High Water Mark will be provided a rebate of \$0.35 per contract for Customer orders that add liquidity to BATS Options (i.e., half way between the standard rebate of \$0.30 per contract and the rebate of \$0.40 per contract provided to Members that reach the 0.30% TCV tier). Similarly, a Member that qualifies for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but not the 1% of average TCV tier that achieves at least a 5 basis point increase over its previous High Water Mark will be provided a rebate of \$0.41 per contract for Customer orders that add liquidity to BATS Options (i.e., half way between the \$0.40 per contract provided to Members that

reach the 0.30% TCV tier and the \$0.42 per contract provided to Members that reach the 1% TCV tier).

The Exchange is not proposing to modify the rebates provided for Professional, Firm and Market Maker orders, other than to move such rebates on the fee schedule to clearly delineate from the rebates applicable to Customer orders.

(iv) Modification to NBBO Setter Program

The Exchange currently offers a rebate upon execution for all orders that add liquidity that sets either the NBB or NBO (the “NBBO Setter Rebate”),<sup>9</sup> subject to certain volume requirements. The Exchange currently provides an additional \$0.06 per contract rebate for executions that qualify for the NBBO Setter Rebate by Members with an ADV equal to or greater than 0.30% of average TCV but less than 1% of average TCV and an additional \$0.10 per contract for qualifying executions by Members with an ADV equal to or greater than 1% of TCV. Given the changes proposed for Customer rebates, as described above, the Exchange proposes to modify the NBBO Setter Rebate such that it is only applicable to Professional, Firm and Market Maker orders. As currently in place, the NBBO Setter Rebate is available only to Members that reach one of the Exchange’s volume tiers. Because, as proposed, such Members will receive enhanced rebates on all Customer orders, and not just orders that set a new national best bid or offer, the Exchange proposes to apply the program only to Professional, Firm and Market Maker orders.

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<sup>9</sup> An order that is entered at the most aggressive price both on the BATS Options book and according to then current OPRA data will be determined to have set the NBB or NBO for purposes of the NBBO Setter Rebate without regard to whether a more aggressive order is entered prior to the original order being executed.

The Exchange also proposes to apply its Grow with Us pricing program to the NBBO Setter Rebate. Accordingly, a Member that does not qualify for NBBO Setter Rebates applicable to Members with an ADV equal to or greater than 0.30% of average TCV but achieves at least a 5 basis point increase over its previous High Water Mark will receive NBBO Setter Rebates of \$0.03 per contract for qualifying executions (i.e., half of the NBBO Setter Rebate of \$0.06 per contract provided to Members that reach the 0.30% TCV tier). Similarly, a Member that qualifies for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but not the 1% of average TCV tier that achieves at least a 5 basis point increase over its previous High Water Mark will be provided a NBBO Setter Rebate of \$0.08 per contract for qualifying executions (i.e., half way between the \$0.06 per contract provided to Members that reach the 0.30% TCV tier and the \$0.10 per contract provided to Members that reach the 1% TCV tier).

(v) Modification to Quoting Incentive Program

BATS Options offers a Quoting Incentive Program (“QIP”), through which Members receive a rebate of \$0.05 per contract, in addition to any other applicable liquidity rebate, for executions subject to the QIP. To qualify for the QIP a BATS Options Market Maker must be at the NBB or NBO 60% of the time for series trading between \$0.03 and \$5.00 for the front three (3) expiration months in that underlying during the current trading month. A Member not registered as a BATS Options Market Maker can also qualify for the QIP by quoting at the NBB or NBO 70% of the time in the same series. Given the enhancement to Customer rebates described above, the Exchange proposes to modify the QIP to differentiate between QIP rebates provided for Customer orders and Professional, Firm and Market Maker orders. Specifically, as proposed,

qualifying Customer order executions in products subject to the QIP will receive an additional rebate of \$0.03 per contract. The Exchange proposes to maintain the rebate of \$0.05 per contract, in addition to any other applicable liquidity rebate, for executions subject to the QIP of Professional, Firm and Market Maker orders.

All other aspects of the QIP currently in place will remain the same. As is true under the current operation of the QIP, the Exchange will determine whether a Member qualifies for QIP rebates at the end of each month by looking back at each Member's (including BATS Options Market Makers) quoting statistics during that month. If at the end of the month a Market Maker meets the 60% criteria or a Member that is not registered as a Market Maker meets the 70% criteria, the Exchange will provide the additional rebate for all executions subject to the QIP executed by that Member during that month. The Exchange will provide Members with a report on a daily basis with quoting statistics so such Members can determine whether or not they are meeting the QIP criteria. The Exchange is not proposing to impose any ADV requirements in order to qualify for the QIP at this time.

(vi) Logical Port Fees

The Exchange currently charges a fee of \$400.00 per month per logical port used by Members or non-members to access and receive information from the Exchange's equities platform. A logical port is also commonly referred to as a TCP/IP port, and represents a port established by the Exchange within the Exchange's system for trading and billing purposes. Each logical port established is specific to a Member or non-member and grants that Member or non-member the ability to operate a specific application, such as FIX order entry or Multicast PITCH data receipt.

In contrast to its equities platform, with the exception of logical ports with bulk-quoting capabilities, as further described below, the Exchange currently provides logical ports free of charge to Members and non-members that have access to or receive data from BATS Options. The Exchange proposes to begin charging a monthly fee for logical ports used to enter orders in the Exchange's trading system for BATS Options and to receive BATS Options data from the Exchange. The Exchange proposes to charge \$400.00 per month of any port type other than a Multicast PITCH Spin Server Port, GRP Port or logical port with bulk-quoting capabilities. Similar to its provision of ports applicable to the Exchange's equities platform, the Exchange proposes to provide all Exchange constituents that receive the Exchange's Multicast PITCH Feed with 32 free Multicast PITCH Spin Server Ports free of charge and, if such ports are used, one free GRP Port. The Exchange proposes to charge such customers \$400.00 per month per additional GRP Port or additional set of 32 Multicast PITCH Spin Server Ports. The Exchange's proposal to provide certain ports free of charge to Multicast Pitch customers is designed to encourage use of the Exchange's Multicast PITCH Feed because the Exchange believes that the feed is its most efficient feed, and thus, will reduce infrastructure costs for both the Exchange and those who utilize the feed. Any Member or non-member that has entered into the appropriate agreements with the Exchange is permitted to receive Multicast Pitch Spin Server Ports and GRP Ports from the Exchange.

The Exchange recently began offering logical ports with bulk-quoting capabilities, for which the Exchange charges Members \$1,000.00 per month. The bulk-quoting interface allows Users to provide both a bid and an offer in one message as well as bundle several quote updates into one bulk message. This is a useful feature for Users

that provide quotations in many different options. In order to encourage participation in the QIP program and the usage of bulk-quoting ports, which the Exchange believes provide Users and the Exchange with operational efficiencies, the Exchange proposes to waive fees for logical ports with bulk-quoting capabilities for any Member that satisfies the criteria of the QIP program in more than 25 underlying securities.

Based on the proposal, the change applies to Members that obtain ports for direct access to the Exchange, non-member service bureaus that act as a conduit for orders entered by Exchange Members that are their customers, and market data recipients. Other than logical ports with bulk-quoting capabilities, the Exchange has previously provided ports free of charge to all Members and non-members that use such ports for order entry to BATS Options or for receipt of BATS Options market data. However, over time, the Exchange's infrastructure costs have continued to increase. In addition, the Exchange believes that providing BATS Options logical ports free of charge has not encouraged Members and non-members to reserve and maintain ports efficiently, but rather, has led to a significant number of ports that are reserved and enabled by such market participants but are never used or are under used. Accordingly, the Exchange believes that the imposition of port fees will help the Exchange to continue to maintain and improve its infrastructure, while also encouraging Exchange customers to request and enable only the ports that are necessary for their operations related to the Exchange.

(b) 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.<sup>10</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>11</sup> 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 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 providing additional financial incentives to Members that demonstrate a 5 basis point increase over their previous High Water Mark offers an additional, flexible way to achieve financial incentives from the Exchange and encourages Members to add increasing amounts of liquidity to BATS Options each month. The Grow with Us pricing program thereby rewards a Member's growth patterns. Such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. The increased liquidity also benefits all investors by deepening the BATS Options liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. The Grow with Us program is also fair and equitable in that it is available to all Members and will expand the applicability of the Exchange's tiered pricing structure, even for Members that do not meet the Exchange's volume based tiers.

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<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78f(b)(4).

Volume-based rebates such as the ones proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide 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. Accordingly, the Exchange believes that the proposal is not unfairly discriminatory because it is consistent with the overall goals of enhancing market quality. Similarly, the Exchange believes that continuing to base its tiered fee structure and NBBO Setter Program based on overall TCV, rather than a static number of contracts irrespective of overall volume in the options industry, is a fair and equitable approach to pricing.

Despite the increases in fees for all orders that remove liquidity (Customer, Professional, Firm and Market Maker orders), the Exchange believes that its proposed fee structure is fair and equitable as the Exchange's standard fees generally still remain equivalent to or slightly lower than standard fees charged by other markets with similar fee structures, such as NYSE Arca and Nasdaq. Further, the Exchange believes that the various programs offered by the Exchange to receive reduced fees and enhanced rebates provide all Members with several different ways to offset the increase in fees or receive a reduction in fees. Further, with respect to the increase to Customer fees to remove liquidity, the Exchange has expanded its rebate structure to provide Customer orders with enhanced rebates, subject to the volume tier structure and the Grow with Us pricing program. As noted above, the Exchange believes that such volume-based tiers are fair

and equitable and not unreasonably discriminatory because they are consistent with the overall goals of enhancing market quality.

Furthermore, the Exchange believes that the modification of the NBBO Setter Rebate program, to eliminate the applicability of such program for Customer orders, is fair and equitable and not unreasonably discriminatory because Customer orders from Members that reach at least the 0.30% TCV tier can achieve higher rebates than they would under the current pricing structure of a standard rebate of \$0.30 per contract plus either \$0.06 or \$0.10 per contract. In addition, such higher rebates will be available on every order, and not just on orders that set a new national best bid or national best offer. Also due to the increased levels of rebates for Customer orders, the Exchange believes that the proposed modification to the Quoting Incentive Program is fair and equitable and not unreasonably discriminatory. Although the proposed QIP rebate for qualifying Customer orders is slightly lower than is currently offered and will be slightly lower than the QIP rebate provided to Professional, Firm and Market Maker orders, the Exchange believes that this distinction is reasonable and not unreasonably discriminatory because of the significant increase to rebates on Customer orders. The Exchange also believes that continuing to maintain a slightly lower threshold for meeting the QIP for registered BATS Options Market Makers appropriately incentivizes Members of BATS Options to register with the Exchange as Options Market Makers. While the Exchange does wish to allow participation in the QIP by all Members, the Exchange believes that registration by additional Members as Market Makers will help to continue to increase the breadth and depth of quotations available on the Exchange. The Exchange notes that in addition to the fact that the QIP is available to all Members, the proposal is not unfairly

discriminatory despite a slightly higher quotation requirement for non-Market Makers due to the fact that registration as a BATS Options Market Maker is equally available to all Members.

The Exchange believes that its proposed logical port fees are reasonable in light of the benefits to Members of direct market access and receipt of data, which data, other than the proposed logical port fee, is currently provided free of charge. In addition, the Exchange believes that its fees are equitably allocated among its constituents based upon the number of access ports that they require to submit orders to the Exchange or receive data from the Exchange. The Exchange believes that its fees for access services will enable it to better cover its infrastructure costs and to improve its market technology and services. The Exchange also believes that providing financial incentives to use Exchange technology that the Exchange believes is the most technologically efficient for the Exchange and its constituents is a fair and equitable approach to pricing. Accordingly, the Exchange believes that promotion of its Multicast PITCH data feed through the offering of free logical ports as well as the waiver of bulk-quoting logical port fees for Members that achieve QIP thresholds in more than 25 underlying securities are fair and equitable. Participation in the QIP is available to all Members, and as such, all Members have the ability to qualify for free bulk-quoting ports. Based on the foregoing, the Exchange believes that the proposed pricing structure for logical ports is not unreasonably discriminatory.

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.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>12</sup> and Rule 19b-4(f)(2) thereunder,<sup>13</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-members, which renders the proposed rule change effective 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.

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

Not applicable.

9. Exhibits

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

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>13</sup> 17 CFR 240.19b-4(f)(2).

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-BATS-2011-053)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of 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”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 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, 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 Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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 Substance of the Proposed Rule Change

The Exchange proposes amend the fee schedule applicable to Members<sup>5</sup> and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). While changes to the

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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> 15 U.S.C. 78s(b)(3)(A)(ii).

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

<sup>5</sup> A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on January 3, 2012.

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 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 the "Options Pricing" section of its fee schedule to: (i) adopt the "Grow with Us" pricing program, which will provide Members with some of the benefits of the Exchange's tiered pricing structure to the extent such Members are increasing their activity on the Exchange's options platform ("BATS Options") month over month; (ii) modify the fees charged by the Exchange to remove liquidity from BATS Options; (iii) modify the rebates provided by the Exchange for Customer<sup>6</sup> orders that add liquidity to BATS Options; (iv) modify the NBBO Setter

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<sup>6</sup> As defined on the Exchange's fee schedule, a "Customer" order is any transaction identified by a Member for clearing in the Customer range at the Options Clearing Corporation ("OCC").

Program, which is a program intended to incentivize aggressive quoting on BATS Options; (v) modify the Quoting Incentive Program, which is a program intended to incentivize sustained, aggressive quoting on BATS Options; and (vi) adopt fees for logical ports used to access BATS Options for order entry and receipt of market data. The Exchange also proposes minor grammatical changes to conform various sections of the Exchange's Options Pricing section.

(i) Grow With Us Pricing Program

The Exchange currently has volume tiers in place that provide Members that satisfy certain volume thresholds with additional rebates on executions for which they have added liquidity to the BATS Options order book and reduced fees for executions that remove liquidity from the BATS Options order book. Further, as described below, the Exchange is proposing to add certain additional tiers to its fee schedule. The Exchange's tiered pricing structure includes and will continue to include a lower tier applicable to Members with an average daily volume ("ADV")<sup>7</sup> equal to or greater than 0.30% of average total consolidated volume ("TCV")<sup>8</sup> and a second tier applicable to Members with an ADV equal to or greater than 1% of average TCV. Pursuant to the "Grow with Us" pricing program, the Exchange proposes to provide a Member with one-half of the economic benefit such Member would achieve if such Member were in the next highest volume tier to the extent such Member shows a minimum of 5 basis points

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<sup>7</sup> As defined on the Exchange's fee schedule, ADV is average daily volume calculated as the number of contracts added or removed, combined, per day on a monthly basis. The fee schedule also provides that routed contracts are not included in ADV calculation.

<sup>8</sup> As defined on the Exchange's fee schedule, TCV is total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply.

TCV improvement over the Member's previous highest monthly TCV on BATS Options, or "High Water Mark." The Exchange proposes to define High Water Mark as the greater of a Member's fourth quarter 2011 TCV or a Member's best monthly TCV on BATS Options thereafter. For example, assume that for the fourth quarter of 2011, a Member has an ADV of 0.10% of average TCV. Such Member would not qualify for volume tier pricing applicable to Members with an ADV of 0.30% of average TCV. However, if, in January of 2012, such Member achieves an average TCV of 0.15% on BATS Options, such Member will receive one-half of the economic benefit such Member would receive if the Member had reached the 0.30% TCV volume tier and the Member's new High Water Mark will now be 0.15%. The applicability of the Grow with Us pricing program is explained in further detail below.

(ii) Fees to Remove Liquidity

The Exchange currently charges \$0.42 per contract for Professional,<sup>9</sup> Firm and Market Maker<sup>10</sup> orders that remove liquidity from the BATS Options order book. The Exchange proposes to raise the fee to \$0.44 per contract for Professional, Firm and Market Maker orders that remove liquidity from the BATS Options order book.

With respect to Customer orders, the Exchange currently charges standard fees of \$0.30 per contract for Customer orders that remove liquidity from BATS Options, subject to potential reduction for any Member with an ADV of 0.30% or more of average TCV

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<sup>9</sup> As defined in Rule 16.1, the term "Professional" means any person or entity that (i) is not a broker or dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

<sup>10</sup> As set forth on the Exchange's fee schedule, and consistent with the definition of a Customer order, classification as a "Firm" or "Market Maker" order depends on the identification by a Member of the applicable clearing range at the OCC.

on BATS Options, as described below. Pursuant to the Exchange's tiered pricing structure Members can realize lower liquidity removal fees if such Members have an ADV equal to or greater than 0.30% of average TCV. For Members reaching this volume threshold, the Exchange currently charges a fee of \$0.27 per contract for Customer orders that remove liquidity from BATS Options.

The Exchange proposes to increase the standard fees for Customer orders that remove liquidity from BATS Options and expand the tiered pricing structure applicable to Customer orders by adding another level at which Customer orders will be subject to a discounted liquidity fee. First, the Exchange proposes to increase the standard fee to remove liquidity for Customer orders to \$0.44 per contract, which is the same fee the Exchange proposes to assess for Professional, Firm and Market Maker orders. Second, the Exchange proposes to increase the charge per contract for a Customer order that removes liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 0.30% of average TCV from \$0.27 per contract to \$0.36 per contract. Third, the Exchange proposes to introduce a new volume tier applicable to Members with an ADV equal to or greater than 1% average TCV. As proposed, such Members will be charged \$0.28 per contract for Customer orders that remove liquidity from the BATS Options order book.

Finally, the Exchange proposes to apply its Grow with Us pricing program, as described above, to Customer orders that remove liquidity. Accordingly, a Member that does not qualify for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but achieves at least a 5 basis point increase over its previous High Water Mark will be assessed a fee of \$0.40 per contract for Customer orders that remove liquidity from BATS Options (i.e., half way between the standard fee

of \$0.44 per contract and the fee of \$0.36 charged to Members that reach the 0.30% TCV tier). Similarly, a Member that qualifies for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but not the 1% of average TCV tier that achieves at least a 5 basis point increase over its previous High Water Mark will be assessed a fee of \$0.32 per contract for Customer orders that remove liquidity from BATS Options (i.e., half way between the \$0.36 per contract charged to Members that reach the 0.30% TCV tier and the \$0.28 per contract charged to Members that reach the 1% TCV tier).

(iii) Customer Rebates for Adding Liquidity

The Exchange currently provides a rebate of \$0.30 per contract for Customer orders that add liquidity to the BATS Options order book. The Exchange proposes to maintain this standard rebate but to begin to provide increased rebates to Members pursuant to volume thresholds analogous to those applied to fees for removing liquidity. First, the Exchange proposes to adopt a volume tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV, for which the Exchange will provide a rebate of \$0.40 per contract for Customer orders that add liquidity to the BATS Options order book. Second, Exchange proposes to adopt a volume tier applicable to Members with an ADV equal to or greater than 1% of average TCV, for which the Exchange will provide a rebate of \$0.42 per contract for Customer orders that add liquidity to the BATS Options order book. Finally, the Exchange proposes to apply its Grow with Us pricing program to Customer orders that add liquidity. Accordingly, a Member that does not qualify for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but achieves at least a 5 basis point increase over its previous High Water Mark will be provided a rebate of \$0.35 per contract for Customer orders that

add liquidity to BATS Options (i.e., half way between the standard rebate of \$0.30 per contract and the rebate of \$0.40 per contract provided to Members that reach the 0.30% TCV tier). Similarly, a Member that qualifies for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but not the 1% of average TCV tier that achieves at least a 5 basis point increase over its previous High Water Mark will be provided a rebate of \$0.41 per contract for Customer orders that add liquidity to BATS Options (i.e., half way between the \$0.40 per contract provided to Members that reach the 0.30% TCV tier and the \$0.42 per contract provided to Members that reach the 1% TCV tier).

The Exchange is not proposing to modify the rebates provided for Professional, Firm and Market Maker orders, other than to move such rebates on the fee schedule to clearly delineate from the rebates applicable to Customer orders.

(iv) Modification to NBBO Setter Program

The Exchange currently offers a rebate upon execution for all orders that add liquidity that sets either the NBB or NBO (the “NBBO Setter Rebate”),<sup>11</sup> subject to certain volume requirements. The Exchange currently provides an additional \$0.06 per contract rebate for executions that qualify for the NBBO Setter Rebate by Members with an ADV equal to or greater than 0.30% of average TCV but less than 1% of average TCV and an additional \$0.10 per contract for qualifying executions by Members with an ADV equal to or greater than 1% of TCV. Given the changes proposed for Customer rebates, as described above, the Exchange proposes to modify the NBBO Setter Rebate such that

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<sup>11</sup> An order that is entered at the most aggressive price both on the BATS Options book and according to then current OPRA data will be determined to have set the NBB or NBO for purposes of the NBBO Setter Rebate without regard to whether a more aggressive order is entered prior to the original order being executed.

it is only applicable to Professional, Firm and Market Maker orders. As currently in place, the NBBO Setter Rebate is available only to Members that reach one of the Exchange's volume tiers. Because, as proposed, such Members will receive enhanced rebates on all Customer orders, and not just orders that set a new national best bid or offer, the Exchange proposes to apply the program only to Professional, Firm and Market Maker orders.

The Exchange also proposes to apply its Grow with Us pricing program to the NBBO Setter Rebate. Accordingly, a Member that does not qualify for NBBO Setter Rebates applicable to Members with an ADV equal to or greater than 0.30% of average TCV but achieves at least a 5 basis point increase over its previous High Water Mark will receive NBBO Setter Rebates of \$0.03 per contract for qualifying executions (i.e., half of the NBBO Setter Rebate of \$0.06 per contract provided to Members that reach the 0.30% TCV tier). Similarly, a Member that qualifies for the lower tier applicable to Members with an ADV equal to or greater than 0.30% of average TCV but not the 1% of average TCV tier that achieves at least a 5 basis point increase over its previous High Water Mark will be provided a NBBO Setter Rebate of \$0.08 per contract for qualifying executions (i.e., half way between the \$0.06 per contract provided to Members that reach the 0.30% TCV tier and the \$0.10 per contract provided to Members that reach the 1% TCV tier).

(v) Modification to Quoting Incentive Program

BATS Options offers a Quoting Incentive Program ("QIP"), through which Members receive a rebate of \$0.05 per contract, in addition to any other applicable liquidity rebate, for executions subject to the QIP. To qualify for the QIP a BATS Options Market Maker must be at the NBB or NBO 60% of the time for series trading between \$0.03 and \$5.00 for the front three (3) expiration months in that underlying

during the current trading month. A Member not registered as a BATS Options Market Maker can also qualify for the QIP by quoting at the NBB or NBO 70% of the time in the same series. Given the enhancement to Customer rebates described above, the Exchange proposes to modify the QIP to differentiate between QIP rebates provided for Customer orders and Professional, Firm and Market Maker orders. Specifically, as proposed, qualifying Customer order executions in products subject to the QIP will receive an additional rebate of \$0.03 per contract. The Exchange proposes to maintain the rebate of \$0.05 per contract, in addition to any other applicable liquidity rebate, for executions subject to the QIP of Professional, Firm and Market Maker orders.

All other aspects of the QIP currently in place will remain the same. As is true under the current operation of the QIP, the Exchange will determine whether a Member qualifies for QIP rebates at the end of each month by looking back at each Member's (including BATS Options Market Makers) quoting statistics during that month. If at the end of the month a Market Maker meets the 60% criteria or a Member that is not registered as a Market Maker meets the 70% criteria, the Exchange will provide the additional rebate for all executions subject to the QIP executed by that Member during that month. The Exchange will provide Members with a report on a daily basis with quoting statistics so such Members can determine whether or not they are meeting the QIP criteria. The Exchange is not proposing to impose any ADV requirements in order to qualify for the QIP at this time.

(vi) Logical Port Fees

The Exchange currently charges a fee of \$400.00 per month per logical port used by Members or non-members to access and receive information from the Exchange's equities platform. A logical port is also commonly referred to as a TCP/IP port, and

represents a port established by the Exchange within the Exchange's system for trading and billing purposes. Each logical port established is specific to a Member or non-member and grants that Member or non-member the ability to operate a specific application, such as FIX order entry or Multicast PITCH data receipt.

In contrast to its equities platform, with the exception of logical ports with bulk-quoting capabilities, as further described below, the Exchange currently provides logical ports free of charge to Members and non-members that have access to or receive data from BATS Options. The Exchange proposes to begin charging a monthly fee for logical ports used to enter orders in the Exchange's trading system for BATS Options and to receive BATS Options data from the Exchange. The Exchange proposes to charge \$400.00 per month of any port type other than a Multicast PITCH Spin Server Port, GRP Port or logical port with bulk-quoting capabilities. Similar to its provision of ports applicable to the Exchange's equities platform, the Exchange proposes to provide all Exchange constituents that receive the Exchange's Multicast PITCH Feed with 32 free Multicast PITCH Spin Server Ports free of charge and, if such ports are used, one free GRP Port. The Exchange proposes to charge such customers \$400.00 per month per additional GRP Port or additional set of 32 Multicast PITCH Spin Server Ports. The Exchange's proposal to provide certain ports free of charge to Multicast Pitch customers is designed to encourage use of the Exchange's Multicast PITCH Feed because the Exchange believes that the feed is its most efficient feed, and thus, will reduce infrastructure costs for both the Exchange and those who utilize the feed. Any Member or non-member that has entered into the appropriate agreements with the Exchange is permitted to receive Multicast Pitch Spin Server Ports and GRP Ports from the Exchange.

The Exchange recently began offering logical ports with bulk-quoting capabilities, for which the Exchange charges Members \$1,000.00 per month. The bulk-quoting interface allows Users to provide both a bid and an offer in one message as well as bundle several quote updates into one bulk message. This is a useful feature for Users that provide quotations in many different options. In order to encourage participation in the QIP program and the usage of bulk-quoting ports, which the Exchange believes provide Users and the Exchange with operational efficiencies, the Exchange proposes to waive fees for logical ports with bulk-quoting capabilities for any Member that satisfies the criteria of the QIP program in more than 25 underlying securities.

Based on the proposal, the change applies to Members that obtain ports for direct access to the Exchange, non-member service bureaus that act as a conduit for orders entered by Exchange Members that are their customers, and market data recipients. Other than logical ports with bulk-quoting capabilities, the Exchange has previously provided ports free of charge to all Members and non-members that use such ports for order entry to BATS Options or for receipt of BATS Options market data. However, over time, the Exchange's infrastructure costs have continued to increase. In addition, the Exchange believes that providing BATS Options logical ports free of charge has not encouraged Members and non-members to reserve and maintain ports efficiently, but rather, has led to a significant number of ports that are reserved and enabled by such market participants but are never used or are under used. Accordingly, the Exchange believes that the imposition of port fees will help the Exchange to continue to maintain and improve its infrastructure, while also encouraging Exchange customers to request and enable only the ports that are necessary for their operations related to the Exchange.

## 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.<sup>12</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>13</sup> 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 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 providing additional financial incentives to Members that demonstrate a 5 basis point increase over their previous High Water Mark offers an additional, flexible way to achieve financial incentives from the Exchange and encourages Members to add increasing amounts of liquidity to BATS Options each month. The Grow with Us pricing program thereby rewards a Member's growth patterns. Such increased volume increases potential revenue to the Exchange, and will allow the Exchange to continue to provide and potentially expand the incentive programs operated by the Exchange. The increased liquidity also benefits all investors by deepening the BATS Options liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and

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<sup>12</sup> 15 U.S.C. 78f.

<sup>13</sup> 15 U.S.C. 78f(b)(4).

improving investor protection. The Grow with Us program is also fair and equitable in that it is available to all Members and will expand the applicability of the Exchange's tiered pricing structure, even for Members that do not meet the Exchange's volume based tiers.

Volume-based rebates such as the ones proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide 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. Accordingly, the Exchange believes that the proposal is not unfairly discriminatory because it is consistent with the overall goals of enhancing market quality. Similarly, the Exchange believes that continuing to base its tiered fee structure and NBBO Setter Program based on overall TCV, rather than a static number of contracts irrespective of overall volume in the options industry, is a fair and equitable approach to pricing.

Despite the increases in fees for all orders that remove liquidity (Customer, Professional, Firm and Market Maker orders), the Exchange believes that its proposed fee structure is fair and equitable as the Exchange's standard fees generally still remain equivalent to or slightly lower than standard fees charged by other markets with similar fee structures, such as NYSE Arca and Nasdaq. Further, the Exchange believes that the various programs offered by the Exchange to receive reduced fees and enhanced rebates provide all Members with several different ways to offset the increase in fees or receive a reduction in fees. Further, with respect to the increase to Customer fees to remove liquidity, the Exchange has expanded its rebate structure to provide Customer orders with

enhanced rebates, subject to the volume tier structure and the Grow with Us pricing program. As noted above, the Exchange believes that such volume-based tiers are fair and equitable and not unreasonably discriminatory because they are consistent with the overall goals of enhancing market quality.

Furthermore, the Exchange believes that the modification of the NBBO Setter Rebate program, to eliminate the applicability of such program for Customer orders, is fair and equitable and not unreasonably discriminatory because Customer orders from Members that reach at least the 0.30% TCV tier can achieve higher rebates than they would under the current pricing structure of a standard rebate of \$0.30 per contract plus either \$0.06 or \$0.10 per contract. In addition, such higher rebates will be available on every order, and not just on orders that set a new national best bid or national best offer. Also due to the increased levels of rebates for Customer orders, the Exchange believes that the proposed modification to the Quoting Incentive Program is fair and equitable and not unreasonably discriminatory. Although the proposed QIP rebate for qualifying Customer orders is slightly lower than is currently offered and will be slightly lower than the QIP rebate provided to Professional, Firm and Market Maker orders, the Exchange believes that this distinction is reasonable and not unreasonably discriminatory because of the significant increase to rebates on Customer orders. The Exchange also believes that continuing to maintain a slightly lower threshold for meeting the QIP for registered BATS Options Market Makers appropriately incentivizes Members of BATS Options to register with the Exchange as Options Market Makers. While the Exchange does wish to allow participation in the QIP by all Members, the Exchange believes that registration by additional Members as Market Makers will help to continue to increase the breadth and depth of quotations available on the Exchange. The Exchange notes that in addition to

the fact that the QIP is available to all Members, the proposal is not unfairly discriminatory despite a slightly higher quotation requirement for non-Market Makers due to the fact that registration as a BATS Options Market Maker is equally available to all Members.

The Exchange believes that its proposed logical port fees are reasonable in light of the benefits to Members of direct market access and receipt of data, which data, other than the proposed logical port fee, is currently provided free of charge. In addition, the Exchange believes that its fees are equitably allocated among its constituents based upon the number of access ports that they require to submit orders to the Exchange or receive data from the Exchange. The Exchange believes that its fees for access services will enable it to better cover its infrastructure costs and to improve its market technology and services. The Exchange also believes that providing financial incentives to use Exchange technology that the Exchange believes is the most technologically efficient for the Exchange and its constituents is a fair and equitable approach to pricing. Accordingly, the Exchange believes that promotion of its Multicast PITCH data feed through the offering of free logical ports as well as the waiver of bulk-quoting logical port fees for Members that achieve QIP thresholds in more than 25 underlying securities are fair and equitable. Participation in the QIP is available to all Members, and as such, all Members have the ability to qualify for free bulk-quoting ports. Based on the foregoing, the Exchange believes that the proposed pricing structure for logical ports is not unreasonably discriminatory.

(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

No written comments were solicited or received.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>14</sup> and Rule 19b-4(f)(2) thereunder,<sup>15</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-members, which renders the proposed rule change effective 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.

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-2011-053 on the subject line.

Paper Comments:

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>15</sup> 17 CFR 240.19b-4(f)(2).

- 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-2011-053. 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 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 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-2011-053 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>16</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).

Note: Proposed new language is underlined. Proposed deletions are enclosed in brackets.

**BATS BZX Exchange Fee Schedule**  
**Effective [December 1, 2011]January 3, 2012**

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The following is the Schedule of Fees (pursuant to Rule 15.1(a) and (c)) for BATS Exchange, Inc. (“BZX Exchange” or “BZX”). The Schedule of Fees is divided into Equities Pricing, Options Pricing and Physical Connection Charges.

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**Options Pricing:**

All references to “per contract” mean “per contract executed”

“ADV” means average daily volume calculated as the number of contracts added or removed, combined, per day on a monthly basis; routed contracts are not included in ADV calculation; with prior notice to the Exchange, a Member may aggregate ADV with other Members that control, are controlled by, or are under common control with such Member

“Customer” applies to any transaction identified by a Member for clearing in the Customer range at the Options Clearing Corporation (“OCC”), excluding any transaction for a “Professional” as defined in Exchange Rule 16.1

“Firm” applies to any transaction identified by a Member for clearing in the Firm range at the OCC

“High Water Mark” is defined as the greater of a Member’s Q4 2011 TCV or a Member’s highest monthly TCV on BATS Options thereafter

“Market Maker” applies to any transaction identified by a Member for clearing in the Market Maker range at the OCC

“Professional” applies to any transaction identified by a Member as such pursuant to Exchange Rule 16.1

“TCV” means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply

**Fees for Accessing Liquidity for All Securities**

Professional, Firm and Market Maker orders:

\$0.44 charge per contract for a Professional, Firm or Market Maker order that removes liquidity from the BATS Options order book

Customer orders:

\$0.44 charge per contract for a Customer order that removes liquidity from the BATS Options order book and the Member does not qualify for a lower charge based on the Member's ADV

\$0.40 charge per contract for a Customer order that removes liquidity from the BATS Options order book where the Member has an ADV less than 0.30% of average TCV and also shows a minimum of 5 basis points TCV improvement over their previous High Water Mark<sup>4</sup>

[\$0.27]\$0.36 charge per contract for a Customer order that removes liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 0.30% of average TCV

\$0.32 charge per contract for a Customer order that removes liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 0.30% of average TCV but less than 1% of average TCV and also shows a minimum of 5 basis points TCV improvement over their previous High Water Mark<sup>4</sup>

\$0.28 charge per contract for a Customer order that removes liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 1% of average TCV

[\$0.30 charge per contract for a Customer order that removes liquidity from the BATS Options order book and such Member does not qualify for a lower charge based on their ADV

\$0.42 charge per contract for a Professional, Firm or Market Maker order that removes liquidity from the BATS Options order book]

### **Liquidity Rebates for All Securities**

[\$0.30 rebate per contract for a Customer order that adds liquidity to the BATS Options order book]

#### Professional, Firm and Market Maker orders:

\$0.22 rebate per contract for a Professional, Firm or Market Maker order that adds liquidity to the BATS Options order book that is removed by a Customer order

\$0.32 rebate per contract for a Professional, Firm or Market Maker order that adds liquidity to the BATS Options order book that is removed by a Professional, Firm or Market Maker order

#### Customer orders:

\$0.30 rebate per contract for a Customer order that adds liquidity to the BATS Options order book and the Member does not qualify for a higher rebate based on their ADV

\$0.35 rebate per contract for a Customer order that adds liquidity to the BATS Options order book where the Member has an ADV less than 0.30% of average TCV and also shows a minimum of 5 basis points TCV improvement over their previous High Water Mark<sup>4</sup>

\$0.40 rebate per contract for a Customer order that adds liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 0.30% of average TCV

\$0.41 rebate per contract for a Customer order that adds liquidity to the BATS Options order book where the Member has an ADV equal to or greater than 0.30% of average TCV but less than 1% of average TCV and also shows a minimum of 5 basis points TCV improvement over their previous High Water Mark<sup>4</sup>

\$0.42 rebate per contract for a Customer order that adds liquidity from the BATS Options order book where the Member has an ADV equal to or greater than 1% of average TCV

**NBBO Setter Liquidity Rebates for All Securities** (in addition to any other applicable liquidity rebates)

\$0.03 additional rebate per contract for a Professional, Firm or Market Maker order that adds liquidity to the BATS Options order book that sets a new national best bid or offer where the Member has an ADV less than 0.30% of average TCV and also shows a minimum of 5 basis points TCV improvement over their previous High Water Mark<sup>4</sup>

\$0.06 additional rebate per contract for [any] a Professional, Firm or Market Maker order that adds liquidity to the BATS Options order book that sets a new national best bid or offer where the [adding] Member has an ADV equal to or greater than 0.30% of average TCV but less than 1% of average TCV

\$0.08 additional rebate per contract for a Professional, Firm or Market Maker order that adds liquidity to the BATS Options order book that sets a new national best bid or offer where the Member has an ADV equal to or greater than 0.30% of average TCV but less than 1% of average TCV and also shows a minimum of 5 basis points TCV improvement over their previous High Water Mark<sup>4</sup>

\$0.10 additional rebate per contract for [any] a Professional, Firm or Market Maker order that adds liquidity to the BATS Options order book that sets a new national best bid or offer where the [adding] Member has an ADV equal to or greater than 1% of average TCV

<sup>4</sup>These rebates and fees constitute our “grow with us” pricing for Members that are increasing their trading activity.

**Quoting Incentive Program (“QIP”) Liquidity Rebates** (in addition to any other applicable liquidity rebates)

\$0.03 additional rebate per contract for a Customer order that adds liquidity to the BATS Options order book in options products in which Members meet one of the following quoting levels:

\$0.05 additional rebate per contract for [any] a Professional, Firm or Market Maker order that adds liquidity to the BATS Options order book in options products in which Members meet one of the following quoting levels:

- (1) BATS Options Market Makers that quote at the national best bid or offer 60% of the time for series trading between \$0.03 and \$5.00 for the front three (3) expiration months in that underlying for the month for which fees apply; or
- (2) All other BATS Options Members that quote at the national best bid or offer 70% of the time for series trading between \$0.03 and \$5.00 for the front three (3) expiration months in that underlying for the month for which fees apply.

**Standard Best Execution Routing or Destination Specific Routing (“BATS Options+”)**

Charge per contract for contracts executed using “CYCLE”, “RECYCLE”, “Parallel D”, “Parallel 2D”, or BATS Options+ routing:

		<b>Customer</b>	<b>Professional/ Firm/Market Maker</b>
AMEX BOX CBOE	ARCA (Classic issues) <sup>[4]5</sup> ISE (Classic issues) <sup>[4]5</sup> PHLX (Classic issues) <sup>[4]5</sup>	\$0.10	\$0.55
	ISE (Make/Take issues) <sup>[4]5</sup> PHLX (Make/Take issues) <sup>[4]5</sup>	\$0.30	\$0.55
C2 NOM ARCA (Make/Take issues) <sup>[4]5</sup>		\$0.50	\$0.55

**Directed ISO Fee**

\$0.60 charge per contract for orders executed at [member] Member directed destinations when bypassing the BATS Options order book

**Options Logical Port Fees**

- \$400.00 per month per logical port other than a Multicast PITCH Spin Server Port, GRP Port or logical port with bulk-quoting capabilities

- Multicast PITCH customers: 32 free Multicast PITCH Spin Server Ports and one free GRP Port; \$400.00 per month per additional set of 32 Multicast PITCH Spin Server Ports or additional GRP Port

- \$1,000.00 per month for any logical port with bulk-quoting capabilities; fees for logical ports with bulk-quoting capabilities will be waived for Members achieving QIP thresholds in more than 25 underlying securities

**Physical Connection Charges**<sup>[5]6</sup>:

- 1G physical ports: up to 4 pairs (primary and secondary data center) free of charge; \$2,500.00 per month for each additional single physical port
- 10G physical ports: \$2,500.00 per month for each single physical port

<sup>[4]5</sup> Pricing in Make/Take issues is for executions at the identified exchange under which “Post Liquidity” or “Maker” rebates (“Make”) are credited by that exchange and “Take Liquidity” or “Taker” fees (“Take”) are charged by that exchange. Pricing in Classic issues applies to all other executions at such exchanges.

<sup>[5]6</sup> The Exchange will pass-through in full any fees or costs in excess of \$1,000.00 incurred by the Exchange to complete a cross-connect.

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