OMB APPROVAL
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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 - 2012 - * 020
Amendment No. (req. for Amendments *)

Proposed Rule Change by BATS Exchange

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

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Rule

☐ 19b-4(f)(1)	☐ 19b-4(f)(4)
☑ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☐ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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 *).

Amendments to the fee schedule of BATS 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 05/31/2012

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 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[3] 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 June 1, 2012.

(a) The text of the proposed rule change is enclosed 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 ("Board") on November 10, 2009. Exchange staff will advise the Board 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.

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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.

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) modify the rebates provided by the Exchange for Customer[4] orders that add liquidity to Exchange's options platform ("BATS Options") in options classes subject to the penny pilot program as described below ("Penny Pilot Securities"),[5] and (ii) modify the BATS Options NBBO Setter Program[6] by adopting enhanced rebates for liquidity resulting from orders with a significant level of displayed size. The Exchange also proposes minor structural changes to the Options Pricing section of the Exchange's fee schedule, including movement and re-numbering of certain footnotes.

(i) Customer Rebates for Adding Liquidity

The Exchange currently provides rebates for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities pursuant to a tiered pricing structure, as described below. The Exchange proposes to modify this tiered pricing structure, which will result in the potential for Customer orders to receive larger rebates per contract.

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4 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"), except for those designated as "Professional".

5 The Exchange currently charges different fees and provides different rebates depending on whether an options class is an options class that qualifies as a Penny Pilot Security pursuant to Exchange Rule 21.5, Interpretation and Policy .01 or is a non-penny options class.

6 The NBBO Setter Program is a program that provides additional rebates for executions resulting from orders that add liquidity that set either the national best bid ("NBB") or national best offer ("NBO").

The Exchange currently provides a rebate of $0.30 per contract for Customer orders that add liquidity to the BATS Options order book to the extent a Member of BATS Options does not qualify for a higher rebate based on their average daily volume ("ADV").[7] The Exchange also currently provides Members with an ADV equal to or greater than 0.30% of average total consolidated volume ("TCV")[8] with a rebate of $0.42 per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities and a rebate of $0.44 per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities for Members with an ADV equal to or greater than 1% of average TCV. Finally, the Exchange currently offers its Grow with Us pricing program to Customer orders that add liquidity by providing a Member with enhanced rebates (and lower execution fees) 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 has defined 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.[9] Under the current pricing

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7 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.

8 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.

9 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 June 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%.

structure, 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 is provided a rebate of $0.36 per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities. 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 is provided a rebate of $0.43 per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities.

The Exchange proposes to increase the current Grow with Us rebates and to adopt a new Grow with Us rebate for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities, as described below.

The Exchange proposes to increase its rebate for 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 from a rebate of $0.36 per contract to a rebate of $0.38 per contract for Customer orders that add liquidity to BATS Options in Penny Pilot Securities. Similarly, the Exchange proposes to increase its rebate for 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 from a rebate of $0.43 per contract to a rebate of $0.45 per contract for Customer orders that add liquidity to BATS Options in Penny Pilot Securities. Finally, the Exchange proposes to adopt a new Grow with Us rebate for

Members that have an ADV greater than 1% of average TCV by providing a rebate to those Members that meet this tier but are also increasing their participation on BATS Options as demonstrated by achievement of at least a 5 basis point increase over its previous High Water Mark. The Exchange proposes to provide such Members with a rebate of $0.46 per contract for Customer orders that add liquidity to BATS Options in Penny Pilot Securities.

The Exchange is not proposing any changes to the tiered rebate structure for Customer orders entered by Members that do not qualify for Grow with Us pricing nor is the Exchange proposing to modify the rebates provided for Professional,[10] Firm and Market Maker[11] orders.

(ii) Enhanced NBBO Setter Rebate for Orders Meeting Size Requirements

The Exchange's NBBO Setter Program is a program intended to incentivize aggressive quoting on BATS Options by providing an additional rebate upon execution for all orders that add liquidity that set either the NBB or NBO (the "NBBO Setter Rebate"),[12] subject to certain volume requirements. The Exchange currently provides an additional $0.06 per contract rebate for executions of Professional, Firm and Market

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10 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).

11 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.

12 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.

Maker orders 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 of Professional, Firm and Market Maker orders by Members with an ADV equal to or greater than 1% of TCV. The Exchange also applies 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 receives NBBO Setter Rebates of $0.03 per contract for qualifying executions. 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 is provided a NBBO Setter Rebate of $0.08 per contract for qualifying executions.

In order to further incentivize aggressive liquidity by incenting displayed size of contracts, the Exchange proposes to provide twice the rebate for executions that qualify for an NBBO Setter Rebate and result from an order with a displayed size that equals or exceeds 25 contracts. Accordingly, rather than NBBO Setter Rebates of $0.03, $0.06, $0.08 and $0.10 per contract, as described above, the Exchange proposes to provide enhanced NBBO Setter Rebates of $0.06, $0.12, $0.16 and $0.20, respectively, for executions that meet the size threshold. The Exchange proposes to limit the enhanced rebate to executions up to 200 contracts. For any executions above 200 contracts, the Exchange will provide the enhanced rebate based on order size for the first 200 contracts executed, and the standard NBBO Setter Rebate for all remaining contracts executed on that order.

(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.[13] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[14] 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.

Volume-based rebates such as the ones maintained by the Exchange have been widely adopted in the cash equities markets and are increasingly in use by the options exchanges, 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 continued offering of volume-based rebates for Customer orders in Penny Pilot Securities

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[13] 15 U.S.C. 78f.

[14] 15 U.S.C. 78f(b)(4).

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 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.

The Exchange believes that continuing to provide 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, therefore, is reasonable in that it 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 and not unreasonably discriminatory in that it is available to all Members, even for Members that do not meet the Exchange's volume based tiers.

More specifically, the increase to Grow with Us rebates for Customer orders in Penny Pilot Securities is reasonable as it is a small increase that encourages growth by Members, which will, in turn, benefit all participants on BATS Options. The proposed rebates are fair and equitable and not unreasonably discriminatory due to the fact that Grow with Us pricing is available to all Members, even those that do not qualify for the

Exchange's lowest volume tier. The Exchange notes that, as proposed, BATS Options will be providing a rebate to Members that qualify for the lower tier and Grow with Us pricing (such Members will receive a $0.45 per contract rebate for Customer orders) that is higher than the rebate provided to Members that qualify for the higher tier (1% or more) but do not qualify for Grow with Us pricing (such Members will receive a $0.44 per contract rebate for Customer orders). The Exchange believes that this pricing structure is reasonable and not unreasonably discriminatory because the Exchange is incentivizing Members to increase their activity on BATS Options, to the benefit of other BATS Options participants. Also, consistent with this objective, the Exchange has adopted a new Grow with Us category for Members that qualify for the higher tier and also qualify for Grow with Us pricing (such Members will receive a $0.46 per contract rebate for Customer orders).

The enhanced NBBO Setter program that focuses on the size of contracts has the potential of increasing the available liquidity at the Exchange. Accordingly, the proposed adoption of a program to provide enhanced NBBO Setter Rebates for executions from orders that qualify based on their size is fair and equitable and not unreasonably discriminatory because such a program is consistent with the overall goals of enhancing market quality and will benefit 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 Exchange notes that it does not currently operate any auctions through which orders are held and broadcast to its membership, nor does the Exchange engage in any payment for order flow practices. Rather, the Exchange is proposing to enhance its transparent market structure with an easy to understand and transparent pricing structure by adding incentives for aggressive quoting with size. The Exchange also believes that the rebates as proposed are reasonable in that they significantly incentivize aggressive quoting with respect to both price and size.

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[15] and Rule 19b-4(f)(2) thereunder,[16] 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

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

[16] 17 CFR 240.19b-4(f)(2).

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 – 4: Not applicable.

Exhibit 5: Text of proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-BATS-2012-020)

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"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on May 31, 2012, 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[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] and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). While changes

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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.

to the fee schedule pursuant to this proposal will be effective upon filing, the changes will become operative on June 1, 2012.

The text of the proposed rule change is available at the Exchange's website at http://www.batstrading.com, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in 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) modify the rebates provided by the Exchange for Customer[6] orders that add liquidity to Exchange's options platform ("BATS Options") in options classes subject to the penny pilot program as described below ("Penny Pilot Securities"),[7] and

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6 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"), except for those designated as "Professional".

7 The Exchange currently charges different fees and provides different rebates depending on whether an options class is an options class that qualifies as a Penny Pilot Security pursuant to Exchange Rule 21.5, Interpretation and Policy .01 or is a non-penny options class.

(ii) modify the BATS Options NBBO Setter Program[8] by adopting enhanced rebates for liquidity resulting from orders with a significant level of displayed size. The Exchange also proposes minor structural changes to the Options Pricing section of the Exchange's fee schedule, including movement and re-numbering of certain footnotes.

(i) Customer Rebates for Adding Liquidity

The Exchange currently provides rebates for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities pursuant to a tiered pricing structure, as described below. The Exchange proposes to modify this tiered pricing structure, which will result in the potential for Customer orders to receive larger rebates per contract.

The Exchange currently provides a rebate of $0.30 per contract for Customer orders that add liquidity to the BATS Options order book to the extent a Member of BATS Options does not qualify for a higher rebate based on their average daily volume ("ADV").[9] The Exchange also currently provides Members with an ADV equal to or greater than 0.30% of average total consolidated volume ("TCV")[10] with a rebate of $0.42 per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities and a rebate of $0.44 per contract for Customer orders that add

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[8] The NBBO Setter Program is a program that provides additional rebates for executions resulting from orders that add liquidity that set either the national best bid ("NBB") or national best offer ("NBO").

[9] 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.

[10] 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.

liquidity to the BATS Options order book in Penny Pilot Securities for Members with an ADV equal to or greater than 1% of average TCV. Finally, the Exchange currently offers its Grow with Us pricing program to Customer orders that add liquidity by providing a Member with enhanced rebates (and lower execution fees) 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 has defined 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.[11] Under the current pricing structure, 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 is provided a rebate of $0.36 per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities. 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 is provided a rebate of $0.43 per contract for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities.

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11 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 June 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 Exchange proposes to increase the current Grow with Us rebates and to adopt a new Grow with Us rebate for Customer orders that add liquidity to the BATS Options order book in Penny Pilot Securities, as described below.

The Exchange proposes to increase its rebate for 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 from a rebate of $0.36 per contract to a rebate of $0.38 per contract for Customer orders that add liquidity to BATS Options in Penny Pilot Securities. Similarly, the Exchange proposes to increase its rebate for 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 from a rebate of $0.43 per contract to a rebate of $0.45 per contract for Customer orders that add liquidity to BATS Options in Penny Pilot Securities. Finally, the Exchange proposes to adopt a new Grow with Us rebate for Members that have an ADV greater than 1% of average TCV by providing a rebate to those Members that meet this tier but are also increasing their participation on BATS Options as demonstrated by achievement of at least a 5 basis point increase over its previous High Water Mark. The Exchange proposes to provide such Members with a rebate of $0.46 per contract for Customer orders that add liquidity to BATS Options in Penny Pilot Securities.

The Exchange is not proposing any changes to the tiered rebate structure for Customer orders entered by Members that do not qualify for Grow with Us pricing nor is the Exchange proposing to modify the rebates provided for Professional,[12] Firm and Market Maker[13] orders.

(ii) <u>Enhanced NBBO Setter Rebate for Orders Meeting Size Requirements</u>

The Exchange's NBBO Setter Program is a program intended to incentivize aggressive quoting on BATS Options by providing an additional rebate upon execution for all orders that add liquidity that set either the NBB or NBO (the "NBBO Setter Rebate"),[14] subject to certain volume requirements. The Exchange currently provides an additional $0.06 per contract rebate for executions of Professional, Firm and Market Maker orders 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 of Professional, Firm and Market Maker orders by Members with an ADV equal to or greater than 1% of TCV. The Exchange also applies 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 receives NBBO Setter Rebates of $0.03 per contract for qualifying executions. Similarly, a Member that

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12 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).

13 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.

14 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.

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 is provided a NBBO Setter Rebate of $0.08 per contract for qualifying executions.

In order to further incentivize aggressive liquidity by incenting displayed size of contracts, the Exchange proposes to provide twice the rebate for executions that qualify for an NBBO Setter Rebate and result from an order with a displayed size that equals or exceeds 25 contracts. Accordingly, rather than NBBO Setter Rebates of $0.03, $0.06, $0.08 and $0.10 per contract, as described above, the Exchange proposes to provide enhanced NBBO Setter Rebates of $0.06, $0.12, $0.16 and $0.20, respectively, for executions that meet the size threshold. The Exchange proposes to limit the enhanced rebate to executions up to 200 contracts. For any executions above 200 contracts, the Exchange will provide the enhanced rebate based on order size for the first 200 contracts executed, and the standard NBBO Setter Rebate for all remaining contracts executed on that order.

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.[15] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[16] in that it provides for the equitable allocation of

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15 15 U.S.C. 78f.

16 15 U.S.C. 78f(b)(4).

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.

Volume-based rebates such as the ones maintained by the Exchange have been widely adopted in the cash equities markets and are increasingly in use by the options exchanges, 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 continued offering of volume-based rebates for Customer orders in Penny Pilot Securities 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 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.

The Exchange believes that continuing to provide 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, therefore, is reasonable in that it 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 and not unreasonably discriminatory in that it is available to all Members, even for Members that do not meet the Exchange's volume based tiers.

More specifically, the increase to Grow with Us rebates for Customer orders in Penny Pilot Securities is reasonable as it is a small increase that encourages growth by Members, which will, in turn, benefit all participants on BATS Options. The proposed rebates are fair and equitable and not unreasonably discriminatory due to the fact that Grow with Us pricing is available to all Members, even those that do not qualify for the Exchange's lowest volume tier. The Exchange notes that, as proposed, BATS Options will be providing a rebate to Members that qualify for the lower tier and Grow with Us pricing (such Members will receive a $0.45 per contract rebate for Customer orders) that is higher than the rebate provided to Members that qualify for the higher tier (1% or more) but do not qualify for Grow with Us pricing (such Members will receive a $0.44 per contract rebate for Customer orders). The Exchange believes that this pricing structure is reasonable and not unreasonably discriminatory because the Exchange is incentivizing Members to increase their activity on BATS Options, to the benefit of other BATS Options participants. Also, consistent with this objective, the Exchange has adopted a new Grow with Us category for Members that qualify for the higher tier and also qualify for Grow with Us pricing (such Members will receive a $0.46 per contract rebate for Customer orders).

The enhanced NBBO Setter program that focuses on the size of contracts has the potential of increasing the available liquidity at the Exchange. Accordingly, the proposed adoption of a program to provide enhanced NBBO Setter Rebates for executions from orders that qualify based on their size is fair and equitable and not unreasonably discriminatory because such a program is consistent with the overall goals of enhancing market quality and will benefit 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 Exchange notes that it does not currently operate any auctions through which orders are held and broadcast to its membership, nor does the Exchange engage in any payment for order flow practices. Rather, the Exchange is proposing to enhance its transparent market structure with an easy to understand and transparent pricing structure by adding incentives for aggressive quoting with size. The Exchange also believes that the rebates as proposed are reasonable in that they significantly incentivize aggressive quoting with respect to both price and size.

(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[17] and Rule 19b-4(f)(2) thereunder,[18] 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-BATS-2012-020 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-BATS-2012-020. This file number should be included on the subject line if e-mail is used. To help the Commission process and

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17 15 U.S.C. 78s(b)(3)(A)(ii).

18 17 CFR 240.19b-4(f)(2).

review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 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-2012-020 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.[19]

Kevin M. O'Neill
Deputy Secretary

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[19] 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 [May 14] June 1, 2012

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:

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Liquidity Rebates for Penny Pilot Securities

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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

[$0.36]$0.38 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[4]

$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 0.30% of average TCV

[$0.43]$0.45 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[4]

$0.44 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

$0.46 rebate per contract for a Customer order that adds liquidity to the BATS Options order book where the Member has an ADV greater than 1% of average TCV and also shows a minimum of 5 basis points TCV improvement over their previous High Water Mark[4]

[4] These rebates and fees constitute our "grow with us" pricing for Members that are increasing their trading activity.

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Enhanced NBBO Setter Liquidity Rebates for Orders with Displayed Size of at Least 25 Contracts[5] (in addition to any other applicable liquidity rebates)

$0.06 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[4]

$0.12 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

$0.16 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[4]

$0.20 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 1% of average TCV

NBBO Setter Liquidity Rebates for [All Securities] Orders that do not Qualify for Enhanced Size Rebate[5] (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[4]

$0.06 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

$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[4]

$0.10 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 1% of average TCV

[5] The Exchange offers enhanced NBBO setter rebates, for orders with minimum displayed size of at least 25 contracts, on executions up to 200 contracts. For any executions above 200 contracts, the Exchange will provide the enhanced rebate for the first 200 contracts executed, and the standard NBBO setter rebate for all remaining contracts executed.

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

$0.01 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 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[5]6 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[5]6 for the front three (3) expiration months in that underlying for the month for which fees apply.

[[4] These rebates and fees constitute our "grow with us" pricing for Members that are increasing their trading activity.

[5] The $0.03 and $5.00 price range qualification is determined by the last trade in an option series each day. Option series which do not have an execution are removed from the following day's Quoting Incentive Program calculations.]

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:

		Customer	Professional/ Firm/Market Maker
AMEX BOX CBOE	ARCA (Classic issues)[6]7 ISE (Classic issues)[6]7 PHLX (Classic issues)[6]7	$0.10	$0.55
ISE (Make/Take issues)[6]7		$0.30	$0.55
C2 NOM ARCA (Make/Take issues)[6]7		$0.50	$0.55

PHLX (Make/Take issues)[6]7		

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Physical Connection Charges[7]8:

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6 The $0.03 and $5.00 price range qualification is determined by the last trade in an option series each day. Option series which do not have an execution are removed from the following day's Quoting Incentive Program calculations.

[6]7 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.

[7]8 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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