

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="25"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2015"/> - * <input type="text" value="05"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by **BATS Exchange**  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

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

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

BATS Exchange, Inc. proposes to amend Chapter IX of its rulebook to incorporate certain rules of NASDAQ and FINRA relating to arbitration and mediation.

**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 action.

First Name * <input type="text" value="Anders"/>	Last Name * <input type="text" value="Franzon"/>
Title * <input type="text" value="VP, Associate General Counsel"/>	
E-mail * <input type="text" value="afranzon@bats.com"/>	
Telephone * <input type="text" value="(913) 815-7154"/>	Fax <input type="text" value="(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.

(Title \*)

Date <input type="text" value="01/14/2015"/>	<input type="text" value="VP, Associate General Counsel"/>
By <input type="text" value="Anders Franzon"/>	<input type="text" value="afranzon@bats.com"/>

(Name \*)

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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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 \***

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) BATS Exchange, Inc. (“BATS” or the “Exchange”) proposes to amend Chapter IX of its rulebook to incorporate certain rules of the NASDAQ Stock Market LLC (“NASDAQ”) and the Financial Industry Regulatory Authority, Inc. (“FINRA”) relating to arbitration and mediation.

The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange’s website at [www.batstrading.com](http://www.batstrading.com), at the Exchange’s principal office, and at the Public Reference Room of the U.S. Securities and Exchange Commission (the “Commission”).

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Exchange submits the proposed rule change pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. The Exchange staff will advise the Exchange’s Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change and, therefore, the Exchange’s internal procedures with respect to the proposed change are complete.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric Swanson  
Executive Vice President and  
General Counsel  
(913) 815-7000

Anders Franzon  
Vice President and  
Associate General Counsel  
(913) 815-7154

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

(a) Purpose

On July 30, 2007, the National Association of Securities Dealers, Inc. (“NASD”), the Exchange, and NYSE Regulation, Inc. (“NYSER”) consolidated their member firm regulation operations into a combined organization, FINRA, and entered into a plan to allocate to FINRA regulatory responsibility for common rules and common members (“17d-2 Agreement”).<sup>1</sup> The 17d-2 Agreement was entered into in accordance with the requirements of Rule 17d-2 of the Commission,<sup>2</sup> which permits self-regulatory organizations (“SROs”) to allocate regulatory responsibilities with respect to common members and common rules. On September 5, 2012, the Exchange and FINRA entered into a Regulatory Services Agreement (“RSA”), whereby FINRA was retained to perform certain regulatory services on behalf of the Exchange pertaining to dispute resolution. On February 1, 2014, the Exchange and FINRA terminated its 2012 RSA and entered into a new RSA that covers the services contained in the 2012 RSA plus additional regulatory services. Today, FINRA performs all arbitration, mediation, and other dispute resolution services, as may be needed from time to time, on behalf of the Exchange.

To facilitate FINRA’s performance of these functions under the RSA and to further harmonize the rules of FINRA and the Exchange generally, the Exchange is proposing to conform the text of its rules governing arbitration and mediation (Chapter IX) to the FINRA Code of Arbitration Procedure for Customer Disputes (12000 Series),

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<sup>1</sup> See Securities Exchange Act Release No. 56148 (July 26, 2007), 72 FR 42146 (August 1, 2007) (File No. 4-544) (Notice of Filing and Order Approving and Declaring Effective a Plan for the Allocation of Regulatory Responsibilities).

<sup>2</sup> 17 CFR 240.17d-2.

FINRA Code of Arbitration Procedure for Industry Disputes (13000 Series) and the FINRA Code of Mediation (14000 Series).

The Exchange proposes to amend Chapter IX (Arbitration) of its rulebook to incorporate certain rules of NASDAQ and FINRA relating to arbitration and mediation, and to make certain non-substantive changes. The Exchange proposes to make the following changes to its current rules in Chapter IX of its rulebook.

#### Proposed Amendments to Current Rules

The Exchange proposes to amend current Rule 9.1 (Code of Arbitration) to make the rule substantially similar to NASDAQ Rule 10100.<sup>3</sup> The Exchange proposes to replace the reference to NASD Code of Arbitration with FINRA Code of Arbitration,<sup>4</sup> clarify the meaning of “Exchange arbitrations<sup>5</sup>”, and add a sentence stating that Members must comply with FINRA arbitration rules as if they were rules of the Exchange.

The Exchange proposes to replace current Rule 9.2 (Jurisdiction) with amended Rule 9.2 (Matters Eligible for Submission), which is substantially similar to FINRA Rule 10101 and NASDAQ Rule 10101.<sup>6</sup> Amended Rule 9.2 will state that the Exchange adopts the FINRA Code of Arbitration for any dispute, claim or controversy arising out of or in connection with the business of any Member, or arising out of the employment or

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<sup>3</sup> See NASDAQ Rule 10100.

<sup>4</sup> See FINRA Rule 12000 Series (Code of Arbitration Procedure for Customer Disputes); FINRA Rule 13000 Series (Code of Arbitration Procedure for Industry Disputes).

<sup>5</sup> They would be defined as “every claim, dispute or controversy arising out of or in connection with matters eligible for submission under Rule 9.2.”

<sup>6</sup> See FINRA Rule 12000 Series, FINRA Rule 13000 Series, and NASDAQ Rule 10101.

termination of employment of associated person(s) with any Member: between or among Members; between or among Members and associated persons; and between or among Members or associated persons and public customers, or others, except for any type of dispute, claim, or controversy that is not permitted to be arbitrated under the FINRA Code of Procedure.

The Exchange proposes to amend current Rule 9.3 (Predispute Arbitration Agreements) to incorporate FINRA Rule 2268<sup>7</sup> by reference, instead of restating the predispute arbitration agreement rules in full.

The Exchange proposes to amend current Rule 9.5 (Payment of Awards), to rename its title as “Failure to Act under Provisions of FINRA Code of Arbitration”, to expand the rule to include additional conduct deemed inconsistent with just and equitable principles of trade and a violation of Rule 3.1 (Business Conduct of Members), using the language of FINRA/NASDAQ IM-10100, and FINRA IM-12000 and IM-13000.<sup>8</sup> These prohibited acts include: failure to submit a dispute for arbitration under the FINRA Code of Arbitration as required by the FINRA Code of Arbitration; failure to comply with any injunctive order issued pursuant to the FINRA Code of Arbitration; failure to appear or to produce any document in his or her or its possession or control as directed pursuant to provisions of the FINRA Code of Arbitration; failure to honor an award, or comply with a written and executed settlement agreement, obtained in connection with an arbitration submitted for disposition under the FINRA Code of Arbitration where timely motion has

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<sup>7</sup> See FINRA Rule 2268.

<sup>8</sup> See FINRA Rule 12000 Series, FINRA Rule 13000 Series, FINRA IM-12000, and FINRA IM-13000. See also NASDAQ IM-10100.

not been made to vacate or modify such award pursuant to applicable law; or, failure to comply with a written and executed agreement obtained in connection with a mediation submitted for disposition pursuant to the FINRA Code of Mediation.<sup>9</sup> The Exchange proposed to add Rule 9.5(b) to provide that action by Members requiring associated persons to waive the arbitration of disputes contrary to the provisions of the FINRA Code of Arbitration is a violation of Exchange Rule 3.1.

The Exchange proposes to amend current Rule 9.6 to extend the application of the rule (currently applicable to arbitration) to mediation.

The Exchange proposes to add proposed Rule 9.7 (Mediation) to state that FINRA's mediation services, as governed by the 14000 Series of FINRA's Manual (the Code of Mediation Procedure), are also available to Members who voluntarily agree to submit matters for mediation. The Exchange also proposes to incorporate by reference the FINRA Code of Mediation into its rules so that Members have the same obligations to comply as if such rules and interpretations were part of the Exchange's rules.

The Exchange proposes to add Rule 9.8 (Regulatory Services Agreement) to state that FINRA staff will perform arbitrations and mediations on behalf of the Exchange pursuant to an RSA with FINRA in accordance with the FINRA Codes of Arbitration and Mediation.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities and Exchange Act of 1934 (the "Act"),<sup>10</sup> in general, and furthers the objectives of Section

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<sup>9</sup> See FINRA Rule 14000 Series (Code of Mediation Procedure).

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

6(b)(5) of the Act,<sup>11</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The proposed changes will provide greater harmonization between Exchange and FINRA rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance for dual members. As previously noted, in many instances the proposed rule text is substantially similar to FINRA and NASDAQ's current rule text, which has already been approved by the Commission. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any competitive issues but rather is designed to provide greater harmonization between Exchange and FINRA rules of similar purpose for arbitration and mediation matters, resulting in less burdensome and more efficient regulatory compliance for dual members and facilitating

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<sup>11</sup> 15 U.S.C. 78f(b)(5).

FINRA's performance of its regulatory functions under the RSA.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>12</sup> of the Act and Rule 19b-4(f)(6)<sup>13</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for thirty (30) days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five (5) business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule

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

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

change, at least five (5) business days prior to the date of filing.<sup>14</sup> The proposed rule change is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4<sup>15</sup> because the proposed rule change would not adversely affect investors or the public interest; rather, the proposed rule change will promote greater harmonization between the Exchange and FINRA rules of similar purpose, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. Additionally, the proposed rule change does not raise any new policy issues not previously considered by the Commission nor impose any significant burden on competition because it would result in less burdensome and more efficient regulatory compliance for common members and facilitating FINRA's performance of its regulatory functions under the 17d-2 Agreement. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>17</sup> In addition, in its guidance on the proposed rules of SROs,<sup>18</sup> the Commission concluded that filings based on the rules of another SRO already approved by the Commission are eligible for immediate effectiveness under

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<sup>14</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

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

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

<sup>18</sup> See Securities and Exchange Act Release No. 58092 (July 3, 2008), 73 FR 40144 (July 11, 2008).

Rule 19b-4(f)(6). The Commission noted that “a proposed rule change appropriately may be filed as an immediately effective rule so long as it is based on and similar to another SRO’s rule and each policy issue raised by the proposed rule (i) has been considered previously by the Commission when the Commission approved another exchange’s rule (that was subject to notice and comment), and (ii) the rule change resolved such policy issue in a manner consistent with such prior approval.”<sup>19</sup> As discussed herein, the rule changes proposed herein are based on parallel NASDAQ and FINRA rules on arbitration and mediation. The proposed rule change would allow greater consistency between BATS and FINRA rules, which should benefit BATS and FINRA members, regulators, and the investing public.

Based on the foregoing, the Exchange believes that its proposed rule change should become immediately effective and requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act so that the Exchange may immediately implement this rule change.<sup>20</sup> In addition, waiving the 30-day operative delay would provide greater harmonization among Exchange and FINRA rules, resulting in less burdensome and more efficient regulatory compliance for common members and facilitating FINRA’s performance of its regulatory functions.

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

The proposed rule change contain changes that are based on the rules of

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<sup>19</sup> Id. at 40149.

<sup>20</sup> 17 CFR 240.19b-4(f)(6)(iii).

NASDAQ<sup>21</sup> and FINRA.<sup>22</sup> Rule 9.1 is substantially similar to NASDAQ Rule 10100.

Rule 9.2 is substantially similar to FINRA Rule 10101 and NASDAQ Rule 10101. Rule

9.3 incorporates by reference FINRA Rule 2268. Rule 9.5 is substantially similar to

FINRA/NASDAQ IM-10100, FINRA IM-12000, and FINRA IM-13000. Rule 9.7

incorporates by reference the FINRA Code of Mediation (14000 Series).

9. Security Based-Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 5 – Text of the Proposed Rule Change

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<sup>21</sup> See NASDAQ OMX, NASDAQ Stock Market Rules, <http://nasdaq.cchwallstreet.com/>.

<sup>22</sup> See FINRA, FINRA Manual, <http://finra.complinet.com/>.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BATS-2015-05)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Chapter IX of its Rulebook to Incorporate Certain Rules of NASDAQ and FINRA Relating to Arbitration and Mediation

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 \_\_\_\_\_, BATS Exchange, Inc. (the “Exchange” or “BATS”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it 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 filed a proposal to amend Chapter IX of its rulebook to incorporate certain rules of the NASDAQ Stock Market LLC (“NASDAQ”) and the Financial Industry Regulatory Authority, Inc. (“FINRA”) relating to arbitration and mediation.

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

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

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

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

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

<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

On July 30, 2007, the National Association of Securities Dealers, Inc. ("NASD"), the Exchange, and NYSE Regulation, Inc. ("NYSE") consolidated their member firm regulation operations into a combined organization, FINRA, and entered into a plan to allocate to FINRA regulatory responsibility for common rules and common members ("17d-2 Agreement").<sup>5</sup> The 17d-2 Agreement was entered into in accordance with the requirements of Rule 17d-2 of the Commission,<sup>6</sup> which permits self-regulatory organizations ("SROs") to allocate regulatory responsibilities with respect to common members and common rules. On September 5, 2012, the Exchange and FINRA entered into a Regulatory Services Agreement ("RSA"), whereby FINRA was retained to perform

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<sup>5</sup> See Securities Exchange Act Release No. 56148 (July 26, 2007), 72 FR 42146 (August 1, 2007) (File No. 4-544) (Notice of Filing and Order Approving and Declaring Effective a Plan for the Allocation of Regulatory Responsibilities).

<sup>6</sup> 17 CFR 240.17d-2.

certain regulatory services on behalf of the Exchange pertaining to dispute resolution. On February 1, 2014, the Exchange and FINRA terminated its 2012 RSA and entered into a new RSA that covers the services contained in the 2012 RSA plus additional regulatory services. Today, FINRA performs all arbitration, mediation, and other dispute resolution services, as may be needed from time to time, on behalf of the Exchange.

To facilitate FINRA's performance of these functions under the RSA and to further harmonize the rules of FINRA and the Exchange generally, the Exchange is proposing to conform the text of its rules governing arbitration and mediation (Chapter IX) to the FINRA Code of Arbitration Procedure for Customer Disputes (12000 Series), FINRA Code of Arbitration Procedure for Industry Disputes (13000 Series) and the FINRA Code of Mediation (14000 Series).

The Exchange proposes to amend Chapter IX (Arbitration) of its rulebook to incorporate certain rules of NASDAQ and FINRA relating to arbitration and mediation, and to make certain non-substantive changes. The Exchange proposes to make the following changes to its current rules in Chapter IX of its rulebook.

#### Proposed Amendments to Current Rules

The Exchange proposes to amend current Rule 9.1 (Code of Arbitration) to make the rule substantially similar to NASDAQ Rule 10100.<sup>7</sup> The Exchange proposes to replace the reference to NASD Code of Arbitration with FINRA Code of Arbitration,<sup>8</sup>

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<sup>7</sup> See NASDAQ Rule 10100.

<sup>8</sup> See FINRA Rule 12000 Series (Code of Arbitration Procedure for Customer Disputes); FINRA Rule 13000 Series (Code of Arbitration Procedure for Industry Disputes).

clarify the meaning of “Exchange arbitrations<sup>9</sup>”, and add a sentence stating that Members must comply with FINRA arbitration rules as if they were rules of the Exchange.

The Exchange proposes to replace current Rule 9.2 (Jurisdiction) with amended Rule 9.2 (Matters Eligible for Submission), which is substantially similar to FINRA Rule 10101 and NASDAQ Rule 10101.<sup>10</sup> Amended Rule 9.2 will state that the Exchange adopts the FINRA Code of Arbitration for any dispute, claim or controversy arising out of or in connection with the business of any Member, or arising out of the employment or termination of employment of associated person(s) with any Member: between or among Members; between or among Members and associated persons; and between or among Members or associated persons and public customers, or others, except for any type of dispute, claim, or controversy that is not permitted to be arbitrated under the FINRA Code of Procedure.

The Exchange proposes to amend current Rule 9.3 (Predispute Arbitration Agreements) to incorporate FINRA Rule 2268<sup>11</sup> by reference, instead of restating the predispute arbitration agreement rules in full.

The Exchange proposes to amend current Rule 9.5 (Payment of Awards), to rename its title as “Failure to Act under Provisions of FINRA Code of Arbitration”, to expand the rule to include additional conduct deemed inconsistent with just and equitable

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<sup>9</sup> They would be defined as “every claim, dispute or controversy arising out of or in connection with matters eligible for submission under Rule 9.2.”

<sup>10</sup> See FINRA Rule 12000 Series, FINRA Rule 13000 Series, and NASDAQ Rule 10101.

<sup>11</sup> See FINRA Rule 2268.

principles of trade and a violation of Rule 3.1 (Business Conduct of Members), using the language of FINRA/NASDAQ IM-10100, and FINRA IM-12000 and IM-13000.<sup>12</sup> These prohibited acts include: failure to submit a dispute for arbitration under the FINRA Code of Arbitration as required by the FINRA Code of Arbitration; failure to comply with any injunctive order issued pursuant to the FINRA Code of Arbitration; failure to appear or to produce any document in his or her or its possession or control as directed pursuant to provisions of the FINRA Code of Arbitration; failure to honor an award, or comply with a written and executed settlement agreement, obtained in connection with an arbitration submitted for disposition under the FINRA Code of Arbitration where timely motion has not been made to vacate or modify such award pursuant to applicable law; or, failure to comply with a written and executed agreement obtained in connection with a mediation submitted for disposition pursuant to the FINRA Code of Mediation.<sup>13</sup> The Exchange proposed to add Rule 9.5(b) to provide that action by Members requiring associated persons to waive the arbitration of disputes contrary to the provisions of the FINRA Code of Arbitration is a violation of Exchange Rule 3.1.

The Exchange proposes to amend current Rule 9.6 to extend the application of the rule (currently applicable to arbitration) to mediation.

The Exchange proposes to add proposed Rule 9.7 (Mediation) to state that FINRA's mediation services, as governed by the 14000 Series of FINRA's Manual (the Code of Mediation Procedure), are also available to Members who voluntarily agree to

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<sup>12</sup> See FINRA Rule 12000 Series, FINRA Rule 13000 Series, FINRA IM-12000, and FINRA IM-13000. See also NASDAQ IM-10100.

<sup>13</sup> See FINRA Rule 14000 Series (Code of Mediation Procedure).

submit matters for mediation. The Exchange also proposes to incorporate by reference the FINRA Code of Mediation into its rules so that Members have the same obligations to comply as if such rules and interpretations were part of the Exchange's rules.

The Exchange proposes to add Rule 9.8 (Regulatory Services Agreement) to state that FINRA staff will perform arbitrations and mediations on behalf of the Exchange pursuant to an RSA with FINRA in accordance with the FINRA Codes of Arbitration and Mediation.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities and Exchange Act of 1934 (the "Act"),<sup>14</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>15</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The proposed changes will provide greater harmonization between Exchange and FINRA rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance for dual members. As previously noted, in many instances the proposed rule text is substantially similar to FINRA and NASDAQ's current rule text,

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

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

which has already been approved by the Commission. As such, the proposed rule change will foster cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

(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 that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not designed to address any competitive issues but rather is designed to provide greater harmonization between Exchange and FINRA rules of similar purpose for arbitration and mediation matters, resulting in less burdensome and more efficient regulatory compliance for dual members and facilitating FINRA's performance of its regulatory functions under the RSA.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>17</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily temporarily suspend such rule change if it appears to the

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

<sup>17</sup> 17 C.F.R. 240.19b-4.

Commission that such action is: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### 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-2015-05 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-2015-05. 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-2015-05 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>18</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5****Additions underlined  
Deletions [bracketed]**

Rules of BATS Exchange, Inc.

Rule 9.1. Code of Arbitration

Every Member or associated person of a Member shall be subject to [T]the 12000 and 13000 Series of FINRA's [NASD] Manual, the [NASD] Code of Arbitration Procedure for Customer and Industry Disputes, respectively ("[NASD] FINRA Code of Arbitration"), as the same may be in effect from time to time, [shall govern Exchange arbitrations] except as may be specified in this Chapter IX, for every claim, dispute or controversy arising out of or in connection with matters eligible for submission under Rule 9.2 ("Exchange arbitrations"). For purposes of Exchange arbitrations, defined terms used in this Chapter IX and not otherwise defined herein shall have the same meaning as those prescribed in the [NASD] FINRA Code of Arbitration, and procedures contained in the [NASD] FINRA Code of Arbitration shall have the same application as toward Exchange arbitrations. Members shall comply with any FINRA rules and interpretations thereof incorporated by reference as if such rules and interpretations were part of the Exchange's Rules.

[Rule 9.2. Jurisdiction

This Chapter applies to the arbitration of any dispute, claim, or controversy arising out of or in connection with the Exchange business of a Member or associated person of a Member.]

Rule 9.2. Matters Eligible for Submission

The FINRA Code of Arbitration is prescribed and adopted for the arbitration of any dispute, claim or controversy arising out of or in connection with the business of any Member, or arising out of the employment or termination of employment of associated person(s) with any Member:

- (a) between or among Members;
- (b) between or among Members and associated persons; and
- (c) between or among Members or associated persons and public customers, or others; except any type of dispute, claim or controversy that is not permitted to be arbitrated under the FINRA Code of Procedure.

Rule 9.3. Pre-dispute Arbitration Agreements

[(a) Any] The requirements of FINRA Rule 2268 shall apply to pre-dispute arbitration agreements between Members and their customers as if such rule were part of the Exchange's Rules [clause shall be highlighted and shall be immediately preceded by the following language in outline form].

[This agreement contains a predispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

(1) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

(2) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.

(3) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

(4) The arbitrators do not have to explain the reason(s) for their award.

(5) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

(6) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

(7) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

(b) In any agreement containing a predispute arbitration agreement, there shall be a highlighted statement immediately preceding any signature line or other place for indicating agreement that states that the agreement contains a predispute arbitration clause. The statement shall also indicate at what page and paragraph the arbitration clause is located.

(c) Within thirty days of signing, a copy of the agreement containing any such clause shall be given to the customer who shall acknowledge receipt thereof on the agreement or on a separate document.

(d) A Member shall provide a customer with a copy of any predispute arbitration clause or customer agreement executed between the customer and the Member, or inform the customer that the Member does not have a copy thereof, within ten business days of receipt of the customer's request. If a customer requests such a copy before the Member has provided the customer with a copy pursuant to subparagraph (c) above, the Member must provide a copy to the customer by the earlier date required by this subparagraph (d) or by subparagraph (c).

(e) Upon request by a customer, a Member shall provide the customer with the names of, and information on how to contact or obtain the rules of, all arbitration forums in which a claim may be filed under the agreement.

(f) No predispute arbitration agreement shall include any condition that:

(1) limits or contradicts the rules of any self-regulatory organization;

(2) limits the ability of a party to file any claim in arbitration;

(3) limits the ability of a party to file any claim in court permitted to be filed in court under the rules of the forums in which a claim may be filed under the agreement; or

(4) limits the ability of arbitrators to make any award.

(g) If a customer files a complaint in court against a Member that contains claims that are subject to arbitration pursuant to a predispute arbitration agreement between the Member and the customer, the Member may seek to compel arbitration of the claims that are subject to arbitration. If the Member seeks to compel arbitration of such claims, the Member must agree to arbitrate all of the claims contained in the complaint if the customer so requests.

(h) All agreements shall include a statement that “No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.”]

Rule 9.4. Referrals – (No changes)

[Rule 9.5. Payment of Awards

Any Member, or person associated with a Member, who fails to honor an award of arbitrators appointed in accordance with the Rules in this Chapter IX or fails to comply with a written and executed settlement agreement shall be subject to disciplinary proceedings in accordance with Chapter VIII (Discipline).]

Rule 9.5. Failure to Act under Provisions of FINRA Code of Arbitration

(a) It may be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 3.1 for a Member or a person associated with a Member to

(1) fail to submit a dispute for arbitration under the FINRA Code of Arbitration as required by the Code;

(2) fail to comply with any injunctive order issued pursuant to the FINRA Code of Arbitration;

(3) fail to appear or to produce any document in his or her or its possession or control as directed pursuant to provisions of the FINRA Code of Arbitration;

(4) fail to honor an award, or comply with a written and executed settlement agreement, obtained in connection with an arbitration submitted for disposition under the FINRA Code of Arbitration where timely motion has not been made to vacate or modify such award pursuant to applicable law; or

(5) fail to comply with a written and executed agreement obtained in connection with a mediation submitted for disposition pursuant to the FINRA Code of Mediation.

(b) Action by Members requiring associated persons to waive the arbitration of disputes contrary to the provisions of the FINRA Code of Arbitration shall constitute conduct that is inconsistent with just and equitable principles of trade and a violation of Rule 3.1.

#### Rule 9.6. Non-Waiver of Exchange's Rights

The submission of any matter to arbitration or mediation under this Chapter IX shall in no way limit or preclude any right, action or determination by the Exchange which it would otherwise be authorized to adopt, administer or enforce.

#### Rule 9.7 Mediation

Members and associated persons of a Member may voluntarily agree to submit matters for mediation in accordance with the requirements of the 14000 Series of FINRA's Manual, the Code of Mediation Procedure ("FINRA Code of Mediation"), as the same may be in effect from time to time ("Exchange mediations"). For purposes of Exchange mediations, defined terms used in this Chapter IX and not otherwise defined herein shall have the same meaning as those prescribed in the FINRA Code of Mediation, and procedures contained in the FINRA Code of Mediation shall have the same application as toward Exchange mediations. Members shall comply with any FINRA rules and interpretations thereof incorporated by reference as if such rules and interpretations were part of the Exchange's Rules.

#### Rule 9.8 Regulatory Services Agreement with FINRA

Pursuant to Rule 13.7, the Exchange and FINRA are parties to a regulatory services agreement pursuant to which FINRA has agreed to perform certain functions described in this Chapter on behalf of the Exchange. Therefore, FINRA staff will perform the functions described in the FINRA Code of Arbitration and the FINRA Code of Mediation with regard to Exchange arbitrations and Exchange mediations, respectively, in the same manner as if they were FINRA arbitrations and FINRA mediations, respectively.