

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 26	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2011 - * 016 Amendment No. (req. for Amendments *)
----------------	--	--

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

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

Proposal to extend a pilot program previously approved by the Commission related to Rule 11.18 (Trading Halts Due to Extraordinary Market Volatility) to include additional securities in the pilot by which such rule operates and to amend Rule 11.8 (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 \* Anders Last Name \* Franzon  
 Title \* VP, Associate General Counsel  
 E-mail \* afranzon@batstrading.com  
 Telephone \* (913) 815-7154 Fax (913) 815-7119

**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 05/04/2011  
 By Anders Franzon (Name \*) VP, Associate 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.

Anders Franzon,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information (required)**

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 (required)**

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”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to extend a pilot program previously approved by the Commission related to Rule 11.18, entitled “Trading Halts Due to Extraordinary Market Volatility,” to include additional securities in the pilot by which such rule operates. The Exchange also proposes to amend Rule 11.8, entitled “Obligations of Market Makers,” to conform certain of the percentages thereunder consistent with the proposed changes to the pilot.

(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

The proposed rule filing was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on November 10, 2009. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of this proposal.

---

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

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

Questions regarding this rule filing may be directed to Eric Swanson, Senior Vice President and General Counsel of the Exchange at (913) 815-7000.

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

(a) Purpose

The Exchange proposes to extend a pilot program previously approved by the Commission related to Rule 11.18, entitled “Trading Halts Due to Extraordinary Market Volatility,” to include additional securities in the pilot by which such rule operates. The Exchange also proposes to amend Rule 11.8, entitled “Obligations of Market Makers,” to conform certain of the percentages thereunder consistent with the proposed changes to the pilot.

The Commission approved Rule 11.18(d) on a pilot basis on June 10, 2010 to allow the Exchange to pause trading in an individual stock when the primary listing market for such stock issues a trading pause due to extraordinary market volatility (“Trading Pause”) in a security included within the S&P 500® Index (“S&P 500”) (“Trading Pause Pilot” or “Pilot”).<sup>3</sup> The Exchange subsequently received approval to

---

<sup>3</sup> The Commission approved the Trading Pause Pilot for all equities exchanges and FINRA. See Securities Exchange Act Release No. 62252 (June 10, 2010), 75 FR 34186 (June 16, 2010) (File Nos. SR-BATS-2010-014; SR-EDGA-2010-01; SR-EDGX-2010-01; SR-BX-2010-037; SR-ISE-2010-48; SR-NYSE-2010-39; SR-NYSEAmex-2010-46; SR-NYSEArca-2010-41; SR-NASDAQ-2010-061; SR-CHX-2010-10; SR-NSX-2010-05; and SR-CBOE-2010-047) and Securities Exchange Act Release No. 62251 (June 10, 2010), 75 FR 34183 (June 16, 2010) (SR-FINRA-2010-025).

add to the Pilot the securities included in the Russell 1000<sup>®</sup> Index (“Russell 1000”) and a specified list of Exchange Traded Products (“ETPs”).<sup>4</sup>

The Exchange has continued to assess whether additional securities need to be added to the Pilot and whether the parameters of Rule 11.18 need to be modified to accommodate trading characteristics of different securities. In consultation with other markets and the staff of the Commission, the Exchange proposes to include all NMS stocks within the Pilot that are not already included therein. Accordingly, the Exchange proposes to modify the definition of “Circuit Breaker Securities” in Interpretation and Policy .05 to Rule 11.18 to include all NMS stocks. The Exchange is not proposing any other changes to the text of Rule 11.18 or the operation of the Pilot, and will continue to assess whether the parameters for invoking a Trading Pause continue to be appropriate and whether the parameters should be modified.<sup>5</sup>

---

<sup>4</sup> The Commission approved the addition to the Trading Pause Pilot of the securities included in the Russell 1000 and ETPs, where applicable, for all equities exchanges and FINRA. *See* Securities Exchange Act Release No. 62884 (September 10, 2010), 75 FR 56618 (September 16, 2010) (File Nos. SR-BATS-2010-018; SR-BX-2010-044; SR-CBOE-2010-065; SR-CHX-2010-14; SR-EDGA-2010-05; SR-EDGX-2010-05; SR-ISE-2010-66; SR-NASDAQ-2010-079; SR-NYSE-2010-49; SR-NYSEAmex-2010-63; SR-NYSEArca-2010-61; and SR-NSX-2010-08 and Securities Exchange Act Release No. 62883 (September 10, 2010), 75 FR 56608 (September 16, 2010) (SR-FINRA-2010-033). The Exchange submitted a proposed rule change shortly after the addition of the Russell 1000 securities and ETPs to extend the operation of the Pilot, which was set to expire on December 10, 2010, until April 11, 2011. *See* Securities Exchange Act Release No. 63497 (December 9, 2010), 75 FR 78315 (December 15, 2010) (SR-BATS-2010-037). More recently, the Exchange submitted a proposed rule change to extend the operation of the Pilot until 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. Securities Exchange Act Release No. 64207 (April 6, 2011), 76 FR 20424 (April 12, 2011).

<sup>5</sup> The Exchange notes that it does not currently calculate the percentage necessary for a Trading Pause to be issued, but instead relies on the primary listing market

The proposed changes to the Pilot, if approved, would require that the text of Rule 11.8(d)(2)(D) and (E), which pertain to the pricing obligations that Market Makers<sup>6</sup> are required to adhere to, be amended to ensure consistency with the percentage moves that will trigger a Trading Pause on the primary listing markets (a “Trigger Percentage”). Specifically, in order to adopt the proposed changes to the Pilot, the primary listing markets will apply different Trigger Percentages to the newly added securities, including 30% for NMS stocks priced equal to or greater than \$1 per share that are not included in the S&P 500, the Russell 1000 or the specified list of ETPs and 50% for NMS stocks priced below \$1 per share that are not included in the S&P 500, the Russell 1000 or the specified list of ETPs (“Low Priced Securities”). In order to accommodate this change, the Exchange proposes to modify the language of its quoting requirements for Market Makers, which are intended to be within the bounds of the Trigger Percentages.

---

for each security to perform such calculation and disseminate information if and when a Trading Pause is in effect. Nonetheless, the Exchange supports the percentages at which Trading Pauses will trigger, which are being concurrently proposed by the primary listing markets with respect to the NMS stocks that are being added to the Pilot. In particular, the proposed additional stocks are those not currently included in the S&P 500 Index, Russell 1000 Index, or specified ETPs, and therefore are more likely to be less liquid securities or securities with lower trading volumes. Accordingly, the Exchange agrees that broader percentages to trigger a Trading Pause would be appropriate. Similarly, because leveraged ETPs trade at a ratio against the associated index, a broader percentage to trigger a Trading Pause would also be appropriate for leveraged ETPs. Finally, the Exchange agrees that lower-priced securities should be governed by a broader percentage prior to triggering a Trading Pause than other NMS stocks because lower-priced securities may tend to be more volatile, and price movements of lower-priced stocks equate to a higher percentage move than a similar price change for a higher-priced stock.

<sup>6</sup> The term Market Maker means a Member that acts as a Market Maker on BATS pursuant to Chapter XI of the Exchange’s rules.

As set forth in the Exchange's current Rule, the pricing obligations applicable to quotations of Market Makers are based on the "Designated Percentage" and the "Defined Limit," which are determined based on the applicable Trigger Percentage. Currently, the Exchange's formula for calculating the Designated Percentage is the Trigger Percentage minus 2%. The current formula for calculating the Defined Limit is the Trigger Percentage minus 0.5%. The Exchange proposes to apply the existing formulas for calculating the Designated Percentage and Defined Limit to all NMS stocks other than Low Priced securities. Thus, there will be no change to the existing Designated Percentage of 8% and Defined Limit of 9.5% for securities included in the S&P 500, the Russell 1000 or the specified list of ETPs (or 20% and 21.5% when trading pauses are not in effect). For newly added NMS stocks priced \$1 or above, this formula will mean a Designated Percentage of 28% and a Defined Limit of 29.5%.

The Exchange proposes to add language stating that for Low Priced Securities the Designated Percentage will be 20 percentage points less than the Trigger Percentage and the Defined Limit will be 18.5 percentage points less than the Trigger Percentage. Accordingly, the Designated Percentage and Defined Limit would be 30% and 31.5%, respectively, for Low Priced Securities.

Similarly, and consistent with the rules of the primary listing markets, the Exchange proposes to state that with respect to securities included in S&P 500, the Russell 1000 or the specified list of ETPs, such products have different quotation requirements at the open and close of trading each day. Specifically, the Exchange proposes to state that with respect to such products, the quotation requirements apply with a Designated Percentage of 20% and a Defined Limit of 21.5% for times during

Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market. For all other NMS stocks, the Designated Percentage and Defined Limit will not change for the open or the close of trading.

The Exchange notes that part of this proposed change would be substantive, in that the percentages under Rule 11.8(d)(2)(D) and (E) would decrease slightly for the proposed new NMS stocks priced at \$1 or greater. The Exchange believes that this proposed substantive change would not have a significant impact on Market Maker pricing obligations and is reasonable because it would ensure that the designated quoting percentages in 11.18 are within a narrower range than the percentages necessary to trigger a Trading Pause.

The Exchange also proposes to modify Rule 11.8(e), which describes an optional functionality that the Exchange offers to Exchange Market Makers to assist such Market Makers with maintenance of their quotations under Rule 11.8. Specifically, for Market Makers that utilize the functionality, the Exchange enters bids and offers at the Designated Percentage and cancels and replaces the bid or offer if it drifts away from the NBBO to the Defined Limit or away from the Designated Percentage towards the NBBO by a number of percentage points determined by the Exchange. If a bid or offer entered pursuant to proposed paragraph (e) is executed, the Exchange will re-enter a new bid or offer on behalf of a Market Maker. In order to reduce the operational burden on the Exchange, the Exchange proposes to use the same Designated Percentage and Defined Limit for all NMS stocks that are being added to the Pilot regardless of the price per share of such stocks. Accordingly, for purposes of its optional quotation functionality, the Exchange will use a consistent Designated Percentage of 28% and a consistent



Defined Limit of 29.5% for all NMS stocks not included in S&P 500, the Russell 1000 or the specified list of ETPs. Market Makers managing their own quoting on the Exchange may still quote in accordance with the rule based on the Designated Percentage and Defined Limit established for Low Priced Securities (30% and 31.5%, respectively).

Finally, the Exchange proposes to simplify Rule 11.18 by adopting Interpretation and Policy .01, which will, in chart form, explicitly state the percentages that are applicable under the Rule for different types of securities and at different times.

(b) Statutory Basis

The Exchange believes that its 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) of the Act.<sup>7</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>8</sup> because it 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. The proposed rule change is also consistent with Section 11A(a)(1) of the Act<sup>9</sup> in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements because it expands the scope of the Pilot to cover all NMS stocks while adjusting the parameters of the rule for different securities in a manner that will promote uniformity across markets concerning decisions to pause trading in a security when there are significant price movements. Additionally,

---

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 15 U.S.C. 78k-1(a)(1).

the proposed changes would ensure that the designated quoting percentages in Rule 11.18 are within a narrower range than the percentages necessary to trigger a Trading Pause on a primary listing market.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

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

The Exchange requests that the Commission approve the proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act so that it may be operative on a pilot basis as soon as practicable. Because similar rule filings are being proposed by multiple market centers, the Exchange believes that this rule filing will increase transparency and uniformity regarding decisions to pause trading and reduce the negative impacts of sudden and unanticipated price movements in individual NMS stocks. In particular, the changes to Rule 11.18 are proposed to address the type of sudden price declines that the market experienced on the afternoon of May 6, 2010. As such, the Exchange does not believe that the proposal should be delayed, pending a brief implementation period for the markets, so that it may become operative as soon as

practicable. The Exchange further believes that the proposed changes to Rule 11.8 should be implemented in conjunction with the Trading Pause changes to ensure that the designated quoting percentages in Rule 11.8(d) are within a narrower range than the percentages necessary to trigger a Trading Pause.

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

Not applicable.

9. Exhibits

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

Exhibits 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-BATS-2011-016)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of a Proposed Rule Change to Extend Pilot Program Related to Trading Pauses Due to Extraordinary Market Volatility.

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 May 4, 2011, BATS Exchange, Inc. (the “Exchange” or “BATS”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. 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 filing with the Commission a proposal to extend a pilot program previously approved by the Commission related to Rule 11.18, entitled “Trading Halts Due to Extraordinary Market Volatility,” to include additional securities in the pilot by which such rule operates. The Exchange also proposes to amend Rule 11.8, entitled “Obligations of Market Makers,” to conform certain of the percentages thereunder consistent with the proposed changes to the pilot.

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

---

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

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

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 Exchange proposes to extend a pilot program previously approved by the Commission related to Rule 11.18, entitled "Trading Halts Due to Extraordinary Market Volatility," to include additional securities in the pilot by which such rule operates. The Exchange also proposes to amend Rule 11.8, entitled "Obligations of Market Makers," to conform certain of the percentages thereunder consistent with the proposed changes to the pilot.

The Commission approved Rule 11.18(d) on a pilot basis on June 10, 2010 to allow the Exchange to pause trading in an individual stock when the primary listing market for such stock issues a trading pause due to extraordinary market volatility ("Trading Pause") in a security included within the S&P 500® Index ("S&P 500") ("Trading Pause Pilot" or "Pilot").<sup>3</sup> The Exchange subsequently received approval to

---

<sup>3</sup> The Commission approved the Trading Pause Pilot for all equities exchanges and FINRA. See Securities Exchange Act Release No. 62252 (June 10, 2010), 75 FR 34186 (June 16, 2010) (File Nos. SR-BATS-2010-014; SR-EDGA-2010-01; SR-EDGX-2010-01; SR-BX-2010-037; SR-ISE-2010-48; SR-NYSE-2010-39; SR-NYSEAmex-2010-46; SR-NYSEArca-2010-41; SR-NASDAQ-2010-061; SR-

add to the Pilot the securities included in the Russell 1000<sup>®</sup> Index (“Russell 1000”) and a specified list of Exchange Traded Products (“ETPs”).<sup>4</sup>

The Exchange has continued to assess whether additional securities need to be added to the Pilot and whether the parameters of Rule 11.18 need to be modified to accommodate trading characteristics of different securities. In consultation with other markets and the staff of the Commission, the Exchange proposes to include all NMS stocks within the Pilot that are not already included therein. Accordingly, the Exchange proposes to modify the definition of “Circuit Breaker Securities” in Interpretation and Policy .05 to Rule 11.18 to include all NMS stocks. The Exchange is not proposing any other changes to the text of Rule 11.18 or the operation of the Pilot, and will continue to

---

CHX-2010-10; SR-NSX-2010-05; and SR-CBOE-2010-047) and Securities Exchange Act Release No. 62251 (June 10, 2010), 75 FR 34183 (June 16, 2010) (SR-FINRA-2010-025).

<sup>4</sup> The Commission approved the addition to the Trading Pause Pilot of the securities included in the Russell 1000 and ETPs, where applicable, for all equities exchanges and FINRA. *See* Securities Exchange Act Release No. 62884 (September 10, 2010), 75 FR 56618 (September 16, 2010) (File Nos. SR-BATS-2010-018; SR-BX-2010-044; SR-CBOE-2010-065; SR-CHX-2010-14; SR-EDGA-2010-05; SR-EDGX-2010-05; SR-ISE-2010-66; SR-NASDAQ-2010-079; SR-NYSE-2010-49; SR-NYSEAmex-2010-63; SR-NYSEArca-2010-61; and SR-NSX-2010-08 and Securities Exchange Act Release No. 62883 (September 10, 2010), 75 FR 56608 (September 16, 2010) (SR-FINRA-2010-033). The Exchange submitted a proposed rule change shortly after the addition of the Russell 1000 securities and ETPs to extend the operation of the Pilot, which was set to expire on December 10, 2010, until April 11, 2011. *See* Securities Exchange Act Release No. 63497 (December 9, 2010), 75 FR 78315 (December 15, 2010) (SR-BATS-2010-037). More recently, the Exchange submitted a proposed rule change to extend the operation of the Pilot until 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. Securities Exchange Act Release No. 64207 (April 6, 2011), 76 FR 20424 (April 12, 2011).

assess whether the parameters for invoking a Trading Pause continue to be appropriate and whether the parameters should be modified.<sup>5</sup>

The proposed changes to the Pilot, if approved, would require that the text of Rule 11.8(d)(2)(D) and (E), which pertain to the pricing obligations that Market Makers<sup>6</sup> are required to adhere to, be amended to ensure consistency with the percentage moves that will trigger a Trading Pause on the primary listing markets (a “Trigger Percentage”). Specifically, in order to adopt the proposed changes to the Pilot, the primary listing markets will apply different Trigger Percentages to the newly added securities, including 30% for NMS stocks priced equal to or greater than \$1 per share that are not included in the S&P 500, the Russell 1000 or the specified list of ETPs and 50% for NMS stocks priced below \$1 per share that are not included in the S&P 500, the Russell 1000 or the specified list of ETPs (“Low Priced Securities”). In order to accommodate this change,

---

<sup>5</sup> The Exchange notes that it does not currently calculate the percentage necessary for a Trading Pause to be issued, but instead relies on the primary listing market for each security to perform such calculation and disseminate information if and when a Trading Pause is in effect. Nonetheless, the Exchange supports the percentages at which Trading Pauses will trigger, which are being concurrently proposed by the primary listing markets with respect to the NMS stocks that are being added to the Pilot. In particular, the proposed additional stocks are those not currently included in the S&P 500 Index, Russell 1000 Index, or specified ETPs, and therefore are more likely to be less liquid securities or securities with lower trading volumes. Accordingly, the Exchange agrees that broader percentages to trigger a Trading Pause would be appropriate. Similarly, because leveraged ETPs trade at a ratio against the associated index, a broader percentage to trigger a Trading Pause would also be appropriate for leveraged ETPs. Finally, the Exchange agrees that lower-priced securities should be governed by a broader percentage prior to triggering a Trading Pause than other NMS stocks because lower-priced securities may tend to be more volatile, and price movements of lower-priced stocks equate to a higher percentage move than a similar price change for a higher-priced stock.

<sup>6</sup> The term Market Maker means a Member that acts as a Market Maker on BATS pursuant to Chapter XI of the Exchange’s rules.

the Exchange proposes to modify the language of its quoting requirements for Market Makers, which are intended to be within the bounds of the Trigger Percentages.

As set forth in the Exchange's current Rule, the pricing obligations applicable to quotations of Market Makers are based on the "Designated Percentage" and the "Defined Limit," which are determined based on the applicable Trigger Percentage. Currently, the Exchange's formula for calculating the Designated Percentage is the Trigger Percentage minus 2%. The current formula for calculating the Defined Limit is the Trigger Percentage minus 0.5%. The Exchange proposes to apply the existing formulas for calculating the Designated Percentage and Defined Limit to all NMS stocks other than Low Priced securities. Thus, there will be no change to the existing Designated Percentage of 8% and Defined Limit of 9.5% for securities included in the S&P 500, the Russell 1000 or the specified list of ETPs (or 20% and 21.5% when trading pauses are not in effect). For newly added NMS stocks priced \$1 or above, this formula will mean a Designated Percentage of 28% and a Defined Limit of 29.5%.

The Exchange proposes to add language stating that for Low Priced Securities the Designated Percentage will be 20 percentage points less than the Trigger Percentage and the Defined Limit will be 18.5 percentage points less than the Trigger Percentage. Accordingly, the Designated Percentage and Defined Limit would be 30% and 31.5%, respectively, for Low Priced Securities.

Similarly, and consistent with the rules of the primary listing markets, the Exchange proposes to state that with respect to securities included in S&P 500, the Russell 1000 or the specified list of ETPs, such products have different quotation requirements at the open and close of trading each day. Specifically, the Exchange



proposes to state that with respect to such products, the quotation requirements apply with a Designated Percentage of 20% and a Defined Limit of 21.5% for times during Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market. For all other NMS stocks, the Designated Percentage and Defined Limit will not change for the open or the close of trading.

The Exchange notes that part of this proposed change would be substantive, in that the percentages under Rule 11.8(d)(2)(D) and (E) would decrease slightly for the proposed new NMS stocks priced at \$1 or greater. The Exchange believes that this proposed substantive change would not have a significant impact on Market Maker pricing obligations and is reasonable because it would ensure that the designated quoting percentages in 11.18 are within a narrower range than the percentages necessary to trigger a Trading Pause.

The Exchange also proposes to modify Rule 11.8(e), which describes an optional functionality that the Exchange offers to Exchange Market Makers to assist such Market Makers with maintenance of their quotations under Rule 11.8. Specifically, for Market Makers that utilize the functionality, the Exchange enters bids and offers at the Designated Percentage and cancels and replaces the bid or offer if it drifts away from the NBBO to the Defined Limit or away from the Designated Percentage towards the NBBO by a number of percentage points determined by the Exchange. If a bid or offer entered pursuant to proposed paragraph (e) is executed, the Exchange will re-enter a new bid or offer on behalf of a Market Maker. In order to reduce the operational burden on the Exchange, the Exchange proposes to use the same Designated Percentage and Defined Limit for all NMS stocks that are being added to the Pilot regardless of the price per

share of such stocks. Accordingly, for purposes of its optional quotation functionality, the Exchange will use a consistent Designated Percentage of 28% and a consistent Defined Limit of 29.5% for all NMS stocks not included in S&P 500, the Russell 1000 or the specified list of ETPs. Market Makers managing their own quoting on the Exchange may still quote in accordance with the rule based on the Designated Percentage and Defined Limit established for Low Priced Securities (30% and 31.5%, respectively).

Finally, the Exchange proposes to simplify Rule 11.18 by adopting Interpretation and Policy .01, which will, in chart form, explicitly state the percentages that are applicable under the Rule for different types of securities and at different times.

## 2. Statutory Basis

The Exchange believes that its 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) of the Act.<sup>7</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act,<sup>8</sup> because it 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. The proposed rule change is also consistent with Section 11A(a)(1) of the Act<sup>9</sup> in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule meets these requirements because it expands the scope of the Pilot to cover all NMS stocks while adjusting the parameters of the rule for different

---

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

<sup>9</sup> 15 U.S.C. 78k-1(a)(1).

securities in a manner that will promote uniformity across markets concerning decisions to pause trading in a security when there are significant price movements. Additionally, the proposed changes would ensure that the designated quoting percentages in Rule 11.18 are within a narrower range than the percentages necessary to trigger a Trading Pause on a primary listing market.

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

The Exchange does not believe that the proposed rule change imposes any burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Because the foregoing proposed rule change 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>10</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>11</sup>

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

---

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

Commission 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-2011-016 on the subject line.

Paper Comments:

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

All submissions should refer to File No. SR-BATS-2011-016. 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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00

am and 3:00 pm. 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-2011-016 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>12</sup>

Cathy H. Ahn  
Deputy Secretary

---

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

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)-(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.

\* \* \* \* \*

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].

\* \* \* \* \*