

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 for Corporate Issues

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

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

(1) (No changes.)

[(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)-(g) (No changes.)

(h) *Assignment of Securities.*

(1) (No changes.)

(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)-(j) (No changes.)

(k) *Financial Incentives for CLPs.*

(1) *Daily Rebates.* Eligible CLPs, as defined in sub-paragraph (g)(1)(A) above, shall compete for 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: \$250 for bid SETs and \$250 for offer SETs	CLPs with highest and second highest number of 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
Tier I Securities Listed on the Exchange Pursuant to Rule 14.8 for Remaining Time Subject to CLP Program	\$250 per day: \$125 for bid SETs and \$125 for offer SETs	CLPs with highest and second highest number of 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
Tier II Securities Listed on the Exchange Pursuant to Rule 14.9	\$100 per day: \$50 for bid SETs and \$50 for offer SETs	100% to CLP with highest number of winning bid SETs; 100% to CLP with

		highest number of winning offer SETs
[ETPs Listed Pursuant to Rule 14.11]	[\$250 per day: \$125 for bid SETs and \$125 for offer SETs]	[CLPs with highest and second highest number of 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]

* 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.

.03 Competitive Liquidity Provider Program for Exchange Traded Products

(a) Overview. The Competitive Liquidity Provider Program for Exchange Traded Products (“ETP CLP Program”) is a voluntary program designed to promote market quality in certain securities listed on the Exchange. A CLP Company, as defined below, may list an eligible CLP Security, as defined below, on the Exchange, and in addition to the standard listing fee set forth in the fee schedule, a Sponsor, as defined below, may pay a fee (a “CLP Fee”) in order for the CLP Company to participate in the ETP CLP Program on behalf of an eligible CLP Security. The CLP Fee will be used for the purpose of incentivizing one or more ETP CLPs, as defined below, to enhance the market quality of the CLP Security. Subject to the conditions set forth in this rule, this incentive (the “CLP Rebate”) will be credited from the General Fund of the Exchange to one or more ETP CLPs that make a quality market in the CLP Security pursuant to the ETP CLP Program.

(b) Definitions. For purposes of this Rule, the terms set forth below shall have the following meanings:

(1) The term “ETP CLP” means 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 NBBO in each assigned CLP Security in round lots consistent with paragraph (i) below.

(2) The term “CLP Company” means the trust or company housing the ETP or, if the ETP is not a series of a trust or company, then the ETP itself. For ETPs housed by CLP Companies that have Sponsors, CLP Fees for CLP Securities will be paid by the Sponsors associated with the CLP Companies.

(3) The term “CLP Security” means an issue of or series of ETP securities issued by a CLP Company that meets all of the requirements to be listed on the Exchange as an ETP.

(4) The term “ETP” includes Portfolio Depository Receipts, Index Fund Shares, Trust Issued Receipts, and Managed Fund Shares, as defined in Rule 14.11(b), 14.11(c), 14.11(f), and 14.11(i), respectively.

(5) The term “Sponsor” means the registered investment adviser that provides investment management services to a CLP Company or any of such adviser’s parents or subsidiaries.

(c) Application and withdrawal of CLP Companies.

(1) Application. An entity wishing to participate in the ETP CLP Program must submit an application in the form prescribed by the Exchange.

(2) Withdrawal.

(A) After a CLP Company, on behalf of a CLP Security, is in the ETP CLP Program for not less than two consecutive quarters, but less than one year, it may voluntarily withdraw from the ETP CLP Program on a quarterly basis. The CLP Company must notify the Exchange in writing not less than one month prior to withdrawing from the ETP CLP Program. Notwithstanding, the Exchange may determine to allow a CLP Company to withdraw from the ETP CLP Program earlier. In making this determination, the Exchange may take into account the volume and price movements in the CLP Security; the liquidity, size quoted, and quality of the market in the CLP Security; and any other relevant factors.

(B) After a CLP Company, on behalf of a CLP Security, is in the ETP CLP Program for one year or more, it may voluntarily withdraw from the ETP CLP Program on a monthly basis. The CLP Company must notify the Exchange in writing not less than one month prior to withdrawing from the ETP CLP Program.

(3) After a CLP Company, on behalf of a CLP Security, is in the ETP CLP Program for one year, the ETP CLP Program and all obligations and requirements of the ETP CLP Program will automatically continue on an annual basis unless: (1) the Exchange terminates the ETP CLP Program by providing not

less than one month prior notice of intent to terminate or the pilot ETP CLP Program is not extended or made permanent pursuant to a proposed rule change subject to filing with or approval by the Commission under Section 19(b) of the Exchange Act; (2) the CLP Company withdraws from the ETP CLP Program pursuant to subsection (c)(2) of this rule; or (3) the CLP Company is terminated from the ETP CLP Program pursuant to subsection (n) of this rule.

(d) CLP Company Participation and Fee Liability.

(1) For a CLP Company, on behalf of a CLP Security, to be eligible to participate in the ETP CLP Program, the following conditions must be satisfied:

(A) The Exchange must have accepted the ETP CLP Program application of the CLP Company with respect to a CLP Security, and must have accepted the ETP CLP Program application of at least one ETP CLP in the same CLP Security;

(B) The CLP Security must meet all requirements to be listed on the Exchange as an ETP;

(C) The CLP Security must meet all Exchange requirements for continued listing at all times the CLP Security participates in the ETP CLP Program; and

(D) During such time that a CLP Company lists a CLP Security, the CLP Company must, on a product-specific website for each product, indicate that the product is in the ETP CLP Program and provide a link to the Exchange's ETP CLP Program website.

(2) CLP Fees.

(A) A CLP Company participating in the ETP CLP Program shall incur an annual basic CLP Fee of \$30,000 per CLP Security. The basic CLP Fee must be paid to the Exchange prospectively on a quarterly basis.

(B) A CLP Company may also incur an annual supplemental CLP Fee per CLP Security. The basic CLP Fee and supplemental CLP Fee, when combined, may not exceed \$100,000 per year. The supplemental CLP Fee is a fee selected by a CLP Company on an annual basis, if at all. The supplemental CLP Fee must be paid to the Exchange prospectively on a quarterly basis.

(i) The amount of the supplemental CLP Fee, if any, will be determined by the CLP Company initially per CLP Security and will remain the same for the period of a year.

(ii) The Exchange will provide notification on its website regarding the amount, if any, of any supplemental CLP Fee determined by a CLP Company per CLP Security.

(C) The CLP Fee is in addition to the standard (non-ETP CLP Program) Exchange listing fee applicable to the CLP Security and does not offset such standard listing fee.

(i) For a CLP Security housed by a CLP Company that has a Sponsor or Sponsors, the CLP Fee with respect to a CLP Security shall be paid by the Sponsor or Sponsors of such CLP Security.

(D) The Exchange will prospectively bill each CLP Company for the quarterly CLP Fee for each CLP Security.

(E) CLP Fees (basic and supplemental) will be credited to the General Fund of the Exchange.

(3) Exchange Traded Products. Any CLP Company, on behalf of a CLP Security, shall be eligible for the ETP CLP Program unless and until such CLP Security has had a CADV of equal to or greater than one million shares for three (3) consecutive calendar months. Any CLP Security listed on the Exchange shall be eligible for the ETP CLP Program for the first six months that it is listed on the Exchange, regardless of the ETP's CADV.

(4) A CLP Company that, on behalf of a CLP Security, is approved to participate in the ETP CLP Program shall issue a press release to the public when the CLP Company, on behalf of a CLP Security, commences or ceases participation in the ETP CLP Program. The press release shall be in a form and manner prescribed by the Exchange, and, if practicable, shall be issued at least two days before commencing or ceasing participation in the ETP CLP Program. The CLP Company shall dedicate space on its website, or, if it does not have a website, on the website of the Sponsor of the CLP Security, that (i) includes any such press releases, and (ii) provides a hyperlink to the dedicated page on the Exchange's website that describes the ETP CLP Program, as described in paragraph (o) below.

(e) Incentives and Penalties for ETP CLPs. ETP 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 an ETP CLP. Any ETP CLP that meets the daily quoting requirement set forth in paragraph (i) below, will be eligible to receive a CLP Rebate for each day's quoting activity. The details of the financial benefits to ETP CLPs are included in paragraph (m) below. An ETP CLP that does not meet the ETP CLP monthly quoting requirement is subject to the non-regulatory penalty provision described in paragraph (l) below ("Non-Regulatory Penalties").

(f) Qualifications of an ETP CLP. To qualify as an ETP 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 ETP 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 ETP CLP trading activity, but may use the same unique identifiers for trading activity in securities not assigned to an ETP CLP. If a Member does not identify to the Exchange the unique identifier to be used for ETP CLP trading activity, the Member will not receive credit for such ETP CLP trading;

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

(4) Quoting and volume performance that demonstrates an ability to meet the ETP CLP quoting requirement in each assigned CLP 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 an ETP CLP must have in place adequate information barriers between the ETP CLP unit and the Member's customer, research and investment banking business.

(g) Application Process.

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

(2) The Exchange will determine whether an applicant is qualified to become an ETP CLP based on the qualifications described in paragraph (f) above ("Qualifications of an ETP CLP").

(3) After an applicant submits an ETP 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 ETP CLP status, such applicant must establish connectivity with relevant Exchange systems before such applicant will be permitted to trade as an ETP 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 ETP CLP status at least three (3) calendar months following the month in which the applicant received the disapproval notice from the Exchange.

(h) Voluntary Withdrawal of ETP CLP Status. An ETP CLP may withdraw from the status of an ETP CLP by giving written notice to the Exchange. Such withdrawal shall become effective when those CLP Securities assigned to the withdrawing ETP CLP are reassigned to another ETP CLP. After the Exchange receives the notice of withdrawal from the withdrawing ETP CLP, the Exchange will reassign such CLP 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 CLP Securities takes longer than the 30-day period, the withdrawing ETP CLP will have no obligations under this Interpretation and Policy .03 and will not be held responsible for any matters concerning its previously assigned CLP Securities upon termination of this 30-day period.

(i) ETP CLP Quoting Requirements.

(1) The Exchange will measure the performance of an ETP CLP in assigned CLP Securities by calculating Size Event Tests ("SETs") 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 ETP CLP's quoted size, excluding odd lots, at the NBB and NBO at least once per second to determine SETs. The ETP CLP with the greatest aggregate size at the NBB at each SET (a "Bid SET") will be considered to have a winning Bid SET (a "Winning Bid SET"). Separately, the ETP 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. An ETP CLP must have Winning Bid SETs or Winning Offer SETs equal to at least 10% of the total Bid SETs or total Offer SETs, respectively, on any trading day in order to meet its daily quoting requirement and to be eligible for the CLP Rebate (each such ETP CLP an "Eligible ETP CLP") for a CLP Security, as described in sub-paragraph (m)(1). Eligible ETP CLPs will be ranked according to the number of Winning Bid SETs and Winning Offer SETs each trading day, and only the Eligible ETP CLP or Eligible ETP CLPs ranked number one and the Eligible ETP CLP or Eligible ETP CLPs ranked number two in each of the Winning Bid SETs and Winning Offer SETs will receive the CLP Rebate.

(B) Monthly Quoting Requirement. An ETP 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 an ETP CLP is in compliance with its ETP CLP quoting requirements, the ETP CLP must post displayed liquidity in round lots in its assigned CLP Securities at the NBB or the NBO.

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

(4) The ETP CLP shall not be subject to any minimum or maximum quoting size requirement in assigned CLP Securities apart from the requirement that an order be for at least one round lot; however, the ETP 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 ETP CLP quoting requirements will be measured by utilizing the unique identifiers that the Member has identified for ETP CLP trading activity.

(5) In order for an ETP CLP to have a Winning Bid SET during Regular Trading Hours, the ETP 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 ETP CLP's bid at the time of the SET. For an ETP CLP to have a Winning Offer SET during Regular Trading Hours, the ETP 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 ETP CLP's offer at the time of the SET.

(j) *Assignment of CLP Securities.*

(1) The Exchange, in its discretion, will assign to the ETP CLP one or more CLP Securities for ETP CLP trading purposes. The Exchange shall determine the number of CLP Securities assigned to each ETP CLP.

(2) The Exchange, in its discretion, will assign one (1) or more ETP CLPs to each CLP Security subject to the ETP CLP Program, depending upon the trading activity of the CLP Security.

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

(l) *Non-Regulatory Penalties.*

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

(A) If, between 9:25 a.m. and 4:05 p.m. on any day on which the Exchange is open for business, an ETP CLP fails to meet its daily quoting requirement as set forth in sub-paragraph (i)(1)(A) above by failing to have at least 10% of the Winning Bid SETs or Winning Offer

SETs for that trading day, the ETP CLP will not be eligible to receive a CLP Rebate for that day’s quoting activity in that particular assigned CLP Security in accordance with sub-paragraph (m)(1); and

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

(i) revoke the assignment of the affected CLP Security(ies) and/or one or more additional unaffected CLP Securities; or

(ii) subject to sub-paragraph (1)(2) below, disqualify a Member’s status as an ETP CLP.

(2) The Exchange shall determine if and when a Member is disqualified from its status as an ETP CLP. One (1) calendar month prior to any such determination, the Exchange will notify the ETP CLP of such impending disqualification in writing. If the ETP CLP fails to meet the monthly quoting requirements set forth in sub-paragraph (i)(1)(B) above (for a third consecutive month) in a particular CLP Security, the ETP CLP may be disqualified from ETP 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 an ETP CLP.

(3) In the event a Member is determined to be ineligible for the CLP Rebate pursuant to sub-paragraph (1)(1)(A) or is disqualified from its status as an ETP CLP pursuant to sub-paragraph (1)(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 an ETP CLP pursuant to sub-paragraph (1)(1)(B)(ii) may re-apply for ETP CLP status in accordance with paragraph (g) (“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.

(m) *Financial Incentives for ETP CLPs.*

(1) *CLP Rebates.* Eligible ETP CLPs, as defined in sub-paragraph (i)(1)(A) above, shall compete for CLP Rebates based on each day’s quoting activity as follows:

<u>Class of Security</u>	<u>Amount of Total Daily CLP Rebate</u>	<u>Allocation of Daily CLP Rebate*</u>
<u>CLP Securities Listed Pursuant to Rule 14.11(b),</u>	<u>One quarter of total annual CLP Fees for the</u>	<u>ETP CLPs with highest and second highest number of</u>

<u>(c), (f), and (i)</u>	<u>CLP Security divided by the number of trading days in the current quarter</u>	<u>Winning Bid SETs** will split half of the daily CLP Rebate for the CLP Security on a pro rata basis, based on the combined sum of their Winning Bid SETs; ETP CLPs with highest and second highest number of Winning Offer SETs will split half of the daily CLP Rebate for the CLP Security on a pro rata basis, based on the combined sum of their Winning Offer SETs</u>
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* In the event only one ETP CLP is eligible for the bid or offer portion of the CLP Rebate, 100% of such rebate will be provided to such ETP CLP. In the event that multiple ETP CLPs have an equal number of Winning Bid SETs or Winning Offer SETs, the ETP CLP with the highest executed volume in the CLP Security will be awarded the applicable portion of the CLP Rebate. Where no ETP CLPs are eligible for the bid or offer portion of the CLP Rebate, no CLP Rebate will be awarded to any ETP CLP and no refund will be provided to the applicable CLP Company or its Sponsor.

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

(n) Termination.

(1) The ETP CLP Program will terminate with respect to a CLP Security under the following circumstances:

(A) A CLP Security sustains a CADV of one million shares or more for three (3) consecutive months, however, any CLP Security listed on the Exchange shall be eligible for the ETP CLP Program for the first six months that it is listed on the Exchange, regardless of the ETP's CADV;

(B) A CLP Company, on behalf of a CLP Security, withdraws from the ETP CLP Program, is no longer eligible to be in the ETP CLP Program pursuant to this rule, or its Sponsor ceases to make CLP Fee payments to the Exchange;

(C) A CLP Security is delisted or is no longer eligible for the ETP CLP Program;

(D) A CLP Security does not, for two consecutive quarters, have at least one ETP CLP that is eligible for a CLP Rebate.

(2) Termination of a CLP Company, CLP Security, or ETP CLP does not preclude the Exchange from allowing re-entry into the ETP CLP Program where the Exchange deems proper.

(o) The Exchange will provide notification on its website regarding the following:

(1) Acceptance of a CLP Company, on behalf of a CLP Security, and an ETP CLP into the ETP CLP Program;

(2) The total number of CLP Securities that any one CLP Company may have in the ETP CLP Program;

(3) The names of CLP Securities and the ETP CLP(s) in each CLP Security, the dates that a CLP Company, on behalf of a CLP Security, commences participation in and withdraws or is terminated from the ETP CLP Program, and the name of each CLP Company and the associated CLP Securities on behalf of which it is participating in the ETP CLP Program;

(4) A statement about the ETP CLP Program that sets forth a general description of the ETP CLP Program as implemented on a pilot basis and a fair and balanced summation of the potentially positive aspects of the ETP CLP Program (e.g. enhancement of liquidity and market quality in CLP Securities) as well as the potentially negative aspects and risks of the ETP CLP Program (e.g. possible lack of liquidity and negative price impact on CLP Securities that are withdrawn or are terminated from the ETP CLP Program), and indicates how interested parties can get additional information about CLP Securities in the ETP CLP Program; and

(5) The intent of a CLP Company, on behalf of a CLP Security, or ETP CLP to withdraw from the ETP CLP Program, and the date of actual withdrawal or termination from the ETP CLP Program.

(p) The ETP CLP Program will be effective for a one year pilot period that will commence when the ETP CLP Program is implemented by Exchange acceptance of a CLP Company, on behalf of a CLP Security, and relevant ETP CLP into the ETP CLP Program and will end one year after implementation.