Note: Proposed new language is <u>underlined</u>. Proposed deletions are enclosed in [brackets].

Rules of BATS Exchange, Inc.

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CHAPTER XXI. TRADING SYSTEMS

Rule 21.1.   Definitions

(No change.)

(a)   (No changes.)

(1)-(2) (No changes.)

(3)   a data feed(s) that can be used to display <u>with or</u> without attribution to Options Members' MPIDs Displayed Orders on both the bid and offer side of the market for price levels then within BATS Options using the minimum price variation applicable to that security

(b)   (No changes.)

(c)   The term "Order" shall mean a single order submitted to the System by a User and shall include <u>both Attributable and Non-Attributable Orders, as defined below. The System shall treat all Orders as Non-Attributable Orders unless a User has entered instructions to treat such Orders as Attributable Orders.</u>[:]

(1)   "Attributable Orders[,]" [which] are orders that are designated for display (price and size) including the User's market participant identifier ("MPID");

(2)   "Non-Attributable Orders[,]" [which] are orders that are designated for display (price and size) on an anonymous basis by the Exchange.

(d)   The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1) – (2) (No changes.)

(3)   "Minimum Quantity Orders" are orders that require that a specified minimum quantity of contracts be obtained, or the order is cancelled. Minimum Quantity Orders will only execute against multiple, aggregated orders if such execution would occur simultaneously. The Exchange will only honor a specified minimum quantity on a [BATS]<u>Book</u> Only Order entered with a time-in-force designation of Immediate or Cancel and will disregard a minimum quantity on any other order.

(4)-(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-price sliding process as set forth in paragraph (h) below.

[(7)   "Destination Specific Orders" are market or limit orders that instruct the System to route the order to a specified away trading center, after exposing the order to the BATS Options Book. Destination Specific Orders that are not executed in full after routing away are processed by the Exchange as described in Rules 21.8 (Order Display and Book Processing) and 21.9 (Order Routing).]

[(8)](7)"[BATS]Book 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]options exchange. A [BATS]Book Only Order will be subject to the display-price sliding process unless a User has entered instructions not to use the display-price sliding process as set forth in paragraph (h) below.

[(9)](8)"[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]options exchange except that the order will not remove liquidity from the BATS Options Book, other than as described below. A [BATS] Post Only Order subject to the display-price sliding process under paragraph (h) below will execute against an order resting on the BATS Options Book if the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Options Book and subsequently provided liquidity. A [BATS] Post Only Order will be subject to the display-price sliding process unless a User has entered instructions not to use the display-price sliding process as set forth in paragraph (h) below.

[(10)](9) "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]options exchange except that the order will only remove liquidity from the BATS Options Book under the following circumstances:

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

(No changes.)

[(11)](10) "Intermarket Sweep Orders" or "ISO" are orders that shall have the meaning provided in Rule 27.1 (Definitions). Such orders may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges (*i.e.*, may trade through such quotations). The Exchange relies on the marking of an order by a User as an ISO order when handling such order, and thus, it is the entering Member's responsibility, not the Exchange's responsibility, to comply with the requirements relating to ISOs. ISOs are not eligible for routing pursuant to Rule 21.9 (Order Routing).

[(12)   "Directed Intermarket Sweep Orders" or "Directed ISOs" are ISOs entered by a User that bypass the System and are immediately routed by the Exchange to another options exchange specified by the User for execution. It is the entering Member's responsibility, not the Exchange's responsibility, to comply with the requirements relating to Intermarket Sweep Orders.]

[(13)](11) Stop Order. A Stop Order is an order that becomes a Market Order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the option occurs at, or above, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the option occurs at, or below, the specified stop price.

[(14)](12) Stop Limit Order. A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected when the consolidated last sale in the option occurs at, or above, the specified stop price. A Stop Limit Order to sell becomes a sell limit order when the consolidated last sale in the option occurs at, or below, the specified stop price

(e)   (No changes.)

(f)   The term "Time in Force" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1)   (No changes.)

(2)   "Immediate Or Cancel" or "IOC" shall mean, for an order so designated, a limit order that is to be executed in whole or in part as soon as such order is received[, and the]. The portion not so executed immediately on the Exchange or another options exchange is cancelled and is not posted to the BATS Options Book. IOC limit orders that are not designated as Book Only Orders and that cannot be executed in accordance with Rule 21.8 on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 21.9.

(3)-(4) (No changes.)

(5) "Fill-or-Kill" [(]or "FOK"[)]. A limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled. A limit order designated as FOK is not eligible for routing away pursuant to Rule 21.9.

(g) (No changes.)

(h) Display-Price Sliding.

(1)-(3) (No changes.)
(4) Any [BATS] Post Only Order subject to the display-price sliding process described in this paragraph (h) 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)](8) or cancelled. Any Partial Post Only at Limit Order subject to the display-price sliding process described in this paragraph (h) 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)](9) 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.

(i) Price Adjust.

(1)-(3) (No changes.)

(4) Any [BATS] Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be adjusted pursuant to the Price Adjust process described in this paragraph (i). 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)](9) or adjusted pursuant to the Price Adjust process described in this paragraph (i).

(j) (No changes.)

Rule 21.2. Days and Hours of Business

(a) (No changes.)

(b) Except as set forth in paragraph (a) above or in unusual conditions as may be determined by the Exchange, hours during which transactions in options on individual stocks may be made on BATS Options shall correspond to the normal business days and hours for

business set forth in the rules of the primary market trading the securities underlying <u>options traded on</u> BATS Options[options].

      (c)   (No changes.)

<p style="text-align:center">* * * * *</p>

Rule 21.6.   Entry of Orders

(No changes.)

      (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]<u>,</u> the display-price sliding process as defined in paragraph (h) of Rule 21.1 (Definitions)<u>, or the Price Adjust Process as defined in paragraph (i) of Rule 21.1</u> will be cancelled.

<p style="text-align:center">* * * * *</p>

Rule 21.8.   Order Display and Book Processing

(No changes.)

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

      <u>(d)   Match Trade Prevention. Pursuant to Rule 21.1(g), Users may direct that orders entered into the System not execute against orders entered under the same Unique Identifier. In such a case, the System will not permit such orders to execute against one another, regardless of priority ranking.</u>

Rule 21.9.   Order Routing

      (a)   General. For System securities, the order routing process shall be available to Users from 9:30 a.m. Eastern Time until market close, and shall route orders as follows. Users can designate orders as either available for routing or not available for routing. Orders designated as not available for routing shall follow the book processing rules set forth in Rule 21.8 (Order Display and Book Processing) above.

      (1)   *Routing to Away [Trading Centers]<u>Options Exchanges</u>*. Orders designated as available for routing will first check the BATS Options Book for available contracts for execution pursuant to Rule 21.8 (Order Display and Book Processing). After checking the BATS Options Book for available contracts, the System will designate orders as IOCs and will cause such orders to be routed to one or more options exchanges for potential execution, per the entering User's instructions. After the System receives responses to orders that were routed away, to the extent an order is not executed in full through the routing process, the System will process the balance of such order as follows. Depending

on parameters set by the User when the incoming order was originally entered, the System will either:

    (A) cancel the unfilled balance of the order back to the User;

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

    [(B)](C) repeat the process described above by executing against the BATS Options Book and/or routing to other options exchanges until the original, incoming order is executed in its entirety;

    [(C)](D) repeat the process described above by executing against the BATS Options Book and/or routing to other options exchanges until the original, incoming order is executed in its entirety, or, if not executed in its entirety and a limit order, post the unfilled balance of the order on the BATS Options Book if the order's limit price is reached; or

    [(D) repeat the process described above by executing against the BATS Options Book and/or routing to other options exchanges, provided that the System will check the BATS Options Book for liquidity at the order's limit price only one time, then route orders at that limit price to other options exchanges, and then cancel any unfilled balance of the order back to the User.]

    (E) [Notwithstanding the foregoing,] to the extent the System is unable to access a Protected Quotation and there are no other accessible Protected Quotations at the NBBO, the System will cancel the order back to the User, provided, however, that this provision will not apply to Protected Quotations published by an options exchange against which the Exchange has declared self-help pursuant to Rule 27.2(b)(1).

  (2) *Routing Options*. The System provides a variety of routing options. Routing options may be combined with all available order types and times-in-force, with the exception of order types and times-in-force whose terms are inconsistent with the terms of a particular routing option. The System will consider the quotations only of accessible markets. The term "System routing table" refers to the proprietary process for determining the specific options exchanges to which the System routes orders and the order in which it routes them. The Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. The System routing options are:

    (A) [(Reserved.)]

[(B)]   Parallel D. Parallel D is a routing option under which an order checks the System for available [shares]contracts and then is sent to destinations on the System routing table. The System may route to multiple destinations at a single price level simultaneously through Parallel D routing.

[(C)](B) Parallel 2D. Parallel 2D is a routing option under which an order checks the System for available [shares]contracts and then is sent to destinations on the System routing table. The System may route to multiple destinations and at multiple price levels simultaneously through Parallel 2D routing.

(C)   Destination Specific. Destination Specific is a routing option under which an order checks the System for available contracts and then is sent to a specified away options exchange.

(D)   [Parallel T. Parallel T is a routing option under which an order checks the System for available displayed shares and then is sent to destinations on the System routing table. Pursuant to Parallel T, orders route only to Protected Quotations and only for displayed size. The System may route to multiple destinations and at multiple price levels simultaneously through Parallel T routing.]Directed ISO. Directed ISO is a routing option under which an ISO entered by a User bypasses the System and is sent by the System to another options exchange specified by the User. It is the entering Member's responsibility, not the Exchange's responsibility, to comply with the requirements relating to Intermarket Sweep Orders.

[(E)   "Destination Specific Orders" and "Directed ISOs" are routed orders described in Rule 21.1.]

(3)   Re-Route Instructions. Unless otherwise specified, the Re-Route instructions set forth below may be combined with any of the System routing options specified in paragraph (a)(2) above.

(A)   Aggressive. To the extent the unfilled balance of a routable order has been posted to the BATS Options Book pursuant to paragraph (a)(2) above, should the order subsequently be locked or crossed by another accessible [Trading Center]options exchange, the System shall route the order to the locking or crossing [Trading Center]options exchange if the User has selected the Aggressive Re-Route instruction.

(B)   Super Aggressive. To the extent the unfilled balance of a routable order has been posted to the BATS Options Book pursuant to paragraph (a)(1) above, should the order subsequently be locked or crossed by another accessible [Trading Center]options exchange, the System shall route the order to the locking or crossing [Trading Center]options exchange if the User has selected the Super Aggressive Re-Route instruction.

(b)   Priority of Routed Orders. Orders [sent]that have been routed by the System to other options exchanges [do not retain time priority with respect to other orders in the System and the System shall continue to execute other orders while routed orders are away at another options exchange]are not ranked and maintained in the BATS Options Book pursuant to Rule 21.8, and therefore are not available to execute against incoming orders. Once routed by the System, an order becomes subject to the rules and procedures of the destination options exchange including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new time stamp reflecting the time of its return to the System.

(c)-(e) (No changes.)

(f)   *Market Access.* In addition to the Exchange Rules regarding routing to away [trading centers]options exchanges, BATS Trading, as defined in Rule 2.11, has, pursuant to Rule 15c3-5 under the Act, implemented certain tests designed to mitigate the financial and regulatory risks associated with providing the Exchange's Members with access to such away [trading centers]options exchanges. Pursuant to the policies and procedures developed by BATS Trading to comply with Rule 15c3-5, if an order or series of orders are deemed to be erroneous or duplicative, would cause the entering Member's credit exposure to exceed a preset credit threshold, or are non-compliant with applicable pre-trade regulatory requirements (as defined in Rule 15c3-5), BATS Trading will reject such orders prior to routing and/or seek to cancel any orders that have been route.

Rule 21.10.   Anonymity

(a)   The intra-day transaction reports produced by the System will indicate the details of the transactions, and shall not reveal contra party identities.

(b)-(c) (No changes.)

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Rule 21.15.   Data [Products]Dissemination

(a)   Dissemination of Quotations. The Exchange will disseminate to quotation vendors the highest bid and the lowest offer, and the aggregate quotation size associated therewith that is available, in accordance with the requirements of Rule 602 of Regulation NMS under the Exchange Act.

(b)   Exchange Data Products. The Exchange offers the following data products free of charge, except as otherwise noted in the Fee Schedule:

[(a)](1) Multicast PITCH. Multicast PITCH is an uncompressed data feed that offers depth of book quotations and execution information based on options orders entered into the System.

[(b)](2) DROP. DROP is an uncompressed data feed that offers information regarding the options trading activity of a specific Member. DROP is only available to the Member to whom the specific data relates and those recipients expressly authorized by the Member.

[(c)](3) Historical Data. Historical Data is a data product that offers historical options data.

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