

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

Rules of BATS Y-Exchange, Inc.

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CHAPTER XI. TRADING RULES

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Rule 11.9. Orders and Modifiers

(a)-(f) (No changes.)

(g) *Price Sliding.* The System will process orders, subject to a User's instructions, pursuant to the "price sliding process," as defined below.

(1) *NMS Price Sliding.* An order that, at the time of entry, would cross a Protected Quotation will be repriced to the locking price and ranked at such price in the BATS Book. An order that, at the time of entry, would lock a Protected Quotation will be ranked at its original locking price in the BATS Book. An order that, at the time of entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing a Protected Quotation will be displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers) ("NMS price sliding"). In the event an order subject to NMS price sliding is ranked on the BATS Book with a price equal to an opposite side order displayed by the Exchange, it will be subject to processing as set forth in Rule 11.13(a)(1). In the event the NBBO changes such that the order at the original locking price would not lock or cross a Protected Quotation, the order subject to NMS price sliding will receive a new timestamp, and will be displayed at the original locking price. In the event the NBBO changes such that a Non-Displayed Order subject to NMS price sliding would cross a Protected Quotation, the order will receive a new timestamp, and will be repriced by the System at the locking price.

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

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Rule 11.13. Order Execution

(No changes.)

(a) *Execution and Routing.*

(1) *Execution against BATS Book.* An incoming order shall first attempt to be matched for execution against orders in the BATS Book. An incoming order to buy will be automatically executed to the extent that it is priced at an amount that equals or exceeds any order to sell in the BATS Book and is executable, as defined above. Such order to buy shall be executed at the price(s) of the lowest order(s) to sell having priority in the BATS Book. An incoming order to sell will be automatically executed to the

extent that it is priced at an amount that equals or is less than any other order to buy in the BATS Book and is executable, as defined above. Such order to sell shall be executed at the price(s) of the highest order(s) to buy having priority in the BATS Book. Consistent with Rule 11.12, which sets forth the Exchange's rule regarding priority of orders, Non-Displayed Orders and orders subject to NMS price sliding, as set forth in Rule 11.9(g) (for purposes of this paragraph, the "Resting Orders") cannot be executed by the Exchange pursuant to this Rule 11.13 when such Resting Orders would be executed at prices equal to displayed orders on the opposite side of the market (the "locking price"), and thus, any incoming order that would execute against the Resting Order at the locking price would receive a priority advantage over the displayed order at the locking price. For bids or offers equal to or greater than \$1.00 per share, in the event that an order submitted to the Exchange on the side opposite such a Resting Order is a market order or a limit order priced more aggressively than the locking price, the Exchange will execute the Resting Order at, in the case of a Resting Order bid, one-half minimum price variation less than the locking price, and, in the case of a Resting Order offer, at one-half minimum price variation more than the locking price. For bids or offers under \$1.00 per share, Resting Orders priced at the locking price will not be executed by the Exchange.

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

(b)-(d) (No changes.)

Interpretations and Policies

.01 The Exchange will consider it inconsistent with just and equitable principles of trade to engage in a pattern or practice of using Non-Displayed Orders or orders subject to price sliding solely for the purpose of executing such orders at one-half minimum price variation from the locking price. Evidence of such behavior may include, but is not limited to, a User's pattern of entering orders at a price that would lock or be ranked at the price of a displayed quotation and cancelling orders when they no longer lock the displayed quotation.

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