

## OMB APPROVAL

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Page 1 of \* 25

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

File No.\* SR - 2015 - \* 01  
 Amendment No. (req. for Amendments \*)

Filing by BATS Y-Exchange, Inc.

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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input checked="" type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input 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) \*  
☐

Section 806(e)(2) \*  
☐

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 Y-Exchange, Inc.

### Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Anders Last Name \* Franzon  
 Title \* VP, Associate General Counsel  
 E-mail \* afranzon@bats.com  
 Telephone \* (913) 815-7154 Fax (913) 815-7119

### Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date 01/02/2015

By Anders Franzon

(Name \*)

VP, Associate General Counsel

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.

afranzon@bats.com

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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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 \***

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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 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

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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

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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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Y-Exchange, Inc. (the “Exchange” or “BYX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend the fee schedule applicable to Members<sup>3</sup> and non-members of the Exchange pursuant to BYX 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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

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

<sup>3</sup> 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 its fee schedule effective immediately in order to: (1) adopt pricing for the Exchange's historical market data; (2) adopt physical connection fees; and (3) add Membership Fees.

Historical Market Data

The Exchange proposes to begin charging a fee for providing historical data to data recipients upon request. The Exchange currently provides historical data upon request on an ad hoc basis, but proposes to begin charging a fee due to the infrastructure costs of storing and providing such data. As proposed, the Exchange will begin to charge for the following three products through either of these distribution methods: (1) historical top of book data from the Exchange's TOP data feed ("Historical TOP Data"), (2) historical data from the Exchange's PITCH data feed ("Historical PITCH Data"), and (3) historical transaction data from the Exchange's Last Sale Feed ("Historical Last Sale Data"), which are described in Exchange Rule 11.22(h). The Exchange notes that the same historical data products are offered for a fee by other market centers, including BATS Exchange, Inc. ("BZX"), which are offered for the same prices as those proposed herein.<sup>4</sup>

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<sup>4</sup> See Securities Exchange Act Release No. 61885 (April 9, 2010), 75 FR 20018 (April 16, 2010) (SR-BATS-2010-002).

The proposed cost of user-accessible BYX Historical TOP Data, BYX Historical PITCH Data or BYX Historical Last Sale Data is \$500 per month of data accessed by any individual user. The Exchange's databases will contain up to 90 days of data at any point in time. For data that the Exchange provides on an external hard drive to a market participant the proposed cost is \$2,500 per 1 terabyte (TB) drive generated by the Exchange. Each of the proposed costs set forth above applies per data product. For instance, an individual user that obtained access to BYX Historical Top Data would pay \$500 for access to a particular month's data, and if that user also wanted access to BYX Historical Last Sale Data, the individual user would need to pay another \$500 for such access. Similarly, a market participant would pay \$2,500 for an external hard drive containing BYX Historical TOP Data that fits on a 1 TB drive (internal use only); such participant would have to pay separately for a 1 TB drive containing BYX Historical Last Sale Data or BYX Historical PITCH Data.

#### Membership Fees

The Exchange is also proposing to charge an Annual Membership Fee for Members of the Exchange of \$2,500, which will support their Exchange membership for the calendar year. The fee will be charged per Member firm. Beginning in January 2015, the Exchange plans to charge an Annual Membership Fee which will be assessed on all Members as of a date determined by the Exchange in January of each year. For any month in which a firm is approved for membership with the Exchange after the January renewal period, the Annual Membership Fee will be pro-rated beginning on the date on which membership is approved and based on the number of remaining trading days in that year. The fee will be assessed in the month following membership approval. For

example, if a firm applies and is accepted for membership with the Exchange on February 15, 2015, the new Member will be assessed a pro-rated Annual Membership Fee for the period beginning on February 15 through the end of 2015. The fee will be assessed in the next month's billing cycle, which in this case, would be March 2015. Such fees will be non-refundable. However, where a Member is pending a voluntary termination of rights as a Member pursuant to Rule 2.8 prior to the date any Annual Membership Fee for a given year will be assessed (i.e., January 1, 2015) and the Member does not utilize the facilities of the Exchange while such voluntary termination of rights is pending, then the Member will not be obligated to pay the Annual Membership Fee. The Exchange believes this to be appropriate because there is ordinarily a 30 day waiting period before such resignation shall take effect.

#### Physical Connection Fees

The Exchange is also proposing to adopt fees for physical connections that are identical to those charged by BZX. 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 does not currently charge any fees for physical connections to the Exchange. The Exchange currently offers both 1G and 10G connections and both are available at the primary and secondary data centers as well as through points of presence ("PoPs").

The Exchange proposes to charge physical connection fees on a monthly basis as follows: \$1,000/month for any 1G physical port to connect to the Exchange in the primary or secondary data center; \$2,000/month for any 1G physical port to connect to

the Exchange in any data center where the Exchange maintains a PoP other than the Exchange's primary or secondary data center; \$2,500/month for any 10G physical port to connect to the Exchange in the primary or secondary data center; and \$5,000/month for any 10G physical port to connect to the Exchange in any data center where the Exchange maintains a PoP other than the Exchange's primary or secondary data center. The proposed fees for PoP connectivity is higher than the fees for connectivity in the Exchange's primary and secondary data centers due to the increased infrastructure costs of maintaining the PoP, including the necessary connectivity maintained by the Exchange from such PoP to the Exchange's data centers. Similarly, the proposed fees for 10G connectivity is higher than the fees for 1G connectivity due to the further infrastructure costs associated with providing the additional bandwidth for 10G physical ports. The Exchange is also proposing to pass through in full any fees or costs in excess of \$1,000 incurred by the Exchange to complete a cross-connect. The Exchange does not anticipate that passing through these expenses will affect many of the Exchange's constituents, because the majority of cross-connect completions cost less than \$1,000. For this reason, the Exchange proposes to pass-through the charges associated with cross-connect completions that cost more than \$1,000 rather than to subsidize these expensive completions by charging an installation fee for all completions regardless of their cost.

The Exchange proposes to implement the amendments to its fee schedule effective January 2, 2015.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a

national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>5</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Sections 6(b)(4) of the Act and 6(b)(5) of the Act,<sup>6</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive.

The Exchange believes that charging fees for providing historical data is reasonable and equitable because these products are completely optional in that no consumer is required to purchase any of them and only those consumers that deem such products to be of sufficient overall value and usefulness will purchase them. To the extent that customers do purchase the data products, the revenue generated will offset the Exchange's fixed costs of operating and regulating a highly efficient and reliable platform for the trading of U.S. equities. It will also help the Exchange cover its costs in developing and running that platform, as well as ongoing infrastructure costs. The Exchange believes that these fees are non-discriminatory in that they are optional and apply uniformly to all data recipients irrespective of each recipient's relationship to the Exchange (*e.g.*, Member, non-Member data recipient, etc.).

The Exchange also believes that assessing an Annual Membership Fee provides an equitable allocation of reasonable dues, fees and other charges among its Members

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

<sup>6</sup> 15 U.S.C. 78f(b)(4) and (5).



and other persons using its facilities. The Exchange makes all services and products subject to these fees available on a non-discriminatory basis to similarly situated recipients. The Exchange believes that the Annual Membership Fee is a reasonable and equitable method of ensuring that its fees fund a greater portion of the cost of regulating activity on the Exchange, and that even after assessing these fees, the overall cost of Exchange membership is reasonable as compared with the costs of membership in other SROs.<sup>7</sup> The Exchange believes that the proposed addition of an Annual Membership Fee is non-discriminatory in that it applies uniformly to all Members.

Finally, the Exchange believes that the proposed changes to adopt fees for physical connections are reasonable and equitable in that the proposal will help the Exchange to cover increasing infrastructure costs associated with maintaining the primary and secondary data centers as well as the PoPs. Further, such proposed pricing is identical to those fees charged by BZX.<sup>8</sup> To that end, the Exchange believes that the proposed fees for physical connections to the Exchange are reasonable and equitable in that they are in the same range as analogous fees charged by other such exchanges. In addition, maintaining similar pricing to that of BZX is reasonable because it will be easy to understand for all Members of the Exchange that are also members of BZX. The Exchange believes that the proposed addition of physical connection fees is non-discriminatory in that it applies uniformly to all market participants that seek physical

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<sup>7</sup> See, e.g., NASDAQ Rule 7001(a) (assessing an \$3,000 annual membership fee); see also New York Stock Exchange Price List 2015, at [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf) (assessing a \$40,000 annual trading license fee for the first two licenses held by a member organization).

<sup>8</sup> See BZX Fee Schedule.

access to the Exchange.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. To the contrary, the Exchange believes that the proposed changes will allow the Exchange to compete more ably with other execution venues by charging competitive prices for both physical connectivity and historical data, which will allow the Exchange to more effectively operate and update the infrastructure associated with such offerings, which the Exchange believes will, in the long term, allow the Exchange to provide more desirable offerings to its customers in connectivity, historical data, and otherwise.

The Exchange's proposed membership fees will be lower than the cost of membership on other exchanges,<sup>9</sup> and therefore, may stimulate intramarket competition by attracting additional firms to become Members on the Exchange. In addition, membership fees are subject to competition from other exchanges. Accordingly, if the changes proposed herein are unattractive to market participants, it is likely the Exchange will see a decline in membership and/or trading activity as a result. The proposed fee change will not impact intermarket competition because it will apply to all Members equally. 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, including Annual Membership Fees, to be unreasonable or excessive.

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<sup>9</sup> See supra note 7.

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

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

6. Extension of Time Period for Commission Action

Not applicable.

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

Pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>10</sup> and Rule 19b-4(f)(2) thereunder,<sup>11</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge applicable to the Exchange's Members and non-members, which renders the proposed rule change effective upon filing.

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

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

Not applicable.

9. 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

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>11</sup> 17 CFR 240.19b-4(f)(2).

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-BYX-2015-01)

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

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

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

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

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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)(ii).

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

<sup>5</sup> 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 <http://www.batstrading.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to modify its fee schedule effective immediately in order to: (1) adopt pricing for the Exchange's historical market data; (2) adopt physical connection fees; and (3) add Membership Fees.

Historical Market Data

The Exchange proposes to begin charging a fee for providing historical data to data recipients upon request. The Exchange currently provides historical data upon request on an ad hoc basis, but proposes to begin charging a fee due to the infrastructure costs of storing and providing such data. As proposed, the Exchange will begin to charge for the following three products through either of these distribution methods: (1) historical top of book data from the Exchange's TOP data feed ("Historical TOP Data"), (2) historical data from the Exchange's PITCH data feed ("Historical PITCH Data"), and (3) historical transaction data from the Exchange's Last Sale Feed ("Historical Last Sale

Data”), which are described in Exchange Rule 11.22(h). The Exchange notes that the same historical data products are offered for a fee by other market centers, including BATS Exchange, Inc. (“BZX”), which are offered for the same prices as those proposed herein.<sup>6</sup>

The proposed cost of user-accessible BYX Historical TOP Data, BYX Historical PITCH Data or BYX Historical Last Sale Data is \$500 per month of data accessed by any individual user. The Exchange’s databases will contain up to 90 days of data at any point in time. For data that the Exchange provides on an external hard drive to a market participant the proposed cost is \$2,500 per 1 terabyte (TB) drive generated by the Exchange. Each of the proposed costs set forth above applies per data product. For instance, an individual user that obtained access to BYX Historical Top Data would pay \$500 for access to a particular month’s data, and if that user also wanted access to BYX Historical Last Sale Data, the individual user would need to pay another \$500 for such access. Similarly, a market participant would pay \$2,500 for an external hard drive containing BYX Historical TOP Data that fits on a 1 TB drive (internal use only); such participant would have to pay separately for a 1 TB drive containing BYX Historical Last Sale Data or BYX Historical PITCH Data.

#### Membership Fees

The Exchange is also proposing to charge an Annual Membership Fee for Members of the Exchange of \$2,500, which will support their Exchange membership for the calendar year. The fee will be charged per Member firm. Beginning in January 2015,

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<sup>6</sup> See Securities Exchange Act Release No. 61885 (April 9, 2010), 75 FR 20018 (April 16, 2010) (SR-BATS-2010-002).

the Exchange plans to charge an Annual Membership Fee which will be assessed on all Members as of a date determined by the Exchange in January of each year. For any month in which a firm is approved for membership with the Exchange after the January renewal period, the Annual Membership Fee will be pro-rated beginning on the date on which membership is approved and based on the number of remaining trading days in that year. The fee will be assessed in the month following membership approval. For example, if a firm applies and is accepted for membership with the Exchange on February 15, 2015, the new Member will be assessed a pro-rated Annual Membership Fee for the period beginning on February 15 through the end of 2015. The fee will be assessed in the next month's billing cycle, which in this case, would be March 2015. Such fees will be non-refundable. However, where a Member is pending a voluntary termination of rights as a Member pursuant to Rule 2.8 prior to the date any Annual Membership Fee for a given year will be assessed (i.e., January 1, 2015) and the Member does not utilize the facilities of the Exchange while such voluntary termination of rights is pending, then the Member will not be obligated to pay the Annual Membership Fee. The Exchange believes this to be appropriate because there is ordinarily a 30 day waiting period before such resignation shall take effect.

#### Physical Connection Fees

The Exchange is also proposing to adopt fees for physical connections that are identical to those charged by BZX. 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 does not



currently charge any fees for physical connections to the Exchange. The Exchange currently offers both 1G and 10G connections and both are available at the primary and secondary data centers as well as through points of presence (“PoPs”).

The Exchange proposes to charge physical connection fees on a monthly basis as follows: \$1,000/month for any 1G physical port to connect to the Exchange in the primary or secondary data center; \$2,000/month for any 1G physical port to connect to the Exchange in any data center where the Exchange maintains a PoP other than the Exchange’s primary or secondary data center; \$2,500/month for any 10G physical port to connect to the Exchange in the primary or secondary data center; and \$5,000/month for any 10G physical port to connect to the Exchange in any data center where the Exchange maintains a PoP other than the Exchange’s primary or secondary data center. The proposed fees for PoP connectivity is higher than the fees for connectivity in the Exchange’s primary and secondary data centers due to the increased infrastructure costs of maintaining the PoP, including the necessary connectivity maintained by the Exchange from such PoP to the Exchange’s data centers. Similarly, the proposed fees for 10G connectivity is higher than the fees for 1G connectivity due to the further infrastructure costs associated with providing the additional bandwidth for 10G physical ports. The Exchange is also proposing to pass through in full any fees or costs in excess of \$1,000 incurred by the Exchange to complete a cross-connect. The Exchange does not anticipate that passing through these expenses will affect many of the Exchange’s constituents, because the majority of cross-connect completions cost less than \$1,000. For this reason, the Exchange proposes to pass-through the charges associated with cross-connect completions that cost more than \$1,000 rather than to subsidize these expensive

completions by charging an installation fee for all completions regardless of their cost.

The Exchange proposes to implement the amendments to its fee schedule effective January 2, 2015.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6 of the Act.<sup>7</sup> Specifically, the Exchange believes that the proposed rule change is consistent with Sections 6(b)(4) of the Act and 6(b)(5) of the Act,<sup>8</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive.

The Exchange believes that charging fees for providing historical data is reasonable and equitable because these products are completely optional in that no consumer is required to purchase any of them and only those consumers that deem such products to be of sufficient overall value and usefulness will purchase them. To the extent that customers do purchase the data products, the revenue generated will offset the Exchange's fixed costs of operating and regulating a highly efficient and reliable platform for the trading of U.S. equities. It will also help the Exchange cover its costs in

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<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4) and (5).

developing and running that platform, as well as ongoing infrastructure costs. The Exchange believes that these fees are non-discriminatory in that they are optional and apply uniformly to all data recipients irrespective of each recipient's relationship to the Exchange (*e.g.*, Member, non-Member data recipient, etc.).

The Exchange also believes that assessing an Annual Membership Fee provides an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange makes all services and products subject to these fees available on a non-discriminatory basis to similarly situated recipients. The Exchange believes that the Annual Membership Fee is a reasonable and equitable method of ensuring that its fees fund a greater portion of the cost of regulating activity on the Exchange, and that even after assessing these fees, the overall cost of Exchange membership is reasonable as compared with the costs of membership in other SROs.<sup>9</sup> The Exchange believes that the proposed addition of an Annual Membership Fee is non-discriminatory in that it applies uniformly to all Members.

Finally, the Exchange believes that the proposed changes to adopt fees for physical connections are reasonable and equitable in that the proposal will help the Exchange to cover increasing infrastructure costs associated with maintaining the primary and secondary data centers as well as the PoPs. Further, such proposed pricing is identical to those fees charged by BZX.<sup>10</sup> To that end, the Exchange believes that the

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<sup>9</sup> See, e.g., NASDAQ Rule 7001(a) (assessing an \$3,000 annual membership fee); see also New York Stock Exchange Price List 2015, at [https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE\\_Price\\_List.pdf](https://www.nyse.com/publicdocs/nyse/markets/nyse/NYSE_Price_List.pdf) (assessing a \$40,000 annual trading license fee for the first two licenses held by a member organization).

<sup>10</sup> See BZX Fee Schedule.

proposed fees for physical connections to the Exchange are reasonable and equitable in that they are in the same range as analogous fees charged by other such exchanges. In addition, maintaining similar pricing to that of BZX is reasonable because it will be easy to understand for all Members of the Exchange that are also members of BZX. The Exchange believes that the proposed addition of physical connection fees is non-discriminatory in that it applies uniformly to all market participants that seek physical access to the Exchange.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. To the contrary, the Exchange believes that the proposed changes will allow the Exchange to compete more ably with other execution venues by charging competitive prices for both physical connectivity and historical data, which will allow the Exchange to more effectively operate and update the infrastructure associated with such offerings, which the Exchange believes will, in the long term, allow the Exchange to provide more desirable offerings to its customers in connectivity, historical data, and otherwise.

The Exchange's proposed membership fees will be lower than the cost of membership on other exchanges,<sup>11</sup> and therefore, may stimulate intramarket competition by attracting additional firms to become Members on the Exchange. In addition, membership fees are subject to competition from other exchanges. Accordingly, if the changes proposed herein are unattractive to market participants, it is likely the Exchange

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<sup>11</sup> See supra note 9.

will see a decline in membership and/or trading activity as a result. The proposed fee change will not impact intermarket competition because it will apply to all Members equally. 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 deemed fee structures, including Annual Membership Fees, 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) of the Act<sup>12</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>13</sup> 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.

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

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

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-BYX-2015-01 on the subject line.

Paper Comments:

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

All submissions should refer to File No. SR-BYX-2015-01. 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-BYX-2015-01 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>14</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

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

BATS BYX Exchange Fee Schedule  
Effective [December 12, 2014]January 2, 2015

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Market Data Fees:

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BYX Exchange Last Sale Feed:

(No change.)

BYX Exchange Historical TOP, Historical PITCH or Historical Last Sale Data:

<u>Delivery (Internal Use Only)</u>	<u>Fee (per data product)</u>
<u>Per Month of Access Data</u>	<u>\$500</u>
<u>Per 1 TB Drive of Data</u>	<u>\$2,500</u>

Physical Connection Fees:

<u>Service</u>	<u>Fee</u>
<u>1G physical ports at the primary or secondary BYX data center</u>	<u>\$1,000/port/month</u>
<u>1G physical ports at any other data center where BYX maintains a point-of-presence ("PoP")</u>	<u>\$2,000/port/month</u>
<u>10G physical ports at the primary or secondary BYX data center</u>	<u>\$2,500/port/month</u>
<u>10G physical ports at any other data center where BYX maintains a PoP</u>	<u>\$5,000/port/month</u>

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.

Membership Fees:

<u>Description</u>	<u>Fee</u>
<u>Annual Membership</u>	<u>\$2,500/year</u>

Note: If a Member is pending a voluntary termination of rights as a Member pursuant to Rule 2.8 prior to the date any Annual Membership Fee for a given year will be assessed (i.e., January 1, 2015) and the Member does not utilize the facilities of the Exchange while such voluntary



termination of rights is pending, then the Member will not be obligated to pay the Annual Membership Fee.