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Sent via rule-comments@sec.gov

April 21, 2011

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Release No. 34-64132 (SR-BATS-2011-009): Notice of Proposed Rule Change, as Modified by Amendment No. 1, to Create a Directed Order Program on a 6-Month Pilot Basis

Dear Ms. Murphy:

Wolverine Trading, LLC ("Wolverine") submits this letter to the Securities and Exchange Commission (the "Commission") to comment on the above-referenced proposal by BATS Exchange, Inc. ("BATS" or the "Exchange") to implement a pilot program allowing members of the BATS Exchange Options Market ("BATS Options") to submit orders directly to certain BATS Options market-makers for execution without subjecting the orders to dissemination to all BATS Options participants.[1] While Wolverine assumes that the Exchange proposed the rule in an effort to benefit customer orders, Wolverine believes the Exchange's proposal would neither (a) enhance competition among BATS Options market makers, nor (b) afford all customers equal access to price improvement because of the two-tiered market structure the proposal creates for the execution of customer orders.

Wolverine believes the proposed program offers no incentive for members "to display aggressively priced liquidity." Rather, market makers to whom orders are not directed would have little to no incentive to continuously submit displayed interest and size at the NBBO because aggressive quoting by market makers in the lit market would not be rewarded with additional trades as directed orders trade one increment better in the dark market.

Secondly, the proposal is inconsistent with the standards of Exchange Act (the "Act") Rule 19b-4 because the proposal does not (a) promote just and equitable principles of trade; (b) remove impediments to a free and open market; nor (c) protect the public interest. Instead, the proposal creates a two-tiered market for customers -- one in which some customers will have the

[1] *See* Securities Exchange Act of 1934 ("Exchange Act") Release No. 64132 (March 28, 2011), 76 FR 18280 (April 1, 2011) (SR-BATS-2011-009).

opportunity to receive unlimited price improvement because their orders would be fully exposed to all market participants and one market in which some customer orders could be left in the dark on improved prices. With the recent expansion of the options market landscape to include nine registered exchanges, Wolverine does not believe directing more order flow to the non-displayed dark markets is the next logical step to improve competition. In the past, the Commission has agreed that a 40% guaranteed participation rate is appropriate for directed or solicited liquidity providers. In such cases, however, orders must be executed at the best possible prices, and other market participants must be given the opportunity to provide unlimited price improvement. BATS's proposal would avoid these requirements and allow for the potential internalization of 100% of select customer orders in a dark market not accessible to all. This would create a result quite opposite to those interests that the Act seeks to promote. There are plenty of opportunities afforded to market participants to internalize parts of their order flow, nevertheless, these opportunities have never been given without exposure to the market.

We thank the Commission for the consideration of our comments, and welcome the opportunity to discuss this matter further.

Best regards,

Kurt Eckert
Principal