

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of *	35	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2015 - * 03 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	<table border="0" style="width: 100%;"> <tr> <td style="width: 33%;">Section 19(b)(2) *</td> <td style="width: 33%;">Section 19(b)(3)(A) *</td> <td style="width: 33%;">Section 19(b)(3)(B) *</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td colspan="3" style="text-align: center;">Rule</td> </tr> <tr> <td><input type="checkbox"/> 19b-4(f)(1)</td> <td><input type="checkbox"/> 19b-4(f)(4)</td> <td></td> </tr> <tr> <td><input type="checkbox"/> 19b-4(f)(2)</td> <td><input type="checkbox"/> 19b-4(f)(5)</td> <td></td> </tr> <tr> <td><input type="checkbox"/> 19b-4(f)(3)</td> <td><input checked="" type="checkbox"/> 19b-4(f)(6)</td> <td></td> </tr> </table>	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Rule			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)		<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)		<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	
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Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>		Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>																			
Exhibit 2 Sent As Paper Document <input type="checkbox"/>		Exhibit 3 Sent As Paper Document <input type="checkbox"/>																			
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div style="border: 1px solid black; height: 40px; margin-top: 10px; padding: 5px;"> BATS Y-Exchange, Inc. proposed to clarify the use of certain data feeds. </div>																					
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. <div style="text-align: right; margin-right: 100px;">(Title *)</div> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 30%;"> Date <input type="text" value="01/07/2015"/> By <input type="text" value="Anders Franzon"/> <div style="text-align: center; font-size: small;">(Name *)</div> </div> <div style="width: 60%;"> <div style="border: 1px solid black; height: 40px; margin-bottom: 10px;"></div> <div style="border: 1px solid black; padding: 5px; text-align: center; background-color: #cccccc;">afranzon@bats.com</div> </div> </div> <p style="font-size: x-small; margin-top: 10px;">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.</p>																					

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

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² BATS Y-Exchange, Inc. (“BYX” or the “Exchange”) proposes to clarify for Members³ and non-Members the Exchange’s use of certain data feeds for order handling and execution, order routing, and regulatory compliance. On July 15, 2014, the Exchange filed a proposed rule change that described its use of data feeds for order handling and execution, order routing, and regulatory compliance (the “Initial Proposal”) with the Securities and Exchange Commission (the “Commission”).⁴ The Exchange submits this supplemental filing in order to further clarify for Members and non-Members the Exchange’s use of certain data feeds and to make one modification with respect to the usage of such data feeds as previously described.⁵ The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Member” is defined as “any registered broker or dealer that has been admitted to membership in the Exchange. A Member will have the status of a “member” of the Exchange as that term is defined in Section 3(a)(3) of the Act.” See Exchange Rule 1.5(n).

⁴ See Securities Exchange Act Release No. 72687 (July 28, 2014), 79 FR 44926 (August 1, 2014) (SR-BYX-2014-012). Other national securities exchange filed similar proposals. See, e.g., Securities Exchange Act Release Nos. 72710 (July 29, 2014), 79 FR 45511 (August 5, 2014) (SR-NYSE-2014-38), and 72684 (July 28, 2014), 79 FR 44956 (August 1, 2014) (SR-NASDAQ-2014-072).

⁵ The Exchange understands that other national security exchanges will file similar proposed rule changes with the Commission to further describe their use of data feeds for order handling and execution, order routing, and regulatory compliance.

Act.⁶

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

(b) The Exchange does not believe that the proposed rule change will have any direct or significant indirect effect on any other Exchange rule in effect at the time of this filing.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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

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

Eric Swanson
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

Background

⁶ 17 CFR 240.19b-4(f)(6)(iii).

On June 5, 2014, Chair White requested that all national securities exchanges develop proposed rule changes to disclose their use of data feeds to execute and route orders and comply with regulatory requirements.⁷ In addition, on June 20, 2014, the Commission's Division of Trading and Markets requested that the Exchange file proposed rule changes that disclose its usage of particular market data feeds, among other things.⁸ In response to these requests, the Exchange filed the Initial Proposal with the Commission on July 15, 2014.⁹ The Exchange submits this supplemental filing to further clarify for Members and non-Members the Exchange's use of certain data feeds for order handling and execution, order routing, and regulatory compliance.¹⁰ In addition, the Exchange proposes to modify the way that it constructs the Pegged NBBO, as further described below. To ensure proper context and a complete filing describing the Exchange's procedures in this area, the Exchange has repeated all relevant information from the Initial Proposal and supplemented such information as necessary.

Order Handling and Execution

In order to calculate the national best bid and offer ("NBBO") in its Matching Engine (the "ME"), the Exchange uses quotes disseminated by market centers through proprietary data feeds (generally referred to as "Direct Feeds") as well as by the

⁷ See Mary Jo White, Chair, Securities and Exchange Commission, Speech at Sandler O'Neill & Partners L.P. Global Exchange and Brokerage Conference (June 5, 2014).

⁸ See letter from Stephen Luparello, Director, Division of Trading and Markets, Securities and Exchange Commission, to Joe Ratterman, Chief Executive Officer, BATS Global Markets, Inc., dated June 20, 2014.

⁹ See supra note 4.

¹⁰ See supra note 5.

Securities Information Processors (“SIP”). The ME uses quotes disseminated from SIP feeds for the Chicago Stock Exchange, Inc., NYSE MKT LLC and the Financial Industry Regulatory Authority’s Alternative Display Facility. The ME consumes the Direct Feeds from every other protected venue, including the Exchange’s affiliates, BATS Exchange, Inc. (“BZX”), EDGA Exchange, Inc. (“EDGA”), and EDGX Exchange, Inc. (“EDGX”).

The ME will include odd lot quotations in its calculation of the NBBO depending on the source of the quotation. Where a protected market center aggregates odd lot quotations at a single price level into round lot quotations and publishes such aggregated quotations to the SIPs, then the ME will include those odd lot quotations in its calculation of the NBBO. In addition, where a protected market center aggregates odd lot quotations across more than one price level and publishes such aggregated quotations to the SIPs, then the ME will include those odd lot quotations in its calculation of the NBBO.

In addition to receiving Direct Feeds and SIP feeds, the ME’s calculation of the NBBO may be adjusted based on orders sent to other venues with protected quotations, execution reports received from those venues, and certain orders received by the Exchange (collectively “Feedback”). The Exchange does not include its quotes in the calculation of the Exchange’s NBBO because the system is designed such that all incoming orders are separately compared to the Exchange’s Best Bid or Offer and the Exchange calculated NBBO, which together create a complete view of the NBBO, prior to display, execution, or routing.

Feedback from the receipt of Intermarket Sweep Orders (“ISOs”) with a time-in-force of Day (“Day ISOs”) and feedback from the Exchange’s routing broker/dealer, BATS Trading, Inc., (“BATS Trading”), defined respectively as “Day ISO Feedback”

and “Router Feedback,” are used to augment the market data received by Direct Feeds and the SIP feeds as further described below. The Exchange’s ME will update the NBBO upon receipt of a Day ISO. When a Day ISO is posted on the BATS Book,¹¹ the ME uses the receipt of a Day ISO as evidence that the protected quotes have been cleared, and the ME does not check away markets for equal or better-priced protected quotes.¹² The ME will then display and execute non-ISO orders at the same price as the Day ISO.

All Feedback expires as soon as: (i) one (1) second passes; (ii) the Exchange receives new quote information; or (iii) the Exchange receives updated Feedback information. With the exception of Day ISO Feedback, the Exchange currently generates Feedback where an order was routed using a routing strategy offered by the Exchange that accesses protected quotes of trading venues on the System routing table (“Smart Order Routing”).¹³

The Exchange currently determines the price at which a Pegged Order,¹⁴ Mid-

¹¹ See Exchange Rule 1.5(e).

¹² Pursuant to Regulation NMS, a broker-dealer routing a Day ISO is required to simultaneously route one or more additional ISOs, as necessary, to execute against the full displayed size of any protected quote priced equal to or better than the Day ISO. See also Question 5.02 in the “Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS” (last updated April 4, 2008) available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

¹³ As set forth in Rule 11.13(a)(3), the term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them.

¹⁴ See Exchange Rule 11.9(c)(8).

Point Peg Order,¹⁵ Market Maker Peg Order,¹⁶ or Supplemental Peg Order¹⁷ is to be pegged based on the Pegged NBBO (“PBBO”). The Exchange’s Matching Engine calculates the PBBO using the Exchange’s quotes from the SIP feeds, and quotes disseminated from the same Direct Feeds, SIP feeds, and Feedback used by the ME for its NBBO calculation. As noted above, the Exchange does not otherwise utilize quotations from its local book in calculating the NBBO, and thus, the quotation from the SIP has been necessary for pegged orders in order to generate a view of the Exchange’s quotations.

Earlier this year, the Exchange and its affiliate, BZX, received approval to effect a merger (the “Merger”) of the Exchange’s parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGA and EDGX (the Exchange, together with BZX, EDGA and EDGX, the “BGM Affiliated Exchanges”).¹⁸ In the context of the Merger, the BGM Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. As previously described by EDGA and EDGX,¹⁹ in addition to information regarding other markets’ quotes such exchanges currently construct an NBBO for purposes of pegged orders using information regarding orders on the applicable

¹⁵ See Exchange Rule 11.9(c)(9).

¹⁶ See Exchange Rule 11.9(c)(16).

¹⁷ See Exchange Rule 11.9(c)(19).

¹⁸ See Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

¹⁹ See Securities Exchange Act Release Nos. 72682 (July 28, 2014), 79 FR 44938 (August 1, 2014) (SR-EDGA-2014-17); 72683 (July 28, 2014), 79 FR 44950 (August 1, 2014) (SR-EDGX-2014-20).

exchange's local order book (i.e., EDGA constructs a pegged NBBO using information regarding orders on the EDGA order book and EDGX constructs a pegged NBBO using information regarding orders on the EDGX order book). In connection with the technology integration the Exchange similarly proposes to use information regarding orders displayed on the BATS Book in addition to quotes disseminated from Direct Feeds, SIP Feeds, and Feedback in order to construct the PBBO. Thus, as proposed, the Exchange would no longer use the Exchange's quotes from the SIP feeds in order to construct the PBBO.

Order Routing

When the Exchange has a marketable order with instructions from the sender that the order is eligible to be routed, and the ME identifies that there is no matching price available on the Exchange, but there is a matching price represented at another venue that displays protected quotes, then the ME will send the order to the Routing Engine ("RE") of BATS Trading.

In determining whether to route an order and to which venue(s) it should be routed, the RE makes its own calculation of the NBBO using the Direct Feeds, SIP feeds, and Router Feedback, as described below.²⁰ The RE will include odd lot quotations in its calculation of the NBBO depending on the source of the quotation. Where a protected market center aggregates odd lot quotations at a single price level into round lot quotations and publishes such aggregated quotations to the SIPs, then the RE will include those odd lot quotations in its calculation of the NBBO.

²⁰ The ME and RE consume the same Direct Feeds and SIP feeds.

The RE does not utilize Day ISO Feedback in constructing the NBBO; however, because all orders initially flow through the ME, to the extent Day ISO Feedback has updated the ME's calculation of the NBBO, all orders processed by the RE do take Day ISO Feedback into account. The RE receives Feedback from all Smart Order Routing strategies.

There are three types of Router Feedback that contribute to the Exchange's calculation of the NBBO:

- Immediate Feedback. Where BATS Trading routes an order to a venue with a protected quotation using Smart Order Routing (a "Feedback Order"), the number of shares available at that venue is immediately decreased by the number of shares routed to the venue at the applicable price level.
- Execution Feedback. Where BATS Trading receives an execution report associated with a Feedback Order that indicates that the order has fully executed with no remaining shares associated with the order, all opposite side quotes on the venue's order book that are priced more aggressively than the price at which the order was executed will be ignored.
- Cancellation Feedback. Where BATS Trading receives an execution report associated with a Feedback Order that indicates that the order has not fully executed (either a partial execution or a cancellation), all opposite side quotes on the venue's order book that are priced equal to or more aggressively than the limit price for the order will be ignored.

All Feedback expires as soon as: (i) one (1) second passes; (ii) the Exchange receives new quote information; or (iii) the Exchange receives updated Feedback

information.

Regulatory Compliance

Locked or Crossed Markets. The ME determines whether the display of an order would lock or cross the market. At the time an order is entered into the ME, the ME will establish, based upon its calculation of the NBBO from Direct Feeds, SIP feeds and Feedback, whether the order will lock or cross the prevailing NBBO for a security. In the event that the order would produce a locking or crossing condition, the ME will cancel the order, re-price²¹ the order, or route the order based on the Member's instructions. Two exceptions to this logic are Day ISOs and declarations of self-help.

Pursuant to Regulation NMS, when an Exchange receives a Day ISO, the sender of the ISO retains the responsibility to comply with applicable rules relating to locked and crossed markets.²² In such case, the Exchange is obligated only to display a Day ISO order at the Member's price, even if such price would lock or cross the market.²³

Declarations of self-help occur when the RE detects that an exchange displaying protected quotes is slow, as defined in Regulation NMS, or non-responsive to the Exchange's routed orders. In this circumstance, according to Rule 611(b) of Regulation NMS, the Exchange may display a quotation that may lock or cross the market that the Exchange invoked self-help against.²⁴ The Exchange may also declare self-help where

²¹ See Rule 11.9(g).

²² See supra note 12.

²³ See supra note 12.

²⁴ See also Question 5.03 in the "Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS" (last updated April 4, 2008) available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

another exchange's SIP quotes are slow or non-responsive resulting in a locked or crossed market. Once the Exchange declares self-help, the ME and RE will ignore the quotes generated from the self-help market in their calculations of the NBBO for execution and routing determinations in compliance with Regulation NMS. The Exchange will also disable all routing to the self-help market. The ME and RE will continue to consume the self-help market center's quotes; however, in order to immediately include the quote in the NBBO calculation and enable routing once self-help is revoked.

Trade-Through Rule. Pursuant to Rule 611 of Regulation NMS, the Exchange shall establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent trade-throughs on trading centers of protected quotations in NMS stocks that do not fall within a valid exception and, if relying on such an exception, that are reasonably designed to ensure compliance with the terms of the exception. The ME does not permit an execution on the Exchange if there are better-priced protected quotations displayed in the market unless the order is an ISO. At the time an order is entered into the ME, the ME uses the view of the NBBO as described above. If the NBBO is priced better than what is resident on the Exchange, the Exchange does not match such order on the BATS Book, and based on the Member's instructions, the ME cancels the order, re-prices the order or routes the order.

Regulation SHO. The Exchange cannot execute a Short Sale Order²⁵ equal to or below the current National Best Bid ("NBB") when a short sale price restriction is in

²⁵ See Exchange Rule 11.19.

effect pursuant to Rule 201 of Regulation SHO (“Short Sale Circuit Breaker”).²⁶ When a Short Sale Circuit Breaker is in effect, the Exchange utilizes information received from Direct Feeds, SIP feeds, and Feedback, and a view of the BATS Book to assess its compliance with Rule 201 of Regulation SHO. The primary difference between the NBBO used for compliance with Rule 201 of Regulation SHO and other constructions of the NBBO, however, is that the Exchange includes market centers against which it has declared self-help in its view of the NBBO.

Latent or Inaccurate Direct Feeds. Where the Exchange’s systems detect problems with one or more Direct Feeds, the Exchange will immediately fail over to the SIP feed to calculate the NBBO for the market center(s) where the applicable Direct Feed is experiencing issues. Problems that lead to immediate fail over to the SIP feed may include a significant loss of information (*i.e.*, packet loss) or identifiable latency, among other things. The Exchange can also manually fail over to the SIP feed in lieu of Direct Feed data upon identification by a market center of an issue with its Direct Feed(s).

(b) Statutory Basis

²⁶ 17 CFR 242.200(g); 17 CFR 242.201. On February 26, 2010, the Commission adopted amendments to Regulation SHO under the Act in the form of Rule 201, pursuant to which, among other things, short sale orders in covered securities generally cannot be executed or displayed by a trading center, such as the Exchange, at a price that is at or below the current NBB when a Short Sale Circuit Breaker is in effect for the covered security. See Securities Exchange Act Release No. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010). In connection with the adoption of Rule 201, Rule 200(g) of Regulation SHO was also amended to include a “short exempt” marking requirement. See also Securities Exchange Act Release No. 63247 (November 4, 2010), 75 FR 68702 (November 9, 2010) (extending the compliance date for Rules 201 and 200(g) to February 28, 2011). See also Division of Trading & Markets: Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, www.sec.gov/divisions/marketreg/rule201faq.htm.

The Exchange believes that its proposal is consistent with Section 6(b) of the Act²⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁸ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange does not believe that this proposal will permit unfair discrimination among customers, brokers, or dealers because it will be available to all Users.

The Exchange believes that its proposal to describe the Exchange's use of data feeds removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest because it provides additional specificity and transparency. The Exchange's proposal will enable investors to better assess the quality of the Exchange's execution and routing services. Other than the proposed modification to the construction of the PBBO, the proposal does not change the operation of the Exchange or its use of data feeds; rather it describes how, and for what purposes, the Exchange uses the quotes disseminated from data feeds to calculate the NBBO for a security for purposes of Regulation NMS, Regulation SHO and various order types that update based on changes to the applicable NBBO. The Exchange believes the additional transparency into the operation of the Exchange as described in the proposal will remove impediments to and perfect the mechanism of a free and open market and a national

²⁷ 15 U.S.C. 78f(b).

²⁸ 15 U.S.C. 78f(b)(5).

market system, and, in general, protect investors and the public interest.

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

The Exchange does not believe that the proposal will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes the proposal would enhance competition because describing the Exchange's use of data feeds enhances transparency and enables investors to better assess the quality of the Exchange's execution and routing services.

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

The Exchange filed the Initial Proposal with the Commission on July 15, 2014, and it was published for comment in the Federal Register on August 1, 2014. The Commission received one (1) written comment letter in response to the Initial Proposal.²⁹ In addition, two (2) comment letters were submitted to the Commission commenting on a companion BZX filing³⁰ and one (1) comment letter was submitted to the Commission commenting on a companion EDGX filing.³¹ The Exchange believes that the comments raised in these letters are either not directly related to the Exchange's proposal but instead raise larger market structure issues or are adequately addressed in this proposal,

²⁹ See Letter from Donald Bollerman, Head of Market Operations, IEX ATS, to the Commission, dated September 25, 2014 (SR-BATS-2014-029) (SR-BYX-2014-012) (discussing the Exchange's calculation of the PBBO).

³⁰ See Letter from R.T. Leuchtkafer to the Commission, dated August 22, 2014 (SR-BATS-2014-029) (discussing the Exchange's market data feed practices). See Letter from Eric Scott Hunsader, Nanex, LLC, to the Commission, dated August 22, 2014 (SR-BATS-2014-029) (discussing the Exchange's use of NBBO as a defined term).

³¹ See Letter from Suzanne Hamlet Shatto to the Commission, dated August 19, 2014 (SR-EDGX-2014-20) (discussing Dodd Frank principles).

particularly as it relates to the Commission's request to describe the Exchange's use of data feeds for order handling and execution, order routing, and regulatory compliance. The Exchange further notes that the comments received regarding the Exchange's calculation of the PBBO are no longer applicable based on the proposed change described above related to the technology integration of the BGM Affiliated Exchanges.

6. Extension of Time Period for Commission Action

Not applicable.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)³² of the Act and Rule 19b-4(f)(6)³³ thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for thirty (30) days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.³⁴

The Exchange believes that the proposed rule change meets the criteria of

³² 15 U.S.C. 78s(b)(3)(A).

³³ 17 CFR 240.19b-4(f)(6).

³⁴ 17 CFR 240.19b-4(f)(6)(iii).

subparagraph (f)(6) of Rule 19b-4³⁵ because the proposed rule change would not significantly affect investors or the public interest or impose a significant burden on competition because it provides: (i) additional specificity and transparency regarding the Exchange's use of data feeds; and (ii) enables investors to better assess the quality of the Exchange's execution and routing services. The Exchange notes that with the exception of the proposed change with respect to the calculation of the PBBO, the proposed rule text is directly based on the Initial Proposal and does not present any new or novel issues. With respect to the calculation of the PBBO, the proposed rule text is based on functionality described in prior proposals filed by EDGA and EDGX, both of which currently use the quotes of external markets in addition to information regarding orders on the applicable local book to construct a pegged NBBO.³⁶ Based on the foregoing, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act³⁷ and paragraph (f)(6) of Rule 19b-4 thereunder.³⁸

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule changes may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act³⁹ and paragraph (f)(6) of Rule 19b-4 thereunder.⁴⁰ Waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange

³⁵ 17 CFR 240.19b-4(f)(6).

³⁶ See supra note 19.

³⁷ 15 U.S.C. 78s(b)(3)(A).

³⁸ 17 CFR 240.19b-4(f)(6).

³⁹ 15 U.S.C. 78s(b)(3)(A).

⁴⁰ 17 C.F.R. 240.19b-4(f)(6).

to immediately adopt rule text consistent with the Initial Proposal. Further, waiver of the operative delay will allow the Exchange to immediately offer certain functionality that is already available on EDGA and EDGX with respect to the use of information regarding orders on the applicable exchange's order book to construct the PBBO. Importantly, waiver of the operative delay is also consistent with the protection of investors and the public interest because it will allow the Exchange to continue to strive towards a complete technology integration of the BGM Affiliated Exchanges, with gradual roll-outs of new functionality to ensure stability of the System.

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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 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 – Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 5 – Text of the Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____; File No. SR-BYX-2015-03)

Self-Regulatory Organizations; BATS Y-Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify the Use of Certain Data Feeds

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 and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to clarify for Members⁵ and non-Members the Exchange’s use of certain data feeds for order handling and execution, order routing, and regulatory compliance. On July 15, 2014, the Exchange filed a proposed rule change that

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

⁵ The term “Member” is defined as “any registered broker or dealer that has been admitted to membership in the Exchange. A Member will have the status of a “member” of the Exchange as that term is defined in Section 3(a)(3) of the Act.” See Exchange Rule 1.5(n).

described its use of data feeds for order handling and execution, order routing, and regulatory compliance (the “Initial Proposal”) with the Securities and Exchange Commission (the “Commission”).⁶ The Exchange submits this supplemental filing in order to further clarify for Members and non-Members the Exchange’s use of certain data feeds and to make one modification with respect to the usage of such data feeds as previously described.⁷

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.

⁶ See Securities Exchange Act Release No. 72687 (July 28, 2014), 79 FR 44926 (August 1, 2014) (SR-BYX-2014-012). Other national securities exchange filed similar proposals. See, e.g., Securities Exchange Act Release Nos. 72710 (July 29, 2014), 79 FR 45511 (August 5, 2014) (SR-NYSE-2014-38), and 72684 (July 28, 2014), 79 FR 44956 (August 1, 2014) (SR-NASDAQ-2014-072).

⁷ The Exchange understands that other national security exchanges will file similar proposed rule changes with the Commission to further describe their use of data feeds for order handling and execution, order routing, and regulatory compliance.

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

1. Purpose

Background

On June 5, 2014, Chair White requested that all national securities exchanges develop proposed rule changes to disclose their use of data feeds to execute and route orders and comply with regulatory requirements.⁸ In addition, on June 20, 2014, the Commission's Division of Trading and Markets requested that the Exchange file proposed rule changes that disclose its usage of particular market data feeds, among other things.⁹ In response to these requests, the Exchange filed the Initial Proposal with the Commission on July 15, 2014.¹⁰ The Exchange submits this supplemental filing to further clarify for Members and non-Members the Exchange's use of certain data feeds for order handling and execution, order routing, and regulatory compliance.¹¹ In addition, the Exchange proposes to modify the way that it constructs the Pegged NBBO, as further described below. To ensure proper context and a complete filing describing the Exchange's procedures in this area, the Exchange has repeated all relevant information from the Initial Proposal and supplemented such information as necessary.

Order Handling and Execution

⁸ See Mary Jo White, Chair, Securities and Exchange Commission, Speech at Sandler O'Neill & Partners L.P. Global Exchange and Brokerage Conference (June 5, 2014).

⁹ See letter from Stephen Luparello, Director, Division of Trading and Markets, Securities and Exchange Commission, to Joe Ratterman, Chief Executive Officer, BATS Global Markets, Inc., dated June 20, 2014.

¹⁰ See supra note 6.

¹¹ See supra note 7.

In order to calculate the national best bid and offer (“NBBO”) in its Matching Engine (the “ME”), the Exchange uses quotes disseminated by market centers through proprietary data feeds (generally referred to as “Direct Feeds”) as well as by the Securities Information Processors (“SIP”). The ME uses quotes disseminated from SIP feeds for the Chicago Stock Exchange, Inc., NYSE MKT LLC and the Financial Industry Regulatory Authority’s Alternative Display Facility. The ME consumes the Direct Feeds from every other protected venue, including the Exchange’s affiliates, BATS Exchange, Inc. (“BZX”), EDGA Exchange, Inc. (“EDGA”), and EDGX Exchange, Inc. (“EDGX”).

The ME will include odd lot quotations in its calculation of the NBBO depending on the source of the quotation. Where a protected market center aggregates odd lot quotations at a single price level into round lot quotations and publishes such aggregated quotations to the SIPs, then the ME will include those odd lot quotations in its calculation of the NBBO. In addition, where a protected market center aggregates odd lot quotations across more than one price level and publishes such aggregated quotations to the SIPs, then the ME will include those odd lot quotations in its calculation of the NBBO.

In addition to receiving Direct Feeds and SIP feeds, the ME’s calculation of the NBBO may be adjusted based on orders sent to other venues with protected quotations, execution reports received from those venues, and certain orders received by the Exchange (collectively “Feedback”). The Exchange does not include its quotes in the calculation of the Exchange’s NBBO because the system is designed such that all incoming orders are separately compared to the Exchange’s Best Bid or Offer and the Exchange calculated NBBO, which together create a complete view of the NBBO, prior to display, execution, or routing.

Feedback from the receipt of Intermarket Sweep Orders (“ISOs”) with a time-in-force of Day (“Day ISOs”) and feedback from the Exchange’s routing broker/dealer, BATS Trading, Inc., (“BATS Trading”), defined respectively as “Day ISO Feedback” and “Router Feedback,” are used to augment the market data received by Direct Feeds and the SIP feeds as further described below. The Exchange’s ME will update the NBBO upon receipt of a Day ISO. When a Day ISO is posted on the BATS Book,¹² the ME uses the receipt of a Day ISO as evidence that the protected quotes have been cleared, and the ME does not check away markets for equal or better-priced protected quotes.¹³ The ME will then display and execute non-ISO orders at the same price as the Day ISO.

All Feedback expires as soon as: (i) one (1) second passes; (ii) the Exchange receives new quote information; or (iii) the Exchange receives updated Feedback information. With the exception of Day ISO Feedback, the Exchange currently generates Feedback where an order was routed using a routing strategy offered by the Exchange that accesses protected quotes of trading venues on the System routing table (“Smart Order Routing”).¹⁴

¹² See Exchange Rule 1.5(e).

¹³ Pursuant to Regulation NMS, a broker-dealer routing a Day ISO is required to simultaneously route one or more additional ISOs, as necessary, to execute against the full displayed size of any protected quote priced equal to or better than the Day ISO. See also Question 5.02 in the “Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS” (last updated April 4, 2008) available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

¹⁴ As set forth in Rule 11.13(a)(3), the term “System routing table” refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them.

The Exchange currently determines the price at which a Pegged Order,¹⁵ Mid-Point Peg Order,¹⁶ Market Maker Peg Order,¹⁷ or Supplemental Peg Order¹⁸ is to be pegged based on the Pegged NBBO (“PBBO”). The Exchange’s Matching Engine calculates the PBBO using the Exchange’s quotes from the SIP feeds, and quotes disseminated from the same Direct Feeds, SIP feeds, and Feedback used by the ME for its NBBO calculation. As noted above, the Exchange does not otherwise utilize quotations from its local book in calculating the NBBO, and thus, the quotation from the SIP has been necessary for pegged orders in order to generate a view of the Exchange’s quotations.

Earlier this year, the Exchange and its affiliate, BZX, received approval to effect a merger (the “Merger”) of the Exchange’s parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGA and EDGX (the Exchange, together with BZX, EDGA and EDGX, the “BGM Affiliated Exchanges”).¹⁹ In the context of the Merger, the BGM Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. As previously described by EDGA and EDGX,²⁰ in addition to information regarding other markets’ quotes such exchanges currently construct an NBBO for

¹⁵ See Exchange Rule 11.9(c)(8).

¹⁶ See Exchange Rule 11.9(c)(9).

¹⁷ See Exchange Rule 11.9(c)(16).

¹⁸ See Exchange Rule 11.9(c)(19).

¹⁹ See Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

²⁰ See Securities Exchange Act Release Nos. 72682 (July 28, 2014), 79 FR 44938 (August 1, 2014) (SR-EDGA-2014-17); 72683 (July 28, 2014), 79 FR 44950 (August 1, 2014) (SR-EDGX-2014-20).

purposes of pegged orders using information regarding orders on the applicable exchange's local order book (i.e., EDGA constructs a pegged NBBO using information regarding orders on the EDGA order book and EDGX constructs a pegged NBBO using information regarding orders on the EDGX order book). In connection with the technology integration the Exchange similarly proposes to use information regarding orders displayed on the BATS Book in addition to quotes disseminated from Direct Feeds, SIP Feeds, and Feedback in order to construct the PBBO. Thus, as proposed, the Exchange would no longer use the Exchange's quotes from the SIP feeds in order to construct the PBBO.

Order Routing

When the Exchange has a marketable order with instructions from the sender that the order is eligible to be routed, and the ME identifies that there is no matching price available on the Exchange, but there is a matching price represented at another venue that displays protected quotes, then the ME will send the order to the Routing Engine ("RE") of BATS Trading.

In determining whether to route an order and to which venue(s) it should be routed, the RE makes its own calculation of the NBBO using the Direct Feeds, SIP feeds, and Router Feedback, as described below.²¹ The RE will include odd lot quotations in its calculation of the NBBO depending on the source of the quotation. Where a protected market center aggregates odd lot quotations at a single price level into round lot quotations and publishes such aggregated quotations to the SIPs, then the RE will include those odd lot quotations in its calculation of the NBBO.

²¹ The ME and RE consume the same Direct Feeds and SIP feeds.

The RE does not utilize Day ISO Feedback in constructing the NBBO; however, because all orders initially flow through the ME, to the extent Day ISO Feedback has updated the ME's calculation of the NBBO, all orders processed by the RE do take Day ISO Feedback into account. The RE receives Feedback from all Smart Order Routing strategies.

There are three types of Router Feedback that contribute to the Exchange's calculation of the NBBO:

- Immediate Feedback. Where BATS Trading routes an order to a venue with a protected quotation using Smart Order Routing (a "Feedback Order"), the number of shares available at that venue is immediately decreased by the number of shares routed to the venue at the applicable price level.
- Execution Feedback. Where BATS Trading receives an execution report associated with a Feedback Order that indicates that the order has fully executed with no remaining shares associated with the order, all opposite side quotes on the venue's order book that are priced more aggressively than the price at which the order was executed will be ignored.
- Cancellation Feedback. Where BATS Trading receives an execution report associated with a Feedback Order that indicates that the order has not fully executed (either a partial execution or a cancellation), all opposite side quotes on the venue's order book that are priced equal to or more aggressively than the limit price for the order will be ignored.

All Feedback expires as soon as: (i) one (1) second passes; (ii) the Exchange receives new quote information; or (iii) the Exchange receives updated Feedback

information.

Regulatory Compliance

Locked or Crossed Markets. The ME determines whether the display of an order would lock or cross the market. At the time an order is entered into the ME, the ME will establish, based upon its calculation of the NBBO from Direct Feeds, SIP feeds and Feedback, whether the order will lock or cross the prevailing NBBO for a security. In the event that the order would produce a locking or crossing condition, the ME will cancel the order, re-price²² the order, or route the order based on the Member's instructions. Two exceptions to this logic are Day ISOs and declarations of self-help.

Pursuant to Regulation NMS, when an Exchange receives a Day ISO, the sender of the ISO retains the responsibility to comply with applicable rules relating to locked and crossed markets.²³ In such case, the Exchange is obligated only to display a Day ISO order at the Member's price, even if such price would lock or cross the market.²⁴

Declarations of self-help occur when the RE detects that an exchange displaying protected quotes is slow, as defined in Regulation NMS, or non-responsive to the Exchange's routed orders. In this circumstance, according to Rule 611(b) of Regulation NMS, the Exchange may display a quotation that may lock or cross the market that the Exchange invoked self-help against.²⁵ The Exchange may also declare self-help where

²² See Rule 11.9(g).

²³ See supra note 13.

²⁴ See supra note 13.

²⁵ See also Question 5.03 in the "Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS" (last updated April 4, 2008) available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm>.

another exchange's SIP quotes are slow or non-responsive resulting in a locked or crossed market. Once the Exchange declares self-help, the ME and RE will ignore the quotes generated from the self-help market in their calculations of the NBBO for execution and routing determinations in compliance with Regulation NMS. The Exchange will also disable all routing to the self-help market. The ME and RE will continue to consume the self-help market center's quotes; however, in order to immediately include the quote in the NBBO calculation and enable routing once self-help is revoked.

Trade-Through Rule. Pursuant to Rule 611 of Regulation NMS, the Exchange shall establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent trade-throughs on trading centers of protected quotations in NMS stocks that do not fall within a valid exception and, if relying on such an exception, that are reasonably designed to ensure compliance with the terms of the exception. The ME does not permit an execution on the Exchange if there are better-priced protected quotations displayed in the market unless the order is an ISO. At the time an order is entered into the ME, the ME uses the view of the NBBO as described above. If the NBBO is priced better than what is resident on the Exchange, the Exchange does not match such order on the BATS Book, and based on the Member's instructions, the ME cancels the order, re-prices the order or routes the order.

Regulation SHO. The Exchange cannot execute a Short Sale Order²⁶ equal to or below the current National Best Bid ("NBB") when a short sale price restriction is in

²⁶ See Exchange Rule 11.19.

effect pursuant to Rule 201 of Regulation SHO (“Short Sale Circuit Breaker”).²⁷ When a Short Sale Circuit Breaker is in effect, the Exchange utilizes information received from Direct Feeds, SIP feeds, and Feedback, and a view of the BATS Book to assess its compliance with Rule 201 of Regulation SHO. The primary difference between the NBBO used for compliance with Rule 201 of Regulation SHO and other constructions of the NBBO, however, is that the Exchange includes market centers against which it has declared self-help in its view of the NBBO.

Latent or Inaccurate Direct Feeds. Where the Exchange’s systems detect problems with one or more Direct Feeds, the Exchange will immediately fail over to the SIP feed to calculate the NBBO for the market center(s) where the applicable Direct Feed is experiencing issues. Problems that lead to immediate fail over to the SIP feed may include a significant loss of information (*i.e.*, packet loss) or identifiable latency, among other things. The Exchange can also manually fail over to the SIP feed in lieu of Direct Feed data upon identification by a market center of an issue with its Direct Feed(s).

2. Statutory Basis

²⁷ 17 CFR 242.200(g); 17 CFR 242.201. On February 26, 2010, the Commission adopted amendments to Regulation SHO under the Act in the form of Rule 201, pursuant to which, among other things, short sale orders in covered securities generally cannot be executed or displayed by a trading center, such as the Exchange, at a price that is at or below the current NBB when a Short Sale Circuit Breaker is in effect for the covered security. See Securities Exchange Act Release No. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010). In connection with the adoption of Rule 201, Rule 200(g) of Regulation SHO was also amended to include a “short exempt” marking requirement. See also Securities Exchange Act Release No. 63247 (November 4, 2010), 75 FR 68702 (November 9, 2010) (extending the compliance date for Rules 201 and 200(g) to February 28, 2011). See also Division of Trading & Markets: Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, www.sec.gov/divisions/marketreg/rule201faq.htm.

The Exchange believes that its proposal is consistent with Section 6(b) of the Act²⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act²⁹ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange does not believe that this proposal will permit unfair discrimination among customers, brokers, or dealers because it will be available to all Users.

The Exchange believes that its proposal to describe the Exchange's use of data feeds removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest because it provides additional specificity and transparency. The Exchange's proposal will enable investors to better assess the quality of the Exchange's execution and routing services. Other than the proposed modification to the construction of the PBBO, the proposal does not change the operation of the Exchange or its use of data feeds; rather it describes how, and for what purposes, the Exchange uses the quotes disseminated from data feeds to calculate the NBBO for a security for purposes of Regulation NMS, Regulation SHO and various order types that update based on changes to the applicable NBBO. The Exchange believes the additional transparency into the operation of the Exchange as described in the proposal will remove impediments to and perfect the mechanism of a free and open market and a national

²⁸ 15 U.S.C. 78f(b).

²⁹ 15 U.S.C. 78f(b)(5).

market system, and, in general, protect investors and the public interest.

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

The Exchange does not believe that the proposal will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. On the contrary, the Exchange believes the proposal would enhance competition because describing the Exchange's use of data feeds enhances transparency and enables investors to better assess the quality of the Exchange's execution and routing services.

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

The Exchange filed the Initial Proposal with the Commission on July 15, 2014, and it was published for comment in the Federal Register on August 1, 2014. The Commission received one (1) written comment letter in response to the Initial Proposal.³⁰ In addition, two (2) comment letters were submitted to the Commission commenting on a companion BZX filing³¹ and one (1) comment letter was submitted to the Commission commenting on a companion EDGX filing.³² The Exchange believes that the comments raised in these letters are either not directly related to the Exchange's proposal but instead raise larger market structure issues or are adequately addressed in this proposal,

³⁰ See Letter from Donald Bollerman, Head of Market Operations, IEX ATS, to the Commission, dated September 25, 2014 (SR-BATS-2014-029) (SR-BYX-2014-012) (discussing the Exchange's calculation of the PBBO).

³¹ See Letter from R.T. Leuchtkafer to the Commission, dated August 22, 2014 (SR-BATS-2014-029) (discussing the Exchange's market data feed practices). See Letter from Eric Scott Hunsader, Nanex, LLC, to the Commission, dated August 22, 2014 (SR-BATS-2014-029) (discussing the Exchange's use of NBBO as a defined term).

³² See Letter from Suzanne Hamlet Shatto to the Commission, dated August 19, 2014 (SR-EDGX-2014-20) (discussing Dodd Frank principles).

particularly as it relates to the Commission's request to describe the Exchange's use of data feeds for order handling and execution, order routing, and regulatory compliance.

The Exchange further notes that the comments received regarding the Exchange's calculation of the PBBO are no longer applicable based on the proposed change described above related to the technology integration of the BGM Affiliated Exchanges.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act³³ and paragraph (f)(6) of Rule 19b-4 thereunder.³⁴

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily temporarily suspend such rule change if it appears to the Commission that such action is: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic Comments:

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

³³ 15 U.S.C. 78s(b)(3)(A).

³⁴ 17 C.F.R. 240.19b-4.

2015-03 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-2015-03. 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-2015-03 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.³⁵

Kevin M. O'Neill
Deputy Secretary

³⁵ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

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

Rules of BATS Y-Exchange, Inc.

CHAPTER XI. TRADING RULES

* * * * *

Rule 11.25. (Reserved)

Rule 11.26. Usage of Data Feeds

(a) The Exchange utilizes the following data feeds for the handling, execution and routing of orders, as well as for surveillance necessary to monitor compliance with applicable securities laws and Exchange rules:

<u>Market Center</u>	<u>Primary Source</u>	<u>Secondary Source</u>
<u>BATS Z (BZX)</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>Chicago Stock Exchange</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>EDGA</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>EDGX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>FINRA ADF</u>	<u>CQS/UQDF</u>	<u>n/a</u>
<u>Nasdaq</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>Nasdaq OMX BX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>Nasdaq OMX PHLX</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>NYSE</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>NYSE ARCA</u>	<u>Direct Feed</u>	<u>CQS/UQDF</u>
<u>NYSE MKT</u>	<u>CQS/UQDF</u>	<u>n/a</u>

(b) The Exchange may adjust its calculation of the NBBO based on information about orders sent to other venues with protected quotations, execution reports received from those venues, and certain orders received by the Exchange.

* * * * *