

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

Rules of BATS Exchange, Inc.

CHAPTER XI. TRADING RULES

Rule 11.8. Obligations of Market Makers

(a)–(e) (No changes.)

Interpretations and Policies

.01 (No changes.)

.02 Competitive Liquidity Provider Program

(a) For purposes of this Rule, a Competitive Liquidity Provider (“CLP”) is a Member that electronically enters proprietary orders into the systems and facilities of the Exchange and is obligated to maintain a bid or an offer at the National Best Bid (“NBB”) or the National Best Offer (“NBO”) in each assigned security in round lots consistent with paragraph (g) below.

(b) Incentives and Penalties for CLPs. CLPs are subject to both a daily quoting requirement in order to be eligible to receive financial incentives and a monthly quoting requirement in order to remain qualified as a CLP. Any CLP that meets the daily quoting requirement set forth in paragraph (g) below, will be eligible to receive a daily financial rebate for each day’s quoting activity. The details of the financial benefits to CLPs are included in paragraph (k) below. A CLP that does not meet the CLP monthly quoting requirement is subject to the non-regulatory penalty provision described in paragraph (j) below (“Non-Regulatory Penalties”).

(c) Qualifications of a CLP. To qualify as a CLP, a Member must be a registered Market Maker in good standing with the Exchange consistent with Rules 11.5 through 11.8 and must have:

(1) Adequate technology to support electronic trading through the systems and facilities of the Exchange;

(2) One or more unique identifiers that identify to the Exchange CLP trading activity in assigned CLP securities. A Member may not use such unique identifiers for trading activity at the Exchange in assigned CLP securities that is not CLP trading activity, but may use the same unique identifiers for trading activity in securities not assigned to a CLP. If a Member does not identify to the

Exchange the unique identifier to be used for CLP trading activity, the Member will not receive credit for such CLP trading;

(3) Adequate trading infrastructure to support CLP trading activity, which includes support staff to maintain operational efficiencies in the CLP program and adequate administrative staff to manage the Member's participation in the CLP program;

(4) Quoting and volume performance that demonstrates an ability to meet the CLP quoting requirement in each assigned security on a daily and monthly basis;

(5) A disciplinary history that is consistent with just and equitable business practices; and

(6) The business unit of the Member acting as a CLP must have in place adequate information barriers between the CLP unit and the Member's customer, research and investment banking business.

(d) *Securities Eligible for the CLP Program.*

(1) Corporate Issues. Any Exchange-listed security that is listed on the Exchange pursuant to Rule 14.8 (relating to Tier I securities) or Rule 14.9 (relating to Tier II securities) shall be eligible for the CLP Program unless and until such security has had a consolidated average daily volume ("CADV") of equal to or greater than 2 million shares for two (2) consecutive calendar months during the first two (2) years the security is subject to the CLP Program; or (2) has been subject to the CLP Program for two (2) years.

(2) Exchange Traded Products. Any Exchange-listed security that is listed on the Exchange pursuant to Rule 14.11 (relating to exchange traded funds and other exchange traded products (collectively, "ETPs")) shall be eligible for the CLP Program unless and until such security has had a CADV of equal to or greater than 2 million shares for two (2) consecutive calendar months during the first two (2) years the security is subject to the CLP Program; or (2) has been subject to the CLP Program for two (2) years; provided, however, that any ETP initially listed on the Exchange shall be eligible for the CLP Program for six months regardless of the ETP's CADV.

(e) *Application Process.*

(1) To become a CLP, a Member must submit a CLP application form with all supporting documentation to the Exchange.

(2) The Exchange will determine whether an applicant is qualified to become a CLP based on the qualifications described in paragraph (c) above (“Qualifications of a Competitive Liquidity Provider”).

(3) After an applicant submits a CLP application to the Exchange, with supporting documentation, the Exchange shall notify the applicant Member of its decision.

(4) If an applicant is approved by the Exchange to receive CLP status, such applicant must establish connectivity with relevant Exchange systems before such applicant will be permitted to trade as a CLP on the Exchange.

(5) In the event an applicant is disapproved by the Exchange, such applicant may seek review under Chapter X of the Exchange’s Rules governing adverse action and/or reapply for CLP status at least three (3) calendar months following the month in which the applicant received the disapproval notice from the Exchange.

(f) *Voluntary Withdrawal of CLP Status.* A CLP may withdraw from the status of a CLP by giving notice to the Exchange. Such withdrawal shall become effective when those securities assigned to the withdrawing CLP are reassigned to another CLP. After the Exchange receives the notice of withdrawal from the withdrawing CLP, the Exchange will reassign such securities as soon as practicable but no later than thirty (30) days after the date said notice is received by the Exchange. In the event the reassignment of securities takes longer than the 30-day period, the withdrawing CLP will have no obligations under this Interpretation and Policy .02 and will not be held responsible for any matters concerning its previously assigned CLP securities upon termination of this 30-day period.

(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 on every day on which the Exchange is open for business. The Exchange will measure each CLP’s quoted size 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 will be considered to have a “winning SET.”

(A) *Daily Quoting Requirement.* A CLP must have at least 10% of the winning SETs on any trading day in order meet its daily quoting requirement and to be eligible for the daily rebate (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 winning SETs each trading day, and only the Eligible CLP ranked number one, and in some cases as described in paragraph (k)(1), the Eligible CLP ranked number two, will receive the daily rebate.

(B) Monthly Quoting Requirement. A CLP must be quoting at the NBB or the NBO 10% of the time the Exchange calculates SETs to meet its monthly quoting requirement.

(2) For purposes of calculating whether a CLP is in compliance with its CLP quoting requirements, the CLP must post displayed liquidity in round lots in its assigned securities at the NBB or the NBO.

(3) A CLP may post non-displayed liquidity; however, such liquidity will not be counted as credit towards the CLP quoting requirements.

(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. The CLP quoting requirements will be measured by utilizing the unique identifiers that the Member has identified for CLP trading activity.

(h) Assignment of Securities.

(1) The Exchange, in its discretion, will assign to the CLP one or more securities consisting of Exchange-listed securities for CLP trading purposes. The Exchange shall determine the number of Exchange-listed securities within the group of securities assigned to each CLP.

(2) The Exchange, in its discretion, will assign one (1) or more CLPs to each security subject to the CLP Program, depending upon the trading activity of the security. The Exchange will restrict the CLPs assigned to any newly issued security that is listed on the Exchange pursuant to Rule 14.11, which relates to ETPs, to those Members that have actively participated in the development or funding of such product. This restriction will remain in effect for six (6) months following the initial offering of the ETP on the Exchange after which time there will be no limitation on the Members that can be assigned as CLPs for such a product.

(i) Entry of Orders by CLPs. CLPs may only enter orders electronically directly into Exchange systems and facilities designated for this purpose. All CLP orders must only be for the proprietary account of the CLP Member.

(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 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) If a CLP fails to meet its monthly quoting requirement as set forth in sub-paragraph (g)(1)(B) above for three (3) consecutive months in any assigned security, the CLP will be at risk of losing its CLP status, and the Exchange may, in its discretion, take the following non-regulatory actions:

(i) revoke the assignment of the affected security(ies) and/or one or more additional unaffected securities; or

(ii) subject to sub-paragraph (j)(2) below, disqualify a Member's status as a CLP.

(2) The Exchange shall determine if and when a Member is disqualified from its status as a CLP. One (1) calendar month prior to any such determination, the Exchange will notify the CLP of such impending disqualification in writing. If the CLP fails to meet the monthly quoting requirements set forth in sub-paragraph (g)(1)(B) above (for a third consecutive month) in a particular security, the CLP may be disqualified from CLP status. When disqualification determinations are made, the Exchange will provide a disqualification notice to the Member informing such Member that it has been disqualified as a CLP.

(3) In the event a Member is determined to be ineligible for a financial rebate pursuant to sub-paragraph (i)(2)(A) or is disqualified from its status as a CLP pursuant to sub-paragraph (i)(1)(B), such Member may seek review under Chapter X of the Exchange's Rules governing adverse action. Any Member disqualified from its status as a CLP pursuant to sub-paragraph (i)(1)(B)(ii) may re-apply for CLP status in accordance with paragraph (e) ("Application Process") above. Such application process shall occur at least three (3) calendar months following the month in which such Member received its disqualification notice.

(k) Financial Incentives for CLPs

(Reserved.)