

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

## Rules of BATS Exchange, Inc.

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### CHAPTER XI. TRADING RULES

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#### Rule 11.8. Obligations of Market Makers

(a)–(e) (No changes.)

#### Interpretations and Policies

.01 (No changes.)

.02 Competitive Liquidity Provider Program

(a)–(f) (No changes.)

(g) *CLP Quoting Requirements.*

(1) The Exchange will measure the performance of a CLP in assigned securities by calculating Size Event Tests (“SETs”) [during Regular Trading Hours] between 9:25 a.m. and 4:05 p.m. on every day on which the Exchange is open for business. The Exchange will measure each CLP’s quoted size, excluding odd lots, at the NBB and NBO at least once per second to determine SETs. The CLP with the greatest aggregate size at the NBB [and NBO ] at each SET (a “Bid SET”) will be considered to have a [“]winning Bid SET[.”] (a “Winning Bid SET”). Separately, the CLP with the greatest aggregate size at the NBO at each SET (an “Offer SET”) will be considered to have a winning Offer SET (a “Winning Offer SET”).

(A) Daily Quoting Requirement. A CLP must have Winning Bid SETs or Winning Offer SETs equal to at least 10% of the [winning]total Bid SETs or total Offer SETs, respectively, on any trading day in order meet its daily quoting requirement and to be eligible for the daily rebates (each such CLP an “Eligible CLP”) for a security, as described in sub-paragraph (k)(1). Eligible CLPs will be ranked according to the number of [w] Winning Bid SETs and Winning Offer SETs each trading day, and only the Eligible CLP or Eligible CLPs ranked number one, and in some cases as described in paragraph (k)(1), the Eligible CLP ranked number two, in each of the Winning Bid SETs and Winning Offer SETs will receive the daily rebate.

(B) (No changes.)

(2)-(3) (No changes.)

(4) The CLP shall not be subject to any minimum or maximum quoting size requirement in assigned securities apart from the requirement that an order be for at least one round lot; however, the CLP must be quoting, at a minimum, the number of shares in five round lots (usually 500 shares), excluding odd lots, at the NBB or NBO at the time of a SET in order to have a Winning Bid SET or Winning Offer SET, respectively. The CLP quoting requirements will be measured by utilizing the unique identifiers that the Member has identified for CLP trading activity.

(5) In order for a CLP to have a Winning Bid SET during Regular Trading Hours, the CLP must also be quoting at least a displayed round lot offer, excluding odd lots, at a price at or within 1.2% of the CLP's bid at the time of the SET. For a CLP to have a Winning Offer SET during Regular Trading Hours, the CLP must also be quoting at least a displayed round lot bid, excluding odd lots, at a price at or within 1.2% of the CLP's offer at the time of the SET.

(h)-(i) (No changes.)

(j) *Non-Regulatory Penalties.*

(1) If a CLP fails to meet the CLP quoting requirements set forth in paragraph (g), the following non-regulatory penalties may be imposed by the Exchange:

(A) If, [during Regular Trading Hours] between 9:25 a.m. and 4:05 p.m. on any day on which the Exchange is open for business, fails to meet its daily quoting requirement as set forth in sub-paragraph (g)(1)(A) above by failing to have at least 10% of the winning SETs for that trading day, the CLP will not be eligible to receive a financial rebate for that day's quoting activity in that particular assigned security in accordance with sub-paragraph (k)(1); and

(B) (No changes.)

(2)-(3) (No changes.)

(k) *Financial Incentives for CLPs*

(1) *Daily Rebates.* Eligible CLPs, as defined in sub-paragraph (g)(1)(A) above, shall compete for [a single ]daily financial rebates\_ based on each day's quoting activity as follows:

Class of Security	Amount of Total Daily Rebate	Allocation of Daily Rebate*
Tier I Securities Listed on the Exchange Pursuant to Rule 14.8 for Six Months Commencing from the Date of Initial Listing on the Exchange	\$500 per day: <u>\$250 for bid SETs and \$250 for offer SETs</u>	[80% (\$400) to ]CLPs with highest and second highest number of [w]Winning Bid SETs** <u>will split daily financial rebates on a pro rata basis, based on the combined sum of their Winning Bid SETs;</u> CLPs with highest and second highest number of <u>Winning Offer SETs will split daily financial rebates on a pro rata basis, based on the combined sum of their Winning Offer SETs</u> [20% (\$100) to CLP with second highest number of winning SETs]
Tier I Securities Listed on the Exchange Pursuant to Rule 14.8 for Remaining Time Subject to CLP Program	\$250 per day: <u>\$125 for bid SETs and \$125 for offer SETs</u>	[80% (\$200) to ]CLPs with highest and second highest number of [w]Winning Bid SETs <u>will split daily financial rebates on a pro rata basis, based on the combined sum of their Winning Bid SETs;</u> CLPs with highest and second highest number of <u>Winning Offer SETs will split daily financial rebates on a pro rata basis, based on the combined sum of their Winning Offer SETs</u> [ 20% (\$50) to CLP with second highest number of winning SETs]
Tier II Securities Listed on the Exchange Pursuant to Rule 14.9	\$100 per day: <u>\$50 for bid SETs and \$50 for offer SETs</u>	100% to CLP with highest number of winning bid SETs; 100% to CLP with <u>highest number of winning offer SETs</u>
ETPs Listed Pursuant to Rule 14.11	\$250 per day: <u>\$125 for bid SETs and \$125 for</u>	[80% (\$400) to ]CLPs with highest and second highest

	<u>offer SETs</u>	number of [w]Winning Bid SETs will split daily financial rebates on a pro rata basis, based on the combined sum of their Winning Bid SETs; CLPs with highest and second highest number of Winning Offer SETs will split daily financial rebates on a pro rata basis, based on the combined sum of their Winning Offer SETs [20% (\$50) to CLP with second highest number of winning SETs]
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\* In the event only one CLP is eligible for the daily rebate, 100% of such rebate will be provided to such CLP. In the event that multiple CLPs have an equal number of winning SETs, the CLP with the highest executed volume in the security will be awarded the applicable daily rebate.

\*\* Size Event Tests, or SETs, are defined in paragraph (g) above.

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