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Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2011 - * 013
Amendment No. (req. for Amendments *)

Proposed Rule Change by BATS Y-Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * [x] Amendment * [ ] Withdrawal [ ]

Section 19(b)(2) * [ ] Section 19(b)(3)(A) * [x] Section 19(b)(3)(B) * [ ]

Pilot [ ]

Extension of Time Period for Commission Action * [ ]

Date Expires *

Rule

- [ ] 19b-4(f)(1)
- [x] 19b-4(f)(2)
- [ ] 19b-4(f)(3)
- [ ] 19b-4(f)(4)
- [ ] 19b-4(f)(5)
- [ ] 19b-4(f)(6)

Exhibit 2 Sent As Paper Document [ ]

Exhibit 3 Sent As Paper Document [ ]

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Amendment to the fee schedule of BATS Y-Exchange, Inc.

Contact Information

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 * Anders Last Name * Franzon

Title * VP, Associate General Counsel

E-mail * afranzon@batstrading.com

Telephone * (913) 815-7154 Fax (913) 815-7119

Signature

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 07/01/2011

By Anders Franzon
(Name *)

VP, Associate General Counsel
(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.

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) Add Remove View	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) Add Remove View	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 Add Remove View 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 Add Remove View 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 Add Remove View	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 Add Remove View	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 Add Remove View	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"),[1] and Rule 19b-4 thereunder,[2] BATS Y-Exchange, Inc. (the "Exchange" or "BYX") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the fee schedule applicable to Members[3] of the Exchange pursuant to BYX Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal will be effective upon filing.

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

* * * * *

BATS BYX Exchange Fee Schedule
Effective [May 2]July 1, 2011

The following is the Schedule of Fees (pursuant to Rule 15.1(a) and (c)) for BATS Y-Exchange, Inc. ("BYX Exchange" or "BYX").

All references to "per share" mean "per share executed."

Rebates for Accessing Liquidity for All Securities Priced $1.00 or Above

$[0.0003]0.0002 rebate per share that removes liquidity from the BYX Exchange order book

Liquidity Fees for All Securities Priced $1.00 or Above

[No]$0.0002 charge [or rebate] for adding displayed liquidity to the BYX Exchange order book that sets the national best bid or offer ("NBBO") for Members who have an ADV[1] equal to or greater than 0.10% of average TCV[2]
$[0.0002]0.0003 charge per share for adding displayed liquidity to the BYX Exchange order book for all other executions

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

$0.0010 charge per share that adds non-displayed[3] (hidden) liquidity to the BYX Exchange order book
$0.0030 charge per share for non-displayed[3] (hidden) orders that add liquidity to the BYX Exchange order book and receive price improvement when executed

Securities Priced Below $1.00

0.10% charge of the total dollar value to remove liquidity for securities priced below $1.00 traded on the BYX Exchange order book
No liquidity rebate for securities priced below $1.00 traded on the BYX Exchange order book

Standard Routing Pricing – Best Execution Routing

$0.0020 charge per share for shares executed at a dark liquidity venue ("DRT" routing)
$[0.0026]0.0028 charge per share for shares executed at any other venue ("CYCLE", "RECYCLE", "Parallel D", and "Parallel 2D" routing)
$0.0033 charge per share for shares executed at any other venue ("Parallel T" routing)

Note: Default Best Execution Routing = DRT + Parallel D

Discounted Destination Specific Routing ("One Under/Better") to NYSE, NYSE ARCA, NASDAQ, and EDGA

- BYX + NYSE Destination Specific Orders: $0.0022 charge per share
- BYX + NYSE ARCA Destination Specific Orders for Tape B: $0.0027 charge per share
- BYX + NYSE ARCA Destination Specific Orders for Tapes A and C: $0.0029 charge per share
- BYX + NASDAQ Destination Specific Orders: $0.0029 charge per share
- BYX + EDGA Destination Specific Orders: $0.00025 rebate per share

Other Non-Standard Routing Options – Specific Order Types and Securities Priced Below $1.00

- BYX + BATS Exchange, Inc. ("BZX Exchange") Destination Specific Orders ("B2B"): $[0.0028]0.0029 charge per share
- BYX + DRT Destination Specific Orders: $0.0020 charge per share
- BYX + (Protected Market Center) Destination Specific Orders other than NYSE, NYSE ARCA, NASDAQ, and EDGA: $0.0030 charge per share
- Directed ISO's: $0.0033 charge per share
- Stocks Priced Below $1.00 for CYCLE, RECYCLE, Parallel D, and Parallel 2D routed executions: [0.26]0.28% charge of the total dollar value
- Stocks Priced Below $1.00 for Parallel T routed executions: 0.33% charge of the total dollar value

TRIM Routing Strategy

- TRIM orders executed at NASDAQ BX: $0.0014 rebate per share[low-priced venues: no charge]
- TRIM orders executed at EDGA: $0.00015 rebate per share
- TRIM orders executed at a DRT venue: $0.0020 charge per share
- TRIM orders executed at NYSE: $0.0022 charge per share
- TRIM orders executed at BZX Exchange: $[0.0028]0.0029 charge per share

SLIM Routing Strategy

- SLIM orders executed at BZX Exchange: $[0.0028]0.0029 charge per share
- SLIM orders executed at NYSE: $0.0022 charge per share
- SLIM orders executed at any other venue, including any DRT venue: $0.0026 charge per share

[1] "ADV" means average daily volume calculated as the number of shares added or removed, combined, per day on a monthly basis; routed shares 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 (as evidenced on such Member's Form BD).

[2] "TCV" means total consolidated volume calculated as the volume reported by all exchanges and trade reporting facilities to a consolidated transaction reporting plan for the month for which the fees apply.

[3] Non-displayed order types include all forms of Pegged, Mid-Point Peg and Non-Displayed Limit orders. The non-displayed rebate does not apply to Reserve or Discretionary orders.

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(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 September 27, 2010. 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.

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 its fee schedule applicable to use of the Exchange effective July 1, 2011, in order to: (i) decrease the standard rebate to remove liquidity from the Exchange; (ii) modify the tiered pricing structure applicable to adding displayed liquidity to the Exchange's order book; (iii) adopt a fee for non-displayed orders that add liquidity to the Exchange and receive price improvement when executed; (iv) increase the standard routing fee for the CYCLE, RECYCLE, Parallel D and Parallel 2D routing strategies;[4] and (v) make other modifications to certain other non-standard routing options and strategies.

(i) Decrease to Standard Rebate for Removing Liquidity

The Exchange proposes to reduce the rebate that it provides for orders that remove liquidity from the Exchange from $0.0003 per share to $0.0002 per share. Consistent with the current rebate to remove liquidity, the rebate per share for executions that remove liquidity from the Exchange will not apply to executions that remove liquidity in securities priced under $1.00 per share. The fee for such executions will remain at 0.10% of the total dollar value of the execution. Similarly, as is currently the case for adding liquidity to the Exchange, there will be no liquidity rebate for adding liquidity in securities priced under $1.00 per share.

[4] As defined in BYX Rule 11.13.

(ii) Changes to Tiered Fee Structure for Adding Liquidity

The Exchange currently maintains a tiered pricing structure for adding displayed liquidity in securities priced $1.00 and above that allows Members to add liquidity free of charge to the extent such liquidity sets the national best bid or offer (the "NBBO Setter Program"). The NBBO Setter Program is applicable to a Member's orders so long as the Member submitting the order achieves the applicable average daily volume ("ADV") requirement of at least 0.1% of the total consolidated volume ("TCV") during the month. All other executions resulting from liquidity added by a Member are subject to a fee of $0.0002 per share. The Exchange proposes to increase this standard fee to add liquidity from $0.0002 per share to $0.0003 per share and to adopt a fee to add liquidity under the NBBO Setter Program. Specifically, the Exchange proposes to charge $0.0002 per share for Member executions under the NBBO Setter Program, which will continue to be available for Members with an ADV of at least 0.1% of TCV during the month. The Exchange does not propose to modify either the volume level required to meet the NBBO Setter Program or its existing definitions of ADV or TCV in connection with this change.

(iii) Fee for Non-Displayed Price Improved Orders

As defined on the Exchange's current fee schedule, "non-displayed liquidity" includes liquidity resulting from all forms of Pegged Orders,[5] Mid-Point Peg Orders,[6] and Non-Displayed Orders,[7] but does not include liquidity resulting from Reserve

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5 As defined in BYX Rule 11.9(c)(8).

6 As defined in BYX Rule 11.9(c)(9).

7 As defined in BYX Rule 11.9(c)(11).

Orders[8] or Discretionary Orders.[9] The Exchange currently charges $0.0010 per share for non-displayed orders that add liquidity to and are executed on the Exchange. The Exchange recently received approval of a rule to allow non-displayed orders that are not executable at their most aggressive price to be executed at one-half minimum price variation less aggressive than that price.[10] Accordingly, such non-displayed orders will receive price improvement upon execution. Because such orders will receive price improvement, the Exchange proposes to execute the orders subject to a fee of $0.0030 per share. The Exchange believes that price improvement received for executions of non-displayed orders will offset the additional fee charged by the Exchange for such orders.

(iv) Increase to Fee for Standard Best Execution Routing Strategies

The Exchange proposes to modify the fee charged by the Exchange for its CYCLE, RECYCLE, Parallel D and Parallel 2D routing strategies from $0.0026 per share to $0.0028 per share. To be consistent with this change, the Exchange proposes to charge 0.28%, rather than 0.26%, of the total dollar value of the execution for any security priced under $1.00 per share that is routed away from the Exchange through these strategies.

(v) Other Modifications to Non-Standard Routing Rates

Various market centers, including the Exchange’s affiliate, BATS Exchange, Inc. (“BZX”), are implementing certain pricing changes effective July 1, 2011. The Exchange proposes various changes to its routing strategies in connection with such

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8 As defined in BYX Rule 11.9(c)(1).

9 As defined in BYX Rule 11.9(c)(10).

10 See Securities Exchange Act Release No. 64753 (June 27, 2011) (SR-BYX-2011-009).

changes so that fees charged and rebates provided reflect a direct pass-through of the fee charged or rebate received when routing directly to such market centers. For instance, the Exchange's affiliate, BZX, is increasing the fee charged for shares removed from BZX from $0.0028 per share to $0.0029 per share. Accordingly, the Exchange proposes to modify its Destination Specific Order[11] to BZX, as well as its TRIM[12] and SLIM[13] routing strategies with respect to any executions at BZX, to charge a fee of $0.0029 per share. The Exchange also proposes to modify its TRIM routing strategy to reflect the exact rate paid or assessed for executions at NASDAQ BX and EDGA Exchange, respectively. The Exchange currently identifies both of these venues as "low priced venues" and the Exchange does not charge or rebate its Members for orders routed to and executed by such venues. As proposed, the Exchange will pass on rebates that are paid by these venues in full. Specifically, the Exchange proposes to rebate $0.0014 per share for TRIM routed orders executed at NASDAQ BX, as this is the same rate paid by NASDAQ BX and is thus a direct pass-through. Similarly, the Exchange proposes to rebate $0.00015 per share for TRIM routed orders executed at EDGA Exchange, as this is, again, a direct pass-through of the rebate provided by EDGA 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

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11 As defined in BYX Rule 11.9(c)(12).

12 As defined in BYX Rule 11.13(a)(3)(G).

13 As defined in BYX Rule 11.13(a)(3)(H).

Act.[14] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[15] 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 changes to Exchange execution fees and rebates proposed by this filing are intended to attract order flow to the Exchange by continuing to offer competitive pricing while also allowing the Exchange to continue to offer incentives to providing aggressively priced displayed liquidity. While Members that remove liquidity from the Exchange, add liquidity to the Exchange and/or route orders through the Exchange's standard routing strategies will be paying higher fees or receiving lower rebates due to the proposal, the increased revenue received by the Exchange will be used to continue to fund programs that the Exchange believes will attract additional liquidity and thus improve the depth of liquidity available on the Exchange.

The Exchange believes that basing its tiered rebate structure on overall TCV, rather than a static number irrespective of overall volume in the securities industry, is a fair and equitable approach to pricing. Volume-based tiers such as the liquidity rebate tiers offered by the Exchange have been widely adopted in the equities markets, and are equitable and not unreasonably discriminatory because they are open to all members on

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[14] 15 U.S.C. 78f.

[15] 15 U.S.C. 78f(b)(4).

an equal basis and provide rebates 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 introduction of higher volumes of orders into the price and volume discovery process. Accordingly, the Exchange believes that the proposal is not unreasonably discriminatory because it is consistent with the overall goals of enhancing market quality.

Despite the decrease in rebate for all Members, the Exchange believes that its proposed fee structure is fair and equitable as the Exchange's standard rebate to remove liquidity still remains higher than standard rebates paid by at least one other market center with a similar fee structure, EDGA Exchange ($0.00015 per share).

Also, the Exchange's proposed NBBO Setter liquidity adding fee of $0.0002 per share and standard displayed liquidity adding fee of $0.0003 per share still remain approximately the same as one other market center that imposes a fee to add liquidity, EDGA Exchange ($0.00025 charge per share). The Exchange's proposed fees for adding liquidity are also significantly lower than the standard liquidity adding fees of NASDAQ OMX BX ($0.0018 charge per share). Additionally, the Exchange believes that the NBBO Setter Program will continue to incentivize the entry of more aggressive orders that will create tighter spreads, benefitting both Members and public investors. To the extent the proposed changes will result in increased fees charged to Members, the Exchange believes that any additional revenue it receives will allow the Exchange to devote additional capital to its operations and to continue to offer competitive pricing, which, in turn, will benefit Members of the Exchange.

The Exchange believes that the additional fee for executions of non-displayed orders that receive price improvement is appropriate because the price improvement received will offset the change in the fee structure for such orders. The Exchange does not want to overly incentivize hidden liquidity, as this would be contrary to the goals of this proposal. Finally, the Exchange believes that the proposed changes to the Exchange's non-standard routing fees and strategies are competitive, fair and reasonable, and non-discriminatory in that they are designed to mirror the cost and/or rebate applicable to the execution if such routed orders were executed directly by the Member at each away market.

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[16] and Rule 19b-4(f)(2) thereunder,[17] the Exchange has designated this proposal as establishing or changing a

[16] 15 U.S.C. 78s(b)(3)(A)(ii).

[17] 17 CFR 240.19b-4(f)(2).

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.

Exhibit 2 – 5: Not applicable.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-BYX-2011-013)

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Fees for Use of BATS Y-Exchange, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on July 1, 2011, BATS Y-Exchange, Inc. (the "Exchange" or "BYX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The 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[3] and Rule 19b-4(f)(2) thereunder,[4] which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend the fee schedule applicable to Members[5] of the Exchange pursuant to BYX Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal will be effective upon filing.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

4 17 CFR 240.19b-4(f)(2).

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

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 its fee schedule applicable to use of the Exchange effective July 1, 2011, in order to: (i) decrease the standard rebate to remove liquidity from the Exchange; (ii) modify the tiered pricing structure applicable to adding displayed liquidity to the Exchange's order book; (iii) adopt a fee for non-displayed orders that add liquidity to the Exchange and receive price improvement when executed; (iv) increase the standard routing fee for the CYCLE, RECYCLE, Parallel D and Parallel 2D routing strategies;[6] and (v) make other modifications to certain other non-standard routing options and strategies.

(i) Decrease to Standard Rebate for Removing Liquidity

6 As defined in BYX Rule 11.13.

The Exchange proposes to reduce the rebate that it provides for orders that remove liquidity from the Exchange from $0.0003 per share to $0.0002 per share. Consistent with the current rebate to remove liquidity, the rebate per share for executions that remove liquidity from the Exchange will not apply to executions that remove liquidity in securities priced under $1.00 per share. The fee for such executions will remain at 0.10% of the total dollar value of the execution. Similarly, as is currently the case for adding liquidity to the Exchange, there will be no liquidity rebate for adding liquidity in securities priced under $1.00 per share.

(ii) <u>Changes to Tiered Fee Structure for Adding Liquidity</u>

The Exchange currently maintains a tiered pricing structure for adding displayed liquidity in securities priced $1.00 and above that allows Members to add liquidity free of charge to the extent such liquidity sets the national best bid or offer (the "NBBO Setter Program"). The NBBO Setter Program is applicable to a Member's orders so long as the Member submitting the order achieves the applicable average daily volume ("ADV") requirement of at least 0.1% of the total consolidated volume ("TCV") during the month. All other executions resulting from liquidity added by a Member are subject to a fee of $0.0002 per share. The Exchange proposes to increase this standard fee to add liquidity from $0.0002 per share to $0.0003 per share and to adopt a fee to add liquidity under the NBBO Setter Program. Specifically, the Exchange proposes to charge $0.0002 per share for Member executions under the NBBO Setter Program, which will continue to be available for Members with an ADV of at least 0.1% of TCV during the month. The Exchange does not propose to modify either the volume level required to meet the NBBO Setter Program or its existing definitions of ADV or TCV in connection with this change.

(iii) <u>Fee for Non-Displayed Price Improved Orders</u>

As defined on the Exchange's current fee schedule, "non-displayed liquidity" includes liquidity resulting from all forms of Pegged Orders,[7] Mid-Point Peg Orders,[8] and Non-Displayed Orders,[9] but does not include liquidity resulting from Reserve Orders[10] or Discretionary Orders.[11] The Exchange currently charges $0.0010 per share for non-displayed orders that add liquidity to and are executed on the Exchange. The Exchange recently received approval of a rule to allow non-displayed orders that are not executable at their most aggressive price to be executed at one-half minimum price variation less aggressive than that price.[12] Accordingly, such non-displayed orders will receive price improvement upon execution. Because such orders will receive price improvement, the Exchange proposes to execute the orders subject to a fee of $0.0030 per share. The Exchange believes that price improvement received for executions of non-displayed orders will offset the additional fee charged by the Exchange for such orders.

(iv) <u>Increase to Fee for Standard Best Execution Routing Strategies</u>

The Exchange proposes to modify the fee charged by the Exchange for its CYCLE, RECYCLE, Parallel D and Parallel 2D routing strategies from $0.0026 per share to $0.0028 per share. To be consistent with this change, the Exchange proposes to charge 0.28%, rather than 0.26%, of the total dollar value of the execution for any

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7 As defined in BYX Rule 11.9(c)(8).

8 As defined in BYX Rule 11.9(c)(9).

9 As defined in BYX Rule 11.9(c)(11).

10 As defined in BYX Rule 11.9(c)(1).

11 As defined in BYX Rule 11.9(c)(10).

12 <u>See</u> Securities Exchange Act Release No. 64753 (June 27, 2011) (SR-BYX-2011-009).

security priced under $1.00 per share that is routed away from the Exchange through these strategies.

(v) Other Modifications to Non-Standard Routing Rates

Various market centers, including the Exchange's affiliate, BATS Exchange, Inc. ("BZX"), are implementing certain pricing changes effective July 1, 2011. The Exchange proposes various changes to its routing strategies in connection with such changes so that fees charged and rebates provided reflect a direct pass-through of the fee charged or rebate received when routing directly to such market centers. For instance, the Exchange's affiliate, BZX, is increasing the fee charged for shares removed from BZX from $0.0028 per share to $0.0029 per share. Accordingly, the Exchange proposes to modify its Destination Specific Order[13] to BZX, as well as its TRIM[14] and SLIM[15] routing strategies with respect to any executions at BZX, to charge a fee of $0.0029 per share. The Exchange also proposes to modify its TRIM routing strategy to reflect the exact rate paid or assessed for executions at NASDAQ BX and EDGA Exchange, respectively. The Exchange currently identifies both of these venues as "low priced venues" and the Exchange does not charge or rebate its Members for orders routed to and executed by such venues. As proposed, the Exchange will pass on rebates that are paid by these venues in full. Specifically, the Exchange proposes to rebate $0.0014 per share for TRIM routed orders executed at NASDAQ BX, as this is the same rate paid by NASDAQ BX and is thus a direct pass-through. Similarly, the Exchange proposes to

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[13] As defined in BYX Rule 11.9(c)(12).

[14] As defined in BYX Rule 11.13(a)(3)(G).

[15] As defined in BYX Rule 11.13(a)(3)(H).

rebate $0.00015 per share for TRIM routed orders executed at EDGA Exchange, as this is, again, a direct pass-through of the rebate provided by EDGA 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.[16] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[17] 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 changes to Exchange execution fees and rebates proposed by this filing are intended to attract order flow to the Exchange by continuing to offer competitive pricing while also allowing the Exchange to continue to offer incentives to providing aggressively priced displayed liquidity. While Members that remove liquidity from the Exchange, add liquidity to the Exchange and/or route orders through the Exchange's standard routing strategies will be paying higher fees or receiving lower rebates due to the proposal, the increased revenue received by the Exchange will be used to continue to

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[16] 15 U.S.C. 78f.

[17] 15 U.S.C. 78f(b)(4).

fund programs that the Exchange believes will attract additional liquidity and thus improve the depth of liquidity available on the Exchange.

The Exchange believes that basing its tiered rebate structure on overall TCV, rather than a static number irrespective of overall volume in the securities industry, is a fair and equitable approach to pricing. Volume-based tiers such as the liquidity rebate tiers offered by the Exchange have been widely adopted in the equities markets, and are equitable and not unreasonably discriminatory because they are open to all members on an equal basis and provide rebates 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 introduction of higher volumes of orders into the price and volume discovery process. Accordingly, the Exchange believes that the proposal is not unreasonably discriminatory because it is consistent with the overall goals of enhancing market quality.

Despite the decrease in rebate for all Members, the Exchange believes that its proposed fee structure is fair and equitable as the Exchange's standard rebate to remove liquidity still remains higher than standard rebates paid by at least one other market center with a similar fee structure, EDGA Exchange ($0.00015 per share).

Also, the Exchange's proposed NBBO Setter liquidity adding fee of $0.0002 per share and standard displayed liquidity adding fee of $0.0003 per share still remain approximately the same as one other market center that imposes a fee to add liquidity, EDGA Exchange ($0.00025 charge per share). The Exchange's proposed fees for adding liquidity are also significantly lower than the standard liquidity adding fees of NASDAQ OMX BX ($0.0018 charge per share). Additionally, the Exchange believes that the NBBO Setter Program will continue to incentivize the entry of more aggressive orders that will create tighter spreads, benefitting both Members and public investors. To the extent the proposed changes will result in increased fees charged to Members, the Exchange believes that any additional revenue it receives will allow the Exchange to devote additional capital to its operations and to continue to offer competitive pricing, which, in turn, will benefit Members of the Exchange.

The Exchange believes that the additional fee for executions of non-displayed orders that receive price improvement is appropriate because the price improvement received will offset the change in the fee structure for such orders. The Exchange does not want to overly incentivize hidden liquidity, as this would be contrary to the goals of this proposal. Finally, the Exchange believes that the proposed changes to the Exchange's non-standard routing fees and strategies are competitive, fair and reasonable, and non-discriminatory in that they are designed to mirror the cost and/or rebate applicable to the execution if such routed orders were executed directly by the Member at each away market.

(B) <u>Self-Regulatory Organization's Statement on Burden on Competition</u>

The Exchange does not believe that the proposed rule change imposes any burden on competition.

(C) <u>Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others</u>

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[18] and Rule 19b-4(f)(2) thereunder,[19] 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. Please include File No. SR-BYX-2011-013 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-BYX-2011-013. This file number should be included on the subject line if e-mail is used. To help the Commission process and review

18 15 U.S.C. 78s(b)(3)(A)(ii).

19 17 CFR 240.19b-4(f)(2).

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-BYX-2011-013 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.[20]

Cathy H. Ahn
Deputy Secretary

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[20] 17 CFR 200.30-3(a)(12).