

Proposed Rule Change by **BATS Exchange**  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial</b> <input checked="" type="checkbox"/>	<b>Amendment</b> <input type="checkbox"/>	<b>Withdrawal</b> <input type="checkbox"/>	<b>Section 19(b)(2)</b> <input type="checkbox"/>	<b>Section 19(b)(3)(A)</b> <input checked="" type="checkbox"/>	<b>Section 19(b)(3)(B)</b> <input type="checkbox"/>
			<b>Rule</b>		
<b>Pilot</b> <input type="checkbox"/>	<b>Extension of Time Period for Commission Action</b> <input type="checkbox"/>	<b>Date Expires</b> <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	<input type="checkbox"/> 19b-4(f)(5)
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(6)	<input checked="" type="checkbox"/> 19b-4(f)(3)
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
--	--

**Description**  
Provide a brief description of the proposed rule change (limit 250 characters).

Amendment to BATS rules to add definitions of Market Maker and Market Maker Authorized Trader and to add rules regarding the registration and obligations of Market Makers.

**Contact Information**  
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Eric"/>	Last Name	<input type="text" value="Swanson"/>
Title	<input type="text" value="SVP &amp; General Counsel"/>		
E-mail	<input type="text" value="eswanson@batstrading.com"/>		
Telephone	<input type="text" value="(212) 378-8523"/>	Fax	<input type="text" value="(212) 378-8550"/>

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date	<input type="text" value="09/19/2008"/>
By	<input type="text" value="Eric Swanson"/> (Name)
	<input type="text" value="SVP &amp; General Counsel"/> (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information**

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BATS”), proposes to amend Chapter XI of the BATS Rulebook to add four new rules regarding the registration and obligations of market makers and amend Rule 1.5 to add definitions of “Market Maker” and “Market Maker Authorized Trader.” BATS has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) of the Act.<sup>3</sup>

(a) The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

(a) The Board of Directors of the Exchange approved this proposed rule change on August 28, 2008. This action constitutes requisite approval under the Exchange’s By-Laws.

(b) Comments and questions regarding this rule filing may be directed to Eric Swanson, Senior Vice President and General Counsel of the Exchange at (212) 378-8523.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) Purpose

The purpose of the proposed rule change is to provide Members the ability to register as Market Makers and to provide for the regulation of Market Makers. Registration as a Market Maker will be purely optional. The process for registration as a Market Maker is contained in Proposed Rule 11.5, which provides that applicants must file applications in such form as the Exchange may prescribe. Applicants will be reviewed by the Exchange, which will consider factors including the capital, operations, personnel, technical resources, and disciplinary history of the applicant. Each Market Maker must have and maintain the minimum net capital of at least the amount required by Rule 15c3-1 of the Act.<sup>4</sup> Pursuant to the Proposed Rule, an applicant's registration as a Market Maker will become effective upon receipt by the Member of the Exchange's notice of approval of registration. The Proposed Rule also provides that the registration of a Market Maker may be suspended or terminated by the Exchange if the Exchange determines that the Market Maker substantially or continually failed to engage in dealings in accordance with Exchange Rules, if the Market Maker fails to meet the minimum net capital conditions, or the Market Maker fails to maintain fair and orderly markets.

Proposed Rule 11.6 provides for the registration and obligations of Market Maker Authorized Traders ("MMATs"). The Exchange can register a person as a MMAT upon receiving an application in the form prescribed, and MMATs are permitted to enter orders only for the account of the Market Maker for which they are registered. MMATs may be

---

<sup>4</sup> 17 CFR 240.15c3-1.

officers, partners, employees or other associated persons of Members who are registered as Market Makers. To be eligible for registration as a MMAT, a person must complete the training and other programs required by the Exchange and successfully complete the General Securities Representative Examination (Series 7). Market Makers must ensure that their MMATs are properly qualified to perform market making activities. The Exchange may suspend or withdraw the registration of a MMAT if the Exchange determines that the person has caused the Market Maker to fail to comply with the securities laws or rules of the Exchange, if the person fails to perform his or her responsibilities properly, or fails to maintain fair and orderly markets. If a MMAT is suspended, the Market Maker may not allow the person to submit orders. In addition, the registration of a MMAT may be withdrawn upon the written request of the Member for which the MMAT is registered.

Proposed Rule 11.7 provides for the registration of Market Makers in a security. A Market Maker may become registered in a newly authorized security or in a security already admitted to dealings on the Exchange by filing a security registration form with the Exchange. In considering the approval of the registration of the Market Maker in a security, the Exchange may consider the financial resources available to the Market Maker, the Market Maker's experience in making markets, the Market Maker's operational capability, the maintenance and enhancement of competition among Market Makers in each security in which they are registered, the existence of clearing arrangements for the Market Maker's transactions, and the character of the market for the security. The Proposed Rule also provides that a Market Maker may voluntarily terminate its registration in a security by providing the Exchange with a written notice of

such termination. The Exchange may require a certain minimum prior notice period for such termination and may place other conditions on withdrawal and re-registration following withdrawal. The Exchange may suspend or terminate any registration of a Market Maker in a security whenever it determines that the Market Maker has not met any of its obligations or has failed to maintain fair and orderly markets.

Finally, Proposed Rule 11.8 sets out the obligations of Market Makers. In general, Market Makers must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange. The responsibilities of Market Makers include, among other things, maintaining continuous limit orders to buy and to sell for round lots in those securities in which the Market Maker is registered to trade. Market Makers will be responsible for the acts and omissions of its MMATs. If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealing as specified in this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of its registration. A Market Maker may apply to withdraw temporarily from its Market Maker status in the securities for which it is registered and must base this request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal.

These proposed rules will benefit all Exchange participants, because Market Makers will assist in the maintenance of fair and orderly markets, provide additional liquidity to the Exchange, and assist in preventing excess volatility.

(b) Statutory Basis

Approval of the rule changes proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a

national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>5</sup> In particular, the proposed changes are consistent with Section 6(b)(5) of the Act,<sup>6</sup> because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by creating greater liquidity in the Exchange market.

4. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change does not impose any burden on competition.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

---

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rules are based on the approved rules of another self-regulatory organization.<sup>7</sup> In addition, the proposed rules will benefit all Exchange participants, because Market Makers will assist in the maintenance of fair and orderly markets, provide additional liquidity to the Exchange, and assist in preventing excess volatility. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>8</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>9</sup> The Exchange believes that the proposed rule change should take effect immediately upon filing because it will effect a change that (1) does not significantly affect the protection of investors or the public interest, (2) does not impose any significant burden on competition and, (3) does not become operative for 30 days after the date of this filing. In accordance with Rule 19b-4(f)(6)(iii),<sup>10</sup> the Exchange submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

The Exchange's proposed rules regarding the registration and obligations of Market Makers are based on the rules of the National Stock Exchange regarding the registration and obligations of market makers.

---

<sup>7</sup> See NSX Rules 1.5 and 11.5 through 11.8

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4.

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

9. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BATS-2008-005)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend BATS Rulebook Chapter XI to Add Four New Rules Regarding the Registration and Obligations of Market Makers and Amend Rule 1.5 to Add Definitions of “Market Maker” and “Market Maker Authorized Trader.”

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 19, 2008, BATS Exchange, Inc. (“BATS” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. BATS has designated the proposed rule change as constituting a non-controversial rule change under Rule 19b-4(f)(6) under the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to amend Chapter XI of the BATS Rulebook to add four new rules which would provide for the registration and obligations of market makers, as well as amending Rule 1.5 to add the definitions of “Market Maker” and “Market Maker Authorized Trader.”

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is available at the Exchange's website at <http://www.batstrading.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to provide Members the ability to register as Market Makers and to provide for the regulation of Market Makers. The process for registration as a Market Maker is contained in Proposed Rule 11.5, which provides that applicants must file applications in such form as the Exchange may prescribe. Applicants will be reviewed by the Exchange, which will consider factors including the capital, operations, personnel, technical resources, and disciplinary history of the applicant. Each Market Maker must have and maintain the minimum net capital of at least the amount required by Rule 15c3-1 of the Exchange Act.<sup>4</sup> Pursuant to the Proposed Rule, an applicant's registration as a Market Maker will become effective upon receipt by the Member of the Exchange's notice of approval of registration. The

---

<sup>4</sup> 17 CFR 240.15c3-1.

Proposed Rule also provides that the registration of a Market Maker may be suspended or terminated by the Exchange if the Exchange determines that the Market Maker substantially or continually failed to engage in dealings in accordance with Exchange Rules, if the Market Maker fails to meet the minimum net capital conditions, or the Market Maker fails to maintain fair and orderly markets.

Proposed Rule 11.6 provides for the registration and obligations of Market Maker Authorized Traders (“MMATs”). The Exchange can register a person as a MMAT upon receiving an application in the form prescribed, and MMATs are permitted to enter orders only for the account of the Market Maker for which they are registered. MMATs may be officers, partners, employees or other associated persons of Members who are registered as Market Makers. To be eligible for registration as a MMAT, a person must complete the training and other programs required by the Exchange and successfully complete the General Securities Representative Examination (Series 7). Market Makers must ensure that their MMATs are properly qualified to perform market making activities. The Exchange may suspend or withdraw the registration of a MMAT if the Exchange determines that the person has caused the Market Maker to fail to comply with the securities laws or rules of the Exchange, if the person fails to perform his or her responsibilities properly, or fails to maintain fair and orderly markets. If a MMAT is suspended, the Market Maker may not allow the person to submit orders. In addition, the registration of a MMAT may be withdrawn upon the written request of the Member for which the MMAT is registered.

Proposed Rule 11.7 provides for the registration of Market Makers in a security. A Market Maker may become registered in a newly authorized security or in a security

already admitted to dealings on the Exchange by filing a security registration form with the Exchange. In considering the approval of the registration of the Market Maker in a security, the Exchange may consider the financial resources available to the Market Maker, the Market Maker's experience in making markets, the Market Maker's operational capability, the maintenance and enhancement of competition among Market Makers in each security in which they are registered, the existence of clearing arrangements for the Market Maker's transactions, and the character of the market for the security. The Proposed Rule also provides that a Market Maker may voluntarily terminate its registration in a security by providing the Exchange with a written notice of such termination. The Exchange may require a certain minimum prior notice period for such termination and may place other conditions on withdrawal and re-registration following withdrawal. The Exchange may suspend or terminate any registration of a Market Maker in a security whenever it determines that the Market Maker has not met any of its obligations or has failed to maintain fair and orderly markets.

Finally, Proposed Rule 11.8 sets out the obligations of Market Makers. In general, Market Makers must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange. The responsibilities of Market Makers include, among other things, maintaining continuous limit orders to buy and to sell for round lots in those securities in which the Market Maker is registered to trade. Market Makers will be responsible for the acts and omissions of its MMATs. If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealing as specified in this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of its

registration. A Market Maker may apply to withdraw temporarily from its Market Maker status in the securities for which it is registered and must base this request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal.

These proposed rules will benefit all Exchange participants, because Market Makers will assist in the maintenance of fair and orderly markets, provide additional liquidity to the Exchange, and assist in preventing excess volatility.

## 2. Statutory Basis

The Exchange believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>5</sup> In particular, the proposed changes are consistent with Section 6(b)(5) of the Act,<sup>6</sup> because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by creating greater liquidity in the Exchange market.

### (B) Self-Regulatory Organization's Statement of Burden on Competition

The Exchange does not believe that the proposed rule changes impose any burden on competition.

### (C) Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Changes Received from Members, Participants or Others

No written comments were solicited or received.

---

<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

III. Date of Effectiveness of the Proposed Rule Changes and Timing for Commission Action

The proposed rules are based on the approved rules of another self-regulatory organization.<sup>7</sup> In addition, the Exchange believes that the proposed rules will benefit all Exchange participants, because Market Makers will assist in the maintenance of fair and orderly markets, provide additional liquidity to the Exchange, and assist in preventing excess volatility. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>8</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>9</sup> In accordance with Rule 19b-4(f)(6)(iii),<sup>10</sup> the Exchange submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.

Because the foregoing proposed rule change is non-controversial and does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>11</sup> and Rule 19b-4(f)(6) thereunder.<sup>12</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission

---

<sup>7</sup> See NSX Rules 1.5 and 11.5 through 11.8

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4.

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>12</sup> 17 CFR 240.19b-4(f)(6).

that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BATS-2008-005 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-BATS-2008-005. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. Copies of such filing will also be available for inspection and

copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-BATS-2008-005 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Florence E. Harmon  
Acting Secretary

---

<sup>13</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

**RULES  
OF  
BATS EXCHANGE, INC.**

\* \* \* \* \*

Rule 1.5. Definitions

(k) Market Maker

The term “Market Maker” shall mean a Member that acts as a Market Maker pursuant to Chapter XI.

(l) Market Maker Authorized Trader

The term “Market Maker Authorized Trader” or “MMAT” shall mean an authorized trader who performs market making activities pursuant to Chapter XI on behalf of a Market Maker.

(m)[k] Member

(No change in text.)

(n)[l] NBB, NBO and NBBO

(No change in text.)

(o)[m] Person

(No change in text.)

(p)[n] Person Associated with a Member

(No change in text.)

(q)[o] Pre-Opening Session

(No change in text.)

(r)[p] Protected NBB, Protected NBO and Protected NBBO

(No change in text.)

(s)[q] Protected Bid, Protected Offer and Protected Quotation

(No change in text.)

(t)[r] Qualified Clearing Agency

(No change in text.)

(u)[s] Registered Broker or Dealer

(No change in text.)

(v)[t] Regular Trading Hours

(No change in text.)

(w)[u] Sponsored Participant

(No change in text.)

(x)[v] Sponsoring Member

(No change in text.)

(y)[w] Statutory Disqualification

(No change in text.)

(z)[x] System

(No change in text.)

(aa)[y] Top of Book

(No change in text.)

(bb)[z] User

(No change in text.)

(cc)[aa] UTP Security

(No change in text.)

## Chapter XI. TRADING RULES

\* \* \* \* \*

### Rule 11.5. Registration of Market Makers

(a) An applicant for registration as a Market Maker shall file an application in writing on such form as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider such factors including, but not limited to capital, operations, personnel, technical resources, and disciplinary history. Each Market Maker must have and maintain minimum net capital of at least the amount required under Rule 15c3-1 of the Exchange Act.

(b) An applicant's registration as a Market Maker shall become effective upon receipt by the Member of notice of an approval of registration by the Exchange.

(c) The registration of a Market Maker may be suspended or terminated by the Exchange if the Exchange determines that:

(1) The Market Maker has substantially or continually failed to engage in dealings in accordance with Rule 11.8 or elsewhere in these Rules;

(2) The Market Maker has failed to meet the minimum net capital conditions set forth under paragraph (a) above; or

(3) The Market Maker has failed to maintain fair and orderly markets.

(d) Any registered Market Maker may withdraw its registration by giving written notice to the Exchange. The Exchange may require a certain minimum prior notice period for withdrawal, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interests of maintaining fair and orderly markets.

(e) Any person aggrieved by any determination under this Rule 11.5 or Rules 11.6 or 11.7 below may seek review under Chapter X of Exchange Rules governing adverse action.

(f) Registered Market Makers are designated as dealers on the Exchange for all purposes under the Exchange Act and the rules and regulations thereunder.

### Rule 11.6. Obligations of Market Maker Authorized Traders

(a) General. MMATs are permitted to enter orders only for the account of the Market Maker for which they are registered.

(b) Registration of Market Maker Authorized Traders. The Exchange may, upon receiving an application in writing from a Market Maker on a form prescribed by the Exchange, register a person as a MMAT.

(1) MMATs may be officers, partners, employees or other associated persons of Members that are registered with the Exchange as Market Makers.

(2) To be eligible for registration as a MMAT, a person must successfully complete the General Securities Representative Examination (Series 7) and any other training and/or certification programs as may be required by the Exchange.

(3) The Exchange may require a Market Maker to provide any and all additional information the Exchange deems necessary to establish whether registration should be granted.

(4) The Exchange may grant a person conditional registration as a MMAT subject to any conditions it considers appropriate in the interests of maintaining a fair and orderly market.

(5) A Market Maker must ensure that a MMAT is properly qualified to perform market making activities, including but not limited to ensuring the MMAT has met the requirements set forth in paragraph (b)(2) of this Rule.

(c) Suspension or Withdrawal of Registration.

(1) The Exchange may suspend or withdraw the registration previously given to a person to be a MMAT if the Exchange determines that:

(A) the person has caused the Market Maker to fail to comply with the securities laws, rules and regulations or the By-Laws, Rules and procedures of the Exchange;

(B) the person is not properly performing the responsibilities of a MMAT;

(C) the person has failed to meet the conditions set forth under paragraph (b) above; or

(D) the MMAT has failed to maintain fair and orderly markets.

(2) If the Exchange suspends the registration of a person as a MMAT, the Market Maker must not allow the person to submit orders into the System.

(3) The registration of a MMAT will be withdrawn upon the written request of the Member for which the MMAT is registered. Such written request shall be submitted on the form prescribed by the Exchange.

Rule 11.7. Registration of Market Makers in a Security

(a) A Market Maker may become registered in a newly authorized security or in a security already admitted to dealings on the Exchange by filing a security

registration form with the Exchange. Registration in the security shall become effective on the first business day following the Exchange's approval of the registration, unless otherwise provided by the Exchange. In considering the approval of the registration of the Market Maker in a security, the Exchange may consider:

- (1) the financial resources available to the Market Maker;
- (2) the Market Maker's experience, expertise and past performance in making markets, including the Market Maker's performance in other securities;
- (3) the Market Maker's operational capability;
- (4) the maintenance and enhancement of competition among Market Makers in each security in which they are registered;
- (5) the existence of satisfactory arrangements for clearing the Market Maker's transactions;
- (6) the character of the market for the security, e.g., price, volatility, and relative liquidity.

(b) Voluntary Termination of Security Registration. A Market Maker may voluntarily terminate its registration in a security by providing the Exchange with a written notice of such termination. The Exchange may require a certain minimum prior notice period for such termination, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interests of maintaining fair and orderly markets. A Market Maker that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action pursuant to Chapter VIII of these Rules.

(c) The Exchange may suspend or terminate any registration of a Market Maker in a security or securities under this Rule 11.7 whenever the Exchange determines that:

- (1) The Market Maker has not met any of its obligations as set forth in these Rules; or
- (2) The Market Maker has failed to maintain fair and orderly markets.

A Market Maker whose registration is suspended or terminated pursuant to this Rule 11.7(c) may seek review under Chapter X of Exchange Rules governing adverse action.

(d) Nothing in this Rule 11.7 will limit any other power of the Exchange under the By-Laws, Rules, or procedures of the Exchange with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule 11.7.

Rule 11.8. Obligations of Market Makers

(a) General. Members who are registered as Market Makers in one or more securities traded on the Exchange must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange in accordance with these Rules. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:

(1) Maintain continuous limit orders to buy and to sell for round lots in those securities in which the Market Maker is registered to trade;

(2) Remain in good standing with the Exchange and in compliance with all Exchange Rules applicable to it;

(3) Inform the Exchange of any material change in financial or operational condition or in personnel;

(4) Maintain a current list of MMATs who are permitted to enter orders on behalf of the Market Maker and provide an updated version of this list to the Exchange upon any change in MMATs; and

(5) Clear and settle transactions through the facilities of a registered clearing agency. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another Member that clears trades through such agency.

(b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during Regular Trading Hours on all days in which the Exchange is open for business.

(c) A Market Maker shall be responsible for the acts and omissions of its MMATs.

(d) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of the registration by the Exchange in one or more of the securities in which the Market Maker is registered. Nothing in this Rule 11.8 will limit any other power of the Exchange under the By-Laws, Rules, or procedures of the Exchange with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule 11.8. Any Member aggrieved by any determination under this Rule 11.8 may seek review under Chapter X of the Exchange Rules governing adverse action.

(e) Temporary Withdrawal. A Market Maker may apply to the Exchange to withdraw temporarily from its Market Maker status in the securities in which it is registered. The Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal. The Exchange will act promptly on such request.

Rule [11.5.]11.9. Orders and Modifiers

Users may enter into the System the types of orders listed in this Rule [11.5]11.9., subject to the limitations set forth in this Rule or elsewhere in these Rules.

## (a) General Order Types.

(1) (No change in text).

(2) **Market Order.** An order to buy or sell a stated amount of a security that is to be executed at the NBBO when the order reaches the Exchange. Market orders shall not trade through Protected Quotations. A market order that is designated as “BATS Only” will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule [11.9]11.13(a)(1). Market orders that are not designated as “BATS Only” and that cannot be executed in accordance with Rule [11.9]11.13(a)(1) on the System when reaching the Exchange will be eligible for routing away pursuant to Rule [11.9]11.13(a)(2).

(b) (No change in text.)

(c)

(1) – (3) (No change in text.)

(4) **BATS Only Order.** An order that is to be ranked and executed on the Exchange pursuant to Rule [11.8]11.12 and Rule [11.9]11.13(a)(1) or cancelled, without routing away to another trading center. (No other changes in text).

(5) **BATS Post Only Order.** An order that is to be ranked and executed on the Exchange pursuant to Rule [11.8]11.12 and Rule [11.9]11.13(a)(1) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the BATS Book. (No other changes in text).

(6) **Pegged Order.** A limit order that after entry into the System, the price of the order is automatically adjusted by the System in response to changes in the NBBO. A User entering a Pegged Order can specify that order’s price will either be inferior to or equal the inside quote by an amount set by the entering party on the same side of the market (a “Primary Pegged Order”) or offset the inside quote on the contra side of the market by an amount (the “Offset Amount”) set by the User (a “Market Pegged Order”). Pegged Orders are not eligible for routing pursuant to Rule [11.9]11.13(a)(2), and are not displayed on the Exchange. A new timestamp is created for the order each time it is automatically adjusted.

(7) **Mid-Point Peg Order.** A limit order that after entry into the System, the price of the order is automatically adjusted by the System in response to changes in the NBBO to be pegged to the mid-point of the NBBO, or, alternatively, pegged to the less aggressive of the midpoint of the NBBO or one minimum price variation inside the same side of the NBBO as the order. Mid-Point Peg Orders are not

eligible for routing pursuant to Rule [11.9]11.13(a)(2), and are not displayed on the Exchange. A new timestamp is created for the order each time it is automatically adjusted.

(8) – (9) (No change in text.)

(10) *Destination Specific Order.* A market or limit order that instructs the System to route the order to a specified away trading center, after exposing the order to the BATS Book. Destination Specific Orders that are not executed in full after routing away are processed by the Exchange as described below in Rule [11.9]11.13(a)(2).

(11) *Modified Destination Specific Order.* A market or limit order that instructs the System to route the order to a specified away trading center or centers, as approved by the Exchange from time to time, without first exposing the order to the BATS Book. Modified Destination Specific Orders that are not executed in full after routing away receive a new timestamp upon return to the Exchange and are processed by the Exchange as described below in Rule [11.9]11.13(a)(2).

(d) Intermarket Sweep Orders.

(1) The System will accept incoming Intermarket Sweep Orders (“ISO”) (as such term is defined in Regulation NMS). In order to be eligible for treatment as an Intermarket Sweep Order, the limit order must be marked “ISO” and the User entering the order must simultaneously route one or more additional limit orders marked “ISO,” as necessary, to away markets to execute against the full displayed size of any Protected Quotation for the security with a price that is superior to the limit price of the Intermarket Sweep Order entered in the System. Such orders, if they meet the requirements of the foregoing sentence, may be executed at one or multiple price levels in the system without regard to Protected Quotations at away markets consistent with Regulation NMS (*i.e.*, may trade through such quotations). The Exchange relies on the marking of an order 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 of Regulation NMS relating to Intermarket Sweep Orders. ISOs are not eligible for routing pursuant to Rule [11.9]11.13(a)(2).

(No other changes in text.)

Rule [11.6.]11.10. Units of Trading

(No change in text.)

Rule [11.7.]11.11. Price Variations

(No change in text.)

Rule [11.8.]11.12. Priority of Orders

(a) *Ranking.* (No change in text.)

(1) (No change in text.)

(2) (No change in text.)

(A) – (E) (No change in text.)

(F) Discretionary portion of Discretionary Orders as set forth in

Rule [11.5]11.9(c)(8).

(No other changes in text.)

Rule [11.9.]11.13. Order Execution

Subject to the restrictions on short sales under these Exchange Rules or the Act and the rules and regulations thereunder, orders shall be matched for execution in accordance with this Rule [11.9]11.13. For any execution to occur during Regular Trading Hours, however, the price must be equal to or better than the Protected NBBO, unless the order is marked ISO or unless the execution falls within another exception set forth in Rule 611(b) of Regulation NMS. For any execution to occur during Pre-Opening Session Hours, the price must be equal to or better than the highest Protected Bid or lowest Protected Offer. For purposes of this Rule [11.9]11.13, any order falling within the parameters of this paragraph shall be referred to as “executable”.

(a) Execution and Routing.

(1) (No change in text.)

(2) *Routing to Away Trading Centers.* (No change in text).

(A) Routing of Market Orders. The System will designate market orders as IOC ISOs and will cause such orders to be routed for execution to one or more Protected Quotations at other market centers that are better than the Exchange’s quote for at least the full displayed size of the Protected Quotation(s) or the balance of the order, or, if Destination Specific Orders, will cause such orders to be routed as IOC orders to the specified market center regardless of whether such market center is displaying a better priced Protected Quotation. 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: (i) process the unfilled balance of an order as a BATS Only Order pursuant to Rule [11.5]11.9(c)(4), or (ii) repeat the process described in paragraph (a)(1) above and this paragraph (a)(2)(A) by executing against the BATS Book and/or routing orders to other market centers until the original, incoming order is executed in its entirety.

(B) **Routing of Marketable Limit Orders.** The System will designate limit orders as IOC ISOs and will cause such orders to be routed for execution to one or more Protected Quotations at other market centers that are better than the Exchange's quote for at least the full displayed size of the Protected Quotation(s) or the balance of the order, or, if Destination Specific Orders, will cause such orders to be routed as IOC orders to the specified market center regardless of whether such market center is displaying a better priced Protected Quotation. 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: (i) process the unfilled balance of an order as a BATS Only Order pursuant to Rule [11.5]11.9(c)(4), or (ii) repeat the process described in paragraph (a)(1) above and this paragraph (a)(2)(B) by executing against the BATS Book and/or routing orders to other market centers until the original, incoming order is executed in its entirety or its limit price is reached. If the order's limit price is reached, the order will be posted in the BATS Book.

(b) *Priority of Routed Orders.* Orders sent by the System to other markets 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 market center. Once routed by the System, an order becomes subject to the rules and procedures of the destination market including, but not limited to, short-sale regulation and order cancellation. Requests from Users to cancel their orders while the order is routed away to another trading center and remains outside the System shall be processed, subject to the applicable trading rules of the relevant trading center. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new timestamp reflecting the time of its return to the System. Following the routing process described above, unless the terms of the order direct otherwise, any unfilled portion of the order originally entered into the System shall be ranked in the BATS Book in accordance with the terms of such order under Rule [11.8]11.12 and such order shall be eligible for execution under this Rule [11.9]11.13.

(No other changes in text.)

Rule [11.10.]11.14. Trade Execution and Reporting

(No change in text.)

Rule [11.11.]11.15. Clearance and Settlement; Anonymity

(No change in text.)

Rule [11.12.]11.16. LIMITATION OF LIABILITY

(No change in text.)

Rule [11.13.]11.17. Clearly Erroneous Executions

(a) *Definition.* For purposes of this Rule [11.13]11.17., the terms of a transaction executed on the Exchange are “clearly erroneous” when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties may be removed, if the parties do not object, subject to the approval of the Exchange.

(b) *Request for Exchange Review.* A Member that receives an execution on an order that was submitted erroneously to the Exchange for its own or customer account may request that the Exchange review the transaction under this Rule [11.13]11.17. Such request for review shall be made via telephone and by e-mail and submitted within thirty (30) minutes of the trade in question. Once a request is submitted, it may not be withdrawn without the consent of both parties to the trade. The request should contain the name of the Member, time(s) of the trade, the symbol(s), the quantity, the side (bought or sold), the price and the requested resolution (break trade or adjust price to what new price). Upon receipt, the counterparty to the trade, if any, shall be notified by the Exchange as soon as practicable. Thereafter, an Officer of the Exchange or such other designee of the Exchange (“Official”) shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Each party to the transaction shall provide any supporting written information as may be reasonably requested by Official to aid resolution of the matter within thirty (30) minutes of the request for review. Either party to the disputed trade may request the supporting written information provided by the other party on the matter.

(c) Review Procedures.

(1) *Determination by Official.* (No changes in text.)

(2) *Appeal.* If a Member affected by a determination made under this Rule [11.13]11.17 so requests within the time permitted below, the Clearly Erroneous Execution Panel (“CEE Panel”) will review decisions made by the Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct adjustment was made; provided however that the CEE Panel will not review decisions made by an Officer under subsection (d) of this Rule if such Officer also determines under subsection (d) of this Rule that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest.

(A) – (D) (No changes in text.)

(E) If the CEE Panel votes to uphold the decision made pursuant to Rule [11.13]11.17(c)(1), the Exchange will assess a \$500.00 fee against the Member(s) who initiated the request for appeal.

(No other changes in text.)

Rule [11.14.]11.18. Trading Halts Due to Extraordinary Market Volatility

(a) – (d) (No changes in text.)

Commentary:

.01 (No change in text.)

.02 The restrictions in this Rule [11.14]11.18 will apply whenever the Dow Jones Industrial Average reaches the trigger values notwithstanding the fact that at any given time, the calculation of the value of the average may be based on the prices of less than all of the stocks included in the average.

.03 The reopening of trading following a trading halt under this Rule [11.14]11.18 will be conducted pursuant to procedures adopted by the Exchange and communicated by notice to its Members.

.04 Nothing in this Rule [11.14]11.18 should be construed to limit the ability of the Exchange to otherwise halt or suspend the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange Rule or policy.

Rule [11.15.]11.19. Short Sales

(No change in text.)

Rule [11.16.]11.20. Locking or Crossing Quotations in NMS Stocks

(a) *Definitions*. For purposes of this Rule [11.16]11.20, the following definitions shall apply:

(No other changes in text.)