

Note: Proposed new language is underlined.

Rules of BATS Exchange, Inc.

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CHAPTER XVI. GENERAL PROVISIONS – BATS OPTIONS

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CHAPTER XXI. TRADING SYSTEMS

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Rule 21.16. Risk Monitor Mechanism

(a) The System will maintain a counting program (“counting program”) for each User. A single User may configure a single counting program or multiple counting programs to govern its trading activity (i.e., on a per port basis). The counting program will count executions of contracts traded by each User [and in specific Option Categories (as defined below) by each User]. The counting program counts executions, contract volume and notional value, within a specified time period established by each User (the “specified time period”) and on an absolute basis for the trading day (“absolute limits”). The specified time period will commence for an option when a transaction occurs in any series in such option. [The counting program will count executions in the following “Options Categories”: front-month puts, front-month calls, back-month puts, and back-month calls (each an “Option Category”).] The counting program will also count a User’s executions, contract volume and notional value across all options which a User trades (“Firm Category”). [For the purposes of this Rule 21.16, a front-month put or call is an option that expires within the next two calendar months, including weeklies and other non-standard expirations, and a back-month put or call is an option that expires in any month more than two calendar months away from the current month]

(b)

(i) Risk Monitor Mechanism. The System will engage the Risk Monitor Mechanism in a particular option when the counting program has determined that a User’s trading has reached a Specified Engagement Trigger (as defined below) established by such User during the specified time period or on an absolute basis. When a Specified Engagement Trigger is reached in an option[Options Category], the Risk Monitor Mechanism will automatically remove such User’s orders in all series of the particular option and reject any additional orders from a User in such option until the counting program has been reset in accordance with paragraph (d) below. When a Specified Engagement Trigger is reached in the Firm Category, the Risk Monitor Mechanism will automatically remove such User’s orders in all series of all options and reject any additional orders from a User until the counting program has been reset in accordance with paragraph (d) below. The Risk Monitor Mechanism will also attempt to

cancel any orders that have been routed away to other options exchanges on behalf of the User. Unless otherwise instructed by the User, the Exchange will not allow a User to automatically reset the counting program when the Specified Engagement Trigger has been reached in the Firm Category and Users will instead need to contact the Exchange to request a reset.

(ii) Specified Engagement Triggers. Each User can, optionally, establish Engagement Triggers[in each Options Category,] per option[,] or in the Firm Category. Engagement Triggers can be set as follows:

(A) a contract volume trigger, measured against the number of contracts executed (the “volume trigger”);

(B) a notional value trigger, measured against the notional value of executions (“notional trigger”);

(C) an execution count trigger, measured against the number of executions (“count trigger”); and

(D) a percentage based trigger, measured against the number of contracts executed as a percentage of the number of contracts outstanding within a time period designated by the Exchange (“percentage trigger”). The percentage trigger specified shall be calculated as follows:

(1) the counting program shall first calculate, for each series of an option class, the percentage of a User’s order size in the specified class or a Market Maker’s quote size in the appointed class that is executed on each side of the market, including both displayed and non-displayed size;

(2) the counting program shall then sum the overall series percentages for the entire option class to calculate the percentage trigger.

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

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