

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 24	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2015 - * 25 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) * ☐	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 *). BATS Y-Exchange, Inc. proposes to amend Rule 11.2 to state that the Exchange will not designate for trading any security admitted to unlisted trading privileges on the Exchange unless that security satisfies certain liquidity requirements.		
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 * Christopher Last Name * Solgan Title * Assistant General Counsel E-mail * csolgan@bats.com Telephone * (646) 856-8723 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. (Title *) Date 05/05/2015 By Christopher Solgan (Name *) Assistant General Counsel csolgan@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.		

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 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 Y-Exchange, Inc. (the “Exchange” or “BYX”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Rule 11.2 to state that the Exchange will not designate for trading any security admitted to unlisted trading privileges on the Exchange unless that security satisfies certain liquidity requirements, as further described below.

(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 the Board of Directors of the Exchange on May 4, 2015. 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:

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

Chris Solgan
Assistant General Counsel
(646) 856-8723

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

a. Purpose

With limited exception, the current equity market structure under Regulation NMS applies the same rules with respect to, among other things, tick sizes, order protection, locked and crossed markets, and access fees to all exchange-listed securities. The Exchange believes that Regulation NMS, along with technological advancements, has produced great efficiencies to the equity market, resulting in intense competition between exchanges and broker-dealers. The Exchange believes the net result for most exchange-listed securities has been decreases in transaction costs, including decreases in explicit commissions and the narrowing of effective spreads investors pay to enter and exit positions. However, the Exchange recognizes that not all exchange-listed securities have benefited to the same extent under the current one-size fits all approach to the equity market. In particular, investors continue to experience difficulty trading illiquid securities, including paying higher effective spreads and difficulty sourcing liquidity across multiple exchanges and non-exchange trading venues while minimizing market impact.

The Exchange believes the market quality of securities that are today illiquid could benefit from a concentration of quoted liquidity on the listing exchange. By concentrating quoted liquidity on the listing exchange, for the reasons discussed below, the Exchange believes liquidity providers will quote more competitively, resulting in more efficient price formation and a narrower national best bid or offer ("NBBO"), as well as the display of more quoted size at price levels outside the NBBO ("depth of book"). In turn, the Exchange believes that these enhancements to market quality could

ultimately increase investor and member interest in such securities resulting in greater average daily trading volume. As such, as described below, the Exchange is proposing to adopt rules to clarify the circumstances under which the Exchange would voluntarily provide advance notice to the industry that it is ceasing to quote and trade certain specific illiquid securities until such securities meet and sustain an average daily volume threshold indicative of increased liquidity.

In particular, the Exchange proposes to amend Rule 11.2 to state that the Exchange may determine not to designate for trading any security admitted to unlisted trading privileges on the Exchange unless that security satisfies certain average daily volume requirements, as further described below. Rule 11.2 currently states that any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange's rules³ shall be eligible to become designated for trading on the Exchange. The Rule further states that all securities designated for trading are eligible for odd-lot, round-lot and mixed-lot executions, unless otherwise indicated by the Exchange or limited pursuant to Exchange rules. The Exchange proposes to include these existing provisions of Rule 11.2 within subparagraph (a) of the proposed rule in order to separately propose additional provisions under subparagraphs (b), (c), and (d).

The Exchange proposes to add new subparagraph (b) to Rule 11.2, which would

³ Chapter XIV of the Exchange's rules discusses the securities eligible to be designated for trading on the Exchange. Exchange Rule 14.1, in particular, states that the Exchange may extend unlisted trading privileges to any Equity Security (as defined in the Rule) that is listed on another national securities exchange or with respect to which unlisted trading privileges may otherwise be extended in accordance with Section 12(f) of the Exchange Act.

state that the Exchange may determine not to designate for trading any security admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange's rules when that security's average daily trading volume is equal to or less than 2,500 shares during the preceding 90 days.⁴ The Exchange further proposes to add new subparagraph (c) to Rule 11.2, which would state that any security not designated for trading by the Exchange pursuant to subparagraph (b) of this Rule may be designated for trading by the Exchange if its average daily trading volume exceeds 5,000 shares over any rolling 90-day period. The Exchange also proposes to add new subparagraph (d) to Rule 11.2, which would require the Exchange to provide notice at least one trading day in advance of any securities it is making unavailable for trading pursuant to subparagraph (b) of Rule 11.2, and any securities it is making available for trading under subparagraph (c) of Rule 11.2.

While the Exchange is proposing to retain discretion over whether it will in fact determine not to quote and trade securities that meet the criteria described in proposed new subparagraph (b) of Rule 11.2, the Exchange notes that nothing in its rules or applicable securities regulation requires it to designate for trading any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange's rules. The Exchange believes that adopting such a provision in its rules could enhance market quality for securities falling below the average daily volume

⁴ Based on internal statistics, the Exchange anticipates that limiting the rule's applicability to those securities with an average daily trading volume of 2,500 shares or less during the preceding 90 days will affect approximately 700 securities.

threshold by facilitating the concentration of quoted liquidity on the listing exchange.⁵ In determining whether to exercise its discretion under proposed new subparagraph (b) of Rule 11.2, the Exchange would consider such factors as member and investor feedback as well as whether the other non-listing exchanges have decided to cease quoting and trading in the effected securities. The Exchange further believes that adoption of a rule requiring it to provide advance notice to its members of any securities the Exchange is choosing not to trade under proposed new subparagraph (b) of Rule 11.2 and any securities it is making available for trading pursuant to proposed new subparagraph (c) of Rule 11.2 will help avoid confusion by providing transparency and certainty to members and investors regarding the securities the Exchange is or is not designating for quoting and trading on the Exchange.

The Exchange believes that limiting the impact of paragraph (b) of the proposed rule change to securities with an average daily trading volume that is equal to or less than 2,500 shares during the preceding 90-days is reasonable because such securities tend to be illiquid, as reflected by larger quoted and effective spreads, with smaller quoted size at both the NBBO and throughout the depth of book than more actively-traded securities. Similarly, the Exchange believes that considering to designate for trading those securities that have not been trading on the Exchange pursuant to paragraph (b) once such securities have an average daily trading volume that exceeds 5,000 shares over a rolling 90-day period is reasonable because such activity may demonstrate that such securities are now trading more effectively. The Exchange believes that its proposed rule changes may

⁵ The Exchange understands that the EDGX Exchange, Inc., EDGA Exchange, Inc., and BATS Exchange, Inc. will separately file substantially similar proposed rule changes with the Commission.

facilitate an improvement in market quality for the effected securities.⁶ In particular, the Exchange believes that by concentrating the quoted liquidity in such securities on the listing exchange, liquidity providers will be incented to quote on such exchange more competitively, resulting in narrower bid-ask spreads and greater quoted depth of book. The Exchange believes liquidity providers would be so incented because concentrating the quoted liquidity in such securities on the listing exchange would: (i) reduce liquidity providers' risk of adverse selection inherent in quoting in a fragmented market, (ii) provide greater certainty of execution on the one exchange at which liquidity providers are quoting, and (iii) enhance competition for order book priority at the NBBO and throughout the depth of book. Although the Exchange would be voluntarily foregoing potential market share by not quoting and trading securities subject to the Rule, the Exchange believes the aforementioned enhancements in market quality may increase investor interest in trading such securities, which in turn would generate increased volume and ultimately benefit the Exchange once such securities become eligible for trading on the Exchange under the rule in the future.

b. Statutory Basis

⁶ Based on an internal study, the Exchange believes a majority of the securities that would be covered by the Rule's criteria are small-cap companies (i.e., companies with a market capitalization of \$250 million or less). Suggesting that the current U.S. equity market often fails to provide sufficient liquidity for the securities of small-cap companies, the Commission's Advisory Committee on Small and Emerging Companies ("Advisory Committee") recommended to the Commission concentrating the market for such securities through the creation of a separate U.S. equity market. See Recommendations Regarding Separate U.S. Equity Market for Securities of Small and Emerging Companies, by the Advisory Committee on Small and Emerging Companies, dated February 1, 2013. The Advisory Committee also stated that other actions with respect to trading venues may also be warranted to facilitate liquidity in small and emerging companies. Id.

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”)⁷ and further the objectives of Section 6(b)(5) of the Act⁸ because they are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest.

The Exchange notes that nothing in its rules or any applicable securities regulation requires it to designate for trading any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange’s rules. However, the Exchange believes adopting a rule to clarify the circumstances under which the Exchange would voluntarily provide advance notice to the industry that it is ceasing to quote and trade certain specific illiquid securities until such securities meet and sustain an average daily volume threshold indicative of increased liquidity would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system by facilitating the concentration of displayed liquidity on the listing exchange for effected securities, which the Exchange believes could enhance the market quality of such securities.⁹ The Exchange believes that concentrating displayed liquidity on the listing exchange in certain illiquid securities may enhance market quality of such securities by enabling

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ See supra note 6.

liquidity providers to more efficiently form competitive prices at the NBBO, and to provide greater quoted depth of book. In addition, the Exchange believes that if displayed liquidity is concentrated on the listing exchange in such securities, the listing exchange may have flexibility to innovate with alternative market structures, such as variable tick sizes or periodic batch auctions that are not currently possible under Regulation NMS when multiple exchanges are quoting and trading the securities, and which may further enhance the market quality of the effected illiquid securities.¹⁰

The proposed rule change promotes just and equitable principles of trade because it will provide certainty and transparency to members and investors with respect to which securities the Exchange will or will not designate for quoting and trading on the Exchange, thereby avoiding confusion.

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

The Exchange does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that nothing in its rules or any applicable securities regulation require it to designate for trading any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange's rules. The Exchange believes enacting such a provision in its rules would not impose a

¹⁰ The Exchange is not proposing or advocating any form of trade-at prohibition, which, depending on its various iterations, would generally act to prevent trading off-exchange without first executing against all equal or better priced protected quotations. Rather, the Exchange is proposing and advocating a reduction in the number of displayed venues on which certain illiquid securities will be quoted and traded, which the Exchange believes will concentrate the quoting activity serving to enhance quote competition and thereby increase market quality by narrowing the NBBO and increasing the quoted depth of book for effected securities, without regard to off-exchange trading.

burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. While the Exchange will be voluntarily foregoing potential market share by not quoting and trading securities subject to the rule, the Exchange believes the proposal will enhance market quality in such securities by increasing quoting competition among liquidity providers on the listing exchange, which will result in better prices at the NBBO and greater depth of book. The Exchange further believes these enhancements in market quality may increase investor interest in trading such securities, which in turn would improve competition by generating increased volume which would also ultimately benefit the Exchange once such securities become eligible for trading on the Exchange under the rule in the future.

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

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

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)

Not applicable.

8. Proposed Rule Change Based on Rules 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

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-2015-25)

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Amend Rule 11.2 to State that the BATS Y-Exchange, Inc. Will Not Designate for Trading Any Security Admitted to Unlisted Trading Privileges on the Exchange Unless that Security Satisfies Certain Liquidity Requirements

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 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 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 Rule 11.2 to state that the Exchange will not designate for trading any security admitted to unlisted trading privileges on the Exchange unless that security satisfies certain liquidity requirements, as further described below.

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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

With limited exception, the current equity market structure under Regulation NMS applies the same rules with respect to, among other things, tick sizes, order protection, locked and crossed markets, and access fees to all exchange-listed securities. The Exchange believes that Regulation NMS, along with technological advancements, has produced great efficiencies to the equity market, resulting in intense competition between exchanges and broker-dealers. The Exchange believes the net result for most exchange-listed securities has been decreases in transaction costs, including decreases in explicit commissions and the narrowing of effective spreads investors pay to enter and exit positions. However, the Exchange recognizes that not all exchange-listed securities have benefited to the same extent under the current one-size fits all approach to the equity market. In particular, investors continue to experience difficulty trading illiquid securities, including paying higher effective spreads and difficulty sourcing liquidity across multiple exchanges and non-exchange trading venues while minimizing market impact.

The Exchange believes the market quality of securities that are today illiquid could benefit from a concentration of quoted liquidity on the listing exchange. By concentrating quoted liquidity on the listing exchange, for the reasons discussed below, the Exchange believes liquidity providers will quote more competitively, resulting in more efficient price formation and a narrower national best bid or offer (“NBBO”), as well as the display of more quoted size at price levels outside the NBBO (“depth of book”). In turn, the Exchange believes that these enhancements to market quality could ultimately increase investor and member interest in such securities resulting in greater average daily trading volume. As such, as described below, the Exchange is proposing to adopt rules to clarify the circumstances under which the Exchange would voluntarily provide advance notice to the industry that it is ceasing to quote and trade certain specific illiquid securities until such securities meet and sustain an average daily volume threshold indicative of increased liquidity.

In particular, the Exchange proposes to amend Rule 11.2 to state that the Exchange may determine not to designate for trading any security admitted to unlisted trading privileges on the Exchange unless that security satisfies certain average daily volume requirements, as further described below. Rule 11.2 currently states that any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange’s rules³ shall be eligible to become designated

³ Chapter XIV of the Exchange’s rules discusses the securities eligible to be designated for trading on the Exchange. Exchange Rule 14.1, in particular, states that the Exchange may extend unlisted trading privileges to any Equity Security (as defined in the Rule) that is listed on another national securities exchange or with respect to which unlisted trading privileges may otherwise be extended in accordance with Section 12(f) of the Exchange Act.

for trading on the Exchange. The Rule further states that all securities designated for trading are eligible for odd-lot, round-lot and mixed-lot executions, unless otherwise indicated by the Exchange or limited pursuant to Exchange rules. The Exchange proposes to include these existing provisions of Rule 11.2 within subparagraph (a) of the proposed rule in order to separately propose additional provisions under subparagraphs (b), (c), and (d).

The Exchange proposes to add new subparagraph (b) to Rule 11.2, which would state that the Exchange may determine not to designate for trading any security admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange's rules when that security's average daily trading volume is equal to or less than 2,500 shares during the preceding 90 days.⁴ The Exchange further proposes to add new subparagraph (c) to Rule 11.2, which would state that any security not designated for trading by the Exchange pursuant to subparagraph (b) of this Rule may be designated for trading by the Exchange if its average daily trading volume exceeds 5,000 shares over any rolling 90-day period. The Exchange also proposes to add new subparagraph (d) to Rule 11.2, which would require the Exchange to provide notice at least one trading day in advance of any securities it is making unavailable for trading pursuant to subparagraph (b) of Rule 11.2, and any securities it is making available for trading under subparagraph (c) of Rule 11.2.

While the Exchange is proposing to retain discretion over whether it will in fact

⁴ Based on internal statistics, the Exchange anticipates that limiting the rule's applicability to those securities with an average daily trading volume of 2,500 shares or less during the preceding 90 days will affect approximately 700 securities.

determine not to quote and trade securities that meet the criteria described in proposed new subparagraph (b) of Rule 11.2, the Exchange notes that nothing in its rules or applicable securities regulation requires it to designate for trading any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange's rules. The Exchange believes that adopting such a provision in its rules could enhance market quality for securities falling below the average daily volume threshold by facilitating the concentration of quoted liquidity on the listing exchange.⁵ In determining whether to exercise its discretion under proposed new subparagraph (b) of Rule 11.2, the Exchange would consider such factors as member and investor feedback as well as whether the other non-listing exchanges have decided to cease quoting and trading in the effected securities. The Exchange further believes that adoption of a rule requiring it to provide advance notice to its members of any securities the Exchange is choosing not to trade under proposed new subparagraph (b) of Rule 11.2 and any securities it is making available for trading pursuant to proposed new subparagraph (c) of Rule 11.2 will help avoid confusion by providing transparency and certainty to members and investors regarding the securities the Exchange is or is not designating for quoting and trading on the Exchange.

The Exchange believes that limiting the impact of paragraph (b) of the proposed rule change to securities with an average daily trading volume that is equal to or less than 2,500 shares during the preceding 90-days is reasonable because such securities tend to

⁵ The Exchange understands that the EDGX Exchange, Inc., EDGA Exchange, Inc., and BATS Exchange, Inc. will separately file substantially similar proposed rule changes with the Commission.

be illiquid, as reflected by larger quoted and effective spreads, with smaller quoted size at both the NBBO and throughout the depth of book than more actively-traded securities. Similarly, the Exchange believes that considering to designate for trading those securities that have not been trading on the Exchange pursuant to paragraph (b) once such securities have an average daily trading volume that exceeds 5,000 shares over a rolling 90-day period is reasonable because such activity may demonstrate that such securities are now trading more effectively. The Exchange believes that its proposed rule changes may facilitate an improvement in market quality for the effected securities.⁶ In particular, the Exchange believes that by concentrating the quoted liquidity in such securities on the listing exchange, liquidity providers will be incented to quote on such exchange more competitively, resulting in narrower bid-ask spreads and greater quoted depth of book. The Exchange believes liquidity providers would be so incented because concentrating the quoted liquidity in such securities on the listing exchange would: (i) reduce liquidity providers' risk of adverse selection inherent in quoting in a fragmented market, (ii) provide greater certainty of execution on the one exchange at which liquidity providers

⁶ Based on an internal study, the Exchange believes a majority of the securities that would be covered by the Rule's criteria are small-cap companies (*i.e.*, companies with a market capitalization of \$250 million or less). Suggesting that the current U.S. equity market often fails to provide sufficient liquidity for the securities of small-cap companies, the Commission's Advisory Committee on Small and Emerging Companies ("Advisory Committee") recommended to the Commission concentrating the market for such securities through the creation of a separate U.S. equity market. *See Recommendations Regarding Separate U.S. Equity Market for Securities of Small and Emerging Companies*, by the Advisory Committee on Small and Emerging Companies, dated February 1, 2013. The Advisory Committee also stated that other actions with respect to trading venues may also be warranted to facilitate liquidity in small and emerging companies. *Id.*

are quoting, and (iii) enhance competition for order book priority at the NBBO and throughout the depth of book. Although the Exchange would be voluntarily foregoing potential market share by not quoting and trading securities subject to the Rule, the Exchange believes the aforementioned enhancements in market quality may increase investor interest in trading such securities, which in turn would generate increased volume and ultimately benefit the Exchange once such securities become eligible for trading on the Exchange under the rule in the future.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”)⁷ and further the objectives of Section 6(b)(5) of the Act⁸ because they are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest.

The Exchange notes that nothing in its rules or any applicable securities regulation requires it to designate for trading any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange’s rules. However, the Exchange believes adopting a rule to clarify the circumstances under which the Exchange would voluntarily provide advance notice to the industry that it is

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

ceasing to quote and trade certain specific illiquid securities until such securities meet and sustain an average daily volume threshold indicative of increased liquidity would promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system by facilitating the concentration of displayed liquidity on the listing exchange for effected securities, which the Exchange believes could enhance the market quality of such securities.⁹ The Exchange believes that concentrating displayed liquidity on the listing exchange in certain illiquid securities may enhance market quality of such securities by enabling liquidity providers to more efficiently form competitive prices at the NBBO, and to provide greater quoted depth of book. In addition, the Exchange believes that if displayed liquidity is concentrated on the listing exchange in such securities, the listing exchange may have flexibility to innovate with alternative market structures, such as variable tick sizes or periodic batch auctions that are not currently possible under Regulation NMS when multiple exchanges are quoting and trading the securities, and which may further enhance the market quality of the effected illiquid securities.¹⁰

The proposed rule change promotes just and equitable principles of trade because

⁹ See supra note 6.

¹⁰ The Exchange is not proposing or advocating any form of trade-at prohibition, which, depending on its various iterations, would generally act to prevent trading off-exchange without first executing against all equal or better priced protected quotations. Rather, the Exchange is proposing and advocating a reduction in the number of displayed venues on which certain illiquid securities will be quoted and traded, which the Exchange believes will concentrate the quoting activity serving to enhance quote competition and thereby increase market quality by narrowing the NBBO and increasing the quoted depth of book for effected securities, without regard to off-exchange trading.

it will provide certainty and transparency to members and investors with respect to which securities the Exchange will or will not designate for quoting and trading on the Exchange, thereby avoiding confusion.

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

The Exchange does not believe that the proposed rule changes will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that nothing in its rules or any applicable securities regulation require it to designate for trading any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of the Exchange's rules. The Exchange believes enacting such a provision in its rules would not impose a burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. While the Exchange will be voluntarily foregoing potential market share by not quoting and trading securities subject to the rule, the Exchange believes the proposal will enhance market quality in such securities by increasing quoting competition among liquidity providers on the listing exchange, which will result in better prices at the NBBO and greater depth of book. The Exchange further believes these enhancements in market quality may increase investor interest in trading such securities, which in turn would improve competition by generating increased volume which would also ultimately benefit the Exchange once such securities become eligible for trading on the Exchange under the rule in the future.

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

The Exchange has neither solicited nor received written comments on the

proposed rule changes.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will: (a) by order approve or disapprove such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-BYX-2015-25 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-2015-25. 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-2015-25 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.¹¹

Kevin M. O'Neill
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is underlined; proposed deletions are in [brackets].

CHAPTER XI. TRADING RULES

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Rule 11.2. Securities Eligible for Trading

(a) The Exchange shall designate securities for trading. Any class of securities listed or admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of these Rules shall be eligible to become designated for trading on the Exchange. All securities designated for trading are eligible for odd-lot, round-lot and mixed-lot executions, unless otherwise indicated by the Exchange or limited pursuant to these Rules.

(b) Notwithstanding paragraph (a) above, the Exchange may determine not to designate for trading any security admitted to unlisted trading privileges on the Exchange pursuant to Chapter XIV of these Rules when that security's average daily trading volume is equal to or less than 2,500 shares during the preceding 90-days.

(c) Any security not designated for trading by the Exchange pursuant to subparagraph (b) of this Rule may be designated for trading by the Exchange if its average daily trading volume exceeds 5,000 shares over any rolling 90-day period.

(d) The Exchange shall provide notice to Members at least one trading day in advance of any securities it is making unavailable for trading pursuant to subparagraph (b) of this Rule, and any securities it is making available for trading under subparagraph (c) of Rule 11.2.

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