

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 11.9. Orders and Modifiers

(No changes.)

(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] *Display-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.]

(A) An order eligible for display by the Exchange that, at the time of entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing a Protected Quotation of an external market will be ranked at the locking price in the BATS Book and [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) ("display-price sliding" ["NMS price sliding"]). A User may elect to have the System only apply display-price sliding to the extent a display-eligible order at the time of entry would create a violation of Rule 610(d) of Regulation NMS by locking a Protected Quotation of an external market. For Users that select this order handling, any order will be cancelled if, upon entry, such order would create a violation of Rule 610(d) of Regulation NMS by crossing a Protected Quotation of an external market.

(B) An order subject to display-price sliding will retain its original limit price irrespective of the prices at which such order is ranked and displayed. [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] an order [at the original locking price] subject to display-price sliding would not lock or cross a Protected Quotation of an external market, the order [subject to NMS price sliding] will receive a new timestamp, and will be displayed at the [original locking] most aggressive permissible price. All orders that are re-ranked and re-displayed pursuant to display-price sliding will retain their priority as compared to other orders subject to display-price sliding based upon the time such orders were initially received by the Exchange. Following the

initial ranking and display of an order subject to display-price sliding, an order will only be re-ranked and re-displayed to the extent it achieves a more aggressive price.

(C) The ranked and displayed prices of an order subject to display-price sliding may be adjusted once or multiple times depending upon the instructions of a User and changes to the prevailing NBBO. The Exchange's default display-price sliding process will only adjust the ranked and displayed prices of an order upon entry and then the displayed price one time following a change to the prevailing NBBO.

(D) Any display-eligible BATS Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(6) or cancelled. Any display-eligible Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(7) or cancelled. Any display-eligible BATS Post Only Order or Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by an external market upon entry will be subject to the display-price sliding process described in this paragraph (g)(1). In the event the NBBO changes such that a BATS Post Only Order subject to display-price sliding would be ranked at a price at which it could remove displayed liquidity from the BATS Book, the order will be executed as set forth in Rule 11.9(c)(7) or cancelled.

(E) BATS Post Only Orders will be permitted to post and be displayed opposite the ranked price of orders subject to display-price sliding. In the event an order subject to display-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).

(F) In order to avoid potentially trading through Protected Quotations of external markets, the Exchange offers display-price sliding for Non-Displayed Orders that upon entry cross a Protected Quotation of an external market that is functionally equivalent to the handling of displayable orders except that such orders will not have a displayed price. Non-Displayed Orders that are subject to display-price sliding are ranked at the locking price on entry. Similarly, in [In] the event the NBBO changes such that a Non-Displayed Order subject to [NMS]display-price sliding would cross a Protected Quotation of an external market, the order will receive a new timestamp, and will be [repriced]ranked by the System at the locking price. In the event a Non-Displayed Order has been repriced by the System pursuant to this sub-paragraph (F), such Non-Displayed order is not re-priced by the System unless it is again crossing a Protected Quotation of an external market.

(2) *Short Sale Price Sliding.*

(A) A short sale [An] order that, at the time of entry, could not be executed or displayed [based on]in compliance with Rule 201 of Regulation SHO will be re-priced by the System at one minimum price variation above the current NBB (“Permitted Price”) [(such repricing “short sale price sliding,” and together with NMS price sliding, the “price sliding process”). [An order subject to short sale price sliding will not be readjusted downward even if it could be displayed at a lower price without violation of Rule 201 of Regulation SHO.] The Exchange’s default short sale sliding process will only re-price an order upon entry. Depending upon the instructions of a User, to reflect declines in the NBB the System will continue to re-price a short sale order at the Permitted Price down to the order’s original limit price. [Neither orders marked “short exempt” nor orders displayed by the System at a price above the then current national best bid at the time of initial display when a short sale price test restriction is in effect shall be subject to short sale price sliding.] In the event the NBB changes such that the price of a Non-Displayed Order subject to Rule 201 of Regulation SHO [short sale price sliding] would lock or cross the NBB, the order will receive a new timestamp, and will be re-priced by the System at [one minimum price variation above the current NBB] the Permitted Price. The re-pricing described in this subparagraph (A) constitutes “short sale price sliding,” and together with display-price sliding, is referred to as the “price sliding process.”

(B) When a short sale price test restriction under Rule 201 of Regulation SHO is in effect, the System may execute a displayed short sale order at a price below the Permitted Price if, at the time of initial display of the short sale order, the order was at a price above the then current NBB.

(C) Orders marked “short exempt” will not be subject to short sale price sliding.

(3) *Applicability of Price Sliding.* If an order is eligible for the price sliding process, it will be subject to both [NMS]display-price sliding and short sale price sliding.

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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] display-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)-(e) (No changes.)

#### Interpretations and Policies

.01 (No changes.)

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## CHAPTER XXI. TRADING SYSTEMS

### Rule 21.1. Definitions

The following definitions apply to Chapter XXI for the trading of options listed on BATS Options.

(a)-(c) (No changes.)

(d) (No changes.)

(1)-(5) (No changes.)

(6) "Price Improving Orders" are orders to buy or sell an option at a specified price at an increment smaller than the minimum price variation in the security. Price Improving Orders may be entered in increments as small as (1) one cent. Price Improving Orders that are available for display shall be displayed at the minimum price variation in that security and shall be rounded up for sell orders and rounded down for buy orders. Unless a User has entered instructions not to do so, Price Improving Orders will be

rounded to the minimum price variation and subject to the [“display[ed]-price sliding process as set forth in paragraph (h) below. [Pursuant to the displayed price sliding process, a Price Improving Order that after rounding to the minimum price variation, or any other order to be displayed on the BATS Options Book that at the time of entry, would lock or cross a Protected Quotation (collectively, “the original locking price”):

(A) such order 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); and

(B) 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 will receive a new timestamp, and will be displayed at the original locking price.]

(7) (No changes.)

(8) “BATS Only Orders” are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another trading center. [A BATS Only 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 Options Book.] A BATS Only Order will be subject to the display[ed]-price sliding process unless a User has entered instructions not to use the display[ed]-price sliding process as set forth in paragraph [(d)(6) above](h) below.

(9) “BATS Post Only Orders” are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the BATS Options Book. A BATS Post Only Order will be subject to the display[ed]-price sliding process unless a User has entered instructions not to use the display[ed]-price sliding process as set forth in paragraph [(d)(6) above](h) below.

(10) “Partial Post Only at Limit Orders” are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another trading center except that the order will only remove liquidity from the BATS Options Book under the following circumstances:

(A)-(B) (No changes).

A Partial Post Only at Limit Order will be subject to the display[ed]-price sliding process unless a User has entered instructions not to use the display[ed]-price sliding process as set forth in paragraph [(d)(6) above](h) below.

(11)-(12) (No changes.)

(e)-(g) (No changes.)

(h) Display-Price Sliding.

(1) An order that, at the time of entry, would lock or cross a Protected Quotation of another options exchange will be ranked at the locking price in the BATS Options Book and 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) (“display-price sliding”). A User may elect to have the System only apply display-price sliding to the extent an order at the time of entry would lock a Protected Quotation of another options exchange. For Users that select this order handling, any order will be cancelled if, upon entry, such order would cross a Protected Quotation of another options exchange.

(2) An order subject to display-price sliding will retain its original limit price irrespective of the prices at which such order is ranked and displayed. In the event the NBBO changes such that an order subject to display-price sliding would not lock or cross a Protected Quotation of another options exchange, the order will receive a new timestamp, and will be displayed at the most aggressive permissible price. All orders that are re-ranked and re-displayed pursuant to display-price sliding will retain their priority as compared to other orders subject to display-price sliding based upon the time such orders were initially received by the Exchange. Following the initial ranking and display of an order subject to display-price sliding, an order will only be re-ranked and re-displayed to the extent it achieves a more aggressive price.

(3) The ranked and displayed prices of an order subject to display-price sliding may be adjusted once or multiple times depending upon the instructions of a User and changes to the prevailing NBBO. The Exchange’s default display-price sliding process will only adjust the ranked and displayed prices of an order upon entry and then the displayed price one time following a change to the prevailing NBBO.

(4) Any BATS Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 21.1(d)(9) or cancelled. Any Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 21.1(d)(10) or cancelled. Any BATS Post Only Order or Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by an external market upon entry will be subject to the display-price sliding process described in this paragraph (h). In the event the NBBO changes such that a BATS Post Only Order subject to display-price sliding would be ranked at a price at which it could remove displayed liquidity from the BATS Options Book, the order will be cancelled.

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#### Rule 21.6. Entry of Orders

Users can enter orders into the System, subject to the following requirements and conditions:

(a)-(e) (No changes.)

(f) Any order entered with a price that would lock or cross a Protected Quotation of another options exchange that is not eligible for either routing or the display[ed]-price sliding process as defined in paragraph [(d)(6)](h) of Rule 21.1 (Definitions) will be cancelled.

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Rule 21.9. Order Routing

(a) (No changes.)

(1) (No changes.)

(A) if a limit order, post the unfilled balance of the order to the BATS Options Book, subject to the display[ed]-price sliding process as defined in paragraph [(d)(6)](h) of Rule 21.1, if applicable;

(B)-(D) (No changes.)

(2) (No changes.)

(b)-(f) (No changes.)

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