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

File No.* SR - 2015 - * 52
Amendment No. (req. for Amendments *)

Filing by BATS Exchange

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

Initial * ☑ Amendment * ☐ Withdrawal ☐

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

Rule

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

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

Amendments to the fee schedule of BATS Exchange, Inc. with respect to BATS Options pricing.

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 * Anders
Last Name * Franzon
Title * VP, Associate General Counsel
E-mail * afranzon@bats.com
Telephone * (913) 815-7154
Fax

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.

Date 07/01/2015
By Anders Franzon
(Name *)

(Title *)
VP, Associate General Counsel

afranzon@bats.com

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.

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS 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 * 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, 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 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"),[1] and Rule 19b-4 thereunder,[2] BATS Exchange, Inc. (the "Exchange" or "BATS") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the fee schedule applicable to Members[3] and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal are effective upon filing.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

2 17 CFR 240.19b-4.

3 A Member is defined as "any registered broker or dealer that has been admitted to membership in the Exchange." See Exchange Rule 1.5(n).

Eric Swanson
EVP, General Counsel
(913) 815-7000

Anders Franzon
VP, 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

The Exchange proposes to modify the "Options Pricing" section of its fee schedule, effective immediately, in order to modify pricing charged by the Exchange's options platform ("BATS Options") including: (i) amend footnote 2 to remove Professional[4] orders from the Professional and Firm Penny Pilot Add Volume Tiers related to the pricing for Professional and Firm[5] orders that add liquidity in Penny Pilot Securities;[6] (ii) further amend footnote 2 to change the standards for meeting Tiers 1 and 2, changing the rebate for Tier 2, and adding a new Tier 3; (iii) amend the standard rebate associated with Fee Code PF for Firm orders that add liquidity in Penny Pilot Securities; (iv) create a new Fee Code NF for Firm orders that add liquidity in non-Penny Pilot Securities; (v) create a new footnote 8 titled "Firm Non-Penny Pilot Add Volume Tiers;" (vi) add a new Tier 3 to the Market Maker Penny Pilot Add Volume Tiers; (vii) amend the fees that the Exchange charges for orders routed by the Exchange for execution at other venues, including those associated with Fee Codes 2C, CC, CF, HF, and OF; and (viii) amend the Options Physical Connection Fees for both 1G and 10G physical ports.

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4 "Professional" applies to any transaction identified by a Member as such pursuant to Exchange Rule 16.1.

5 "Firm" applies to any transaction identified by a Member for clearing in the Firm range at the OCC.

6 "Penny Pilot Securities" are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01.

Professional Orders in Penny Pilot Securities

The Exchange proposes to remove Professional orders from inclusion in the Professional and Firm Penny Pilot Add Volume Tiers, which apply to fee codes PA and PF. Currently, the Exchange provides a standard rebate of $0.40 per contract under Fee Code PA for Professional orders that add liquidity in Penny Pilot Securities and an enhanced rebate of $0.42 per contract for each Professional or Firm order that adds liquidity in Penny Pilot Securities and meets the requirements for either Tier 1 or Tier 2 of the Professional and Firm Penny Pilot Add Volume Tiers. Specifically, the Exchange is proposing to eliminate Professional orders from the Professional and Firm Penny Pilot Add Volume Tiers such that Professional orders subject to Fee Code PA would not be eligible for enhanced rebates under footnote 2. Such orders would remain eligible to receive enhanced rebates under footnotes 4 (NBBO Setter Tiers) and 5 (Quoting Incentive Program Tiers).

Firm Orders That Add Liquidity in Penny Pilot Add Volume Tiers

The Exchange is proposing to make several changes to the Firm Penny Pilot Add Volume Tiers. First, the Exchange is proposing to change the standard rebate associated with Fee Code PF for Firm orders that add liquidity in Penny Pilot Securities from $0.40 per contract to $0.36 per contract. The Exchange is also proposing to change the rebate for Firm orders in Penny Pilot Securities for Members that meet Tier 1 of the Firm Penny Pilot Add Volume Tiers from $0.42 per contract to $0.40 per contract.

The Exchange is also proposing to amend the standards required to meet Tiers 1 and 2 of the Firm Penny Pilot Add Volume Tiers. Currently, a Member qualifies for Tier

1 where the Member has an Options Step-up Add TCV[7] from June 2014 baseline equal to or greater than 0.50% and qualifies for Tier 2 where the Member has: (i) an Options Step-Up Add TCV from September 2014 baseline equal to or greater than 0.30%; and (ii) an ADV[8] equal to or greater than 0.40% of average TCV.[9] Specifically, the Exchange is proposing to change the Tier 1 required criteria such that a Member qualifies for Tier 1 where the Member has an ADV equal to or greater than 0.30% of average TCV. The Exchange is also proposing to change the Tier 2 required criteria such that a Member qualifies for Tier 2 where the Member has an ADV equal to or greater than 1.00% of average TCV.

The Exchange is also proposing to add an additional tier to the Firm Penny Pilot Add Volume Tier under footnote 2 of the fee schedule. As described above, the Exchange currently offers two tiers under the Firm Penny Pilot Add Volume Tiers. The Exchange is proposing to add Tier 3 under which Members would receive a $0.43 per contract rebate for Firm orders that add liquidity in Penny Pilot Securities where the Member: (i) has an ADAV[10] in Firm orders in Penny Pilot Securities equal to or greater than 0.35% of average TCV; and (ii) has an ADV equal to or greater than 1.00% of

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[7] "Options Step-Up Add TCV" means ADAV as a percentage of TCV in the relevant baseline month subtracted from current ADAV as a percentage of TCV.

[8] "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day.

[9] "TCV" means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

[10] "ADAV" means average daily added volume calculated as the number of contracts added per day.

average TCV.

<u>Firm Orders That Add Liquidity in Non-Penny Pilot Securities</u>

The Exchange is proposing to make two changes to its fee schedule regarding Firm orders that add liquidity in non-Penny Pilot Securities. First, the Exchange is proposing to create a new Fee Code NF which would apply to Firm orders that add liquidity in non-Penny Pilot Securities and for which the standard pricing would be a $0.40 rebate per contract. As part of this change, the Exchange is also proposing to delete the reference to "Firm" in Fee Code NA, which currently applies to both Professional and Firm orders that add liquidity in non-Penny Pilot Securities, which are subject to a standard rebate of $0.65 per contract. Like Fee Code NA, as proposed, orders yielding Fee Code NF would be eligible for enhanced rebates under the NBBO Setter Tiers and the Quoting Incentive Program Tiers.

The Exchange is also proposing to add a new footnote 8 titled "Firm Non-Penny Pilot Add Volume Tiers" under which there would be three new tiers offering enhanced rebates for Firm orders that add liquidity in non-Penny Pilot Securities. Specifically, as proposed, the tiers would provide the following rebates under the following conditions for Firm orders that add volume in non-Penny Pilot Securities: Tier 1 would provide a $0.50 rebate per contract to a Member that has an ADV equal to or greater than 0.05% of average TCV; Tier 2 would provide a $0.60 rebate per contract to a Member that has an ADV equal to or greater than 0.15% of average TCV; and Tier 3 would provide a $0.65 rebate per contract to Member that has an ADV equal to or greater than 0.25% of average TCV.

<u>Market Maker Penny Pilot Add Volume Tiers</u>

The Exchange is proposing to add a new Tier 3 to the Market Maker Penny Pilot Add Volume Tiers in order to provide another means for Market Maker orders in Penny Pilot Securities to receive a rebate of $0.42 per contract. Currently, the standard rebate for Market Maker orders in Penny Pilot Securities is $0.36 per contract. Such orders can receive an enhanced rebate of $0.40 by meeting Tier 1 of the Market Maker Penny Pilot Add Volume Tiers or $0.42 by meeting Tier 2 of such Tiers. The Exchange is proposing to add a new Tier 3 under which a Member would receive $0.42 per contract where: (i) the Member has an ADAV in Firm orders in Penny Pilot Securities (orders that yield Fee Code PF) equal to or greater than 0.35% of average TCV; and (ii) the Member has an ADV equal to or greater than 1.00% of average TCV.

<u>Routing Fee Changes</u>

The Exchange currently charges certain flat rates for routing to other options exchanges based on the approximate cost of routing to such venues. Such flat rates for routing to such 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, connectivity and other infrastructure costs, membership fees, etc.) (collectively, "Routing Costs"). To address different fees at various other options exchanges, the Exchange differentiates its flat rates depending on whether they are for Customer orders or for Professional, Firm, and Market Maker[11] orders (collectively, "non-Customer orders").

As noted previously and as set forth above, the Exchange's current approach to routing fees is to set forth in a simple manner certain flat fees that approximate the cost of

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11 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").

routing to other options exchanges. The Exchange then monitors the fees charged as compared to the costs of its routing services, as well as monitoring for specific fee changes by other options exchanges, and adjusts its flat routing fees and/or groupings to ensure that the Exchange's fees do indeed result in a rough approximation of overall Routing Costs, and are not significantly higher or lower in any area. Over the last several months, due to various increases in fees assessed by other options exchanges, the Exchange's overall Routing Costs have increased. As a result, and in order to avoid subsidizing routing to away options exchanges and to continue providing quality routing services, the Exchange proposes various increases to the charges assessed for most orders routed to most options exchanges, as set forth below.

The Exchange is proposing to amend the fees that the Exchange charges for orders routed by the Exchange for execution at other venues, including those associated with Fee Codes 2C, CC, CF, HF, and OF. The Exchange is proposing to amend the fees for those Fee Codes as follows: from $0.00 to $0.47 per contract for orders yielding Fee Code 2C, which are Customer orders routed to C2 Options Exchange, Inc. ("C2"); from $0.12 to $0.13 per contract for orders yielding Fee Code CC, which are Customer orders routed to Chicago Board Options Exchange ("CBOE"); from $0.65 to $0.75 per contract for orders yielding Fee Code CF, which are Professional, Firm, or Market Maker orders routed to CBOE; from $0.65 to $0.70 per contract for orders yielding Fee Code HF, which are Professional, Firm, or Market Maker orders routed to NASDAQ OMX PHLX LLC ("PHLX"); and from $0.65 to $0.99 for orders yielding Fee Code OF, which are Professional, Firm, or Market Maker orders routed to BOX Options Exchange, LLC ("BOX"). The Exchange notes that certain of the above changes are being proposed in order to maintain a simple, flat fee structure for routing to other venues in both Penny Pilot Securities and non-Penny Pilot Securities.

Physical Connection Fees

The Exchange proposes to amend its fee schedule to modify its fees for physical connectivity. A physical port is utilized by a Member or non-Member to connect to the Exchange at the data centers where the Exchange's servers are located. The Exchange currently maintains a presence in two third-party data centers: (i) the primary data center where the Exchange's business is primarily conducted on a daily basis, and (ii) a secondary data center, which is predominantly maintained for business continuity purposes. The Exchange currently assesses the following physical connectivity fees for Members and non-Members on a monthly basis: $1,000 per physical port that connects to the System[12] via 1 gigabyte circuit; and $2,500 per physical port that connects to the System via 10 gigabyte circuit.

The Exchange now proposes to amend its physical connectivity fees to align its fees with its affiliates.[13] The Exchange proposes to increase the fee per physical port that connects to the System via: (i) 1 gigabyte circuit from $1,000 per month to $2,000 per month; and (ii) 10 gigabyte circuit from $2,500 per month to $4,000 per month.

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12 The term "System" is defined as "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." See Exchange Rule 1.5(cc).

13 For purposes of this filing, the Exchange's affiliates are EDGX Exchange, Inc. ("EDGX"), EDGA Exchange, Inc. ("EDGA"), the Exchange's equity exchange ("BATS Equities") and BATS Y-Exchange, Inc. ("BYX", together with BATS Equities, EDGA and EDGX, the "BATS Exchanges"). The Exchange notes that each of its affiliates will also file proposed rule changes with Commission to adopt similar physical connectivity fees to be effective July 1, 2015.

Effectiveness Date

As noted above, the Exchange proposes to implement the amendments to its fee schedule effective immediately.

(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.[14] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[15] in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels to be excessive.

Volume-based rebates and fees such as the ones currently maintained on BATS Options have been widely adopted by equities and options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes.

Professional Orders in Penny Pilot Securities

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

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

The Exchange believes the proposed removal of Professional orders in Penny Pilot Securities that add liquidity from the Professional and Firm Penny Pilot Add Volume Tiers is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because, while Members entering such orders will not be eligible for the $0.02 per contract enhanced rebate that they would have potentially been eligible to receive under the tiers ($0.42 per contract vs. $0.40 per contract standard rebate for Fee Code PA), such Members will still be eligible for enhanced rebates through both the NBBO Setter Tiers (up to an additional $0.04 per contract) and the Quoting Incentive Program Tiers (also up to an additional $0.04 per contract). Further, such a reduction in rebates will allow the Exchange to allocate fees and rebates to other orders in order to encourage increased participation on BATS Options, which the Exchange believes will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

Firm Orders That Add Liquidity in Penny Pilot Add Volume Tiers

The Exchange also believes that the proposed amendments to the fee schedule related to Firm orders in Penny Pilot Securities related to the standard rebate under Fee Code PF and the proposed amendments to footnote 2, including to reduce the rebate for Tier 1, add a new tier, and amend the standards for Tiers 1 and 2 is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will provide Members entering Firm orders with the opportunity to receive higher rebates while simultaneously encouraging greater participation on BATS Options, which, as described above the Exchange believes will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options. Specifically, the Exchange believes that the reduction of the standard rebate associated with Fee Code PF combined with the amended and lowered standard for meeting Tier 1 of the Firm Penny Pilot Add Volume Tiers is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because, in conjunction, they will both provide Members with a reasonably achievable threshold for receiving the same rebate as they do today while at the same time encouraging and rewarding higher levels of participation on the Exchange overall. The Exchange also believes that amending the standard for meeting Tier 2 is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will similarly encourage increased participation on the Exchange by offering a rebate that applies equally to all Members without regard to prior trading volumes. Such rebate will encourage greater general participation on the Exchange, which will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options. Finally, the Exchange believes that proposed Tier 3 is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because the second of its two requirements (that a Member has an ADV equal to or greater than 1.00% of average TCV) is identical to the only requirement for meeting Tier 2, meaning that any Member that meets Tier 2 will only need to meet the additional requirement that a Member has an ADAV in Firm orders in Penny Pilot Securities equal to or greater than 0.35% of average TCV in order to receive the enhanced rebate. This will provide a direct incentive for any Member that meets Tier 2 to further increase participation in Firm orders in Penny Pilot Securities and, as with each of the proposed changes mentioned in this paragraph, will encourage greater participation on the Exchange, which will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

Firm Orders That Add Liquidity in Non-Penny Pilot Securities

The Exchange believes that the amendments for Firm orders that add liquidity in non-Penny Pilot Securities mark a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because while the new Fee Code NF and the associated standard rebate marks a reduction in rebate (from $0.65 per contract to $0.40 per contract), under the new Firm Non-Penny Pilot Add Volume Tiers, Members will be eligible to receive an enhanced rebate ($0.50 per contract) by meeting a relatively low threshold of ADV as a percentage of TCV (0.05%), will receive a further enhanced rebate ($0.60 per contract) by meeting Tier 2 (0.15% ADV as a percentage of TCV), or receive the same rebate that they currently receive ($0.65 per contract) by meeting Tier 3 (0.25% of average TCV). Further, the proposed standard rebate is still higher than those offered at NOM and NYSE Arca, Inc., which each charge fees for Firm orders that add liquidity in non-Penny Pilot Securities. The Exchange believes that such a fee structure will provide Members with the ability to receive reasonable rebates while strongly encouraging Members to increase their participation on the Exchange. Such increased participation on BATS Options will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

Market Maker Penny Pilot Add Volume Tiers

The Exchange believes that the addition of Tier 3 to the Market Maker Penny Pilot Add Volume Tiers is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it provides an opportunity for Market Maker orders that add liquidity in Penny Pilot Securities with an alternate means of achieving the current maximum rebate of $0.42 per contract and only represents a potential increase in rebates for such orders. The inclusion of the requirement that a Member has an ADAV in Firm orders in Penny Pilot Securities equal to or greater than 0.35% is designed to incentivize Members to increase their participation on the Exchange in organizational order flow beyond just Market Maker orders. Further, this enhanced rebate will incentivize increased participation on BATS Options both through the enhanced rebate itself and the required criteria for a Member to become eligible for the enhanced rebate. Such increased participation on BATS Options will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

Routing Fee Changes

As explained above, the Exchange generally attempts to approximate the cost of routing to other options exchanges, including other applicable costs to the Exchange for routing. The Exchange believes that a pricing model based on approximate Routing Costs is a reasonable, fair and equitable approach to pricing. Specifically, the Exchange believes that its proposal to modify fees is fair, equitable and reasonable because the fees are generally an approximation of the cost to the Exchange for routing orders to such exchanges, and the proposal is in response to various increases in fees assessed by other options exchanges. Accordingly, the Exchange believes that the proposed increases are fair, equitable and reasonable because they will help the Exchange to avoid subsidizing routing to away options exchanges and to continue providing quality routing services. 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. Under its flat fee structure, taking all costs to the Exchange into account, the Exchange may operate at a slight gain or slight loss for orders routed to and executed at away options exchanges. 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 such exchanges. The Exchange also believes that the proposed fee structure for orders routed to and executed at these away options exchanges is fair and equitable and not unreasonably discriminatory in that it applies equally to all Members.

Physical Connection Fees

The Exchange believes that the proposal represents an equitable allocation of reasonable dues, fees, and other charges as its fees for physical connectivity are reasonably constrained by competitive alternatives. If a particular exchange charges excessive fees for connectivity, affected Members and non-Members may opt to terminate their connectivity arrangements with that exchange, and adopt a possible range of alternative strategies, including routing to the applicable exchange through another participant or market center or taking that exchange’s data indirectly. Accordingly, if the Exchange charges excessive fees, it would stand to lose not only connectivity revenues but also revenues associated with the execution of orders routed to it, and, to the extent applicable, market data revenues. The Exchange believes that this competitive dynamic imposes powerful restraints on the ability of any exchange to charge unreasonable fees for connectivity.

Furthermore, the proposed rule change is also an equitable allocation of reasonable dues, fees, and other charges as the Exchange believes that the increased fees obtained will enable it to cover its increased infrastructure costs associated with establishing physical ports to connect to the Exchange's Systems. The additional revenue from the increased fees will also enable the Exchange to continue to maintain and improve its market technology and services. The Exchange believes that the proposed fees for 1 gigabyte circuit of $2,000 per month and for 10 gigabyte circuit of $4,000 per month are reasonable in that they are less than analogous fees charged by the Nasdaq Stock Market LLC ("Nasdaq"), which are $2,500 per month for 1 gigabyte connectivity and range from $10,000 - $15,000 per month for 10 gigabyte circuits.[16] In addition, the Exchange proposed physical connectivity fees are designed to align the Exchange's fees with its affiliates.[17]

Finally, the Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members and non-Members. Members and non-Members will continue to choose whether they want more than one physical port and choose the method of connectivity based on their specific needs. All Exchange Members that voluntarily select various service options will be charged the same amount for the same services. As is true of all physical connectivity, all Members and non-

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16 See Nasdaq Rule 7034(b).

17 See supra note 13.

Members have the option to select any connectivity option, and there is no differentiation with regard to the fees charged for the service.

The Exchange reiterates 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 to be excessive.

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. With respect to the proposed changes to fees for Professional and Firm orders that add liquidity in Penny Pilot Securities, including the proposed changes to the Professional and Firm Penny Pilot Add Volume Tiers, the Exchange does not believe that any such changes burden competition, but instead, that they enhance competition, as they are intended to increase the competitiveness of and draw additional volume to BATS Options.

Similarly, with respect to the proposed new fees for Firm orders that add liquidity in non-Penny Pilot Securities, including both new Fee Code NF and new Firm Non-Penny Pilot Add Volume Tiers, the Exchange does not believe that any such changes burden competition, but instead, that they enhance competition, as they are intended to increase the competitiveness of and draw additional volume to BATS Options.

With respect to the proposed new Tier 3 of the Market Maker Penny Pilot Add Volume Tiers, the Exchange similarly believes that the changes do not burden competition, but rather allow the Exchange to better compete and are intended to draw additional volume to BATS Options.

As it relates to the proposed routing fee changes, the proposed changes will assist the Exchange in recouping costs for routing orders to other options exchanges on behalf of its participants in a manner that is a better approximation of actual costs than is currently in place and that reflects pricing changes by various options exchanges as well as increases to other Routing Costs incurred by the Exchange. The Exchange also notes that Members may choose to mark their orders as ineligible for routing to avoid incurring routing fees.[18]

Finally, as it relates to physical connection fees, the Exchange believes that fees for connectivity are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including port fee access, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The proposal to increase the fees for physical connectivity would bring the fees charged by the Exchange closer to similar fees charged for physical connectivity by other exchanges.[19] In addition, the proposed rule change does not impose any burden on intramarket competition as the fees are uniform for all Members and non-Members. The Exchange notes that Members and non-Members also have the ability to obtain access to these services without the need for an independent physical port connection, such as through alternative means of financial extranets and service bureaus that act as a conduit for orders entered by Members and non-Members.

As stated above, the Exchange notes that it operates in a highly competitive

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[18] See 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).

[19] See supra note 16.

market in which market participants can readily direct order flow to competing venues if the deem fee structures to be unreasonable or excessive.

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

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. <u>Extension of Time Period for Commission Action</u>

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act[20] and Rule 19b-4(f)(2) thereunder,[21] 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. <u>Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission</u>

Not applicable.

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

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[20] 15 U.S.C. 78s(b)(3)(A)(ii).

[21] 17 CFR 240.19b-4(f)(2).

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

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-BATS-2015-52)

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on _________________________, BATS Exchange, Inc. (the "Exchange" or "BATS") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act[3] and Rule 19b-4(f)(2) thereunder,[4] which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to amend its fees and rebates applicable to Members[5] of the Exchange pursuant to Rule 15.1(a) and (c).

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

2 17 CFR 240.19b-4.

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

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

5 A Member is defined as "any registered broker or dealer that has been admitted to membership in the Exchange." See Exchange Rule 1.5(n).

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to modify the "Options Pricing" section of its fee schedule, effective immediately, in order to modify pricing charged by the Exchange's options platform ("BATS Options") including: (i) amend footnote 2 to remove Professional[6] orders from the Professional and Firm Penny Pilot Add Volume Tiers related to the pricing for Professional and Firm[7] orders that add liquidity in Penny Pilot Securities;[8] (ii) further amend footnote 2 to change the standards for meeting Tiers 1 and 2, changing the rebate

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6 "Professional" applies to any transaction identified by a Member as such pursuant to Exchange Rule 16.1.

7 "Firm" applies to any transaction identified by a Member for clearing in the Firm range at the OCC.

8 "Penny Pilot Securities" are those issues quoted pursuant to Exchange Rule 21.5, Interpretation and Policy .01.

for Tier 2, and adding a new Tier 3; (iii) amend the standard rebate associated with Fee Code PF for Firm orders that add liquidity in Penny Pilot Securities; (iv) create a new Fee Code NF for Firm orders that add liquidity in non-Penny Pilot Securities; (v) create a new footnote 8 titled “Firm Non-Penny Pilot Add Volume Tiers;” (vi) add a new Tier 3 to the Market Maker Penny Pilot Add Volume Tiers; (vii) amend the fees that the Exchange charges for orders routed by the Exchange for execution at other venues, including those associated with Fee Codes 2C, CC, CF, HF, and OF; and (viii) amend the Options Physical Connection Fees for both 1G and 10G physical ports.

Professional Orders in Penny Pilot Securities

The Exchange proposes to remove Professional orders from inclusion in the Professional and Firm Penny Pilot Add Volume Tiers, which apply to fee codes PA and PF. Currently, the Exchange provides a standard rebate of $0.40 per contract under Fee Code PA for Professional orders that add liquidity in Penny Pilot Securities and an enhanced rebate of $0.42 per contract for each Professional or Firm order that adds liquidity in Penny Pilot Securities and meets the requirements for either Tier 1 or Tier 2 of the Professional and Firm Penny Pilot Add Volume Tiers. Specifically, the Exchange is proposing to eliminate Professional orders from the Professional and Firm Penny Pilot Add Volume Tiers such that Professional orders subject to Fee Code PA would not be eligible for enhanced rebates under footnote 2. Such orders would remain eligible to receive enhanced rebates under footnotes 4 (NBBO Setter Tiers) and 5 (Quoting Incentive Program Tiers).

Firm Orders That Add Liquidity in Penny Pilot Add Volume Tiers

The Exchange is proposing to make several changes to the Firm Penny Pilot Add

Volume Tiers. First, the Exchange is proposing to change the standard rebate associated with Fee Code PF for Firm orders that add liquidity in Penny Pilot Securities from $0.40 per contract to $0.36 per contract. The Exchange is also proposing to change the rebate for Firm orders in Penny Pilot Securities for Members that meet Tier 1 of the Firm Penny Pilot Add Volume Tiers from $0.42 per contract to $0.40 per contract.

The Exchange is also proposing to amend the standards required to meet Tiers 1 and 2 of the Firm Penny Pilot Add Volume Tiers. Currently, a Member qualifies for Tier 1 where the Member has an Options Step-up Add TCV[9] from June 2014 baseline equal to or greater than 0.50% and qualifies for Tier 2 where the Member has: (i) an Options Step-Up Add TCV from September 2014 baseline equal to or greater than 0.30%; and (ii) an ADV[10] equal to or greater than 0.40% of average TCV.[11] Specifically, the Exchange is proposing to change the Tier 1 required criteria such that a Member qualifies for Tier 1 where the Member has an ADV equal to or greater than 0.30% of average TCV. The Exchange is also proposing to change the Tier 2 required criteria such that a Member qualifies for Tier 2 where the Member has an ADV equal to or greater than 1.00% of average TCV.

The Exchange is also proposing to add an additional tier to the Firm Penny Pilot

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9 "Options Step-Up Add TCV" means ADAV as a percentage of TCV in the relevant baseline month subtracted from current ADAV as a percentage of TCV.

10 "ADV" means average daily volume calculated as the number of contracts added or removed, combined, per day.

11 "TCV" means total consolidated volume calculated as the volume reported by all exchanges to the consolidated transaction reporting plan for the month for which the fees apply, excluding volume on any day that the Exchange experiences an Exchange System Disruption and on any day with a scheduled early market close.

Add Volume Tier under footnote 2 of the fee schedule. As described above, the Exchange currently offers two tiers under the Firm Penny Pilot Add Volume Tiers. The Exchange is proposing to add Tier 3 under which Members would receive a $0.43 per contract rebate for Firm orders that add liquidity in Penny Pilot Securities where the Member: (i) has an ADAV[12] in Firm orders in Penny Pilot Securities equal to or greater than 0.35% of average TCV; and (ii) has an ADV equal to or greater than 1.00% of average TCV.

Firm Orders That Add Liquidity in Non-Penny Pilot Securities

The Exchange is proposing to make two changes to its fee schedule regarding Firm orders that add liquidity in non-Penny Pilot Securities. First, the Exchange is proposing to create a new Fee Code NF which would apply to Firm orders that add liquidity in non-Penny Pilot Securities and for which the standard pricing would be a $0.40 rebate per contract. As part of this change, the Exchange is also proposing to delete the reference to "Firm" in Fee Code NA, which currently applies to both Professional and Firm orders that add liquidity in non-Penny Pilot Securities, which are subject to a standard rebate of $0.65 per contract. Like Fee Code NA, as proposed, orders yielding Fee Code NF would be eligible for enhanced rebates under the NBBO Setter Tiers and the Quoting Incentive Program Tiers.

The Exchange is also proposing to add a new footnote 8 titled "Firm Non-Penny Pilot Add Volume Tiers" under which there would be three new tiers offering enhanced rebates for Firm orders that add liquidity in non-Penny Pilot Securities. Specifically, as

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12 "ADAV" means average daily added volume calculated as the number of contracts added per day.

proposed, the tiers would provide the following rebates under the following conditions for Firm orders that add volume in non-Penny Pilot Securities: Tier 1 would provide a $0.50 rebate per contract to a Member that has an ADV equal to or greater than 0.05% of average TCV; Tier 2 would provide a $0.60 rebate per contract to a Member that has an ADV equal to or greater than 0.15% of average TCV; and Tier 3 would provide a $0.65 rebate per contract to Member that has an ADV equal to or greater than 0.25% of average TCV.

Market Maker Penny Pilot Add Volume Tiers

The Exchange is proposing to add a new Tier 3 to the Market Maker Penny Pilot Add Volume Tiers in order to provide another means for Market Maker orders in Penny Pilot Securities to receive a rebate of $0.42 per contract. Currently, the standard rebate for Market Maker orders in Penny Pilot Securities is $0.36 per contract. Such orders can receive an enhanced rebate of $0.40 by meeting Tier 1 of the Market Maker Penny Pilot Add Volume Tiers or $0.42 by meeting Tier 2 of such Tiers. The Exchange is proposing to add a new Tier 3 under which a Member would receive $0.42 per contract where: (i) the Member has an ADAV in Firm orders in Penny Pilot Securities (orders that yield Fee Code PF) equal to or greater than 0.35% of average TCV; and (ii) the Member has an ADV equal to or greater than 1.00% of average TCV.

Routing Fee Changes

The Exchange currently charges certain flat rates for routing to other options exchanges based on the approximate cost of routing to such venues. Such flat rates for routing to such 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, connectivity and other infrastructure costs, membership fees, etc.) (collectively, "Routing Costs"). To address different fees at various other options exchanges, the Exchange differentiates its flat rates depending on whether they are for Customer orders or for Professional, Firm, and Market Maker[13] orders (collectively, "non-Customer orders").

As noted previously and as set forth above, the Exchange's current approach to routing fees is to set forth in a simple manner certain flat fees that approximate the cost of routing to other options exchanges. The Exchange then monitors the fees charged as compared to the costs of its routing services, as well as monitoring for specific fee changes by other options exchanges, and adjusts its flat routing fees and/or groupings to ensure that the Exchange's fees do indeed result in a rough approximation of overall Routing Costs, and are not significantly higher or lower in any area. Over the last several months, due to various increases in fees assessed by other options exchanges, the Exchange's overall Routing Costs have increased. As a result, and in order to avoid subsidizing routing to away options exchanges and to continue providing quality routing services, the Exchange proposes various increases to the charges assessed for most orders routed to most options exchanges, as set forth below.

The Exchange is proposing to amend the fees that the Exchange charges for orders routed by the Exchange for execution at other venues, including those associated with Fee Codes 2C, CC, CF, HF, and OF. The Exchange is proposing to amend the fees for those Fee Codes as follows: from $0.00 to $0.47 per contract for orders yielding Fee

13 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").

Code 2C, which are Customer orders routed to C2 Options Exchange, Inc. ("C2"); from $0.12 to $0.13 per contract for orders yielding Fee Code CC, which are Customer orders routed to Chicago Board Options Exchange ("CBOE"); from $0.65 to $0.75 per contract for orders yielding Fee Code CF, which are Professional, Firm, or Market Maker orders routed to CBOE; from $0.65 to $0.70 per contract for orders yielding Fee Code HF, which are Professional, Firm, or Market Maker orders routed to NASDAQ OMX PHLX LLC ("PHLX"); and from $0.65 to $0.99 for orders yielding Fee Code OF, which are Professional, Firm, or Market Maker orders routed to BOX Options Exchange, LLC ("BOX"). The Exchange notes that certain of the above changes are being proposed in order to maintain a simple, flat fee structure for routing to other venues in both Penny Pilot Securities and non-Penny Pilot Securities.

Physical Connection Fees

The Exchange proposes to amend its fee schedule to modify its fees for physical connectivity. A physical port is utilized by a Member or non-Member to connect to the Exchange at the data centers where the Exchange's servers are located. The Exchange currently maintains a presence in two third-party data centers: (i) the primary data center where the Exchange's business is primarily conducted on a daily basis, and (ii) a secondary data center, which is predominantly maintained for business continuity purposes. The Exchange currently assesses the following physical connectivity fees for Members and non-Members on a monthly basis: $1,000 per physical port that connects to the System[14] via 1 gigabyte circuit; and $2,500 per physical port that connects to the System via 10 gigabyte circuit.

The Exchange now proposes to amend its physical connectivity fees to align its fees with its affiliates.[15] The Exchange proposes to increase the fee per physical port that connects to the System via: (i) 1 gigabyte circuit from $1,000 per month to $2,000 per month; and (ii) 10 gigabyte circuit from $2,500 per month to $4,000 per month.

Effectiveness Date

As noted above, the Exchange proposes to implement the amendments to its fee schedule effective immediately.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.[16] Specifically, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,[17] in that it provides for the equitable allocation of reasonable

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[14] The term "System" is defined as "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." See Exchange Rule 1.5(cc).

[15] For purposes of this filing, the Exchange's affiliates are EDGX Exchange, Inc. ("EDGX"), EDGA Exchange, Inc. ("EDGA"), the Exchange's equity exchange ("BATS Equities") and BATS Y-Exchange, Inc. ("BYX", together with BATS Equities, EDGA and EDGX, the "BATS Exchanges"). The Exchange notes that each of its affiliates will also file proposed rule changes with Commission to adopt similar physical connectivity fees to be effective July 1, 2015.

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

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

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 to be excessive.

Volume-based rebates and fees such as the ones currently maintained on BATS Options have been widely adopted by equities and options exchanges and are equitable because they are open to all Members on an equal basis and provide additional benefits or discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes.

Professional Orders in Penny Pilot Securities

The Exchange believes the proposed removal of Professional orders in Penny Pilot Securities that add liquidity from the Professional and Firm Penny Pilot Add Volume Tiers is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because, while Members entering such orders will not be eligible for the $0.02 per contract enhanced rebate that they would have potentially been eligible to receive under the tiers ($0.42 per contract vs. $0.40 per contract standard rebate for Fee Code PA), such Members will still be eligible for enhanced rebates through both the NBBO Setter Tiers (up to an additional $0.04 per contract) and the Quoting Incentive Program Tiers (also up to an additional $0.04 per contract). Further, such a reduction in rebates will allow the Exchange to allocate fees and rebates to other orders in order to encourage increased participation on BATS Options, which the

Exchange believes will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

<u>Firm Orders That Add Liquidity in Penny Pilot Add Volume Tiers</u>

The Exchange also believes that the proposed amendments to the fee schedule related to Firm orders in Penny Pilot Securities related to the standard rebate under Fee Code PF and the proposed amendments to footnote 2, including to reduce the rebate for Tier 1, add a new tier, and amend the standards for Tiers 1 and 2 is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will provide Members entering Firm orders with the opportunity to receive higher rebates while simultaneously encouraging greater participation on BATS Options, which, as described above the Exchange believes will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options. Specifically, the Exchange believes that the reduction of the standard rebate associated with Fee Code PF combined with the amended and lowered standard for meeting Tier 1 of the Firm Penny Pilot Add Volume Tiers is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because, in conjunction, they will both provide Members with a reasonably achievable threshold for receiving the same rebate as they do today while at the same time encouraging and rewarding higher levels of participation on the Exchange overall. The Exchange also believes that amending the standard for meeting Tier 2 is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it will similarly encourage increased participation on the Exchange by offering a rebate that applies equally to all Members without regard to prior trading volumes. Such rebate will encourage greater general participation on the Exchange, which will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options. Finally, the Exchange believes that proposed Tier 3 is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because the second of its two requirements (that a Member has an ADV equal to or greater than 1.00% of average TCV) is identical to the only requirement for meeting Tier 2, meaning that any Member that meets Tier 2 will only need to meet the additional requirement that a Member has an ADAV in Firm orders in Penny Pilot Securities equal to or greater than 0.35% of average TCV in order to receive the enhanced rebate. This will provide a direct incentive for any Member that meets Tier 2 to further increase participation in Firm orders in Penny Pilot Securities and, as with each of the proposed changes mentioned in this paragraph, will encourage greater participation on the Exchange, which will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

Firm Orders That Add Liquidity in Non-Penny Pilot Securities

The Exchange believes that the amendments for Firm orders that add liquidity in non-Penny Pilot Securities mark a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because while the new Fee Code NF and the associated standard rebate marks a reduction in rebate (from $0.65 per contract to $0.40 per contract), under the new Firm Non-Penny Pilot Add Volume Tiers, Members will be eligible to receive an enhanced rebate ($0.50 per contract) by meeting a relatively low threshold of ADV as a percentage of TCV (0.05%), will receive a further enhanced rebate ($0.60 per contract) by meeting Tier 2 (0.15% ADV as a percentage of TCV), or receive the same rebate that they currently receive ($0.65 per contract) by meeting Tier 3 (0.25% of average TCV). Further, the proposed standard rebate is still higher than those offered at NOM and NYSE Arca, Inc., which each charge fees for Firm orders that add liquidity in non-Penny Pilot Securities. The Exchange believes that such a fee structure will provide Members with the ability to receive reasonable rebates while strongly encouraging Members to increase their participation on the Exchange. Such increased participation on BATS Options will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

Market Maker Penny Pilot Add Volume Tiers

The Exchange believes that the addition of Tier 3 to the Market Maker Penny Pilot Add Volume Tiers is a reasonable, fair and equitable, and not unfairly discriminatory allocation of fees and rebates because it provides an opportunity for Market Maker orders that add liquidity in Penny Pilot Securities with an alternate means of achieving the current maximum rebate of $0.42 per contract and only represents a potential increase in rebates for such orders. The inclusion of the requirement that a Member has an ADAV in Firm orders in Penny Pilot Securities equal to or greater than 0.35% is designed to incentivize Members to increase their participation on the Exchange in organizational order flow beyond just Market Maker orders. Further, this enhanced rebate will incentivize increased participation on BATS Options both through the enhanced rebate itself and the required criteria for a Member to become eligible for the enhanced rebate. Such increased participation on BATS Options will result in higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes, which will benefit all participants on BATS Options.

Routing Fee Changes

As explained above, the Exchange generally attempts to approximate the cost of routing to other options exchanges, including other applicable costs to the Exchange for routing. The Exchange believes that a pricing model based on approximate Routing Costs is a reasonable, fair and equitable approach to pricing. Specifically, the Exchange believes that its proposal to modify fees is fair, equitable and reasonable because the fees are generally an approximation of the cost to the Exchange for routing orders to such exchanges, and the proposal is in response to various increases in fees assessed by other options exchanges. Accordingly, the Exchange believes that the proposed increases are fair, equitable and reasonable because they will help the Exchange to avoid subsidizing routing to away options exchanges and to continue providing quality routing services. 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. Under its flat fee structure, taking all costs to the Exchange into account, the Exchange may operate at a slight gain or slight loss for orders routed to and executed at away options exchanges. 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 such exchanges. The Exchange also believes that the proposed fee structure for orders routed to and executed at these away options exchanges is fair and equitable and not unreasonably discriminatory in that it applies equally to all Members.

Physical Connection Fees

The Exchange believes that the proposal represents an equitable allocation of reasonable dues, fees, and other charges as its fees for physical connectivity are reasonably constrained by competitive alternatives. If a particular exchange charges excessive fees for connectivity, affected Members and non-Members may opt to terminate their connectivity arrangements with that exchange, and adopt a possible range of alternative strategies, including routing to the applicable exchange through another participant or market center or taking that exchange's data indirectly. Accordingly, if the Exchange charges excessive fees, it would stand to lose not only connectivity revenues but also revenues associated with the execution of orders routed to it, and, to the extent applicable, market data revenues. The Exchange believes that this competitive dynamic imposes powerful restraints on the ability of any exchange to charge unreasonable fees for connectivity.

Furthermore, the proposed rule change is also an equitable allocation of reasonable dues, fees, and other charges as the Exchange believes that the increased fees obtained will enable it to cover its increased infrastructure costs associated with establishing physical ports to connect to the Exchange's Systems. The additional revenue from the increased fees will also enable the Exchange to continue to maintain and improve its market technology and services. The Exchange believes that the proposed fees for 1 gigabyte circuit of $2,000 per month and for 10 gigabyte circuit of $4,000 per month are reasonable in that they are less than analogous fees charged by the Nasdaq

Stock Market LLC ("Nasdaq"), which are $2,500 per month for 1 gigabyte connectivity and range from $10,000 - $15,000 per month for 10 gigabyte circuits.[18] In addition, the Exchange proposed physical connectivity fees are designed to align the Exchange's fees with its affiliates.[19]

Finally, the Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members and non-Members. Members and non-Members will continue to choose whether they want more than one physical port and choose the method of connectivity based on their specific needs. All Exchange Members that voluntarily select various service options will be charged the same amount for the same services. As is true of all physical connectivity, all Members and non-Members have the option to select any connectivity option, and there is no differentiation with regard to the fees charged for the service.

The Exchange reiterates 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 to be excessive.

(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. With respect to the proposed changes to fees for Professional and Firm orders that add liquidity in Penny Pilot Securities, including the proposed changes to the Professional

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[18] See Nasdaq Rule 7034(b).

[19] See supra note 15.

and Firm Penny Pilot Add Volume Tiers, the Exchange does not believe that any such changes burden competition, but instead, that they enhance competition, as they are intended to increase the competitiveness of and draw additional volume to BATS Options.

Similarly, with respect to the proposed new fees for Firm orders that add liquidity in non-Penny Pilot Securities, including both new Fee Code NF and new Firm Non-Penny Pilot Add Volume Tiers, the Exchange does not believe that any such changes burden competition, but instead, that they enhance competition, as they are intended to increase the competitiveness of and draw additional volume to BATS Options.

With respect to the proposed new Tier 3 of the Market Maker Penny Pilot Add Volume Tiers, the Exchange similarly believes that the changes do not burden competition, but rather allow the Exchange to better compete and are intended to draw additional volume to BATS Options.

As it relates to the proposed routing fee changes, the proposed changes will assist the Exchange in recouping costs for routing orders to other options exchanges on behalf of its participants in a manner that is a better approximation of actual costs than is currently in place and that reflects pricing changes by various options exchanges as well as increases to other Routing Costs incurred by the Exchange. The Exchange also notes that Members may choose to mark their orders as ineligible for routing to avoid incurring routing fees.[20]

Finally, as it relates to physical connection fees, the Exchange believes that fees

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[20] See 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).

for connectivity are constrained by the robust competition for order flow among exchanges and non-exchange markets. Further, excessive fees for connectivity, including port fee access, would serve to impair an exchange's ability to compete for order flow rather than burdening competition. The proposal to increase the fees for physical connectivity would bring the fees charged by the Exchange closer to similar fees charged for physical connectivity by other exchanges.[21] In addition, the proposed rule change does not impose any burden on intramarket competition as the fees are uniform for all Members and non-Members. The Exchange notes that Members and non-Members also have the ability to obtain access to these services without the need for an independent physical port connection, such as through alternative means of financial extranets and service bureaus that act as a conduit for orders entered by Members and non-Members.

As stated above, the Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if the deem fee structures to be unreasonable or excessive.

(C) 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.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

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21 See supra note 18.

of the Act[22] and paragraph (f) of Rule 19b-4 thereunder.[23] At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-BATS-2015-52 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-2015-52. 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

22 15 U.S.C. 78s(b)(3)(A).

23 17 CFR 240.19b-4(f).

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-2015-52 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.[24]

Robert W. Errett
Deputy Secretary

[24] 17 CFR 200.30-3(a)(12).

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

BATS Options Exchange Fee Schedule

Effective July 1, 2015

* * * * *

Standard Rates:

	Penny Pilot Securities				Non-Penny Pilot Securities				Mini Options			
	Add		Remove		Add		Remove		Add		Remove	
	Code	Rates	Code	Rates	Code	Rates	Code	Rates	Code	Rates	Code	Rates
Customer	PY	($0.25) ($0.40) ($0.48) ($0.50)	PC	$0.45	NY	($0.85)	NC	$0.80	MA	Free	MR	Free
Professional	PA	($0.40) [($0.42)]	PP	$0.49 $0.48 $0.47 $0.45 $0.43	NA	($0.65)	NP	$0.89				
Firm	PF	($0.36) ($0.40) ($0.42) ($0.43)			NF	($0.40) ($0.50) ($0.60) ($0.65)						
Market Maker	PM	($0.35) ($0.40) ($0.42)			NM	($0.42) ($0.45) ($0.52)						

Fee Codes and Associated Fees:

Fee Code	Description	Fee/(Rebate)
2C	Routed to C2 (Customer)	[FREE]0.47
2F – BG	(No change.)	
CC	Routed to CBOE (Customer)	[0.12]0.13
CF	Routed to CBOE (Pro/Firm/MM)	[0.65]0.75
D1 – HC	(No change.)	
HF	Routed to PHLX (Pro/Firm/MM)	[0.65]0.70
IC – MR	(No change.)	
NA[4,5]	Adds liquidity (Pro[/Firm]), Non-Penny	(0.65)
NC	(No change.)	
NF[4,5,8]	Adds liquidity (Firm), Non-Penny	(0.40)

NM – OC	(No change.)	
OF	Routed to BOX (Pro/Firm/MM)	[0.65]0.99
OO	(No change.)	
PA[2,][4,5]	Adds liquidity (Pro), Penny Pilot	(0.40)
PC	(No change.)	
PF[2,4,5]	Adds liquidity (Firm), Penny Pilot	([0.40]0.36)
PM – ZF	(No change.)	

* * * * *

Footnotes:

[1] (No change.)

[2] [Professional and]Firm Penny Pilot Add Volume Tiers

Applicable to the following fee codes: [PA and]PF.

Tier	Rebate per contract for a [Professional/]Firm order to Add for Penny Pilot Securities	Required Criteria
[Professional/]Firm [Step-up] Add Volume Tier 1	([$0.42]$0.40)	[Member has an Options Step-up Add TCV from June 2014 baseline equal to or greater than 0.50%] Member has an ADV equal to or greater than 0.30% of average TCV
[Professional/]Firm [Step-up]Add Volume Tier 2	($0.42)	[(1) Member has an Options Step-Up Add TCV from September 2014 baseline equal to or greater than 0.30% (2)]Member has an ADV equal to or greater than [0.40]1.00% of average TCV
Firm Add Volume Tier 3	($0.43)	(1) Member has an ADAV in Firm orders in Penny Pilot Securities (yielding Fee Code PF) equal to or greater than 0.35% of average TCV (2) Member has an ADV equal to or greater than 1.00% of average TCV

[3] (No change.)

[4] NBBO Setter Tiers

Applicable to the following fee codes: PA, PF, PM, NA, NF and NM.

Tier	Additional rebate per contract for a Professional/Firm/ Market Maker order to Add	Required Criteria
NBBO Setter Tier 1	($0.02)	(1) Member has an ADV equal to or greater than 0.30% of average TCV (2) Any order establishing a new NBBO
NBBO Setter Tier 2	($0.04)	(1) Member has an ADV equal to or greater than 1.00% of average TCV (2) Any order establishing a new NBBO
NBBO Setter Tier 3	($0.04)	(1) Member has an Options Step-Up Add TCV from September 2014 baseline equal to or greater than 0.30% (2) Member has an ADV equal to or greater than 0.40% of average TCV (3) Any order establishing a new NBBO

[5] Quoting Incentive Program ("QIP") Tiers

Applicable to the following fee codes: PA, PF, PM, NA, NF and NM.

The additional rebate is per contract for an order that adds liquidity to the BATS Options order book in options classes in which a Member is a Market Maker registered on BATS Options pursuant to Rule 22.2. A Market Maker must be registered with BATS Options in an average of 20% or more of the associated options series in a class in order to qualify for QIP rebates for that class.

Tier	Additional rebate per contract to Add	Required Criteria
QIP Tier 1	($0.02)	Member has an ADV equal to or greater than 0.30% of average TCV
QIP Tier 2	($0.04)	Member has an ADV equal to or greater than 1.00% of average TCV

[6] Market Maker Penny Pilot Add Volume Tiers

Applicable to fee code PM.

Tier	Rebate per contract for a Market Maker order to Add for Penny Pilot Securities	Required Criteria
Tier 1	($0.40)	Member has an ADV equal to or greater than 0.30% of average TCV
Tier 2	($0.42)	(1) Member has an ADAV equal to or greater than 1.00% of average TCV (2) Member has an ADV equal to or greater than 2.00% of average TCV
Tier 3	($0.42)	(1) Member has an ADAV in Firm orders in Penny Pilot Securities (yielding Fee Code PF) equal to or greater than 0.35% of average TCV (2) Member has an ADV equal to or greater than 1.00% of average TCV

[7] (No change.)

[8] Firm Non-Penny Pilot Add Volume Tiers

Tier	Rebate per contract for a Firm order to Add for Non-Penny Pilot Securities	Required Criteria
Tier 1	($0.50)	Member has an ADV equal to or greater than 0.05% of average TCV
Tier 2	($0.60)	Member has an ADV equal to or greater than 0.15% of average TCV
Tier 3	($0.65)	Member has an ADV equal to or greater than 0.25% of average TCV

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Options Physical Connection Fees:

Service	Fee per Physical Port
1G physical port	[$1,000]$2,000/month

10G physical port	[$2,500]$4,000/month

Note: The Exchange will pass-through in full any fees or costs in excess of $1,000.00 incurred by the Exchange to complete a cross-connect.

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