

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 11.8. Obligations of Market Makers

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

(d) Quotation Requirements and Obligations

(1) (No changes.)

(2) *Pricing Obligations.* For NMS stocks (as defined in Rule 600 under Regulation NMS) a Market Maker shall adhere to the pricing obligations established by this Rule during Regular Trading Hours; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor.

(A) *Bid Quotations.* At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage away from the then current NBB, or if no NBB, not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the NBB (or if no NBB, the last reported sale) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the NBB (or if no NBB, the last reported sale), or if the bid is executed or cancelled, the Market Maker shall enter new bid interest at a price not more than the Designated Percentage away from the then current NBB (or if no NBB, the last reported sale), or must be able to identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(B) *Offer Quotations.* At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be not more than the Designated Percentage away from the then current NBO, or if no NBO, not more than the Designated Percentage away from the last reported sale received from the responsible single plan processor. In the event that the NBO (or if no NBO, the last reported sale) decreases to a level that would cause the offer interest of the

Two-Sided Obligation to be more than the Defined Limit away from the NBO (or if no NBO, the last reported sale), or if the offer is executed or cancelled, the Market Maker shall enter new offer interest at a price not more than the Designated Percentage away from the then current NBO (or if no NBO, the last reported sale), or must be able to identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(C) The NBB and NBO, as defined in Rule 1.5, shall be determined by the Exchange in accordance with its procedures for determining Protected Quotations under Rule 600 under Regulation NMS.

(D) For purposes of this Rule, the term “Designated Percentage” shall mean the individual stock pause trigger percentage under the applicable rules of a primary listing market less:

(i) two (2) percentage points for securities that are included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products and for all other NMS stocks with a price equal to or greater than \$1 per share; and

(ii) twenty (20) percentage points for all NMS stocks with a price less than \$1 per share that are not included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products.

For times during Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market, the Designated Percentage [calculation will assume a trigger percentage of 22%] will be 20% for securities included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products. The Designated Percentage will remain the same throughout Regular Trading Hours for all other NMS stocks. [For NMS stocks that are not subject to such stock pause triggers the Designated Percentage will assume a trigger percentage of 32%.]

(E) For purposes of this Rule, the term “Defined Limit” shall mean the individual stock pause trigger percentage under the applicable rules of a primary listing market less:

(i) one-half (1/2) percentage point for securities that are included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products and for all other NMS stocks with a price equal to or greater than \$1 per share; and

(ii) eighteen and one-half (18.5) percentage points for all NMS stocks with a price less than \$1 per share that are not included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products.

For times during Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market, the Defined Limit [calculation will assume a trigger percentage of 22%] will be 21.5% for securities included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products. The Defined Limit will remain the same throughout Regular Trading Hours for all other NMS stocks. [For NMS stocks that are not subject to such stock pause triggers the Defined Limit calculation will assume a trigger percentage of 32%.]

(F) Nothing in this Rule shall preclude a Market Maker from quoting at price levels that are closer to the NBBO than the levels required by this Rule.

(G) The minimum quotation increment for quotations of \$1.00 or above shall be \$0.01. The minimum quotation increment in the System for quotations below \$1.00 shall be \$0.0001.

(e) The Exchange will, upon request from a Market Maker received prior to 9:00 a.m. (Eastern Time) on a day in which the Exchange is open for business, enter on behalf of such Market Maker a two-sided limit order in each security to which the request applies. Such bids and offers will be entered at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. Upon reaching the Defined Limit, a bid or offer entered pursuant to this paragraph will be cancelled and re-entered at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. If a bid or offer entered pursuant to this paragraph moves a specified number of percentage points away from the Designated Percentage towards the then current NBB or NBO, which number of percentage points will be determined and published in a circular distributed to Members from time to time, such bid or offer will be cancelled and re-entered at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. If a bid or offer entered pursuant to this paragraph is executed, the Exchange will re-enter a new bid or offer at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. Bids and offers entered by the Exchange pursuant to this paragraph will be designated as BATS Only Orders pursuant to Rule 11.9(c)(4), will be in the amount of one normal unit of trading each, and will be posted in the BATS Book during Regular Trading Hours unless cancelled by the Market Maker. In the event a Market Maker cancels the quotations entered by the Exchange in accordance with this paragraph, such Market Maker remains responsible for compliance with the requirements of paragraph (d). For purposes of this paragraph (e), the Exchange will apply the Designated Percentage and Defined Limit as set forth in paragraphs (D) and (E) above, subject to the following exception. For all NMS stocks with a price less than \$1 per share that are not included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products, the Exchange will use the Designated Percentage and Defined Limit applicable to NMS stocks equal to or greater than \$1 per share that are not included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products.

*Interpretations and Policies*

.01 The current primary listing market individual stock pause trigger percentage, Designated Percentage and Defined Limit described in paragraphs (d)(2)(D) and (d)(2)(E) of this Rule, respectively, are illustrated in the following table.

	<u>Security Type</u>	<u>Pause Trigger Percentage</u>	<u>Designated Percentage</u>	<u>Defined Limit</u>
<u>Regular Trading Hours when stock pause triggers are in effect under the rules of the primary listing market (i.e., between 9:45 a.m. and 3:35 p.m. Eastern Time)</u>	<u>S&amp;P 500® Index, Russell 1000® Index, and pilot list of Exchange Traded Products</u>	<u>10%</u>	<u>8%</u>	<u>9.5%</u>
	<u>Other NMS stocks, priced \$1 and above</u>	<u>30%</u>	<u>28%</u>	<u>29.5%</u>
	<u>Other NMS stocks, priced below \$1</u>	<u>50%</u>	<u>30%*</u>	<u>31.5%*</u>
<u>Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market (i.e., prior to 9:45 a.m. and after 3:35 p.m. Eastern Time)</u>	<u>S&amp;P 500® Index, Russell 1000® Index, and pilot list of Exchange Traded Products</u>	<u>Not applicable</u>	<u>20%</u>	<u>21.5%</u>
	<u>Other NMS stocks, priced \$1 and above</u>	<u>Not applicable</u>	<u>28%</u>	<u>29.5%</u>
	<u>Other NMS stocks, priced below \$1</u>	<u>Not applicable</u>	<u>30%*</u>	<u>31.5%*</u>

\* The optional process set forth in Rule 11.8(e), through which the Exchange will enter two-sided quotations on behalf of a Market Maker, will apply a Designated Percentage of 28% and a Defined Limit of 29.5% for all other NMS stocks, including other NMS stocks priced below \$1.

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Rule 11.18. Trading Halts Due to Extraordinary Market Volatility

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

*Interpretations and Policies*

.01-.04 (No changes.)

.05 The provisions of paragraph (d) of this Rule shall be in effect during a pilot set to end on the earlier of August 11, 2011 or the date on which a limit up / limit down mechanism to address extraordinary market volatility, if adopted, applies. During the pilot, the term “Circuit Breaker Securities” shall mean all NMS stocks [the securities included in the S&P 500<sup>®</sup> Index, the Russell 1000<sup>®</sup> Index, as well as a pilot list of Exchange Traded Products].

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