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OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response............38

Page 1 of * 34

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2014 - * 003
Amendment No. (req. for Amendments *)

Filing by BATS Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☑ Section 19(b)(3)(A) * ☐ Section 19(b)(3)(B) * ☐

Rule
☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Pilot ☐ Extension of Time Period for Commission Action * ☐ Date Expires *

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

Proposal to modify the BATS Options opening process.

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.

Date 01/06/2014
By Anders Franzon
(Name *)

(Title *)
VP, Associate General Counsel

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.

Persona Not Validated - 1364234628553,

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * 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, 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 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"),[1] and Rule 19b-4 thereunder,[2] BATS Exchange, Inc. (the "Exchange" or "BATS") is filing with the Securities and Exchange Commission ("Commission") a proposed rule change to amend Rule 20.3, entitled "Trading Halts," Rule 20.4, entitled "Resumption of Trading After a Halt," and Rule 21.7, entitled "Market Opening Procedures" in order to modify the manner in which the Exchange's equity options trading platform ("BATS Options") opens trading at the beginning of the day and after trading halts.

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the Exchange on December 16, 2013. 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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[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

The purpose of the proposed rule changes is to amend Exchange Rules 20.3, 20.4, and 21.7 in order to allow BATS Options to accept orders and quotes in all options series prior to the first transaction in the underlying security on the primary listing market and during a halt, as well as to establish a process for matching such orders immediately prior to the opening of trading in such options series.

Currently, BATS Options does not accept any orders or quotes while trading is not open in an options class. This includes both prior to the first transaction in the underlying security on the primary listing market and during a halt. BATS Options currently opens trading in options: (i) after the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan; or (ii) any time after 9:30 a.m. Eastern Time where the Exchange determines that the interests of a fair and orderly market are best served by opening trading in the options contracts. With respect to index options, trading opens at 9:30 a.m. Eastern Time. The Exchange may also delay the commencement of trading in any class of options in the interests of a fair and orderly market. Upon a halt, the Exchange currently cancels all orders and quotes and trading does not resume upon the determination by the Exchange that the conditions that led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading, as provided under Rule 20.4.

The Exchange is proposing to amend its Rules in order to accept orders and quotes before trading is open for a given options series. Specifically, the Exchange is proposing to begin accepting orders and quotes in all series at 8:00 a.m. Eastern Time and immediately upon a Regulatory Halt[3] and will continue to accept orders and quotes until such time as the Opening Process[4] is initiated. Such orders and quotes will be queued for participation in the Opening Process, as further described below, and will not be eligible for execution until the Opening Process occurs. The Exchange will not accept IOC or WAIT orders for queuing prior to the completion of the Opening Process. Limit orders queued during this time will be disseminated via the Options Price Reporting Authority as non-firm quotes and via BATS Multicast PITCH. Market orders queued during this time will not be disseminated. Where trading is halted pursuant to Rule 20.3, but it is not due to a Regulatory Halt, there will be no Order Entry Period and trading will be resumed upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

The Exchange is also proposing to amend Rule 20.3(b) such that, upon a halt, all orders will be cancelled unless a User has entered instructions not to cancel its orders, at which point the System would queue such orders as part of the Order Entry Period.[5] The Exchange is also proposing to amend Rule 20.4 in order to reference Rule 21.7 as the process for which trading in an option that has been the subject of a halt shall be resumed.

As described above, the Exchange is proposing to accept orders and quotes prior to trading opening for a given series. Where there are no contracts in a particular series

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[3] As defined in proposed Rule 21.7(a), Regulatory Halt means trading being halted in an option series due to the primary listing market for the applicable underlying security declaring a regulatory trading halt, suspension, or pause with respect to such security.

[4] As defined in proposed Rule 21.7(a).

[5] As defined in proposed Rule 21.7(a).

that would execute at any price at the time that the Exchange would determine the Opening Price,[6] the Exchange will open such options for trading without determining an Opening Price. Where there is a price at which at least one contract would execute, the Exchange proposes that within thirty seconds after the First Listing Market Transaction[7] or the Regulatory Halt being lifted, it will determine the Opening Price as follows: (i) the NBBO Midpoint;[8] (ii) where there is no NBBO Midpoint at a Valid Price (as defined below), the last Print[9] in the series; or (iii) where there is both no NBBO Midpoint and no Print at a Valid Price, the Previous Close.[10] Where the NBBO Midpoint would be at a sub-penny increment, the Exchange will instead use the next highest non sub-penny increment as the NBBO Midpoint. For example, where the NBBO is $3.00 x $3.03, the Exchange will use $3.02 as the NBBO Midpoint instead of $3.015.

A Print, NBBO Midpoint, and Previous Close will be at a Valid Price where: (i) there is no NBB and no NBO; (ii) there is either a NBB and no NBO or a NBO and no NBB and the price is equal to or greater than the NBB or equal to or less than the NBO; or (iii) there is both a NBB and NBO, the price is equal to or within the NBBO, and the

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6 As defined in proposed Rule 21.7(a)(1), Opening Price means the single price at which a particular option series will be opened.

7 As defined in proposed Rule 21.7(a), First Listing Market Transaction means the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan.

8 As defined in proposed Rule 21.7(a)(1)(A), the NBBO Midpoint means the midpoint of the National Best Bid and the National Best Offer.

9 As defined in proposed Rule 21.7(a)(1)(B), Print means a regular way print disseminated pursuant to the OPRA Plan after 9:30 a.m. Eastern Time.

10 As defined in proposed Rule 21.7(a)(1)(C), Previous Close means the last regular way transaction from the previous trading day as disseminated pursuant to the OPRA Plan.

price is less than the following Minimum Amount away from the NBB or NBO for the series:

NBB	Minimum Amount
Below $2.00	$0.25
$2.00 to $5.00	$0.40
Above $5.00 to $10.00	$0.50
Above $10.00 to $20.00	$0.80
Above $20.00 to $50.00	$1.00
Above $50.00 to $100.00	$1.50
Above $100.00	$2.00

These thresholds are based on the standards from Rule 20.6 that define “Obvious Errors” and will prevent the cancellation of trades participating in the Opening Process due to an Obvious Error. Under Rule 20.6, an Obvious Error will be deemed to have occurred where: (i) a party notifies the Exchange of its belief that it participated in a transaction that was the result of an Obvious Error; and (ii) the “Theoretical Price” (i.e., the NBB with respect to a sell transaction and NBO with respect to a buy transaction) is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown in the chart above (as determined by the Theoretical Price instead of exclusively the NBB). Thus, where a party does not notify the Exchange of a transaction occurring as the result of an Obvious Error, the transaction will not be adjusted or busted.

As proposed, the Exchange believes that the thresholds will prevent Obvious Error transactions by ensuring that the Opening Price will always be within the Minimum Amount from either the NBB or NBO. For example, where the NBBO is $1.65 x $2.25, the Opening Price can be from $1.65-$1.90 or from $2.00-$2.25. The NBBO Midpoint would be $1.95, which does not fall within either of those windows, so the Exchange would not use the NBBO Midpoint as the Opening Price. Where the last Print is at $1.75, the Opening Price will be $1.75. Where orders are executed at the Opening Price, the transaction would not qualify as an Obvious Error transaction because it occurred only $0.10 away from the NBB. In effect, this means that where the spread between the NBBO is greater than twice the size of the Minimum Amount, then the NBBO Midpoint cannot be the Opening Price. The Exchange believes that this is the best method to prevent the determination of the Opening Price from being based on an overly wide NBBO. Such protection is necessary where the NBBO is very wide, for instance where the NBBO is $0.01 x $100.00, and thus either the NBB or the NBO is a price more reflective of the market than the NBBO Midpoint, especially when the Opening Price is based on the last sale. In such a situation the price at which the option was previously trading, whether closer to $0.01 or $100.00, is a more appropriate benchmark than to base the Opening Price on the $50.01 NBBO Midpoint. Based on the foregoing, the Exchange believes that creating a threshold that aligns with the standards from Rule 20.6 related to Obvious Error is the most logical threshold in order to prevent an Opening Price based on an overly wide NBBO and to prevent the cancellation of orders participating in the Opening Process as Obvious Errors.

Such thresholds are based on the NBB instead of the NBO so that the Minimum Amount will always be the smaller Minimum Amount where the NBB and NBO would result in different Minimum Amounts. Using the example from above, where the NBBO is $1.65 x $2.25, the Exchange would apply a Minimum Amount of $0.25, meaning that a Valid Price would be between $1.65 and $1.90 or between $2.00 and $2.25. If the Exchange were to use the NBO as the basis for determining a Minimum Amount, the Minimum Amount would be $0.40 and a Valid Price would be any price between $1.65

and $2.25, meaning that the Opening Price could be $1.95, which would provide both the selling party and buying party to an execution with a basis for notifying the Exchange of an Obvious Error transaction.

Where there is no NBBO Midpoint, no Print, and no Previous Close at a Valid Price, the Exchange proposes to have the discretion, depending on the circumstances, to extend the Order Entry Period or open the series for trading. Where the Exchange decides to extend the Order Entry Period, the Order Entry Period will be extended for a period of 30 seconds or less at which point the System will attempt to determine the Opening Price again. Where the Exchange decides to open the series for trading pursuant to this discretion and there is at least one price level at which at least one contract of a limit order could be executed, the Exchange will cancel all orders that are priced equal to or more aggressively than the midpoint of the most aggressively priced bid and the most aggressively priced offer. For example, where the Exchange receives bids of $10.04, $10.06, and $10.07 along with offers of $10.03 and $10.07, but there is no NBBO Midpoint, no Print, and no Previous Close and the Exchange intends to open trading in the series, the Exchange would calculate the midpoint of the most aggressive bid ($10.07) and the most aggressive offer ($10.03), which would be $10.05. The Exchange would then cancel any orders priced equal to or more aggressively than $10.05, which means that the $10.06 and $10.07 bids would be cancelled along with the $10.03 offer. The $10.04 bid and $10.07 offer would then become eligible for trading on BATS Options when the series opens for trading.

After determining an Opening Price that is also a Valid Price, orders and quotes that are priced equal to or more aggressively than the Opening Price will be matched based on price-time priority and in accordance with BATS Rule 21.8. All orders and quotes or portions thereof that are matched pursuant to the Opening Process will be executed at the Opening Price. Where a limit order or any portion thereof that is priced equal to or more aggressively than the Opening Price is not executed during the Opening Process, the unexecuted portion of that order will be cancelled. Similarly, all market orders that are not executed in the Opening Process will be cancelled. Finally, all orders and quotes that have not been executed or cancelled, including where no orders are matched at the Opening Price, shall become eligible for trading on BATS Options immediately following the completion of the Opening Process.

The Exchange is proposing to delete existing Rule 21.7(b), as further described below, to replace it with existing language regarding index options from Rule 21.1(a) and to add details about how index options will be reopened after a trading halt. Specifically, the Exchange is proposing to open index options in exactly the manner as they open under the current rule: the Exchange will begin accepting orders in index options when such options open for trading at 9:30 a.m. Eastern Time. Further, the Exchange is proposing to add rule text such that, where trading in index options is halted for any reason, the System shall open such options for trading upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading, which is identical to the way that index options open after a halt under the current rule. Such language is very similar to existing language in current Rule 20.4 regarding the resumption of trading after a halt and is intended to make clear that trading in index options is not subject to the Opening Process described in Rule 21.7(a) after a trading halt.

The Exchange is proposing to amend Rule 21.7(c) in order to allow the Exchange to retain discretion in deviating from the standard Opening Process where it is necessary in the interests of a fair and orderly market. Currently, Rule 21.7(b) states that in the event the underlying security has not opened within a reasonable time after 9:30 a.m. Eastern Time, the Exchange shall make an inquiry to determine the cause of the delay, which is discussed further below. Rule 21.7(b) also permits the Exchange to open trading in options contracts even if the underlying security has yet to open for trading on the primary listing market for such security if the Exchange determines that the interests of a fair and orderly market are best served by opening trading in the options contracts. In addition, Rule 21.7(c) provides that the Exchange may delay the commencement of trading in any class of options in the interests of a fair and orderly market.

The Exchange is proposing to delete the language in both 21.7(b) and (c) related to moving up or delaying the opening in options contracts based on the interests of a fair and orderly market and, instead, provide that the Exchange may deviate from the standard manner of the Opening Process, including delaying the Opening Process in any option class, when it believes it is necessary in the interests of a fair and orderly market. As proposed, Rule 21.7(c) would allow the Exchange to open trading in options contracts prior to the First Listing Market Transaction and also delay the commencement of trading in any class of options, so long as it is in the interests of a fair and orderly market. Further, proposed Rule 21.7(c) would provide the Exchange with discretion to manage the Opening Process in the event of unanticipated circumstances occurring around 9:30 a.m. Eastern Time or a halt being lifted.

Further, the Exchange is proposing to delete the text from Rule 21.7(b) that states that in the event the underlying security has not opened within a reasonable time after 9:30 a.m. Eastern Time, the Exchange shall make an inquiry to determine the cause of the delay, because the Exchange believes that the language is somewhat unclear and would also be duplicative, as proposed. As written, Rule 21.7(b) appears to require the Exchange to make an inquiry to determine the cause of a delay in a day in which trading has not opened in an underlying security. However, the Exchange believes that, practically, the "reasonable time" standard permits the Exchange to not inquire into all delays. For instance, an underlying security with low trading volume may not have a First Listing Market Transaction for an entire trading day and the Exchange could determine that a reasonable time for the First Listing Market Transaction to occur in such security could be the entire trading day. Further, in the event that the Exchange would begin trading of options contracts for an underlying security for which the First Listing Market Transaction has not occurred, the Exchange would have to make an inquiry of some kind in order to determine that it is necessary in the interests of a fair and orderly market to open trading in options on such underlying security. As such, the Exchange believes that the requirement is without practical effect and the Exchange is proposing to delete the text from Rule 21.7(b).

(b) Statutory Basis

The rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.[11] Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,[12] because it is designed 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 the Opening Process for options listed on the Exchange will help to ensure that BATS Options opens trading in options contracts in a fair and orderly manner. Specifically, the Exchange believes that allowing Users to enter orders for queuing will create a more orderly opening and facilitate the price formation process at the opening of trading because Users are able to enter orders and quotes in advance rather than having a flood of orders and quotes submitted to the Exchange during a small window of time. Further, the Exchange believes that disseminating the related market data prior to opening of trading in options contracts will also create a more orderly opening and facilitate the price formation process because Users will have access to a greater amount of information before their orders become executable.

The Exchange also believes that the proposal is appropriate and reasonable because it offers additional functionality for all Users to enter orders and quotes before 9:30 a.m. Eastern Time and during a Regulatory Halt. Further, the Exchange requires that a price be a Valid Price in order for executions in the Opening Process to occur, which, as described above, ensures that executions in the Opening Process will not meet the standards for Obvious Error.

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[11] 15 U.S.C. 78f(b).

[12] 15 U.S.C. 78f(b)(5).

Offering the Opening Process will also provide Market Makers and other Users with greater control and flexibility with respect to entering orders and quotes, allowing them to enter orders and quotes in all options at the same time, 8:00 a.m. Eastern Time, rather than only after trading has opened for a particular option. This simplifies the process for Market Makers and other Users by providing them certainty as to when orders and quotes can be submitted without having to monitor each options class individually, which removes impediments to a free and open market and benefits all Users of BATS Options. The Exchange also notes that several other options exchanges allow orders and quotes to be entered prior to 9:30 a.m. Eastern Time and during a Regulatory Halt including NASDAQ Options Market ("NOM"), NYSE Arca, Inc. ("NYSE Arca Options"), NYSE Amex Options, Inc. ("NYSE Amex Options"), BOX Options Exchange LLC ("BOX"), and Chicago Board Options Exchange, Incorporated ("CBOE"), among others.[13]

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. To the contrary, the Exchange's inability to accept orders prior to 9:30 a.m. Eastern Time limits competition in that other exchanges are able to begin accepting orders and quotes before trading in options opens, while the Exchange cannot accept such orders and quotes. Thus, approval of the proposed rule change will promote competition because it will allow the Exchange to offer its Users the ability to enter orders and quotes prior to

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13 See, e.g., NOM Chapter VI, Section 2(a); see also NYSE Arca Options Rule 6.64(b); NYSE Amex Options Rule 952NY(b); BOX Rule 7070(a); and CBOE Rule 6.2A(a)(i).

the opening of trading, functionality which is available at other exchanges, and thus compete with other exchanges for order flow that a User may not have directed to the Exchange if they were not able to enter orders and quotes prior to the open.

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)

Not applicable.

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

Not applicable.

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

Not applicable.

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-2014-003)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify the BATS Options Opening Process.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on January 6, 2014, 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[3] and Rule 19b-4(f)(6)(iii) thereunder,[4] 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 to amend Rule 20.3, entitled "Trading Halts," Rule 20.4, entitled "Resumption of Trading After a Halt," and Rule 21.7, entitled "Market Opening Procedures" in order to modify the manner in which the Exchange's equity options trading platform ("BATS Options") opens trading at the beginning of the day and after trading halts.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A).

4 17 CFR 240.19b-4(f)(6)(iii).

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

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

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

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

1. Purpose

The purpose of the proposed rule changes is to amend Exchange Rules 20.3, 20.4, and 21.7 in order to allow BATS Options to accept orders and quotes in all options series prior to the first transaction in the underlying security on the primary listing market and during a halt, as well as to establish a process for matching such orders immediately prior to the opening of trading in such options series.

Currently, BATS Options does not accept any orders or quotes while trading is not open in an options class. This includes both prior to the first transaction in the underlying security on the primary listing market and during a halt. BATS Options currently opens trading in options: (i) after the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan; or (ii) any time after 9:30 a.m. Eastern Time where the Exchange determines that the interests of a fair and orderly market are best served by opening trading in the options contracts. With respect to index options, trading opens at 9:30 a.m. Eastern Time. The Exchange may also delay the commencement of trading in any class of options in the interests of a fair and orderly market. Upon a halt, the Exchange currently cancels all orders and quotes and trading does not resume upon the determination by the Exchange that the conditions that led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading, as provided under Rule 20.4.

The Exchange is proposing to amend its Rules in order to accept orders and quotes before trading is open for a given options series. Specifically, the Exchange is proposing to begin accepting orders and quotes in all series at 8:00 a.m. Eastern Time and immediately upon a Regulatory Halt[5] and will continue to accept orders and quotes until such time as the Opening Process[6] is initiated. Such orders and quotes will be queued for participation in the Opening Process, as further described below, and will not be eligible for execution until the Opening Process occurs. The Exchange will not accept IOC or WAIT orders for queuing prior to the completion of the Opening Process. Limit orders queued during this time will be disseminated via the Options Price Reporting Authority as non-firm quotes and via BATS Multicast PITCH. Market orders queued during this time will not be disseminated. Where trading is halted pursuant to Rule 20.3, but it is not due to a Regulatory Halt, there will be no Order Entry Period and trading will be resumed upon the determination by the Exchange that the conditions which led to the halt are no

5 As defined in proposed Rule 21.7(a), Regulatory Halt means trading being halted in an option series due to the primary listing market for the applicable underlying security declaring a regulatory trading halt, suspension, or pause with respect to such security.

6 As defined in proposed Rule 21.7(a).

longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

The Exchange is also proposing to amend Rule 20.3(b) such that, upon a halt, all orders will be cancelled unless a User has entered instructions not to cancel its orders, at which point the System would queue such orders as part of the Order Entry Period.[7] The Exchange is also proposing to amend Rule 20.4 in order to reference Rule 21.7 as the process for which trading in an option that has been the subject of a halt shall be resumed.

As described above, the Exchange is proposing to accept orders and quotes prior to trading opening for a given series. Where there are no contracts in a particular series that would execute at any price at the time that the Exchange would determine the Opening Price,[8] the Exchange will open such options for trading without determining an Opening Price. Where there is a price at which at least one contract would execute, the Exchange proposes that within thirty seconds after the First Listing Market Transaction[9] or the Regulatory Halt being lifted, it will determine the Opening Price as follows: (i) the NBBO Midpoint;[10] (ii) where there is no NBBO Midpoint at a Valid Price (as defined below), the last Print[11] in the series; or (iii) where there is both no NBBO Midpoint and

7 As defined in proposed Rule 21.7(a).

8 As defined in proposed Rule 21.7(a)(1), Opening Price means the single price at which a particular option series will be opened.

9 As defined in proposed Rule 21.7(a), First Listing Market Transaction means the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan.

10 As defined in proposed Rule 21.7(a)(1)(A), the NBBO Midpoint means the midpoint of the National Best Bid and the National Best Offer.

11 As defined in proposed Rule 21.7(a)(1)(B), Print means a regular way print disseminated pursuant to the OPRA Plan after 9:30 a.m. Eastern Time.

no Print at a Valid Price, the Previous Close.[12] Where the NBBO Midpoint would be at a sub-penny increment, the Exchange will instead use the next highest non sub-penny increment as the NBBO Midpoint. For example, where the NBBO is $3.00 x $3.03, the Exchange will use $3.02 as the NBBO Midpoint instead of $3.015.

A Print, NBBO Midpoint, and Previous Close will be at a Valid Price where: (i) there is no NBB and no NBO; (ii) there is either a NBB and no NBO or a NBO and no NBB and the price is equal to or greater than the NBB or equal to or less than the NBO; or (iii) there is both a NBB and NBO, the price is equal to or within the NBBO, and the price is less than the following Minimum Amount away from the NBB or NBO for the series:

NBB	Minimum Amount
Below $2.00	$0.25
$2.00 to $5.00	$0.40
Above $5.00 to $10.00	$0.50
Above $10.00 to $20.00	$0.80
Above $20.00 to $50.00	$1.00
Above $50.00 to $100.00	$1.50
Above $100.00	$2.00

These thresholds are based on the standards from Rule 20.6 that define “Obvious Errors” and will prevent the cancellation of trades participating in the Opening Process due to an Obvious Error. Under Rule 20.6, an Obvious Error will be deemed to have occurred where: (i) a party notifies the Exchange of its belief that it participated in a transaction that was the result of an Obvious Error; and (ii) the “Theoretical Price” (i.e., the NBB

12 As defined in proposed Rule 21.7(a)(1)(C), Previous Close means the last regular way transaction from the previous trading day as disseminated pursuant to the OPRA Plan.

with respect to a sell transaction and NBO with respect to a buy transaction) is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown in the chart above (as determined by the Theoretical Price instead of exclusively the NBB). Thus, where a party does not notify the Exchange of a transaction occurring as the result of an Obvious Error, the transaction will not be adjusted or busted.

As proposed, the Exchange believes that the thresholds will prevent Obvious Error transactions by ensuring that the Opening Price will always be within the Minimum Amount from either the NBB or NBO. For example, where the NBBO is $1.65 x $2.25, the Opening Price can be from $1.65-$1.90 or from $2.00-$2.25. The NBBO Midpoint would be $1.95, which does not fall within either of those windows, so the Exchange would not use the NBBO Midpoint as the Opening Price. Where the last Print is at $1.75, the Opening Price will be $1.75. Where orders are executed at the Opening Price, the transaction would not qualify as an Obvious Error transaction because it occurred only $0.10 away from the NBB. In effect, this means that where the spread between the NBBO is greater than twice the size of the Minimum Amount, then the NBBO Midpoint cannot be the Opening Price. The Exchange believes that this is the best method to prevent the determination of the Opening Price from being based on an overly wide NBBO. Such protection is necessary where the NBBO is very wide, for instance where the NBBO is $0.01 x $100.00, and thus either the NBB or the NBO is a price more reflective of the market than the NBBO Midpoint, especially when the Opening Price is based on the last sale. In such a situation the price at which the option was previously trading, whether closer to $0.01 or $100.00, is a more appropriate benchmark than to base the Opening Price on the $50.01 NBBO Midpoint. Based on the foregoing, the Exchange believes that creating a threshold that aligns with the standards from Rule 20.6 related to Obvious Error is the most logical threshold in order to prevent an Opening Price based on an overly wide NBBO and to prevent the cancellation of orders participating in the Opening Process as Obvious Errors.

Such thresholds are based on the NBB instead of the NBO so that the Minimum Amount will always be the smaller Minimum Amount where the NBB and NBO would result in different Minimum Amounts. Using the example from above, where the NBBO is $1.65 x $2.25, the Exchange would apply a Minimum Amount of $0.25, meaning that a Valid Price would be between $1.65 and $1.90 or between $2.00 and $2.25. If the Exchange were to use the NBO as the basis for determining a Minimum Amount, the Minimum Amount would be $0.40 and a Valid Price would be any price between $1.65 and $2.25, meaning that the Opening Price could be $1.95, which would provide both the selling party and buying party to an execution with a basis for notifying the Exchange of an Obvious Error transaction.

Where there is no NBBO Midpoint, no Print, and no Previous Close at a Valid Price, the Exchange proposes to have the discretion, depending on the circumstances, to extend the Order Entry Period or open the series for trading. Where the Exchange decides to extend the Order Entry Period, the Order Entry Period will be extended for a period of 30 seconds or less at which point the System will attempt to determine the Opening Price again. Where the Exchange decides to open the series for trading pursuant to this discretion and there is at least one price level at which at least one contract of a limit order could be executed, the Exchange will cancel all orders that are priced equal to or more aggressively than the midpoint of the most aggressively priced bid and the most aggressively priced offer. For example, where the Exchange receives bids of $10.04, $10.06, and $10.07 along with offers of $10.03 and $10.07, but there is no NBBO Midpoint, no Print, and no Previous Close and the Exchange intends to open trading in the series, the Exchange would calculate the midpoint of the most aggressive bid ($10.07) and the most aggressive offer ($10.03), which would be $10.05. The Exchange would then cancel any orders priced equal to or more aggressively than $10.05, which means that the $10.06 and $10.07 bids would be cancelled along with the $10.03 offer. The $10.04 bid and $10.07 offer would then become eligible for trading on BATS Options when the series opens for trading.

After determining an Opening Price that is also a Valid Price, orders and quotes that are priced equal to or more aggressively than the Opening Price will be matched based on price-time priority and in accordance with BATS Rule 21.8. All orders and quotes or portions thereof that are matched pursuant to the Opening Process will be executed at the Opening Price. Where a limit order or any portion thereof that is priced equal to or more aggressively than the Opening Price is not executed during the Opening Process, the unexecuted portion of that order will be cancelled. Similarly, all market orders that are not executed in the Opening Process will be cancelled. Finally, all orders and quotes that have not been executed or cancelled, including where no orders are matched at the Opening Price, shall become eligible for trading on BATS Options immediately following the completion of the Opening Process.

The Exchange is proposing to delete existing Rule 21.7(b), as further described below, to replace it with existing language regarding index options from Rule 21.1(a) and to add details about how index options will be reopened after a trading halt. Specifically, the Exchange is proposing to open index options in exactly the manner as they open under the current rule: the Exchange will begin accepting orders in index options when such options open for trading at 9:30 a.m. Eastern Time. Further, the Exchange is proposing to add rule text such that, where trading in index options is halted for any reason, the System shall open such options for trading upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading, which is identical to the way that index options open after a halt under the current rule. Such language is very similar to existing language in current Rule 20.4 regarding the resumption of trading after a halt and is intended to make clear that trading in index options is not subject to the Opening Process described in Rule 21.7(a) after a trading halt.

The Exchange is proposing to amend Rule 21.7(c) in order to allow the Exchange to retain discretion in deviating from the standard Opening Process where it is necessary in the interests of a fair and orderly market. Currently, Rule 21.7(b) states that in the event the underlying security has not opened within a reasonable time after 9:30 a.m. Eastern Time, the Exchange shall make an inquiry to determine the cause of the delay, which is discussed further below. Rule 21.7(b) also permits the Exchange to open trading in options contracts even if the underlying security has yet to open for trading on the primary listing market for such security if the Exchange determines that the interests of a fair and orderly market are best served by opening trading in the options contracts. In addition, Rule 21.7(c) provides that the Exchange may delay the commencement of trading in any class of options in the interests of a fair and orderly market.

The Exchange is proposing to delete the language in both 21.7(b) and (c) related to moving up or delaying the opening in options contracts based on the interests of a fair and orderly market and, instead, provide that the Exchange may deviate from the standard manner of the Opening Process, including delaying the Opening Process in any option class, when it believes it is necessary in the interests of a fair and orderly market. As proposed, Rule 21.7(c) would allow the Exchange to open trading in options contracts prior to the First Listing Market Transaction and also delay the commencement of trading in any class of options, so long as it is in the interests of a fair and orderly market. Further, proposed Rule 21.7(c) would provide the Exchange with discretion to manage the Opening Process in the event of unanticipated circumstances occurring around 9:30 a.m. Eastern Time or a halt being lifted.

Further, the Exchange is proposing to delete the text from Rule 21.7(b) that states that in the event the underlying security has not opened within a reasonable time after 9:30 a.m. Eastern Time, the Exchange shall make an inquiry to determine the cause of the delay, because the Exchange believes that the language is somewhat unclear and would also be duplicative, as proposed. As written, Rule 21.7(b) appears to require the Exchange to make an inquiry to determine the cause of a delay in a day in which trading has not opened in an underlying security. However, the Exchange believes that, practically, the "reasonable time" standard permits the Exchange to not inquire into all delays. For instance, an underlying security with low trading volume may not have a First Listing Market Transaction for an entire trading day and the Exchange could determine that a reasonable time for the First Listing Market Transaction to occur in such security could be the entire trading day. Further, in the event that the Exchange would begin trading of options contracts for an underlying security for which the First Listing Market Transaction has not occurred, the Exchange would have to make an inquiry of some kind in order to determine that it is necessary in the interests of a fair and orderly market to open trading in options on such underlying security. As such, the Exchange believes that the requirement is without practical effect and the Exchange is proposing to delete the text from Rule 21.7(b).

2. Statutory Basis

The rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.[13] Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,[14] because it is designed 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 the Opening Process for options listed on the Exchange will help to ensure that BATS Options opens trading in options contracts in a fair and orderly manner. Specifically, the Exchange believes that allowing Users to enter orders for queuing will create a more orderly opening and facilitate the price formation process at the opening of trading because Users are able to enter orders and quotes in advance rather than having a flood of orders and quotes submitted to the Exchange during a small window of time. Further, the Exchange believes that disseminating the related market data prior to opening of trading

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[13] 15 U.S.C. 78f(b).

[14] 15 U.S.C. 78f(b)(5).

in options contracts will also create a more orderly opening and facilitate the price formation process because Users will have access to a greater amount of information before their orders become executable.

The Exchange also believes that the proposal is appropriate and reasonable because it offers additional functionality for all Users to enter orders and quotes before 9:30 a.m. Eastern Time and during a Regulatory Halt. Further, the Exchange requires that a price be a Valid Price in order for executions in the Opening Process to occur, which, as described above, ensures that executions in the Opening Process will not meet the standards for Obvious Error.

Offering the Opening Process will also provide Market Makers and other Users with greater control and flexibility with respect to entering orders and quotes, allowing them to enter orders and quotes in all options at the same time, 8:00 a.m. Eastern Time, rather than only after trading has opened for a particular option. This simplifies the process for Market Makers and other Users by providing them certainty as to when orders and quotes can be submitted without having to monitor each options class individually, which removes impediments to a free and open market and benefits all Users of BATS Options. The Exchange also notes that several other options exchanges allow orders and quotes to be entered prior to 9:30 a.m. Eastern Time and during a Regulatory Halt including NASDAQ Options Market ("NOM"), NYSE Arca, Inc. ("NYSE Arca Options"), NYSE Amex Options, Inc. ("NYSE Amex Options"), BOX Options Exchange

LLC ("BOX"), and Chicago Board Options Exchange, Incorporated ("CBOE"), among others.[15]

(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. To the contrary, the Exchange's inability to accept orders prior to 9:30 a.m. Eastern Time limits competition in that other exchanges are able to begin accepting orders and quotes before trading in options opens, while the Exchange cannot accept such orders and quotes. Thus, approval of the proposed rule change will promote competition because it will allow the Exchange to offer its Users the ability to enter orders and quotes prior to the opening of trading, functionality which is available at other exchanges, and thus compete with other exchanges for order flow that a User may not have directed to the Exchange if they were not able to enter orders and quotes prior to the open.

(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,

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15 See, e.g., NOM Chapter VI, Section 2(a); see also NYSE Arca Options Rule 6.64(b); NYSE Amex Options Rule 952NY(b); BOX Rule 7070(a); and CBOE Rule 6.2A(a)(i).

or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act[16] and Rule 19b-4(f)(6)(iii) thereunder.[17]

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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. Please include File No. SR-BATS-2014-003 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-2014-003. 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

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16 15 U.S.C. 78s(b)(3)(A).

17 17 CFR 240.19b-4(f)(6).

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 a.m. and 3:00 p.m. 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-2014-003 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.[18]

Kevin M. O'Neill
Deputy Secretary

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[18] 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 XX. Regulation of Trading on BATS Options

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Rule 20.3. Trading Halts

(a) (No changes.)

(b) In the event the Exchange determines to halt trading, all trading in the effected class or classes of options shall be halted and all orders will be cancelled unless a User has entered instructions not to cancel its orders. BATS Options shall disseminate through its trading facilities and over OPRA a symbol with respect to such class or classes of options indicating that trading has been halted. A record of the time and duration of the halt shall be made available to vendors.

(c) (No changes.)

Rule 20.4. Resumption of Trading After a Halt

Trading in an option that has been the subject of a halt under Rule 20.3 (Trading Halts) shall be resumed as described in Rule 21.7 upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

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CHAPTER XXI. Trading Systems

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Rule 21.7. Market Opening Procedures

[(a) The System shall open options, other than index options, for trading based on the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan.]

(a) The Exchange will accept market and limit orders and quotes for inclusion in the opening process (the “Opening Process”) beginning at 8:00 am Eastern Time or immediately upon trading being halted in an option series due to the primary listing market for the applicable underlying security declaring a regulatory trading halt, suspension, or pause with respect to such security (a “Regulatory Halt”) and will continue to accept market and limit orders and quotes until such time as the Opening Process is initiated in that option series (the “Order Entry Period”), other than index options. The Exchange will not accept IOC or WAIT orders for queuing prior to the completion of the Opening Process. Where a User has entered instructions not to cancel its open orders upon a halt pursuant to Rule 20.3(b), such orders will be queued for participation in the Opening Process for a Regulatory Halt or will be cancelled for a halt that is not a Regulatory Halt. Where trading is halted pursuant to Rule 20.3, but it is not due to a Regulatory Halt, there will be no Order Entry Period and trading shall be resumed upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading. Orders entered during the Order Entry Period will not be eligible for execution until the Opening Process occurs. After the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan (“First Listing Market Transaction”) or the Regulatory Halt has been lifted, the related option series will be opened automatically as follows:

(1) The System will determine a single price at which a particular option series will be opened (the “Opening Price”) as calculated by the System within 30 seconds of the First Listing Market Transaction or the Regulatory Halt being lifted. Where there are no contracts in a particular series that would execute at any price, the System shall open such options for trading without determining an Opening Price. The Opening Price of a series must be a Valid Price, as determined in paragraph (2) below, and will be:

(A) the midpoint of the NBBO (the “NBBO Midpoint”);

(B) where there is no NBBO Midpoint at a Valid Price, the last regular way print disseminated pursuant to the OPRA Plan after 9:30 a.m. Eastern Time (the “Print”);

(C) where there is both no NBBO Midpoint and no Print at a Valid Price, the last regular way transaction from the previous trading day as disseminated pursuant to the OPRA Plan (the “Previous Close”); or

(D) where there is no NBBO Midpoint, no Print, and no Previous Close at a Valid Price, the Order Entry Period may be extended by 30 seconds or less or the series may be opened for trading at the discretion of the Exchange.

(2) For purposes of this Rule, a NBBO Midpoint, a Print, and a Previous Close will be at a Valid Price:

(A) Where there is no NBB and no NBO;

(B) Where there is either a NBB and no NBO or a NBO and no NBB and the price is equal to or greater than the NBB or equal to or less than the NBO; or

(C) Where there is both a NBB and NBO, the price is equal to or within the NBBO, and the price is less than the following Minimum Amount away from the NBB or NBO for the series:

NBB	Minimum Amount
Below $2.00	$0.25
$2.00 to $5.00	$0.40
Above $5.00 to $10.00	$0.50
Above $10.00 to $20.00	$0.80
Above $20.00 to $50.00	$1.00
Above $50.00 to $100.00	$1.50
Above $100.00	$2.00

(3) Orders and quotes in the System that are priced equal to or more aggressively than the Opening Price will be matched based on price-time priority and in accordance with BATS Rule 21.8. All orders and quotes or portions thereof that are matched pursuant to the Opening Process will be executed at the Opening Price.

(4) Orders that are not executed during the Opening Process that fit the following criteria will be cancelled: (i) limit orders that are priced equal to or more aggressively than the Opening Price; and (ii) market orders. Where trading in a series is going to be opened for trading pursuant to paragraph (1)(D) above and there is at least one price level at which at least one contract of a limit order could be executed, the System will cancel all orders that are priced equal to or more aggressively than the midpoint of the most aggressively priced bid and the most aggressively priced offer. Limit orders and quotes that are not executed during the Opening Process or cancelled as set forth above shall become eligible for trading on BATS Options immediately following the completion of the Opening Process.

(5) Where no orders are matched at the Opening Price, the System will open the series for trading.

(b) With respect to index options, the System shall open such options for trading at 9:30 a.m. Eastern Time. Where trading in index options is halted for any reason, the System shall open such options for trading upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading.

[(b) In the event the underlying security has not opened within a reasonable time after 9:30 a.m. Eastern Time, the Exchange shall make an inquiry to determine the cause of the delay. The beginning of trading of options contracts in such security shall be delayed until the underlying security has opened for trading on the primary listing market for such security unless the Exchange determines that the interests of a fair and orderly market are best served by opening trading in the options contracts.]

(c) [The Exchange may delay the commencement of trading in any class of options in the interests of a fair and orderly market.]<u>The Exchange may deviate from the standard manner of the Opening Process, including adjusting the timing of the Opening Process in any option class, when it believes it is necessary in the interests of a fair and orderly market.</u>

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