

Required fields are shown with yellow backgrounds and asterisks.

Proposed Rule Change by BATS Exchange  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b>	<b>Amendment *</b>	<b>Withdrawal</b>	<b>Section 19(b)(2) *</b>	<b>Section 19(b)(3)(A) *</b>		<b>Section 19(b)(3)(B) *</b>		
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>		
			Rule					
<b>Pilot</b>	<b>Extension of Time Period for Commission Action *</b>	<b>Date Expires *</b>	<b>19b-4(f)(1)</b>	<b>19b-4(f)(2)</b>	<b>19b-4(f)(3)</b>	<b>19b-4(f)(4)</b>	<b>19b-4(f)(5)</b>	<b>19b-4(f)(6)</b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Exhibit 2 Sent As Paper Document</b>	<b>Exhibit 3 Sent As Paper Document</b>
<input type="checkbox"/>	<input type="checkbox"/>

**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 \* afranzone@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 07/02/2012  
By Anders Franzon VP, Associate General Counsel  
(Name \*) (Title \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Anders Franzon,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF 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 Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the fee schedule applicable to Members<sup>3</sup> and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). 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 BZX Exchange Fee Schedule  
Effective [June 1] July 2, 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.

Equities Pricing:

All references to “per share” mean “per share executed.”

\* \* \* \* \*

TRIM Routing Strategy

- TRIM orders executed at NASDAQ BX: \$0.0014 rebate per share
- TRIM2/TRIM3 orders executed at NASDAQ BX: \$0.0010 rebate per share
- TRIM/TRIM2/TRIM3 orders executed at BYX Exchange: \$0.0002 rebate per share
- TRIM/TRIM2 orders executed at EDGA: \$0.0007 charge per share
- TRIM orders executed at NASDAQ PSX: No charge per share

---

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

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

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

- TRIM/TRIM2/TRIM3 orders executed at a DRT venue: \$0.0020 charge per share
- TRIM orders executed at NYSE: \$0.0022 charge per share

\* \* \* \* \*

Options Pricing:

\* \* \* \* \*

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<sup>6</sup> 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<sup>6</sup> for the front three (3) expiration months in that underlying for the month for which fees apply.

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

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

		Customer	Professional/ Firm/Market Maker
AMEX BOX CBOE <u>BX Options</u>	ARCA (Classic issues) <sup>7</sup> ISE (Classic issues) <sup>7</sup> PHLX (Classic issues) <sup>7</sup>	\$0.10	\$0.55
	ISE (Make/Take issues) <sup>7</sup>	\$0.30	\$0.55
C2 NOM ARCA (Make/Take issues) <sup>7</sup>		\$0.50	\$0.55

PHLX (Make/Take issues) <sup>7</sup>		
--------------------------------------	--	--

\* \* \* \* \*

<sup>6</sup>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 or are restricted to closing transactions only are removed from the following day's Quoting Incentive Program calculations.

\* \* \* \* \*

(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.

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 "Equities Pricing" section of its fee schedule, applicable to the Exchange's cash equity securities trading platform ("BATS Equities") to accommodate an additional venue as part of the Exchange's "TRIM" routing strategy. The Exchange also proposes to modify the "Options Pricing" section of its fee schedule to: (i) modify the Quoting Incentive Program ("QIP"), which is a program intended to incentivize sustained, aggressive quoting on the Exchange's equity options trading platform ("BATS Options"); and (ii) adopt pricing for orders routed by

the Exchange to a new options market operated by NASDAQ OMX BX, Inc. Each of these proposed changes is described in further detail below.

(i) Equities Pricing -- TRIM Routing Strategy

The Exchange proposes to modify its fee schedule in order to accommodate an additional venue as part of the Exchange's "TRIM" routing strategy. As defined in BATS Rule 11.13(a)(3)(G), TRIM is a routing option under which an order checks the System<sup>4</sup> for available shares if so instructed by the entering User<sup>5</sup> and then is sent to destinations on the System routing table. The TRIM routing strategy is focused on seeking execution of orders while minimizing execution costs by routing to certain low cost execution venues on the Exchange's routing table. Accordingly, the Exchange's current TRIM routing strategy will check the Exchange's order book and then route to various venues on the Exchange's routing table, including NASDAQ OMX BX, Inc. ("NASDAQ BX"), EDGA EXCHANGE, Inc. ("EDGA"), the New York Stock Exchange LLC ("NYSE"), BATS Y-Exchange, Inc. ("BYX Exchange") and certain alternative trading systems available through the Exchange's "DRT" strategy ("DRT Venues").<sup>6</sup> As of July 2, 2012, the Exchange plans to add an additional execution venue, NASDAQ OMX PSX ("NASDAQ PSX"), to the TRIM routing strategy.

---

<sup>4</sup> As defined in BATS Rule 1.5(aa), the System is the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away.

<sup>5</sup> As defined in BATS Rule 1.5(cc), a User is any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.

<sup>6</sup> As set forth in BATS Rule 11.13(a)(3)(E), DRT is a routing option in which the entering firm instructs the System to route to alternative trading systems included in the System routing table. Unless otherwise specified, DRT can be combined with and function consistent with all other routing options.

In order to add NASDAQ PSX to the TRIM routing strategy, the Exchange is proposing to adopt pricing for executions through the TRIM routing strategy of orders routed to NASDAQ PSX. The TRIM routing strategy generally passes the same execution fee assessed by the applicable market center back to Exchange Users. Based on a recently filed proposal, as of July 2, 2012, NASDAQ PSX does not assess any charge to remove liquidity from its order book for participants that reach certain volume tiers.<sup>7</sup> Because the Exchange anticipates being able to reach such tiers based on its routing practices, the Exchange proposes neither to assess any fee nor to provide any rebate for TRIM orders that remove liquidity from NASDAQ PSX.

(ii) Options Pricing – QIP Clarification

BATS Options offers a Quoting Incentive Program (“QIP”), through which for Professional,<sup>8</sup> Firm, and Market Maker<sup>9</sup> orders receive a rebate of \$0.05 per contract, in addition to any other applicable liquidity rebate, for executions subject to the QIP. Qualifying Customer<sup>10</sup> order executions in products subject to the QIP currently receive an additional rebate of \$0.01 per contract. To qualify for the QIP a BATS Options Market Maker must be at the NBB or NBO 60% of the time for series trading between

---

<sup>7</sup> See SR-Phlx-2012-87 (June 27, 2012). This proposal was recently filed and will become operative on July 2, 2012.

<sup>8</sup> The term “Professional” is defined in Exchange Rule 16.1 to mean any person or entity that (A) is not a broker or dealer in securities, and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

<sup>9</sup> As defined on the Exchange’s fee schedule, the terms “Firm” and “Market Maker” apply to any transaction identified by a member for clearing in the Firm or Market Maker range, respectively, at the Options Clearing Corporation (“OCC”).

<sup>10</sup> As defined on the Exchange’s fee schedule, a Customer order refers to an order identified by a Member for clearing in the Customer range at the OCC, excluding any transaction for a “Professional” as defined in Exchange Rule 16.1.

\$0.03 and \$5.00 for the front three (3) expiration months in that underlying during the current trading month. A Member not registered as a BATS Options Market Maker can also qualify for the QIP by quoting at the NBB or NBO 70% of the time in the same series.

The fee schedule currently makes clear that option series which do not have an execution are removed from Quoting Incentive Program calculations. The Exchange proposes to add additional clarity regarding the QIP qualification by making clear that options series that are restricted to closing transaction only are removed from Quoting Incentive Program calculations. In other words, to the extent the Exchange has limited participants to closing their positions in a series, rather than opening any new positions, then that series will not be included in Quoting Incentive Program calculations.

All other aspects of the QIP currently in place will remain the same. As is true under the current operation of the QIP, the Exchange will determine whether a Member qualifies for QIP rebates at the end of each month by looking back at each Member's (including BATS Options Market Makers) quoting statistics during that month.

(iii) Options Pricing – Routing to BX Options

The Exchange proposes to modify the “Options Pricing” section of its fee schedule to change pricing with respect to orders routed to NASDAQ OMX BX, Inc. (“BX Options”). BX Options received approval to operate a new options market<sup>11</sup> and filed to adopt various fees and rebates which would become operative on July 2, 2012. Specifically, BX Options will assess a Fee to Remove Liquidity of \$0.43 per contract to

---

<sup>11</sup> See Securities Exchange Act Release No. 67256 (June 26, 2012) (SR-BX-2012-030).



BX Options Market Makers and Non-Customers which includes Professionals, Firms, Broker-Dealers and Non-BX Options Marker Makers.<sup>12</sup> Customers will not be charged a fee to remove liquidity from BX Options.

The Exchange currently charges certain flat rates for routing to other options exchanges that have been placed into three groups based on the approximate cost of routing to such venues. The grouping of away options exchanges is based on the cost of transaction fees assessed by each venue as well as costs to the Exchange for routing (i.e., clearing fees, infrastructure costs, etc.). For routing to options exchanges in the Exchange's lowest price grouping, the Exchange currently assesses fees of \$0.10 per contract for Customer orders and \$0.55 per contract orders on behalf of all other participants. With the proposal by BX Options to provide Customer executions without charge and executions for all other categories at a rate of \$0.43 per contract, the Exchange believes it is most appropriate to include BX Options in the lowest price routing category. Accordingly, the Exchange proposes to charge a fee of \$0.10 per contract for Customer orders and \$0.55 per contract for Professional, Firm, or Market Maker orders routed to and executed at BX Options. This fee will help the Exchange to recoup clearing and transaction charges incurred by the Exchange as well as certain other costs incurred by the Exchange when routing to away options exchanges, such as administrative and technical costs associated with providing routing services, membership fees at away markets, and technical costs associated with routing.

---

<sup>12</sup> See SR-BX-2012-043 (June 26, 2012). This proposal was recently filed and will become operative on July 2, 2012.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>13</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>14</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The Exchange also notes that with respect to the routing changes proposed in this filing, although routing options are available to all Users, Users are not required to use the Exchange's routing services, but instead, the Exchange's routing services are completely optional. Members can manage their own routing to different options exchanges or can utilize a myriad of other routing solutions that are available to market participants.

The Exchange believes that the proposed fee structure for executions at NASDAQ PSX under the TRIM routing option (i.e., no charge for executions) is reasonable in that is the same fee structure as is imposed directly by NASDAQ PSX for transactions that remove liquidity, as described above. As such, the Exchange believes that the proposed routing fee is a fair, reasonable and equitable allocation of fees, in that it is generally

---

<sup>13</sup> 15 U.S.C. 78f.

<sup>14</sup> 15 U.S.C. 78f(b)(4).

designed to mirror the fee applicable to the execution if such routed orders were executed directly by a User to NASDAQ PSX. The Exchange also believes that the proposed fee structure for the TRIM routing strategy is fair and equitable and not unreasonably discriminatory in that it applies equally to all Exchange Users.

The Exchange believes that the proposed clarification to the Quoting Incentive Program is fair and equitable in that it will ensure that the QIP is incentivizing liquidity in the options series in which the Exchange intends to incentivize liquidity. In that connection, the Exchange believes that it is reasonable to exclude from the QIP any series that has been restricted to closing transactions only. The Exchange notes that in addition to the fact that the QIP is available to all members of BATS Options, the proposal is not unfairly discriminatory because it will provide the same clarity and have the same impact for all members of BATS Options that participate or seek to participate in the QIP by ensuring that all participants know that series that are restricted to closing transactions only will not be included in the QIP calculations conducted by the Exchange.

The Exchange believes that its proposal to adopt routing fees to BX Options is fair, equitable and reasonable because the fee is an approximation of the cost to the Exchange for routing orders to BX Options. The Exchange believes that its flat fee structure for orders routed to various venues is a fair and equitable approach to pricing, as it provides certainty with respect to execution fees at groups of away options exchanges. Each destination market's transaction charge varies and there is a standard clearing charge for each transaction incurred by the Exchange along with other administrative and technical costs that are incurred by the Exchange. Under its flat fee structure, taking all costs to the Exchange into account, the Exchange may operate at a slight gain or a slight

loss for orders routed to and executed at BX Options. As a general matter, the Exchange believes that the proposed fees will allow it to recoup and cover its costs of providing routing services to BX Options. Specifically, the Exchange believes that the proposed routing fees will enable the Exchange to recover the remove fees assessed for the Exchange's routing to BX Options, plus clearing and other administrative and technical fees for the execution of orders that have been routed to BX Options. The Exchange also believes that the proposed fee structure for orders routed to and executed at BX Options is fair and equitable and not unreasonably discriminatory in that it applies equally to all Users.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange will not assess any routing fee for orders routed to NASDAQ PSX, consistent with NASDAQ PSX pricing, and routing fees to BX Options will assist the Exchange to recoup costs for routing orders to other options exchanges on behalf of its participants. The Exchange also notes that Users may choose to mark their orders as ineligible for routing to avoid incurring routing fees.<sup>15</sup> The proposed clarification to the QIP does not impose any burden on competition.

---

<sup>15</sup> See, e.g., BATS Rule 11.9(c)(4) (describing "BATS Only" orders for BATS Equities) and BATS Rule 11.13(a)(2) (describing the BATS Equities routing process, which is dependent on User instruction); see also BATS Rule 21.1(d)(8) (describing "BATS Only" orders for BATS Options) and BATS Rule 21.9(a)(1) (describing the BATS Options routing process, which requires orders to be designated as available for routing).

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>16</sup> and Rule 19b-4(f)(2) thereunder,<sup>17</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-members, which renders the proposed rule change effective upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

Not applicable.

9. Exhibits

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

---

<sup>16</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

Exhibit 2 – 5: Not applicable.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BATS-2012-027)

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 2, 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<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend the fee schedule applicable to Members<sup>5</sup> and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal will be effective upon filing.

---

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

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

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

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

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

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 "Equities Pricing" section of its fee schedule, applicable to the Exchange's cash equity securities trading platform ("BATS Equities") to accommodate an additional venue as part of the Exchange's "TRIM" routing strategy. The Exchange also proposes to modify the "Options Pricing" section of its fee schedule to: (i) modify the Quoting Incentive Program ("QIP"), which is a program intended to incentivize sustained, aggressive quoting on the Exchange's equity options trading platform ("BATS Options"); and (ii) adopt pricing for orders routed by the Exchange to a new options market operated by NASDAQ OMX BX, Inc. Each of these proposed changes is described in further detail below.

(i) Equities Pricing -- TRIM Routing Strategy

The Exchange proposes to modify its fee schedule in order to accommodate an additional venue as part of the Exchange's "TRIM" routing strategy. As defined in



BATS Rule 11.13(a)(3)(G), TRIM is a routing option under which an order checks the System<sup>6</sup> for available shares if so instructed by the entering User<sup>7</sup> and then is sent to destinations on the System routing table. The TRIM routing strategy is focused on seeking execution of orders while minimizing execution costs by routing to certain low cost execution venues on the Exchange's routing table. Accordingly, the Exchange's current TRIM routing strategy will check the Exchange's order book and then route to various venues on the Exchange's routing table, including NASDAQ OMX BX, Inc. ("NASDAQ BX"), EDGA EXCHANGE, Inc. ("EDGA"), the New York Stock Exchange LLC ("NYSE"), BATS Y-Exchange, Inc. ("BYX Exchange") and certain alternative trading systems available through the Exchange's "DRT" strategy ("DRT Venues").<sup>8</sup> As of July 2, 2012, the Exchange plans to add an additional execution venue, NASDAQ OMX PSX ("NASDAQ PSX"), to the TRIM routing strategy.

In order to add NASDAQ PSX to the TRIM routing strategy, the Exchange is proposing to adopt pricing for executions through the TRIM routing strategy of orders routed to NASDAQ PSX. The TRIM routing strategy generally passes the same execution fee assessed by the applicable market center back to Exchange Users. Based on a recently filed proposal, as of July 2, 2012, NASDAQ PSX does not assess any charge to remove liquidity from its order book for participants that reach certain volume

---

<sup>6</sup> As defined in BATS Rule 1.5(aa), the System is the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away.

<sup>7</sup> As defined in BATS Rule 1.5(cc), a User is any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.

<sup>8</sup> As set forth in BATS Rule 11.13(a)(3)(E), DRT is a routing option in which the entering firm instructs the System to route to alternative trading systems included in the System routing table. Unless otherwise specified, DRT can be combined with and function consistent with all other routing options.

tiers.<sup>9</sup> Because the Exchange anticipates being able to reach such tiers based on its routing practices, the Exchange proposes neither to assess any fee nor to provide any rebate for TRIM orders that remove liquidity from NASDAQ PSX.

(ii) Options Pricing – QIP Clarification

BATS Options offers a Quoting Incentive Program (“QIP”), through which for Professional,<sup>10</sup> Firm, and Market Maker<sup>11</sup> orders receive a rebate of \$0.05 per contract, in addition to any other applicable liquidity rebate, for executions subject to the QIP. Qualifying Customer<sup>12</sup> order executions in products subject to the QIP currently receive an additional rebate of \$0.01 per contract. To qualify for the QIP a BATS Options Market Maker must be at the NBB or NBO 60% of the time for series trading between \$0.03 and \$5.00 for the front three (3) expiration months in that underlying during the current trading month. A Member not registered as a BATS Options Market Maker can also qualify for the QIP by quoting at the NBB or NBO 70% of the time in the same series.

The fee schedule currently makes clear that option series which do not have an execution are removed from Quoting Incentive Program calculations. The Exchange

---

<sup>9</sup> See SR-Phlx-2012-87 (June 27, 2012). This proposal was recently filed and will become operative on July 2, 2012.

<sup>10</sup> The term “Professional” is defined in Exchange Rule 16.1 to mean any person or entity that (A) is not a broker or dealer in securities, and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

<sup>11</sup> As defined on the Exchange’s fee schedule, the terms “Firm” and “Market Maker” apply to any transaction identified by a member for clearing in the Firm or Market Maker range, respectively, at the Options Clearing Corporation (“OCC”).

<sup>12</sup> As defined on the Exchange’s fee schedule, a Customer order refers to an order identified by a Member for clearing in the Customer range at the OCC, excluding any transaction for a “Professional” as defined in Exchange Rule 16.1.

proposes to add additional clarity regarding the QIP qualification by making clear that options series that are restricted to closing transaction only are removed from Quoting Incentive Program calculations. In other words, to the extent the Exchange has limited participants to closing their positions in a series, rather than opening any new positions, then that series will not be included in Quoting Incentive Program calculations.

All other aspects of the QIP currently in place will remain the same. As is true under the current operation of the QIP, the Exchange will determine whether a Member qualifies for QIP rebates at the end of each month by looking back at each Member's (including BATS Options Market Makers) quoting statistics during that month.

(iii) Options Pricing – Routing to BX Options

The Exchange proposes to modify the “Options Pricing” section of its fee schedule to change pricing with respect to orders routed to NASDAQ OMX BX, Inc. (“BX Options”). BX Options received approval to operate a new options market<sup>13</sup> and filed to adopt various fees and rebates which would become operative on July 2, 2012. Specifically, BX Options will assess a Fee to Remove Liquidity of \$0.43 per contract to BX Options Market Makers and Non-Customers which includes Professionals, Firms, Broker-Dealers and Non-BX Options Market Makers.<sup>14</sup> Customers will not be charged a fee to remove liquidity from BX Options.

The Exchange currently charges certain flat rates for routing to other options exchanges that have been placed into three groups based on the approximate cost of

---

<sup>13</sup> See Securities Exchange Act Release No. 67256 (June 26, 2012) (SR-BX-2012-030).

<sup>14</sup> See SR-BX-2012-043 (June 26, 2012). This proposal was recently filed and will become operative on July 2, 2012.

routing to such venues. The grouping of away options exchanges is based on the cost of transaction fees assessed by each venue as well as costs to the Exchange for routing (i.e., clearing fees, infrastructure costs, etc.). For routing to options exchanges in the Exchange's lowest price grouping, the Exchange currently assesses fees of \$0.10 per contract for Customer orders and \$0.55 per contract orders on behalf of all other participants. With the proposal by BX Options to provide Customer executions without charge and executions for all other categories at a rate of \$0.43 per contract, the Exchange believes it is most appropriate to include BX Options in the lowest price routing category. Accordingly, the Exchange proposes to charge a fee of \$0.10 per contract for Customer orders and \$0.55 per contract for Professional, Firm, or Market Maker orders routed to and executed at BX Options. This fee will help the Exchange to recoup clearing and transaction charges incurred by the Exchange as well as certain other costs incurred by the Exchange when routing to away options exchanges, such as administrative and technical costs associated with providing routing services, membership fees at away markets, and technical costs associated with routing.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>15</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,<sup>16</sup> in that it provides for the equitable allocation of

---

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

<sup>16</sup> 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. The Exchange also notes that with respect to the routing changes proposed in this filing, although routing options are available to all Users, Users are not required to use the Exchange's routing services, but instead, the Exchange's routing services are completely optional. Members can manage their own routing to different options exchanges or can utilize a myriad of other routing solutions that are available to market participants.

The Exchange believes that the proposed fee structure for executions at NASDAQ PSX under the TRIM routing option (i.e., no charge for executions) is reasonable in that is the same fee structure as is imposed directly by NASDAQ PSX for transactions that remove liquidity, as described above. As such, the Exchange believes that the proposed routing fee is a fair, reasonable and equitable allocation of fees, in that it is generally designed to mirror the fee applicable to the execution if such routed orders were executed directly by a User to NASDAQ PSX. The Exchange also believes that the proposed fee structure for the TRIM routing strategy is fair and equitable and not unreasonably discriminatory in that it applies equally to all Exchange Users.

The Exchange believes that the proposed clarification to the Quoting Incentive Program is fair and equitable in that it will ensure that the QIP is incentivizing liquidity in the options series in which the Exchange intends to incentivize liquidity. In that connection, the Exchange believes that it is reasonable to exclude from the QIP any series that has been restricted to closing transactions only. The Exchange notes that in addition

to the fact that the QIP is available to all members of BATS Options, the proposal is not unfairly discriminatory because it will provide the same clarity and have the same impact for all members of BATS Options that participate or seek to participate in the QIP by ensuring that all participants know that series that are restricted to closing transactions only will not be included in the QIP calculations conducted by the Exchange.

The Exchange believes that its proposal to adopt routing fees to BX Options is fair, equitable and reasonable because the fee is an approximation of the cost to the Exchange for routing orders to BX Options. The Exchange believes that its flat fee structure for orders routed to various venues is a fair and equitable approach to pricing, as it provides certainty with respect to execution fees at groups of away options exchanges. Each destination market's transaction charge varies and there is a standard clearing charge for each transaction incurred by the Exchange along with other administrative and technical costs that are incurred by the Exchange. Under its flat fee structure, taking all costs to the Exchange into account, the Exchange may operate at a slight gain or a slight loss for orders routed to and executed at BX Options. As a general matter, the Exchange believes that the proposed fees will allow it to recoup and cover its costs of providing routing services to BX Options. Specifically, the Exchange believes that the proposed routing fees will enable the Exchange to recover the remove fees assessed for the Exchange's routing to BX Options, plus clearing and other administrative and technical fees for the execution of orders that have been routed to BX Options. The Exchange also believes that the proposed fee structure for orders routed to and executed at BX Options is fair and equitable and not unreasonably discriminatory in that it applies equally to all Users.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange will not assess any routing fee for orders routed to NASDAQ PSX, consistent with NASDAQ PSX pricing, and routing fees to BX Options will assist the Exchange to recoup costs for routing orders to other options exchanges on behalf of its participants. The Exchange also notes that Users may choose to mark their orders as ineligible for routing to avoid incurring routing fees.<sup>17</sup> The proposed clarification to the QIP does not impose any burden on competition.

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

No written comments were solicited or received.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>18</sup> and Rule 19b-4(f)(2) thereunder,<sup>19</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-members, which renders the proposed rule change effective upon filing.

---

<sup>17</sup> See, e.g., BATS Rule 11.9(c)(4) (describing "BATS Only" orders for BATS Equities) and BATS Rule 11.13(a)(2) (describing the BATS Equities routing process, which is dependent on User instruction); see also BATS Rule 21.1(d)(8) (describing "BATS Only" orders for BATS Options) and BATS Rule 21.9(a)(1) (describing the BATS Options routing process, which requires orders to be designated as available for routing).

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>19</sup> 17 CFR 240.19b-4(f)(2).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BATS-2012-027 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-2012-027. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street,



NE, Washington, DC 20549 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-2012-027 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

Kevin M. O'Neill  
Deputy Secretary

---

<sup>20</sup> 17 CFR 200.30-3(a)(12).