

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 25	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 013 Amendment No. (req. for Amendments *)
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Filing 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 type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires * <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>
Section 806(e)(2) <input type="checkbox"/>	

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

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposal for the BATS Options Market to list and trade option contracts overlying 10 shares of a security ("Mini Options").

**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 action.

First Name \* Anders Last Name \* Franzon  
 Title \* VP, Associate General Counsel  
 E-mail \* afranzon@bats.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.

(Title \*)  
 VP, Associate General Counsel

Date 02/20/2013  
 By Anders Franzon (Name \*)

Anders Franzon,

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 EFFF website.

**Form 19b-4 Information \***

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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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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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, security-based swap submission, or advance notice 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**

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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**

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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**

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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**

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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**

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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 for the BATS Options Market (“BATS Options”) to list and trade option contracts overlying 10 shares of a security (“Mini Options”).

(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 change 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 BATS Exchange Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

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

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

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

The purpose of this proposed rule change is to amend BATS Rules 19.6 (Series of Options Contracts Open for Trading) and 21.4 (Meaning of Premium Quotes and Orders) to list and trade Mini Options overlying five (5) high-priced securities for which the standard contract overlying the same security exhibits significant liquidity. Specifically, the Exchange proposes to list Mini Options on SPDR S&P 500 (“SPY”), Apple, Inc. (“AAPL”), SPDR Gold Trust (“GLD”), Google Inc. (“GOOG”), and Amazon.com Inc. (“AMZN”).<sup>3</sup> The Exchange believes that this proposal would allow investors to select among options on various high-priced and actively traded securities, each with a unit of trading ten times lower than that of the regular-sized options contracts, or 10 shares, similar to other options exchanges.

For example, with AAPL trading at \$605.85 on March 21, 2012, (\$60,585 for 100 shares underlying a standard contract), the 605 level call expiring on March 23 was trading at \$7.65. The cost of the standard contract overlying 100 shares would be \$765, which is substantially higher in notional terms than the average equity option price of \$250.89.<sup>4</sup> Proportionately equivalent Mini Options contracts on AAPL would provide investors with the ability to manage and hedge their portfolio risk on their underlying investment, at a price of \$76.50 per contract. In addition, investors who hold a position

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<sup>3</sup> These issues were selected because they are priced greater than \$100 and are among the most actively traded issues, in that the standard contract exhibits average daily volume (“ADV”) over the previous three calendar months of at least 45,000 contracts, excluding LEAPS and FLEX series. The Exchange notes that any expansion of the program would require that a subsequent proposed rule change be submitted to the Commission.

<sup>4</sup> A high priced underlying security may have relatively expensive options, because a low percentage move in the share price may mean a large movement in the options in terms of absolute dollars. Average non-FLEX equity option premium per contract January 1 – December 31, 2011. See <http://www.theocc.com/webapps/monthly-volume-reports?reportClass=equity>.

in AAPL at less than the round lot size would still be able to avail themselves of options to manage their portfolio risk. For example, the holder of 50 shares of AAPL could write covered calls for five Mini Options contracts. The table below demonstrates the proposed differences between a Mini Options contract and a standard contract with a strike price of \$125 per share and a bid or offer of \$3.20 per share:

	<b>Standard</b>	<b>Mini</b>
Share Deliverable Upon Exercise	100 shares	10 shares
Strike Price	125	125
Bid/Offer	3.20	3.20
Premium Multiplier	\$100	\$10
Total Value of Deliverable	\$12,500	\$1,250
Total Value of Contract	\$320	\$32

The Exchange currently lists and trades standardized option contracts on a number of equities and Exchange-Traded Funds (“ETFs”), each with a unit of trading of 100 shares. Except for the difference in the deliverable of shares, the proposed Mini Options would have the same terms and contract characteristics as regular-sized equity and ETF options, including exercise style. All existing Exchange rules applicable to options on equities and ETFs would apply to Mini Options. With respect to position<sup>5</sup> and exercise limits, the applicable position and exercise limits applicable to Members are those limits permitted by another options exchange.<sup>6</sup> Further, hedge exemptions will

<sup>5</sup> Position limits applicable to a regular-sized option contract would also apply to the Mini Options on the same underlying security, with 10 Mini Option contracts counting as one regular-sized option contract and Mini Options on the same security will be combined for purposes of calculating positions.

<sup>6</sup> See BATS Rules 18.7 (Position Limits) and 18.9 (Exercise Limits).

apply to Members if such exemption is permitted by another exchange and that exchange's rules apply to the Member pursuant to BATS Rule 18.8.<sup>7</sup>

Also, of note, NYSE Arca, Inc. ("NYSE Arca") lists and trades option contracts overlying a number of shares other than 100.<sup>8</sup> Moreover, the concept of listing and trading parallel options products of reduced values and sizes on the same underlying security is not novel. For example, parallel product pairs on a full-value and reduced-value basis are currently listed on the S&P 500 Index ("SPX" and "XSP," respectively), the Nasdaq 100 Index ("NDX" and "MNX," respectively) and the Russell 2000 Index ("RUT" and "RMN," respectively).

The Exchange believes that the proposal to list Mini Options will not lead to investor confusion. There are two important distinctions between Mini Options and regular-sized options that are designed to ease the likelihood of any investor confusion. First, the premium multiplier for the proposed Mini Options will be 10, rather than 100, to reflect the smaller unit of trading. To reflect this change, the Exchange proposes to add language to BATS Rule 21.4(a) which notes that bids and offers for an option contract overlying 10 shares would be expressed in terms of dollars per 1/10<sup>th</sup> part of the total value of the contract. Thus, an offer of ".50" shall represent an offer of \$5.00 on an option contract having a unit of trading consisting of 10 shares. Second, the Exchange intends to designate Mini Options with different trading symbols than those designated for the regular sized contract. For example, while the trading symbol for regular option

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<sup>7</sup> See BATS Rule 18.8 (Exemptions from Position Limits).

<sup>8</sup> See Securities Exchange Act Release No. 44025 (February 28, 2001) 66 FR 13986 (March 8, 2001) (approving SR-PCX-01-12).

contracts for Apple, Inc. is AAPL, the Exchange proposes to adopt AAPL7 as the trading symbol for Mini Options on that same security.

The Exchange proposes to add BATS Rule 19.6 Interpretations and Policies .07 to reflect that after an option class on a stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security may be listed for all expirations opened for trading on the Exchange. Also, the Exchange is adding rule text to BATS Rule 19.6 Interpretations and Policies .07 to indicate that strike prices for Mini Options shall be set at the same level as for regular options. For example, a call series strike price to deliver 10 shares of stock at \$125 per share has a total deliverable value of \$1,250, and the strike price will be set at 125. Further, the Exchange proposes to add rule text to BATS Rule 19.6 Interpretations and Policies .07 to not permit the listing of additional series of Mini Options if the underlying is trading at \$90 or less to limit the number of strikes once the underlying is no longer a high priced security. The Exchange proposes a \$90.01 minimum for continued qualification so that additional series of Mini Options that correspond to standard strikes may be added even though the underlying has fallen slightly below the initial qualification standard. In addition, the underlying security must be trading above \$90 for five consecutive days before the listing of Mini Option contracts in a new expiration month. This restriction will allow the Exchange to list strikes in Mini Options without disruption when a new expiration month is added even if the underlying has had a minor decline in price. The same trading rules

applicable to existing equity and ETF options would apply, including Market Maker obligations, to Mini Options.<sup>9</sup>

The Exchange notes that by listing the same strike price for Mini Options as for regular options, the Exchange seeks to keep intact the long-standing relationship between the underlying security and an option strike price, thus allowing investors to intuitively grasp the option's value, i.e., when an option is in the money, at the money, or out of the money. The Exchange believes that by not changing anything but the multiplier and the option symbol, as discussed above, retail investors will be able to grasp the distinction between regular option contracts and Mini Options. The Exchange notes that The Options Clearing Corporation ("the OCC") Symbology is structured for contracts that have a deliverable of other than 100 shares to be designated with a numeric added to the standard trading symbol. Further, the Exchange believes that the contract characteristics of Mini Options are consistent with the terms of the Options Disclosure Document.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle the potential additional traffic associated with the listing and trading of Mini Options. The Exchange has further discussed the proposed listing and trading of Mini Options with the OCC, which has represented that it is able to accommodate the proposal. In addition, the Exchange would file a proposed rule change to adopt transaction fees specific to Mini Options for listing and trading Mini Options. The current options pricing in the fee schedule would not apply to Mini Options. The Exchange will not commence trading of mini-option

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<sup>9</sup> See BATS Rule 22.6(d).

contracts until specific fees for mini-options contracts trading have been filed with the Commission.

This filing is similar to approved filings by several other exchanges, including NYSE Arca and the International Securities Exchange LLC (“ISE”)<sup>10</sup> as well as an immediately effective filing by NASDAQ Stock Market LLC (“Nasdaq”),<sup>11</sup> to list and trade options contracts overlying 10 shares of certain securities.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>13</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that investors would benefit from the introduction and availability of Mini Options by making options on high priced securities more readily available as an investing tool at more affordable prices, particularly for average retail investors, who otherwise may not be able to participate in trading options on high priced

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<sup>10</sup> See Securities Exchange Act Release Nos. 67948 (September 28, 2012), 77 FR 60735 (October 4, 2012) (SR-NYSEArca-2012-64) (SR-ISE-2012-58). NYSE Arca and ISE received approval to list and trade options contracts overlying 10 shares of certain securities.

<sup>11</sup> See Securities Exchange Act Release No. 68720 (January 24, 2013), 78 FR 6382 (January 30, 2013) (SR-NASDAQ-2013-011). Notice of filing and immediate effectiveness to list and trade options contracts overlying 10 shares of certain securities.

<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

securities. The Exchange intends to adopt a different trading symbol to distinguish Mini Options from its currently listed option contracts and, therefore, eliminate investor confusion with respect to product distinction. Moreover, the proposed rule change is designed to protect investors and the public interest by providing investors with an enhanced tool to reduce risk in high priced securities. In particular, Mini Options would provide retail customers who invest in SPY, AAPL, GLD, GOOG, and AMZN in lots of less than 100 shares with a means of protecting their investments that is currently only available to those who have positions of 100 shares or more. Further, the proposed rule change is limited to just five high priced securities to ensure that only securities that have significant options liquidity and therefore, customer demand, are selected to have Mini Options listed on them.

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 not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to the NYSE Arca, ISE, and Nasdaq filings. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges.

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

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 believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)<sup>14</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>15</sup> 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. Mini Options are currently eligible to be traded on ISE, NYSE Arca, and Nasdaq.<sup>16</sup>

The Exchange believes that its rule change proposal is particularly appropriate for filing on an immediately effective basis under paragraph (f)(6) of Rule 19b-4. The rule changes proposed herein are based on recent rule changes to ISE, NYSE Arca, and Nasdaq rules,<sup>17</sup> and does not raise any new policy issues. Because this filing is a “copycat” of rules of other options exchanges and does not present any new or novel issues that have not been previously considered by the Commission, the Exchange believes this proposal is properly filed pursuant to paragraph (f)(6) of Rule 19b-4.<sup>18</sup>

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> See supra notes 10 and 11.

<sup>17</sup> Id.

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests the Commission to waive the noted operative delay because the Exchange believes that in order to remain competitive with ISE, NYSE Arca, and Nasdaq, the Exchange would need to also list and trade options contracts overlying 10 shares of certain securities as soon as it is able and therefore requests waiver of the operative delay.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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 Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

The proposed rule change is based on the rules of ISE, NYSE Arca, and Nasdaq.<sup>19</sup>

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

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<sup>19</sup> See supra notes 10 and 11.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. 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-2013-013)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Related to Mini Options.

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 February 20, 2013, 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 Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it 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 filed a proposal for the BATS Options Market (“BATS Options”) to list and trade option contracts overlying 10 shares of a security (“Mini Options”).

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.

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

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

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

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

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 this proposed rule change is to amend BATS Rules 19.6 (Series of Options Contracts Open for Trading) and 21.4 (Meaning of Premium Quotes and Orders) to list and trade Mini Options overlying five (5) high-priced securities for which the standard contract overlying the same security exhibits significant liquidity. Specifically, the Exchange proposes to list Mini Options on SPDR S&P 500 ("SPY"), Apple, Inc. ("AAPL"), SPDR Gold Trust ("GLD"), Google Inc. ("GOOG"), and Amazon.com Inc. ("AMZN").<sup>5</sup> The Exchange believes that this proposal would allow investors to select among options on various high-priced and actively traded securities, each with a unit of trading ten times lower than that of the regular-sized options contracts, or 10 shares, similar to other options exchanges.

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<sup>5</sup> These issues were selected because they are priced greater than \$100 and are among the most actively traded issues, in that the standard contract exhibits average daily volume ("ADV") over the previous three calendar months of at least 45,000 contracts, excluding LEAPS and FLEX series. The Exchange notes that any expansion of the program would require that a subsequent proposed rule change be submitted to the Commission.

For example, with AAPL trading at \$605.85 on March 21, 2012, (\$60,585 for 100 shares underlying a standard contract), the 605 level call expiring on March 23 was trading at \$7.65. The cost of the standard contract overlying 100 shares would be \$765, which is substantially higher in notional terms than the average equity option price of \$250.89.<sup>6</sup> Proportionately equivalent Mini Options contracts on AAPL would provide investors with the ability to manage and hedge their portfolio risk on their underlying investment, at a price of \$76.50 per contract. In addition, investors who hold a position in AAPL at less than the round lot size would still be able to avail themselves of options to manage their portfolio risk. For example, the holder of 50 shares of AAPL could write covered calls for five Mini Options contracts. The table below demonstrates the proposed differences between a Mini Options contract and a standard contract with a strike price of \$125 per share and a bid or offer of \$3.20 per share:

	<b>Standard</b>	<b>Mini</b>
Share Deliverable Upon Exercise	100 shares	10 shares
Strike Price	125	125
Bid/Offer	3.20	3.20
Premium Multiplier	\$100	\$10
Total Value of Deliverable	\$12,500	\$1,250
Total Value of Contract	\$320	\$32

The Exchange currently lists and trades standardized option contracts on a number of equities and Exchange-Traded Funds (“ETFs”), each with a unit of trading of 100 shares. Except for the difference in the deliverable of shares, the proposed Mini Options would have the same terms and contract characteristics as regular-sized equity

<sup>6</sup> A high priced underlying security may have relatively expensive options, because a low percentage move in the share price may mean a large movement in the options in terms of absolute dollars. Average non-FLEX equity option premium per contract January 1 – December 31, 2011. See <http://www.theocc.com/webapps/monthly-volume-reports?reportClass=equity>.

and ETF options, including exercise style. All existing Exchange rules applicable to options on equities and ETFs would apply to Mini Options. With respect to position<sup>7</sup> and exercise limits, the applicable position and exercise limits applicable to Members are those limits permitted by another options exchange.<sup>8</sup> Further, hedge exemptions will apply to Members if such exemption is permitted by another exchange and that exchange's rules apply to the Member pursuant to BATS Rule 18.8.<sup>9</sup>

Also, of note, NYSE Arca, Inc. ("NYSE Arca") lists and trades option contracts overlying a number of shares other than 100.<sup>10</sup> Moreover, the concept of listing and trading parallel options products of reduced values and sizes on the same underlying security is not novel. For example, parallel product pairs on a full-value and reduced-value basis are currently listed on the S&P 500 Index ("SPX" and "XSP," respectively), the Nasdaq 100 Index ("NDX" and "MNX," respectively) and the Russell 2000 Index ("RUT" and "RMN," respectively).

The Exchange believes that the proposal to list Mini Options will not lead to investor confusion. There are two important distinctions between Mini Options and regular-sized options that are designed to ease the likelihood of any investor confusion. First, the premium multiplier for the proposed Mini Options will be 10, rather than 100, to reflect the smaller unit of trading. To reflect this change, the Exchange proposes to

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<sup>7</sup> Position limits applicable to a regular-sized option contract would also apply to the Mini Options on the same underlying security, with 10 Mini Option contracts counting as one regular-sized option contract and Mini Options on the same security will be combined for purposes of calculating positions.

<sup>8</sup> See BATS Rules 18.7 (Position Limits) and 18.9 (Exercise Limits).

<sup>9</sup> See BATS Rule 18.8 (Exemptions from Position Limits).

<sup>10</sup> See Securities Exchange Act Release No. 44025 (February 28, 2001) 66 FR 13986 (March 8, 2001) (approving SR-PCX-01-12).

add language to BATS Rule 21.4(a) which notes that bids and offers for an option contract overlying 10 shares would be expressed in terms of dollars per 1/10<sup>th</sup> part of the total value of the contract. Thus, an offer of “.50” shall represent an offer of \$5.00 on an option contract having a unit of trading consisting of 10 shares. Second, the Exchange intends to designate Mini Options with different trading symbols than those designated for the regular sized contract. For example, while the trading symbol for regular option contracts for Apple, Inc. is AAPL, the Exchange proposes to adopt AAPL7 as the trading symbol for Mini Options on that same security.

The Exchange proposes to add BATS Rule 19.6 Interpretations and Policies .07 to reflect that after an option class on a stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security may be listed for all expirations opened for trading on the Exchange. Also, the Exchange is adding rule text to BATS Rule 19.6 Interpretations and Policies .07 to indicate that strike prices for Mini Options shall be set at the same level as for regular options. For example, a call series strike price to deliver 10 shares of stock at \$125 per share has a total deliverable value of \$1,250, and the strike price will be set at 125. Further, the Exchange proposes to add rule text to BATS Rule 19.6 Interpretations and Policies .07 to not permit the listing of additional series of Mini Options if the underlying is trading at \$90 or less to limit the number of strikes once the underlying is no longer a high priced security. The Exchange proposes a \$90.01 minimum for continued qualification so that additional series of Mini

Options that correspond to standard strikes may be added even though the underlying has fallen slightly below the initial qualification standard. In addition, the underlying security must be trading above \$90 for five consecutive days before the listing of Mini Option contracts in a new expiration month. This restriction will allow the Exchange to list strikes in Mini Options without disruption when a new expiration month is added even if the underlying has had a minor decline in price. The same trading rules applicable to existing equity and ETF options would apply, including Market Maker obligations, to Mini Options.<sup>11</sup>

The Exchange notes that by listing the same strike price for Mini Options as for regular options, the Exchange seeks to keep intact the long-standing relationship between the underlying security and an option strike price, thus allowing investors to intuitively grasp the option's value, i.e., when an option is in the money, at the money, or out of the money. The Exchange believes that by not changing anything but the multiplier and the option symbol, as discussed above, retail investors will be able to grasp the distinction between regular option contracts and Mini Options. The Exchange notes that The Options Clearing Corporation ("the OCC") Symbology is structured for contracts that have a deliverable of other than 100 shares to be designated with a numeric added to the standard trading symbol. Further, the Exchange believes that the contract characteristics of Mini Options are consistent with the terms of the Options Disclosure Document.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority ("OPRA") have the necessary systems capacity to handle the potential additional traffic

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<sup>11</sup> See BATS Rule 22.6(d).

associated with the listing and trading of Mini Options. The Exchange has further discussed the proposed listing and trading of Mini Options with the OCC, which has represented that it is able to accommodate the proposal. In addition, the Exchange would file a proposed rule change to adopt transaction fees specific to Mini Options for listing and trading Mini Options. The current options pricing in the fee schedule would not apply to Mini Options. The Exchange will not commence trading of mini-option contracts until specific fees for mini-options contracts trading have been filed with the Commission.

This filing is similar to approved filings by several other exchanges, including NYSE Arca and the International Securities Exchange LLC (“ISE”)<sup>12</sup> as well as an immediately effective filing by NASDAQ Stock Market LLC (“Nasdaq”),<sup>13</sup> to list and trade options contracts overlying 10 shares of certain securities.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>14</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>15</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the

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<sup>12</sup> See Securities Exchange Act Release Nos. 67948 (September 28, 2012), 77 FR 60735 (October 4, 2012) (SR-NYSEArca-2012-64) (SR-ISE-2012-58). NYSE Arca and ISE received approval to list and trade options contracts overlying 10 shares of certain securities.

<sup>13</sup> See Securities Exchange Act Release No. 68720 (January 24, 2013), 78 FR 6382 (January 30, 2013) (SR-NASDAQ-2013-011). Notice of filing and immediate effectiveness to list and trade options contracts overlying 10 shares of certain securities.

<sup>14</sup> 15 U.S.C. 78f(b).

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

mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that investors would benefit from the introduction and availability of Mini Options by making options on high priced securities more readily available as an investing tool at more affordable prices, particularly for average retail investors, who otherwise may not be able to participate in trading options on high priced securities. The Exchange intends to adopt a different trading symbol to distinguish Mini Options from its currently listed option contracts and, therefore, eliminate investor confusion with respect to product distinction. Moreover, the proposed rule change is designed to protect investors and the public interest by providing investors with an enhanced tool to reduce risk in high priced securities. In particular, Mini Options would provide retail customers who invest in SPY, AAPL, GLD, GOOG, and AMZN in lots of less than 100 shares with a means of protecting their investments that is currently only available to those who have positions of 100 shares or more. Further, the proposed rule change is limited to just five high priced securities to ensure that only securities that have significant options liquidity and therefore, customer demand, are selected to have Mini Options listed on them.

(B) 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 not necessary or appropriate in furtherance of the purposes of the Act. In this regard and as indicated above, the Exchange notes that the rule change is being proposed as a competitive response to the NYSE Arca, ISE, and Nasdaq filings. The Exchange believes this proposed rule change is necessary to permit fair competition among the options exchanges.

(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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>17</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 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-2013-013 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.

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

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

All submissions should refer to File No. SR-BATS-2013-013. 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 website (<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 website 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-2013-013 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>18</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>18</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.

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### CHAPTER XIX. SECURITIES TRADED ON BATS OPTIONS

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Rule 19.6. Series of Options Contracts Open for Trading

(a)-(f) (No changes.)

#### *Interpretations and Policies*

.01-.06 (No changes.)

#### .07 Mini Options Contracts

(a) After an option class on a stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, Exchange-Traded Fund Share, Trust Issued Receipt, Exchange Traded Note, and other Index Linked Security may be listed for all expirations opened for trading on the Exchange. Mini Option contracts may currently be listed on SPDR S&P 500 (“SPY”), Apple Inc. (“AAPL”), SPDR Gold Trust (“GLD”), Google Inc. (“GOOG”), and Amazon.com Inc. (“AMZN”).

(b) Strike prices for Mini Options shall be set at the same level as for regular options. For example, a call series strike price to deliver 10 shares of stock at \$125 per share has a total deliverable value of \$1250 and the strike price will be set at 125.

(c) No additional series of Mini Options may be added if the underlying security is trading at \$90 or less. The underlying security must trade above \$90 for five consecutive days prior to listing Mini Options contracts in an additional expiration month.

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### CHAPTER XXI. TRADING SYSTEMS

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Rule 21.4. Meaning of Premium Quotes and Orders

(a) General.

Except as provided in paragraph (b), orders shall be expressed in terms of dollars per unit of the underlying security. For example, a bid of “5” shall represent a bid of \$500 for an options contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of \$550 for an options contract having a unit of trading consisting of 110 shares of an underlying security.

(1) *Mini Options.* Bids and offers for an option contract overlying 10 shares shall be expressed in terms of dollars per 1/10<sup>th</sup> part of the total value of the contract. An offer of “.50” shall represent an offer of \$5.00 on an option contract having a unit of trading consisting of 10 shares.

(b) (No changes.)

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