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

File No.* SR - 2014 - * 027
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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

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)

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 amend Rules 11.9, 11.12, 11.18, 21.1 and 21.7.

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 07/09/2014

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.

afranzon@bats.com

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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 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 "BZX") is filing with the Securities and Exchange Commission ("Commission") a proposal to amend Rule 11.9 to add certain functionality to the Exchange's cash equities trading platform ("BATS Equities"), to add additional detail regarding existing functionality in place on BATS Equities, and to correct certain typographical errors. The Exchange also proposes to make related changes to Rule 11.12 and to eliminate obsolete language and correct certain typographical errors in Rule 11.18, all such rules applicable to BATS Equities. Consistent with its practice of offering similar functionality for the Exchange's equity options trading platform ("BATS Options") as it does for BATS Equities, the Exchange proposes to amend Rule 21.1 to add similar functionality to BATS Options, to add additional detail regarding existing functionality in place on BATS Options, and to conform descriptions where possible between BATS Equities and BATS Options. Finally, the Exchange proposes to make related changes to Rule 21.7.

(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

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

2 17 CFR 240.19b-4.

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 February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric Swanson	Anders Franzon
EVP, General Counsel	VP, Associate General Counsel
(913) 815-7000	(913) 815-7154

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

a. <u>Purpose</u>

Earlier this year, the Exchange and its affiliate BATS Y-Exchange, Inc. ("BYX") received approval to affect a merger (the "Merger") of the Exchange's parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGX Exchange, Inc. ("EDGX") and EDGA Exchange, Inc. ("EDGA", and together with BZX, BYX and EDGX, the "BGM Affiliated Exchanges").[3] In the context of the Merger, the BGM Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. Thus, many of the proposals set forth below are intended to add certain system functionality currently offered by EDGA and/or EDGX in order to provide a consistent technology offering for users of the BGM Affiliated Exchanges. In the context of such alignment, the Exchange

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[3] <u>See</u> Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

is also seeking to improve the transparency and understandability of its rules, and has therefore proposed various corrective and clarifying changes, as described below. Finally, as noted above, BATS Equities and BATS Options offer much of the same functionality, and thus, in adding functionality and modifying rule text related to BATS Equities, the Exchange also wishes to do the same for BATS Options.

The specific proposals set forth in more detail below include: (i) the addition of Fill-or-Kill functionality for both BATS Equities and BATS Options; (ii) the addition of a new replenishment option with respect to Reserve Orders as well as additional detail regarding the existing functionality of Reserve Orders for both BATS Equities and BATS Options; (iii) the addition of rule text regarding Minimum Quantity functionality for BATS Equities and additional detail in the BATS Options description of Minimum Quantity functionality; (iv) the addition of Stop Orders and Stop Limit Orders for both BATS Equities and BATS Options; and (v) various corrections to typographical errors in Exchange rules, elimination of obsolete language in Rule 11.18 as well as the addition of detail to the routing portion of Rule 11.18.

Fill-or-Kill ("FOK") Functionality

BATS Equities

The Exchange proposes to add a Time-in-Force ("TIF") term of Fill-or-Kill ("FOK") to BATS Equities. BATS Equities currently offers five other TIF terms pursuant to Rule 11.9(b), including Immediate-or-Cancel ("IOC"). The Exchange proposes to add FOK as a sixth TIF option for BATS Equities, which would be numbered as 11.9(b)(6). As proposed, a FOK would be a limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

Example 1 – FOK Executes

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and a non-displayed order to buy 100 shares at 10.00. Assume that a User[4] submits a limit order to sell 200 shares at 10.00 that is designated with a TIF of FOK.

- The order to sell 200 shares would execute against the resting displayed and non-displayed orders at 10.00.

Example 2 – FOK Does not Execute

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and no other equal or better priced liquidity. Assume that a User submits a limit order to sell 200 shares at 10.00 that is designated with a TIF of FOK.

- The order to sell 200 shares would be cancelled back to the User because the order could not be executed in its entirety upon receipt by the Exchange.

An order designated as FOK is similar to an IOC order and unique from other TIFs in that it is either executed immediately or cancelled back to a User, and thus, the Exchange also proposes to modify Rules 11.9(e)(1) and 11.18(e)(5) to add reference to orders with a TIF of FOK alongside references to orders with a TIF of IOC, as described below. First, Rule 11.9(e)(1) states that an order may only be cancelled or replaced if the order has a TIF term other than IOC and if the order has not yet been executed. The Exchange proposes to modify Rule 11.9(e)(1) to include the TIF of FOK as another TIF that, when attached to an order, would mean that the order cannot be cancelled or replaced. Second, Rule 11.18(e)(5) describes the operation of BATS market orders[5] and IOC orders in the context of the Plan to Address Extraordinary Market Volatility

4 As defined in BATS Rule 1.5(cc), a User is "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3."

5 See Rule 11.9(a)(2) for a description of BATS market orders.

Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan").[6] The Exchange proposes to modify Rule 11.18(e)(5) to include orders with a TIF of FOK along with such description. Specifically, the Exchange proposes to make clear that, like IOC and BATS market orders, FOK orders will only be executed if such executions are possible at or within the price bands prescribed by the Limit Up-Limit Down Plan, and that if an order with a TIF of FOK cannot be so executed, the remainder of the order will be cancelled.

BATS Options

The Exchange also proposes to add a TIF term of Fill-or-Kill ("FOK") to BATS Options. BATS Options currently offers four other TIF terms pursuant to Rule 21.1(f), including Immediate Or Cancel ("IOC"). The Exchange proposes to add FOK as a fifth TIF option for BATS Equities, which would be numbered as 21.1(f)(5). As proposed, a FOK would be a limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled. Thus, the proposed definition is identical to the proposed definition for BATS Equities, as is the proposed operation of FOK functionality.

Example 1 – FOK Executes

Assume the NBBO is 10.00 x 10.05 and the Exchange has a displayed order to buy 10 contracts at 10.00 with reserve size of 10 contracts. Assume that a User submits a limit order to sell 20 contracts at 10.00 that is designated with a TIF of FOK.

- The order to sell 20 contracts would execute against the displayed and reserve size of the resting reserve order at 10.00.

Example 2 – FOK Does not Execute

6 See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the "Limit Up-Limit Down Release").

Assume the NBBO is 10.00 x 10.05 and the Exchange has a displayed order to buy 10 contracts at 10.00 and no other equal or better priced liquidity. Assume that a User submits a limit order to sell 20 contracts at 10.00 that is designated with a TIF of FOK.

- The order to sell 20 contracts would be cancelled back to the User because the order could not be executed in its entirety upon receipt by the Exchange.

Consistent with BATS Equities, an order designated as FOK is similar to an IOC order, and thus, the Exchange proposes to modify Rule 21.7(a), which describes the process by which BATS Options opens its market each trading day, and includes IOC amongst orders that are not accepted prior to the Exchange's opening process. The Exchange proposes to add orders designated as FOK to the list of orders not accepted prior to the opening process.

Reserve Orders and Replenishment

BATS Equities

The Exchange currently offers Reserve Orders, which are defined in Rule 11.9(c)(1) as limit orders "with a portion of the quantity displayed … and with a reserve portion of the quantity … that is not displayed." Pursuant to current Rule 11.12(a)(5), the displayed quantity of a Reserve Order has time priority as of the time of display. Further, as currently described, if the displayed quantity of the Reserve Order is decremented such that 99 shares or fewer would be displayed, the displayed portion of the Reserve Order shall be refreshed for (i) the original displayed quantity, or (ii) the entire reserve quantity, if the remaining reserve quantity is smaller than the original displayed quantity. Finally, as set forth in Rule 11.12(a)(5), a new timestamp is created both for the refreshed and reserved portion of the order each time it is refreshed from reserve.

The Exchange proposes to add Random Replenishment functionality, as described below, and to additional detail to Rule 11.9(c)(1), which defines Reserve Orders. In making these changes, the Exchange proposes to remove details regarding replenishment from Rule 11.12(a)(5), as such details are proposed to be included in Rule 11.9(c)(1).

The Exchange proposes to leave the current definition of Reserve Order as currently drafted, but to add the defined terms "Display Quantity" to refer to the displayed quantity of a Reserve Order and "Reserve Quantity" to refer to the non-displayed quantity of a Reserve Order. The Exchange also proposes to explicitly state within Rule 11.9(c)(1) that both the Display Quantity and the Reserve Quantity of a Reserve Order are available for execution against incoming orders.

As noted above, the Exchange currently sets forth the details regarding replenishment of a Reserve Order in Rule 11.12(a)(5). The Exchange proposes to move these details to Rule 11.9(c)(1) and to make certain changes necessary to support the proposed Random Replenishment functionality. Specifically, proposed Rule 11.9(c)(1) would state that if the Display Quantity of an order is reduced to less than a round lot, the System will, in accordance with the User's instruction, replenish the Display Quantity from the Reserve Quantity using one of the replenishment instructions set forth in the Rule. The Exchange also proposes to state in Rule 11.9(c)(1) that if the remainder of an order is less than the replenishment amount, the System[7] will replenish and display the entire remainder of the order.

The Exchange currently requires Users to designate the original display quantity of an order, which is also the amount to which an order is replenished (unless the remainder of an order is smaller than the original displayed quantity) under the current

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7 As defined in BATS Rule 1.5(aa), the System is the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away.

replenishment functionality. The Exchange refers to this quantity as “max floor” in its specifications. The Exchange proposes to add a defined term of “Max Floor” to Rule 11.9(c)(1), which would be a mandatory value entered by a User that will determine the quantity of the order to be initially displayed by the System and will also be used to determine the replenishment amount under both replenishment options described below.

The Exchange currently offers one replenishment option, which uses the number of shares from reserve necessary to return the displayed quantity of an order to its original display amount. The Exchange proposes to retain this replenishment option and to define it as “Fixed Replenishment.” As proposed, Fixed Replenishment will apply to any order for which Random Replenishment has not been selected. Under the Fixed Replenishment option, the System will replenish the Display Quantity of an order to the Max Floor designated by the User.

The Exchange also proposes to add a new replenishment option, Random Replenishment. As proposed, Random Replenishment is an instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. Further, as proposed, the User entering an order into the System subject to the Random Replenishment instruction must select a replenishment value and a Max Floor. The initial Display Quantity will be the Max Floor. The Display Quantity of an order when replenished will be determined by the System randomly selecting a round lot number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value. The Exchange believes that the Random Replenishment is an optimization of current System functionality as it will help to achieve the general goal of Reserve Orders, which is to display less than the full interest that one represents in order to avoid moving the market. Random Replenishment will help Users to further disguise reserve interest by replenishing the Display Quantity of a Reserve Order to a variable amount so that other participants are less likely to detect that such order is in fact a Reserve Order with additional non-displayed size.

In addition to the changes set forth above, the Exchange proposes to modify Rule 11.9(e)(3) to state that the Max Floor set for an order can be modified through the use of a replace message rather than requiring a User to cancel and re-enter an order. The Exchange also proposes to modify Rule 11.12(a)(3) to make clear that a modification to the Max Floor of a Reserve Order will not cause such order to lose priority. The Exchange believes that this is appropriate because a modification to Max Floor of a resting Reserve Order will not change the handling or display of the order in any way until replenishment is caused due to the reduction of the Display Quantity to less than a round lot. When such replenishment occurs (based on the new Max Floor), the order will receive a new timestamp, and thus, will have a new priority.

Example 1(a) – Fixed Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- A User enters an order into the System to buy 10,000 shares at 10.00 with a Display Quantity (i.e., Max Floor) of 1,000 shares and a Reserve Quantity of 9,000 shares. Because Random Replenishment was not designated the order defaults to a Fixed Replenishment quantity of 1,000 shares.

- An inbound market order to sell 400 shares is entered into the System and executes against the Display Quantity of 1,000 shares, resulting in a remaining Display Quantity of 600 shares.

- Another market order to sell 600 shares is entered into the System and executes against the 600 displayed shares. The Display Quantity is then replenished by the System from the Reserve Quantity to the order's original displayed quantity of 1,000 shares, resulting in a remaining Reserve Quantity of 8,000 shares. Both the Display Quantity and the Reserve Quantity receive new timestamps upon replenishment.

Example 1(b) – Fixed Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- User A enters Order 1, a limit order to buy 6,000 shares at 10.00, the NBB, with a Display Quantity (i.e., Max Floor) of 1,000 shares and a Reserve Quantity of 5,000 shares. Because Random Replenishment was not designated the order defaults to a Fixed Replenishment quantity of 1,000 shares.

- User B then enters Order 2, a display-eligible limit order to buy 600 shares at 10.00 with no Reserve Quantity.

- An inbound market order to sell 2,000 shares is entered into the System.

- The order to sell first executes against the Display Quantity of 1,000 shares of Order 1, then executes against the full 600 shares of Order 2, and then executes against 400 shares of the Reserve Quantity of Order 1 (i.e., the displayed quantities of Orders 1 and 2 execute in time priority, followed by the Reserve Quantity of Order 1).

- The Display Quantity of Order 1 is then replenished for 1,000 shares, leaving a Reserve Quantity of 3,600 shares. Both the Display Quantity and the Reserve Quantity receive new timestamps upon replenishment.

Example 2(a) – Random Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- A User enters an order into the System to buy 10,000 shares at 10.00 and designates such order for Random Replenishment with a Max Floor of 1,000 shares and a replenishment value of 400 shares.

- The initial Display Quantity of the order is 1,000 shares and the Reserve Quantity is 9,000 shares.

- An inbound market order to sell 950 shares is entered into the System and executes against the Display Quantity of the order (1,000 shares), leaving a 50 share Display Quantity. Because the remaining Display Quantity is less than a round lot, the System will replenish the Display Quantity.

- With a replenishment value of 400, subsequent replenishments will return the Display Quantity to a randomly selected round lot value between 600 shares (i.e., Max Floor minus the replenishment value) and 1,400 shares (i.e., Max Floor plus the replenishment value).

- Assume the System selects a Display Quantity of 1,200 shares. The System will refresh the order with 1,150 shares from the Reserve Quantity, thus generating a new Display Quantity of 1,200 shares to sell at 10.00, and a Reserve Quantity of 7,850 shares.

Example 2(b) – Random Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- A User enters an order into the System to buy 5,000 shares at 10.00 and designates such order for Random Replenishment with a Max Floor of 2,000 shares and a replenishment value of 1,000 shares.

- The initial Display Quantity of the order is 2,000 shares and the Reserve Quantity is 3,000 shares.

- An inbound market order to sell 1,800 shares is entered into the System and executes against the Display Quantity of the order (2,000 shares), leaving a 200 share Display Quantity.

- A second inbound market order to sell 700 shares is entered into the System and executes against the Display Quantity of the order (200 shares) and 500 shares of the Reserve Quantity of the order, leaving no Display Quantity and a Reserve Quantity of 2,500 shares.

- With a replenishment value of 1,000, subsequent replenishments would otherwise return the Display Quantity to a randomly selected round lot value between 1,000 shares (i.e., Max Floor minus the replenishment value) and 3,000 shares (i.e., Max Floor plus the replenishment value). However, in this example, because the Reserve Quantity is now 2,500 shares, the System would instead replenish the Display Quantity to a round lot value between 1,000 and 2,500 shares.

- Assume the System selects a Display Quantity of 2,000 shares, leaving a Reserve Quantity of 500 shares.

- An inbound market order to sell 2,050 shares is entered into the System and executes against the Display Quantity of the order (2,000 shares) and 50 shares of the Reserve Quantity of the order, leaving no Display Quantity and a Reserve Quantity of 450 shares. Because the remaining Reserve Quantity is less than the lower end of the replenishment range (i.e., 1,000 shares), the System will Display the entire remainder of the order, or 450 shares.

BATS Options

The Exchange also offers Reserve Order functionality for BATS Options, with the only notable difference being that Reserve Orders do not replenish until the displayed quantity of the order is fully executed on BATS Options, whereas on BATS Equities, Reserve Orders replenish once the Display Quantity is less than a round lot. Accordingly, in order to keep both the rule text and the functionality offered by BATS Equities and BATS Options the same, the Exchange is proposing changes to Rule 21.1(d)(1) that are similar to those described for BATS Equities above. In addition, the Exchange is proposing to correct an error in its current rule text. Specifically, the Exchange's current rules state that the reserve portion of an order retains the timestamp of its original entry when replenishment occurs. However, the BATS Options functionality is indeed the same as that on BATS Equities in that a new timestamp is created for both the replenished and reserved amount each time the order is replenished from the reserve quantity. Accordingly, the Exchange proposes to modify the language to conform to that of BATS Equities.

The Exchange notes that the examples of Fixed Replenishment and Random Replenishment would operate the same on BATS Options as set forth for BATS Equities, with the exception that replenishment does not occur until the Display Quantity is completely exhausted.

<u>Minimum Quantity Functionality</u>

BATS Equities

The Exchange proposes to codify existing functionality already offered by BATS Equities by introducing a definition of Minimum Quantity Order in Rule 11.9(c)(5). The Exchange notes that the main difference between a Minimum Quantity Order and an order with a TIF of FOK is that an order with a specified minimum quantity may be partially executed so long as the execution size is equal to or exceeds the quantity provided by the User whereas a FOK Order must be executed in full.

A Minimum Quantity Order, as proposed, is a limit order to buy or sell that will only execute if a specified minimum quantity of shares can be obtained. The Exchange proposes to state in Rule 11.9(c)(5) that orders with a specified minimum quantity will only execute against multiple, aggregated orders if such executions would occur simultaneously (rather than only executing against a single order that satisfies the applicable minimum quantity). Finally, the Exchange will only honor a specified minimum quantity on BATS Only Orders that are non-displayed or IOCs. The Exchange will disregard a minimum quantity on any other order.

The Exchange notes that a specified minimum quantity is only applicable to BATS Only Orders, which are not routed to other market centers, because of the practical difficulty the Exchange would face in trying to achieve a minimum quantity through its routing process. For instance, although most market centers have a feature similar to or identical to the Exchange's minimum quantity functionality, the Exchange cannot guarantee that all away market centers would always have such functionality. Minimum quantity is also inconsistent with routed orders because under most of the Exchange's routing options an order is split into multiple smaller orders that are routed simultaneously to away market centers. Similarly, the Exchange notes that a specified minimum quantity is only possible to apply to non-displayed orders or IOCs due to the Exchange's obligations to honor displayed quotations by executing such quotations against incoming orders.[8] By limiting the minimum quantity instruction to non-displayed orders or IOCs the Exchange avoids the display of a quotation that is not executable unless a specific condition is met.

Example 1 – Minimum Quantity Order Executes

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and a non-displayed order to buy 100 shares at 10.00. Assume that a User submits an IOC limit order to sell 500 shares at 10.00 with a minimum quantity of 200 shares.

- The order to sell 500 shares would receive a partial execution of 200 shares against the resting displayed and non-displayed orders at 10.00. The remaining 300 shares would be cancelled back to the User.

Example 2 – Minimum Quantity Order Does not Execute

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and a non-displayed order to buy 100 shares at 10.00. Assume that a User submits an IOC limit order to sell 500 shares at 10.00 with a minimum quantity of 300 shares.

- The order to sell would be cancelled back to the User because the required execution of at least 300 shares could not be satisfied upon receipt by the Exchange.

BATS Options

Minimum Quantity Orders available on BATS Options are defined in Rule 21.1(d)(3). The main substantive difference between the functionality offered by BATS

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8 See, e.g., Rule 602 of Regulation NMS (the "Firm Quote Rule"). 17 CFR 240.602.

Equities and that offered by BATS Options is that a specified minimum quantity will only be honored on BATS Options with respect to an IOC order because non-displayed orders are not accepted by BATS Options. Thus, Minimum Quantity Orders cannot rest on the BATS Options order book. The Exchange proposes to modify the definition of Minimum Quantity Order for BATS Options to make clear that while a Minimum Quantity Order can execute against multiple, aggregated orders (rather than only executing against a single order that satisfies the applicable minimum quantity), such execution will only occur if it would occur simultaneously. The Exchange also proposes to delete reference to the rejection of Minimum Quantity Orders received prior to the market open or after the market close. Because a Minimum Quantity Order must be an IOC to be entered into BATS Options, it is true that such orders are not accepted prior to the open as IOCs are rejected pursuant to Rule 21.7, as described above. However, because this is described in Rule 21.7 and does not appear in other rules describing BATS Options order types or order type modifiers, the Exchange believes that the reference is redundant and potentially confusing. Because the Exchange rejects all orders received by BATS Options after the close the Exchange believes that the reference to post-close orders in the Minimum Quantity Order description is unnecessary and potentially confusing.

The Exchange notes that the first two examples of Minimum Quantity Orders set forth above would operate the same on BATS Options as set forth for BATS Equities. The third example is inapplicable because, as described above, Minimum Quantity Orders cannot post to the BATS Options order book.

Stop and Stop Limit Order Functionality

BATS Equities

The Exchange proposes to adopt new orders that trigger based on trades occurring on the Exchange or reported on other marketplaces. Specifically, the Exchange proposes to adopt Stop Orders and Stop Limit Orders. Stop Orders and Stop Limit Orders are not executable unless and until their stop price is triggered. As proposed, a Stop Order is an order that becomes a BATS market order[9] when the stop price is elected. In contrast, a Stop Limit Order is an order that becomes a limit order when the stop price is elected. The triggering events for Stop Orders and Stop Limit Orders will be the same. A Stop Order or Stop Limit Order to buy will be elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Order or Stop Limit Order to sell will be elected when the consolidated last sale in the security occurs at, or below, the specified stop price.

Example 1 – Stop Order is Triggered

Assume the NBBO is 7.80 x 8.00. Assume that a User submits a Stop Order to buy 500 shares with a stop price of 8.05.

- Assume the NBBO shifts gradually upwards to 8.00 by 8.05. An execution reported by another exchange at 8.05 will trigger the stop price of the Stop Order, which will convert into a BATS market order to buy.

Example 2 – Stop Limit Order is Triggered

Assume the NBBO is 7.84 x 7.85. Assume that a User submits a Stop Limit Order to buy 500 shares at 8.04 with stop limit price of 8.05.

- Assume the NBBO shifts gradually upwards to 8.03 by 8.05. An execution reported by another exchange at 8.05 will trigger the stop price of the Stop Limit Order, which will convert into a limit order to buy at 8.04.

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9 See Rule 11.9(a)(2).

In addition to the changes set forth above, the Exchange proposes to modify Rule 11.9(e)(3) to state that the stop price of an order can be modified through the use of a replace message rather than requiring a User to cancel and re-enter an order. The Exchange also proposes to modify Rule 11.12(a)(3) to make clear that a modification to the stop price of a Stop Order or Stop Limit Order will not cause such an order to lose priority. The Exchange believes that this is appropriate because a modification to the stop price of a resting order will not change the handling of the order in any way other than to trigger the order based on a different subsequent trade than the order otherwise would have.

BATS Options

The Exchange proposes to adopt for BATS Options the same description of Stop Orders and Stop Limit Orders as it is proposing for BATS Equities. There are no substantive differences between the way that Stop Orders and Stop Limit Orders will operate as between BATS Equities and BATS Options.

Stop and stop limit order functionality is also offered by several other Exchange competitors of BATS Options, including NYSE MKT LLC ("NYSE MKT") (pursuant to Rule 900.3NY) and the International Securities Exchange ("ISE") (pursuant to Rule 715). The Exchange notes that there are substantive differences with respect to the event that triggers a stop order or stop limit order between the market centers that offer such functionality. For instance, pursuant to NYSE MKT Rule 900.3NY, a stop order or stop limit order is triggered based on consolidated trades or quotes on the exchange. The ISE, in contrast, triggers stop orders and stop limit orders on trades only but looks to trades on the ISE rather than consolidated trades. The Exchange has proposed triggering Stop

Orders and Stop Limit Orders on consolidated trades, including the Exchange, which is consistent with the NYSE MKT implementation. However, the Exchange does not propose to trigger Stop Orders or Stop Limit Orders based on quotes, which is consistent with the ISE implementation. As noted above, the Exchange prefers to retain consistency when possible between functionality offered by BATS Equities and BATS Options.

The Exchange notes that the examples of Stop Orders and Stop Limit Orders set forth above would operate the same on BATS Options as they would on BATS Equities.

Additional Changes

The Exchange proposes to correct three incorrect internal cross-references in Rule 11.9(c)(7)(B), each of which points to paragraph (c)(6)(A) but is intended to refer to paragraph (c)(7)(A). The Exchange proposes to instead simply reference paragraph (A) above, which the Exchange believes is sufficient detail when read in context.

The Exchange also proposes to eliminate all references in Rule 11.18 to individual stock trading pauses issued by a primary listing market and related definitions, which are contained in Rule 11.18(d), 11.18(e)(6) and 11.18(f). The stock trading pauses described in such provisions have been fully phased out as securities have become subject to the Limit Up-Limit Down Plan. The Plan is already operational with respect to all securities, and thus, the Exchange believes that all references to individual stock trading pauses should be removed. This change will also serve to eliminate certain duplicative references that have occurred through amendments to Rule 11.18, including amendments related to the operation of the Limit Up-Limit Down Plan as well as other amendments. The Exchange also proposes various other corrections to the numbering of Rule 11.18 for consistency with other portions of its rules. The Exchange also proposes to eliminate a reference to the operational date of the Limit Up-Limit Down Plan now that it is, in fact, already operational.

In reviewing Rule 11.18 in connection with the above-described corrections, the Exchange determined to also add additional detail to the routing description of Rule 11.18 to reflect the existing functionality of the System. In particular, the Exchange proposes to affirmatively state in Rule 11.18 that the System will not route buy (sell) interest at a price above (below) the Upper (Lower) Price Band.[10] Because executions cannot occur outside of applicable price bands anyway, the Exchange believes it is inefficient to route orders outside of price bands. For example, assume that the Lower Price Band is $9.50 and the Upper Price Band is $10.50. Further assume the NBBO is $10.00 by $11.00, and thus, that the national best offer of $11.00 is not executable.[11] If the Exchange received a routable limit order to buy at $11.00 such order would not be routed to the available quotation(s) at $11.00 because such quotation could not be executed. The Exchange notes that the proposed rule text reflecting that the Exchange will not route if there are not executable quotations available is consistent with the rules of several other market centers, including EDGA and EDGX.[12]

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10 The Upper Price Band and Lower Price Band are defined terms in the Limit Up-Limit Down Plan.

11 The Exchange notes that this condition, with the national best bid and/or national best offer outside of applicable price bands, is defined in the Plan as Straddle State (as long as the security is not in a Limit State). The Exchange also notes that pursuant to the Plan if a security is in a Straddle State and trading in that stock deviates from normal trading characteristics, the applicable listing exchange may, but is not required to, declare a trading pause for that security.

12 See, e.g., EDGA Rule 11.9(b)(1)(B)(i); EDGX Rule 11.9(b)(1)(B)(i); NASDAQ Rule 4120(a)(12)(E)(4); NYSE Arca Rule 7.11(a)(7).

b. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")[13] and further the objectives of Section 6(b)(5) of the Act[14] because they are 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, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)[15] of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets.

The proposed rule changes to add functionality are generally intended to add certain system functionality currently offered by EDGA and/or EDGX in order to provide a consistent technology offering for the BGM Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by Users of the Exchange that are also participants on BYX, EDGA and/or EDGX. The proposed rule changes would also provide Users with access to functionality that is generally available on markets other than the BGM Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The Exchange also believes that the changes to correct or provide additional specificity regarding the functionality of the System would promote just and equitable principles of trade and

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

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

[15] 15 U.S.C. 78k-1(a)(1).

remove impediments to a free and open market by providing greater transparency concerning the operation of the System. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand.

As explained elsewhere in this proposal, the proposed FOK functionality is similar to existing IOC and Minimum Quantity functionality and is available on numerous other market centers, including EDGA and EDGX. Similarly, the proposed Minimum Quantity functionality for BATS Equities is intended to codify functionality that has been available on the Exchange since its inception and is available on numerous other market centers, including BATS Options. Finally, the Stop Orders and Stop Limit Orders that the Exchange proposes to add are available on numerous other market centers, including EDGA and EDGX. Thus, the Exchange believes that each of these proposed functionality additions have already been accepted as consistent with the Act and offered by various market centers for many years. Also, to the extent any of the proposals differ from functionality available on other market centers as described elsewhere in this proposal, the Exchange does not believe that any such differences present any additional policy issues to be considered under the Act. The Exchange's addition of such functionality is consistent with the Act for the reasons set forth above.

The Exchange believes that the additional detail with respect to the operation of Reserve Orders and restructuring to move certain descriptions related to Reserve Order handling from Rule 11.12 to Rule 11.9 are consistent with the Act for the reasons set forth above related to transparency of the operation of the System. The Exchange believes that the addition of the Random Replenishment option is consistent with the Act as it will help to achieve the general goal of Reserve Orders, which is to display less than the full interest that one represents in order to avoid moving the market. Random Replenishment will help Users to further disguise reserve interest by replenishing the Display Quantity of a Reserve Order to a variable amount so that other participants are less likely to detect that such order is in fact a Reserve Order with additional non-displayed size. Given the consistency of this functionality with the overall intent of Reserve Orders, and the widespread and longstanding offering of Reserve Orders by most market centers, the Exchange believes that the Random Replenishment option is consistent with the Act.

As explained above, the Exchange is proposing to correct the error in its current rule text with respect to the creation of a new timestamp for both the replenished and reserved amount of a Reserve Order each time the order is replenished from the reserve quantity on BATS Options. The Exchange believes that this change is consistent with the Act in that it provides clarity with respect to the functionality of the System and operates the same as Reserve Orders on BATS Equities, which have applied a new timestamp to both the replenished and reserved amount in accordance with BATS Equities rules since the inception of the Exchange. The Exchange does not believe that providing a new timestamp to the replenished and reserved amounts of a Reserve Order is in any way less consistent with the Act than allowing the reserve portion of an order to retain its original timestamp. Rather, the Exchange simply believes that this is an implementation detail and that the functionality could operate either way consistently with the Act. The Exchange also believes that its implementation in which Reserve Orders are assigned a new timestamp each time that the displayed portion is replenished from reserve is consistent with the Act in that it keeps the timestamp for the entire order the same (for both the displayed and reserve portions of the order) each time the order is modified with respect to its displayed and reserved size.

The Exchange believes that the proposed change with respect to the fact that the Exchange does not route orders outside of price bands established by the Limit Up-Limit Down Plan is consistent with the Act in that it reflects the current operation of the System, is consistent with the rules of other Exchanges that have adopted such functionality consistent with the Act, and because routing such orders would be inefficient, even if they would return to the Exchange unexecuted. As described above, the Exchange believes that the other proposed changes to its rulebook to correct typographical changes and add additional detail to the way that certain functionality currently operates provides further clarification to Members, Users, and the investing public regarding the operation of the Exchange's System.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the BGM Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it is one of several changes necessary to achieve a consistent technology offering by the BGM Affiliated Exchanges.

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

Not applicable.

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 has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[16] and paragraph (f)(6) of Rule 19b-4 thereunder.[17] The Exchange asserts that the proposed rule change: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.[18]

As described below, the Exchange notes that most of the proposed changes to adopt new functionality are directly based on the rules of EDGA and EDGX or are consistent with the approved rules of the Exchange or other Exchange competitors. With respect to the language describing the existing functionality of the System, the Exchange believes that such additional descriptions do not alter the fact that such functionality is available on other competitors of the Exchange, and is proposed to ensure as much clarity and transparency regarding the operation of the Exchange's System as possible.

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

17 17 C.F.R. 240.19b-4.

18 17 C.F.R. 240.19b-4(f)(6)(iii).

In contrast to the majority of the proposals set forth above, the Exchange notes that the proposal to adopt the Random Replenishment option for Reserve Orders for both BATS Equities and BATS Options is not directly based on the rules of another exchange. However, the Exchange does not believe that the random replenishment of an order raises any new issues that are either novel or complex, but rather, is an additional optimization consistent with the long-standing purpose of Reserve Orders.

Also, as noted elsewhere in this proposal, the proposal with respect to Stop Orders and Stop Limit Orders for BATS Options is not identical to stop and stop limit order functionality offered by options exchange competitors of BATS Options with respect to the event that triggers a stop order or stop limit order. The Exchange does not believe, however, that the distinctions are material and reiterates that all aspects of the Exchange's proposal are consistent with approved functionality. Namely, the proposal to trigger Stop Orders and Stop Limit Orders on consolidated trades is consistent with the rules of several options exchanges including NYSE MKT Rule 900.3NY. Similarly, the proposal to trigger Stop Orders and Stop Limit Orders on trades but not quotes is consistent with ISE Rule 715. As noted above, the Exchange prefers to retain consistency when possible between functionality offered by BATS Equities and BATS Options, and the Exchange does not believe that the proposed functionality for BATS Options raises any novel or complex issues.

Based on the foregoing, the proposed rule changes do not present any unique issues not previously considered by the Commission, and the Exchange has accordingly designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act[19] and paragraph (f)(6) of Rule 19b-4 thereunder.[20]

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule changes may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act[21] and paragraph (f)(6) of Rule 19b-4 thereunder.[22] Waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to immediately clarify its rules with respect to existing functionality already offered by the Exchange and to correct typographical errors in the Exchange's rules. The proposed change is also consistent with the protection of investors and the public interest because it will allow the Exchange to offer certain functionality that is already available on other market centers to its Users, which will allow the Exchange to remain competitive with such other market centers. To the extent a proposed change is functionality that is merely an optimization of existing functionality, primarily as the Random Replenishment option, the Exchange does not believe that there is a reason to delay the availability of this optimization, which will help to further disguise Reserve Orders, and that offering it as soon as possible is consistent with the protection of investors and the public interest. Importantly, waiver of the operative delay is also consistent with the protection of investors and the public interest because it will allow the Exchange to continue to strive

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19 15 U.S.C. 78s(b)(3)(A).

20 17 C.F.R. 240.19b-4.

21 15 U.S.C. 78s(b)(3)(A).

22 17 C.F.R. 240.19b-4(f)(6).

towards a complete technology integration of the BGM Affiliated Exchanges, with gradual roll-outs of new functionality to ensure stability of the System.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily temporarily suspend such rule change if it appears to the Commission that such action is: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) 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 Rules of Another Self-Regulatory Organization or of the Commission

Fill-or-Kill ("FOK") Functionality

The proposed rule change to adopt a TIF of FOK is based on EDGA Rule 11.5(b)(3) and EDGX Rule 11.5(b)(3). The proposed rule text for Rule 11.9(b)(6) with respect to BATS Equities and Rule 21.1(f)(5) with respect to BATS Options is nearly identical to such rules. The Exchange notes that FOK functionality is also offered by several other Exchange competitors, including equities exchanges such as NYSE Arca Equities (pursuant to Rule 7.31(c)(4)) and options exchanges such as NYSE MKT (pursuant to Rule 980NY). The Exchange is not aware of any substantive differences between the operation of FOK orders as proposed and the operation of such orders on other market centers.

Reserve Orders and Replenishment

The replenishing of the Display Quantity of an order from a Reserve Quantity under proposed Rule 11.9(c)(1), including the Random Replenishment option, is similar to, but contains more specificity than Nasdaq Rule 4751(f)(2) (Reserve Orders) and

NYSE Rule 13 (Reserve Order Types). As noted above, the Exchange does not believe that the random replenishment of an order raises any new issues that are either novel or complex, but rather, is a potential additional optimization consistent with the long-standing purpose of Reserve Orders.

Minimum Quantity Functionality

The Minimum Quantity Order under proposed Rule 11.9(c)(5) is similar to Nasdaq Rule 4751(f)(5). The Exchange does not believe that there is any substantive difference between the operation of Minimum Quantity Orders pursuant to Nasdaq Rule 4751(f)(5) and Minimum Quantity Orders on the Exchange except that the Exchange does not require a Minimum Quantity Order to be a round lot. The Exchange has also proposed to explicitly state that it will only honor a specified minimum quantity on a BATS Only Order (i.e., non-routable order), which is not clear from the Nasdaq rule; even if minimum quantity instructions are passed on to other market centers, the Exchange does not view this as a significant substantive difference between the operation of Minimum Quantity Orders on the Exchange as compared to their operation on the Nasdaq platform. The Exchange also notes that it has proposed language that provides additional specificity regarding executions of Minimum Quantity Orders against multiple orders that is not contained in the Nasdaq description. Again, the Exchange does not view this detail as representative of any significant substantive difference.

Stop and Stop Limit Order Functionality

The proposed rule changes to adopt Stop Orders and Stop Limit Orders are based on EDGA Rule 11.5(c)(11) and (12), respectively and EDGX Rule 11.5(c)(11) and (12), respectively. The proposed rule text for Rules 11.9(c)(17) and (18) with respect to BATS

Equities and Rule 21.1(f)(5) with respect to BATS Options is nearly identical to such rules. As noted above, the Exchange notes that stop and stop limit order functionality is also offered by several other Exchange competitors of BATS Options, including NYSE MKT (pursuant to Rule 900.3NY) and the International Securities Exchange ("ISE") (pursuant to Rule 715). The Exchange again notes that there are substantive differences with respect to the event that triggers a stop order or stop limit order between the market centers that offer such functionality. Specifically, pursuant to NYSE MKT Rule 900.3NY, a stop order or stop limit order is triggered based on consolidated trades or quotes on the exchange. The ISE, in contrast, triggers stop orders and stop limit orders on trades only but looks to trades on the ISE rather than consolidated trades. The Exchange has proposed triggering Stop Orders and Stop Limit Orders on consolidated trades, including the Exchange, which is consistent with the NYSE MKT implementation. However, the Exchange does not propose to trigger Stop Orders or Stop Limit Orders based on quotes, which is consistent with the ISE implementation.

Limit Up-Limit Down Routing Clarification

The Exchange notes that the change to Rule 11.18 that would specify that the System will not route buy (sell) interest at a price above (below) the Upper (Lower) Price Band in the context of the Limit Up-Limit Down Plan is based on EDGA and EDGX Rule 11.9(b)(1)(B)(i), which affirmatively states that orders are routed only when the NBB or NBO, as applicable, is executable (i.e., within applicable price bands). The Exchange also notes that the proposal is consistent with the rules of several other exchanges, including NASDAQ Rule 4120(a)(12)(E)(4) and NYSE Arca Rule 7.11(a)(7). The Exchange notes that according to both the comparable NASDAQ rule and the comparable NYSE Arca rule, such exchanges do route orders outside pursuant to certain specifically excluded routing strategies, such as directed order routing strategies and routing strategies that route specifically to the listing market.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

Exhibit 2–4: Not applicable.

Exhibit 5: Text of Proposed Rule Change

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-BATS-2014-027)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.9, 11.12, 11.18, 21.1 and 21.7 of BATS Exchange, Inc.

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 July 9, 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 11.9 to add certain functionality to the Exchange’s cash equities trading platform (“BATS Equities”), to add additional detail regarding existing functionality in place on BATS Equities, and to correct certain typographical errors. The Exchange also proposes to make related changes to Rule 11.12 and to eliminate obsolete language and correct certain typographical errors in Rule 11.18,

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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).

all such rules applicable to BATS Equities. Consistent with its practice of offering similar functionality for the Exchange's equity options trading platform ("BATS Options") as it does for BATS Equities, the Exchange proposes to amend Rule 21.1 to add similar functionality to BATS Options, to add additional detail regarding existing functionality in place on BATS Options, and to conform descriptions where possible between BATS Equities and BATS Options. Finally, the Exchange proposes to make related changes to Rule 21.7.

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

Earlier this year, the Exchange and its affiliate BATS Y-Exchange, Inc. ("BYX") received approval to affect a merger (the "Merger") of the Exchange's parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGX Exchange, Inc. ("EDGX") and EDGA Exchange, Inc. ("EDGA", and together with BZX, BYX and EDGX, the "BGM Affiliated Exchanges").[5] In the context of the Merger, the BGM Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. Thus, many of the proposals set forth below are intended to add certain system functionality currently offered by EDGA and/or EDGX in order to provide a consistent technology offering for users of the BGM Affiliated Exchanges. In the context of such alignment, the Exchange is also seeking to improve the transparency and understandability of its rules, and has therefore proposed various corrective and clarifying changes, as described below. Finally, as noted above, BATS Equities and BATS Options offer much of the same functionality, and thus, in adding functionality and modifying rule text related to BATS Equities, the Exchange also wishes to do the same for BATS Options.

The specific proposals set forth in more detail below include: (i) the addition of Fill-or-Kill functionality for both BATS Equities and BATS Options; (ii) the addition of a new replenishment option with respect to Reserve Orders as well as additional detail regarding the existing functionality of Reserve Orders for both BATS Equities and BATS Options; (iii) the addition of rule text regarding Minimum Quantity functionality for BATS Equities and additional detail in the BATS Options description of Minimum Quantity functionality; (iv) the addition of Stop Orders and Stop Limit Orders for both BATS Equities and BATS Options; and (v) various corrections to typographical errors in Exchange rules, elimination of obsolete language in Rule 11.18 as well as the addition of detail to the routing portion of Rule 11.18.

Fill-or-Kill ("FOK") Functionality

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5 See Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

BATS Equities

The Exchange proposes to add a Time-in-Force ("TIF") term of Fill-or-Kill ("FOK") to BATS Equities. BATS Equities currently offers five other TIF terms pursuant to Rule 11.9(b), including Immediate-or-Cancel ("IOC"). The Exchange proposes to add FOK as a sixth TIF option for BATS Equities, which would be numbered as 11.9(b)(6). As proposed, a FOK would be a limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

Example 1 – FOK Executes

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and a non-displayed order to buy 100 shares at 10.00. Assume that a User[6] submits a limit order to sell 200 shares at 10.00 that is designated with a TIF of FOK.

- The order to sell 200 shares would execute against the resting displayed and non-displayed orders at 10.00.

Example 2 – FOK Does not Execute

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and no other equal or better priced liquidity. Assume that a User submits a limit order to sell 200 shares at 10.00 that is designated with a TIF of FOK.

- The order to sell 200 shares would be cancelled back to the User because the order could not be executed in its entirety upon receipt by the Exchange.

An order designated as FOK is similar to an IOC order and unique from other TIFs in that it is either executed immediately or cancelled back to a User, and thus, the Exchange also proposes to modify Rules 11.9(e)(1) and 11.18(e)(5) to add reference to orders with a TIF of FOK alongside references to orders with a TIF of IOC, as described

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[6] As defined in BATS Rule 1.5(cc), a User is "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3."

below. First, Rule 11.9(e)(1) states that an order may only be cancelled or replaced if the order has a TIF term other than IOC and if the order has not yet been executed. The Exchange proposes to modify Rule 11.9(e)(1) to include the TIF of FOK as another TIF that, when attached to an order, would mean that the order cannot be cancelled or replaced. Second, Rule 11.18(e)(5) describes the operation of BATS market orders[7] and IOC orders in the context of the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan").[8] The Exchange proposes to modify Rule 11.18(e)(5) to include orders with a TIF of FOK along with such description. Specifically, the Exchange proposes to make clear that, like IOC and BATS market orders, FOK orders will only be executed if such executions are possible at or within the price bands prescribed by the Limit Up-Limit Down Plan, and that if an order with a TIF of FOK cannot be so executed, the remainder of the order will be cancelled.

BATS Options

The Exchange also proposes to add a TIF term of Fill-or-Kill ("FOK") to BATS Options. BATS Options currently offers four other TIF terms pursuant to Rule 21.1(f), including Immediate Or Cancel ("IOC"). The Exchange proposes to add FOK as a fifth TIF option for BATS Equities, which would be numbered as 21.1(f)(5). As proposed, a FOK would be a limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled. Thus, the proposed definition is identical to the

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7 See Rule 11.9(a)(2) for a description of BATS market orders.

8 See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the "Limit Up-Limit Down Release").

proposed definition for BATS Equities, as is the proposed operation of FOK functionality.

Example 1 – FOK Executes

Assume the NBBO is 10.00 x 10.05 and the Exchange has a displayed order to buy 10 contracts at 10.00 with reserve size of 10 contracts. Assume that a User submits a limit order to sell 20 contracts at 10.00 that is designated with a TIF of FOK.

- The order to sell 20 contracts would execute against the displayed and reserve size of the resting reserve order at 10.00.

Example 2 – FOK Does not Execute

Assume the NBBO is 10.00 x 10.05 and the Exchange has a displayed order to buy 10 contracts at 10.00 and no other equal or better priced liquidity. Assume that a User submits a limit order to sell 20 contracts at 10.00 that is designated with a TIF of FOK.

- The order to sell 20 contracts would be cancelled back to the User because the order could not be executed in its entirety upon receipt by the Exchange.

Consistent with BATS Equities, an order designated as FOK is similar to an IOC order, and thus, the Exchange proposes to modify Rule 21.7(a), which describes the process by which BATS Options opens its market each trading day, and includes IOC amongst orders that are not accepted prior to the Exchange's opening process. The Exchange proposes to add orders designated as FOK to the list of orders not accepted prior to the opening process.

<u>Reserve Orders and Replenishment</u>

BATS Equities

The Exchange currently offers Reserve Orders, which are defined in Rule 11.9(c)(1) as limit orders "with a portion of the quantity displayed … and with a reserve portion of the quantity … that is not displayed." Pursuant to current Rule 11.12(a)(5), the displayed quantity of a Reserve Order has time priority as of the time of display. Further, as currently described, if the displayed quantity of the Reserve Order is decremented such that 99 shares or fewer would be displayed, the displayed portion of the Reserve Order shall be refreshed for (i) the original displayed quantity, or (ii) the entire reserve quantity, if the remaining reserve quantity is smaller than the original displayed quantity. Finally, as set forth in Rule 11.12(a)(5), a new timestamp is created both for the refreshed and reserved portion of the order each time it is refreshed from reserve.

The Exchange proposes to add Random Replenishment functionality, as described below, and to additional detail to Rule 11.9(c)(1), which defines Reserve Orders. In making these changes, the Exchange proposes to remove details regarding replenishment from Rule 11.12(a)(5), as such details are proposed to be included in Rule 11.9(c)(1).

The Exchange proposes to leave the current definition of Reserve Order as currently drafted, but to add the defined terms “Display Quantity” to refer to the displayed quantity of a Reserve Order and “Reserve Quantity” to refer to the non-displayed quantity of a Reserve Order. The Exchange also proposes to explicitly state within Rule 11.9(c)(1) that both the Display Quantity and the Reserve Quantity of a Reserve Order are available for execution against incoming orders.

As noted above, the Exchange currently sets forth the details regarding replenishment of a Reserve Order in Rule 11.12(a)(5). The Exchange proposes to move these details to Rule 11.9(c)(1) and to make certain changes necessary to support the proposed Random Replenishment functionality. Specifically, proposed Rule 11.9(c)(1) would state that if the Display Quantity of an order is reduced to less than a round lot, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve Quantity using one of the replenishment instructions set forth in the

Rule. The Exchange also proposes to state in Rule 11.9(c)(1) that if the remainder of an order is less than the replenishment amount, the System[9] will replenish and display the entire remainder of the order.

The Exchange currently requires Users to designate the original display quantity of an order, which is also the amount to which an order is replenished (unless the remainder of an order is smaller than the original displayed quantity) under the current replenishment functionality. The Exchange refers to this quantity as "max floor" in its specifications. The Exchange proposes to add a defined term of "Max Floor" to Rule 11.9(c)(1), which would be a mandatory value entered by a User that will determine the quantity of the order to be initially displayed by the System and will also be used to determine the replenishment amount under both replenishment options described below.

The Exchange currently offers one replenishment option, which uses the number of shares from reserve necessary to return the displayed quantity of an order to its original display amount. The Exchange proposes to retain this replenishment option and to define it as "Fixed Replenishment." As proposed, Fixed Replenishment will apply to any order for which Random Replenishment has not been selected. Under the Fixed Replenishment option, the System will replenish the Display Quantity of an order to the Max Floor designated by the User.

The Exchange also proposes to add a new replenishment option, Random Replenishment. As proposed, Random Replenishment is an instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are

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9 As defined in BATS Rule 1.5(aa), the System is the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away.

randomly determined by the System within a replenishment range established by the User. Further, as proposed, the User entering an order into the System subject to the Random Replenishment instruction must select a replenishment value and a Max Floor. The initial Display Quantity will be the Max Floor. The Display Quantity of an order when replenished will be determined by the System randomly selecting a round lot number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value. The Exchange believes that the Random Replenishment is an optimization of current System functionality as it will help to achieve the general goal of Reserve Orders, which is to display less than the full interest that one represents in order to avoid moving the market. Random Replenishment will help Users to further disguise reserve interest by replenishing the Display Quantity of a Reserve Order to a variable amount so that other participants are less likely to detect that such order is in fact a Reserve Order with additional non-displayed size.

In addition to the changes set forth above, the Exchange proposes to modify Rule 11.9(e)(3) to state that the Max Floor set for an order can be modified through the use of a replace message rather than requiring a User to cancel and re-enter an order. The Exchange also proposes to modify Rule 11.12(a)(3) to make clear that a modification to the Max Floor of a Reserve Order will not cause such order to lose priority. The Exchange believes that this is appropriate because a modification to Max Floor of a resting Reserve Order will not change the handling or display of the order in any way until replenishment is caused due to the reduction of the Display Quantity to less than a round lot. When such replenishment occurs (based on the new Max Floor), the order will receive a new timestamp, and thus, will have a new priority.

Example 1(a) – Fixed Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- A User enters an order into the System to buy 10,000 shares at 10.00 with a Display Quantity (i.e., Max Floor) of 1,000 shares and a Reserve Quantity of 9,000 shares. Because Random Replenishment was not designated the order defaults to a Fixed Replenishment quantity of 1,000 shares.

- An inbound market order to sell 400 shares is entered into the System and executes against the Display Quantity of 1,000 shares, resulting in a remaining Display Quantity of 600 shares.

- Another market order to sell 600 shares is entered into the System and executes against the 600 displayed shares. The Display Quantity is then replenished by the System from the Reserve Quantity to the order's original displayed quantity of 1,000 shares, resulting in a remaining Reserve Quantity of 8,000 shares. Both the Display Quantity and the Reserve Quantity receive new timestamps upon replenishment.

Example 1(b) – Fixed Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- User A enters Order 1, a limit order to buy 6,000 shares at 10.00, the NBB, with a Display Quantity (i.e., Max Floor) of 1,000 shares and a Reserve Quantity of 5,000 shares. Because Random Replenishment was not designated the order defaults to a Fixed Replenishment quantity of 1,000 shares.

- User B then enters Order 2, a display-eligible limit order to buy 600 shares at 10.00 with no Reserve Quantity.

- An inbound market order to sell 2,000 shares is entered into the System.

- The order to sell first executes against the Display Quantity of 1,000 shares of Order 1, then executes against the full 600 shares of Order 2, and then executes against 400 shares of the Reserve Quantity of Order 1 (i.e., the displayed quantities of Orders 1 and 2 execute in time priority, followed by the Reserve Quantity of Order 1).

- The Display Quantity of Order 1 is then replenished for 1,000 shares, leaving a Reserve Quantity of 3,600 shares. Both the Display Quantity and the Reserve Quantity receive new timestamps upon replenishment.

Example 2(a) – Random Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- A User enters an order into the System to buy 10,000 shares at 10.00 and designates such order for Random Replenishment with a Max Floor of 1,000 shares and a replenishment value of 400 shares.

- The initial Display Quantity of the order is 1,000 shares and the Reserve Quantity is 9,000 shares.

- An inbound market order to sell 950 shares is entered into the System and executes against the Display Quantity of the order (1,000 shares), leaving a 50 share Display Quantity. Because the remaining Display Quantity is less than a round lot, the System will replenish the Display Quantity.

- With a replenishment value of 400, subsequent replenishments will return the Display Quantity to a randomly selected round lot value between 600 shares (i.e., Max Floor minus the replenishment value) and 1,400 shares (i.e., Max Floor plus the replenishment value).

- Assume the System selects a Display Quantity of 1,200 shares. The System will refresh the order with 1,150 shares from the Reserve Quantity, thus generating a new Display Quantity of 1,200 shares to sell at 10.00, and a Reserve Quantity of 7,850 shares.

Example 2(b) – Random Replenishment

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 9.99, a displayed order to sell 100 shares at 10.01, and no other equal or better priced liquidity.

- A User enters an order into the System to buy 5,000 shares at 10.00 and designates such order for Random Replenishment with a Max Floor of 2,000 shares and a replenishment value of 1,000 shares.

- The initial Display Quantity of the order is 2,000 shares and the Reserve Quantity is 3,000 shares.

- An inbound market order to sell 1,800 shares is entered into the System and executes against the Display Quantity of the order (2,000 shares), leaving a 200 share Display Quantity.

- A second inbound market order to sell 700 shares is entered into the System and executes against the Display Quantity of the order (200 shares) and 500 shares of the Reserve Quantity of the order, leaving no Display Quantity and a Reserve Quantity of 2,500 shares.

- With a replenishment value of 1,000, subsequent replenishments would otherwise return the Display Quantity to a randomly selected round lot value between 1,000 shares (i.e., Max Floor minus the replenishment value) and 3,000 shares (i.e., Max Floor plus the replenishment value). However, in this example, because the Reserve Quantity is now 2,500 shares, the System would instead replenish the Display Quantity to a round lot value between 1,000 and 2,500 shares.

- Assume the System selects a Display Quantity of 2,000 shares, leaving a Reserve Quantity of 500 shares.

- An inbound market order to sell 2,050 shares is entered into the System and executes against the Display Quantity of the order (2,000 shares) and 50 shares of the Reserve Quantity of the order, leaving no Display Quantity and a Reserve Quantity of 450 shares. Because the remaining Reserve Quantity is less than the lower end of the replenishment range (i.e., 1,000 shares), the System will Display the entire remainder of the order, or 450 shares.

BATS Options

The Exchange also offers Reserve Order functionality for BATS Options, with the only notable difference being that Reserve Orders do not replenish until the displayed quantity of the order is fully executed on BATS Options, whereas on BATS Equities, Reserve Orders replenish once the Display Quantity is less than a round lot. Accordingly, in order to keep both the rule text and the functionality offered by BATS Equities and BATS Options the same, the Exchange is proposing changes to Rule 21.1(d)(1) that are similar to those described for BATS Equities above. In addition, the Exchange is proposing to correct an error in its current rule text. Specifically, the Exchange’s current rules state that the reserve portion of an order retains the timestamp of its original entry when replenishment occurs. However, the BATS Options functionality is indeed the same as that on BATS Equities in that a new timestamp is created for both the replenished and reserved amount each time the order is replenished from the reserve quantity. Accordingly, the Exchange proposes to modify the language to conform to that of BATS Equities.

The Exchange notes that the examples of Fixed Replenishment and Random Replenishment would operate the same on BATS Options as set forth for BATS Equities, with the exception that replenishment does not occur until the Display Quantity is completely exhausted.

Minimum Quantity Functionality

BATS Equities

The Exchange proposes to codify existing functionality already offered by BATS Equities by introducing a definition of Minimum Quantity Order in Rule 11.9(c)(5). The Exchange notes that the main difference between a Minimum Quantity Order and an order with a TIF of FOK is that an order with a specified minimum quantity may be partially executed so long as the execution size is equal to or exceeds the quantity provided by the User whereas a FOK Order must be executed in full.

A Minimum Quantity Order, as proposed, is a limit order to buy or sell that will only execute if a specified minimum quantity of shares can be obtained. The Exchange proposes to state in Rule 11.9(c)(5) that orders with a specified minimum quantity will only execute against multiple, aggregated orders if such executions would occur simultaneously (rather than only executing against a single order that satisfies the applicable minimum quantity). Finally, the Exchange will only honor a specified minimum quantity on BATS Only Orders that are non-displayed or IOCs. The Exchange will disregard a minimum quantity on any other order.

The Exchange notes that a specified minimum quantity is only applicable to BATS Only Orders, which are not routed to other market centers, because of the practical difficulty the Exchange would face in trying to achieve a minimum quantity through its routing process. For instance, although most market centers have a feature similar to or identical to the Exchange's minimum quantity functionality, the Exchange cannot guarantee that all away market centers would always have such functionality. Minimum quantity is also inconsistent with routed orders because under most of the Exchange's routing options an order is split into multiple smaller orders that are routed simultaneously to away market centers. Similarly, the Exchange notes that a specified minimum quantity is only possible to apply to non-displayed orders or IOCs due to the Exchange's obligations to honor displayed quotations by executing such quotations against incoming orders.[10] By limiting the minimum quantity instruction to non-displayed orders or IOCs the Exchange avoids the display of a quotation that is not executable unless a specific condition is met.

Example 1 – Minimum Quantity Order Executes

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and a non-displayed order to buy 100 shares at 10.00. Assume that a User submits an IOC limit order to sell 500 shares at 10.00 with a minimum quantity of 200 shares.

- The order to sell 500 shares would receive a partial execution of 200 shares against the resting displayed and non-displayed orders at 10.00. The remaining 300 shares would be cancelled back to the User.

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10 See, e.g., Rule 602 of Regulation NMS (the "Firm Quote Rule"). 17 CFR 240.602.

Example 2 – Minimum Quantity Order Does not Execute

Assume the NBBO is 10.00 x 10.01 and the Exchange has a displayed order to buy 100 shares at 10.00 and a non-displayed order to buy 100 shares at 10.00. Assume that a User submits an IOC limit order to sell 500 shares at 10.00 with a minimum quantity of 300 shares.

- The order to sell would be cancelled back to the User because the required execution of at least 300 shares could not be satisfied upon receipt by the Exchange.

BATS Options

Minimum Quantity Orders available on BATS Options are defined in Rule 21.1(d)(3). The main substantive difference between the functionality offered by BATS Equities and that offered by BATS Options is that a specified minimum quantity will only be honored on BATS Options with respect to an IOC order because non-displayed orders are not accepted by BATS Options. Thus, Minimum Quantity Orders cannot rest on the BATS Options order book. The Exchange proposes to modify the definition of Minimum Quantity Order for BATS Options to make clear that while a Minimum Quantity Order can execute against multiple, aggregated orders (rather than only executing against a single order that satisfies the applicable minimum quantity), such execution will only occur if it would occur simultaneously. The Exchange also proposes to delete reference to the rejection of Minimum Quantity Orders received prior to the market open or after the market close. Because a Minimum Quantity Order must be an IOC to be entered into BATS Options, it is true that such orders are not accepted prior to the open as IOCs are rejected pursuant to Rule 21.7, as described above. However, because this is described in Rule 21.7 and does not appear in other rules describing BATS Options order types or order type modifiers, the Exchange believes that the reference is redundant and potentially confusing. Because the Exchange rejects all orders received by

BATS Options after the close the Exchange believes that the reference to post-close orders in the Minimum Quantity Order description is unnecessary and potentially confusing.

The Exchange notes that the first two examples of Minimum Quantity Orders set forth above would operate the same on BATS Options as set forth for BATS Equities. The third example is inapplicable because, as described above, Minimum Quantity Orders cannot post to the BATS Options order book.

<u>Stop and Stop Limit Order Functionality</u>

BATS Equities

The Exchange proposes to adopt new orders that trigger based on trades occurring on the Exchange or reported on other marketplaces. Specifically, the Exchange proposes to adopt Stop Orders and Stop Limit Orders. Stop Orders and Stop Limit Orders are not executable unless and until their stop price is triggered. As proposed, a Stop Order is an order that becomes a BATS market order[11] when the stop price is elected. In contrast, a Stop Limit Order is an order that becomes a limit order when the stop price is elected. The triggering events for Stop Orders and Stop Limit Orders will be the same. A Stop Order or Stop Limit Order to buy will be elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Order or Stop Limit Order to sell will be elected when the consolidated last sale in the security occurs at, or below, the specified stop price.

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[11] See Rule 11.9(a)(2).

Example 1 – Stop Order is Triggered

Assume the NBBO is 7.80 x 8.00. Assume that a User submits a Stop Order to buy 500 shares with a stop price of 8.05.

- Assume the NBBO shifts gradually upwards to 8.00 by 8.05. An execution reported by another exchange at 8.05 will trigger the stop price of the Stop Order, which will convert into a BATS market order to buy.

Example 2 – Stop Limit Order is Triggered

Assume the NBBO is 7.84 x 7.85. Assume that a User submits a Stop Limit Order to buy 500 shares at 8.04 with stop limit price of 8.05.

- Assume the NBBO shifts gradually upwards to 8.03 by 8.05. An execution reported by another exchange at 8.05 will trigger the stop price of the Stop Limit Order, which will convert into a limit order to buy at 8.04.

In addition to the changes set forth above, the Exchange proposes to modify Rule 11.9(e)(3) to state that the stop price of an order can be modified through the use of a replace message rather than requiring a User to cancel and re-enter an order. The Exchange also proposes to modify Rule 11.12(a)(3) to make clear that a modification to the stop price of a Stop Order or Stop Limit Order will not cause such an order to lose priority. The Exchange believes that this is appropriate because a modification to the stop price of a resting order will not change the handling of the order in any way other than to trigger the order based on a different subsequent trade than the order otherwise would have.

BATS Options

The Exchange proposes to adopt for BATS Options the same description of Stop Orders and Stop Limit Orders as it is proposing for BATS Equities. There are no substantive differences between the way that Stop Orders and Stop Limit Orders will operate as between BATS Equities and BATS Options.

Stop and stop limit order functionality is also offered by several other Exchange competitors of BATS Options, including NYSE MKT LLC ("NYSE MKT") (pursuant to Rule 900.3NY) and the International Securities Exchange ("ISE") (pursuant to Rule 715). The Exchange notes that there are substantive differences with respect to the event that triggers a stop order or stop limit order between the market centers that offer such functionality. For instance, pursuant to NYSE MKT Rule 900.3NY, a stop order or stop limit order is triggered based on consolidated trades or quotes on the exchange. The ISE, in contrast, triggers stop orders and stop limit orders on trades only but looks to trades on the ISE rather than consolidated trades. The Exchange has proposed triggering Stop Orders and Stop Limit Orders on consolidated trades, including the Exchange, which is consistent with the NYSE MKT implementation. However, the Exchange does not propose to trigger Stop Orders or Stop Limit Orders based on quotes, which is consistent with the ISE implementation. As noted above, the Exchange prefers to retain consistency when possible between functionality offered by BATS Equities and BATS Options.

The Exchange notes that the examples of Stop Orders and Stop Limit Orders set forth above would operate the same on BATS Options as they would on BATS Equities.

Additional Changes

The Exchange proposes to correct three incorrect internal cross-references in Rule 11.9(c)(7)(B), each of which points to paragraph (c)(6)(A) but is intended to refer to paragraph (c)(7)(A). The Exchange proposes to instead simply reference paragraph (A) above, which the Exchange believes is sufficient detail when read in context.

The Exchange also proposes to eliminate all references in Rule 11.18 to individual stock trading pauses issued by a primary listing market and related definitions, which are contained in Rule 11.18(d), 11.18(e)(6) and 11.18(f). The stock trading pauses described in such provisions have been fully phased out as securities have become subject to the Limit Up-Limit Down Plan. The Plan is already operational with respect to all securities, and thus, the Exchange believes that all references to individual stock trading pauses should be removed. This change will also serve to eliminate certain duplicative references that have occurred through amendments to Rule 11.18, including amendments related to the operation of the Limit Up-Limit Down Plan as well as other amendments. The Exchange also proposes various other corrections to the numbering of Rule 11.18 for consistency with other portions of its rules. The Exchange also proposes to eliminate a reference to the operational date of the Limit Up-Limit Down Plan now that it is, in fact, already operational.

In reviewing Rule 11.18 in connection with the above-described corrections, the Exchange determined to also add additional detail to the routing description of Rule 11.18 to reflect the existing functionality of the System. In particular, the Exchange proposes to affirmatively state in Rule 11.18 that the System will not route buy (sell) interest at a price above (below) the Upper (Lower) Price Band.[12] Because executions cannot occur outside of applicable price bands anyway, the Exchange believes it is inefficient to route orders outside of price bands. For example, assume that the Lower Price Band is $9.50 and the Upper Price Band is $10.50. Further assume the NBBO is $10.00 by $11.00, and thus, that the national best offer of $11.00 is not executable.[13] If

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12 The Upper Price Band and Lower Price Band are defined terms in the Limit Up-Limit Down Plan.

13 The Exchange notes that this condition, with the national best bid and/or national best offer outside of applicable price bands, is defined in the Plan as Straddle State (as long as the security is not in a Limit State). The Exchange also notes

the Exchange received a routable limit order to buy at $11.00 such order would not be routed to the available quotation(s) at $11.00 because such quotation could not be executed. The Exchange notes that the proposed rule text reflecting that the Exchange will not route if there are not executable quotations available is consistent with the rules of several other market centers, including EDGA and EDGX.[14]

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act")[15] and further the objectives of Section 6(b)(5) of the Act[16] because they are 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, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)[17] of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets.

The proposed rule changes to add functionality are generally intended to add certain system functionality currently offered by EDGA and/or EDGX in order to provide a consistent technology offering for the BGM Affiliated Exchanges. A consistent

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that pursuant to the Plan if a security is in a Straddle State and trading in that stock deviates from normal trading characteristics, the applicable listing exchange may, but is not required to, declare a trading pause for that security.

14 See, e.g., EDGA Rule 11.9(b)(1)(B)(i); EDGX Rule 11.9(b)(1)(B)(i); NASDAQ Rule 4120(a)(12)(E)(4); NYSE Arca Rule 7.11(a)(7).

15 15 U.S.C. 78f(b).

16 15 U.S.C. 78f(b)(5).

17 15 U.S.C. 78k-1(a)(1).

technology offering, in turn, will simplify the technology implementation, changes and maintenance by Users of the Exchange that are also participants on BYX, EDGA and/or EDGX. The proposed rule changes would also provide Users with access to functionality that is generally available on markets other than the BGM Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The Exchange also believes that the changes to correct or provide additional specificity regarding the functionality of the System would promote just and equitable principles of trade and remove impediments to a free and open market by providing greater transparency concerning the operation of the System. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand.

As explained elsewhere in this proposal, the proposed FOK functionality is similar to existing IOC and Minimum Quantity functionality and is available on numerous other market centers, including EDGA and EDGX. Similarly, the proposed Minimum Quantity functionality for BATS Equities is intended to codify functionality that has been available on the Exchange since its inception and is available on numerous other market centers, including BATS Options. Finally, the Stop Orders and Stop Limit Orders that the Exchange proposes to add are available on numerous other market centers, including EDGA and EDGX. Thus, the Exchange believes that each of these proposed functionality additions have already been accepted as consistent with the Act and offered by various market centers for many years. Also, to the extent any of the proposals differ from functionality available on other market centers as described elsewhere in this proposal, the Exchange does not believe that any such differences present any additional policy issues to be considered under the Act. The Exchange's addition of such functionality is consistent with the Act for the reasons set forth above.

The Exchange believes that the additional detail with respect to the operation of Reserve Orders and restructuring to move certain descriptions related to Reserve Order handling from Rule 11.12 to Rule 11.9 are consistent with the Act for the reasons set forth above related to transparency of the operation of the System. The Exchange believes that the addition of the Random Replenishment option is consistent with the Act as it will help to achieve the general goal of Reserve Orders, which is to display less than the full interest that one represents in order to avoid moving the market. Random Replenishment will help Users to further disguise reserve interest by replenishing the Display Quantity of a Reserve Order to a variable amount so that other participants are less likely to detect that such order is in fact a Reserve Order with additional non-displayed size. Given the consistency of this functionality with the overall intent of Reserve Orders, and the widespread and longstanding offering of Reserve Orders by most market centers, the Exchange believes that the Random Replenishment option is consistent with the Act.

As explained above, the Exchange is proposing to correct the error in its current rule text with respect to the creation of a new timestamp for both the replenished and reserved amount of a Reserve Order each time the order is replenished from the reserve quantity on BATS Options. The Exchange believes that this change is consistent with the Act in that it provides clarity with respect to the functionality of the System and operates the same as Reserve Orders on BATS Equities, which have applied a new timestamp to both the replenished and reserved amount in accordance with BATS Equities rules since the inception of the Exchange. The Exchange does not believe that providing a new timestamp to the replenished and reserved amounts of a Reserve Order is in any way less consistent with the Act than allowing the reserve portion of an order to retain its original timestamp. Rather, the Exchange simply believes that this is an implementation detail and that the functionality could operate either way consistently with the Act. The Exchange also believes that its implementation in which Reserve Orders are assigned a new timestamp each time that the displayed portion is replenished from reserve is consistent with the Act in that it keeps the timestamp for the entire order the same (for both the displayed and reserve portions of the order) each time the order is modified with respect to its displayed and reserved size.

The Exchange believes that the proposed change with respect to the fact that the Exchange does not route orders outside of price bands established by the Limit Up-Limit Down Plan is consistent with the Act in that it reflects the current operation of the System, is consistent with the rules of other Exchanges that have adopted such functionality consistent with the Act, and because routing such orders would be inefficient, even if they would return to the Exchange unexecuted. As described above, the Exchange believes that the other proposed changes to its rulebook to correct typographical changes and add additional detail to the way that certain functionality currently operates provides further clarification to Members, Users, and the investing public regarding the operation of the Exchange's System.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the BGM Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it is one of several changes necessary to achieve a consistent technology offering by the BGM Affiliated 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[18] and paragraph (f) of Rule 19b-4 thereunder.[19] 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:

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[18] 15 U.S.C. 78s(b)(3)(A).

[19] 17 CFR 240.19b-4(f).

- 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-2014-027 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-2014-027. 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 change 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-2014-027 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.[20]

Kevin M. O'Neill
Deputy Secretary

[20] 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 XI. TRADING RULES

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Rule 11.9. Orders and Modifiers

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

(a) (No change.)

(b) *Time-in-Force*. Limit orders must have one of the following time-in-force terms.

(1)-(5) (No change.)

(6) Fill-or-Kill ("FOK"). A limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

(c) *Other Types of Orders.*

(1) *Reserve Order*. A limit order with a portion of the quantity displayed ("[d]Display [q]Quantity") and with a reserve portion of the quantity ("[r]Reserve [q]Quantity") that is not displayed. Both the Display Quantity and the Reserve Quantity are available for execution against incoming orders. If the Display Quantity of an order is reduced to less than a round lot, the System will, in accordance with the User's instruction, replenish the Display Quantity from the Reserve Quantity using one of the below replenishment instructions. If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the order. A User must instruct the Exchange as to the quantity of the order to be initially displayed by the System ("Max Floor") when entering a Reserve Order, which is also used to determine the replenishment amount, as set forth below.

(A) Random Replenishment. An instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. In particular, the User entering an order into the System subject to the Random Replenishment instruction must select a replenishment value and a Max Floor. The initial Display Quantity will be the Max Floor. The Display Quantity of an order when replenished will be determined by the System randomly selecting a round lot number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value.

(B) Fixed Replenishment. For any order for which Random Replenishment has not been selected the System will replenish the Display Quantity of an order to the Max Floor designated by the User.

(2)-(4) (No change.)

(5) [(Reserved.)]*Minimum Quantity Order.* A limit order to buy or sell that will only execute if a specified minimum quantity of shares can be obtained. Orders with a specified minimum quantity will only execute against multiple, aggregated orders if such executions would occur simultaneously. The Exchange will only honor a specified minimum quantity on BATS Only Orders that are non-displayed or IOCs and will disregard a minimum quantity on any other order.

(6) (No change.)

(7) (No change.)

(A) (No change.)

(B) Regardless of any liquidity removed from the BATS Book under the circumstances described in paragraph [(c)(6)](A) above, a User may enter a Partial Post Only at Limit Order instructing the Exchange to also remove liquidity from the BATS Book at the order's limit price up to a designated percentage of the remaining size of the order after any execution pursuant to paragraph [(c)(6)](A) above ("Maximum Remove Percentage") if, after removing such liquidity at the order's limit price, the remainder of such order can then post to the BATS Book. If no Maximum Remove Percentage is entered, such order will only remove liquidity to the extent such order will obtain price improvement as described in paragraph [(c)(6)](A) above.

(No change.)

(8)-(16) (No change.)

(17) *Stop Order*. A Stop Order is an order that becomes a BATS market order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the security occurs at, or below, the specified stop price.

(18) *Stop Limit Order*. A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop

Limit Order to sell becomes a sell limit order when the consolidated last sale in the security occurs at, or below, the specified stop price.

(d) (No changes.)

(e) *Cancel/Replace Messages*. A User may, by appropriate entry in the System, cancel or replace an existing order entered by the User, subject to the following limitations.

(1) Orders may only be cancelled or replaced if the order has a time-in-force term other than IOC or FOK and if the order has not yet been executed.

(2) (No change.)

(3) Other than changing a limit order to a market order, only the price, stop price, the sell long or sell short indicator, Max Floor and quantity terms of the order may be changed by a Replace Message. If a User desires to change any other terms of an existing order the existing order must be cancelled and a new order must be entered.

(4) (No change.)

(f)–(g) (No change.)

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Rule 11.12. Priority of Orders

(a) (No change.)

(1)-(2) (No change.)

(3) In the event an order has been cancelled or replaced in accordance with Rule 11.9(e) above, such order only retains priority if such modification involves a decrease in the size of the order, a change to Max Floor of a Reserve Order, a change to the stop price of a Stop Order or Stop Limit Order or a change in position from sell long to sell short or vice-versa. Any other modification to an order, including an increase in the size of the order and/or price change, will result in such order losing priority as compared to other orders in the BATS Book and the timestamp for such order being revised to reflect the time of the modification.

(4) (No change.)

(5) The [d]Display[ed] [q]Quantity of a Reserve Order shall have time priority as of the time of display. [If the displayed quantity of the Reserve Order is decremented such that 99 shares or fewer would be displayed, the displayed portion of the Reserve Order shall be refreshed for (i) the original displayed quantity, or (ii) the entire reserve quantity, if the remaining reserve quantity is smaller than the original displayed quantity.] A new timestamp is created both for the [refreshed]Display Quantity and [reserved portion]the Reserve Quantity of the order each time it is refreshed from reserve.

(b) (No change.)

* * *

Rule 11.18. Trading Halts Due to Extraordinary Market Volatility

This Rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility. If the pilot is not either extended or approved permanently at the end of the pilot period, the prior version of Rule 11.18 shall be in effect.

(a) (No changes.)

[(i)](1) (No changes to text.)

[(ii)](2) (No changes to text.)

[(iii)](3) (No changes to text.)

[(iv)](4) (No changes to text.)

(b) (No changes.)

[(i)](1) (No changes to text.)

[(ii)](2) (No changes to text.)

(c) (No changes.)

(d) Nothing in this Rule 11.18 should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy.

[(d) Between 9:45 a.m. and 3:35 p.m., or in the case of an early scheduled close, 25 minutes before the close of trading, the Exchange shall immediately pause trading for 5 minutes in any Exchange-listed security, other than rights and warrants, when the price of such security moves a percentage specified below within a 5-minute period, as follows:

(1) The price move shall be 10% or more with respect to securities included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products;

(2) The price move shall be 30% or more with respect to all NMS stocks not subject to sub-paragraph (d)(1) of this Rule with a price equal to or greater than $1; and

(3) The price move shall be 50% or more with respect to all NMS stocks not subject to sub-paragraph (d)(1) of this Rule with a price less than $1.

The determination that the price of a stock is equal to or greater than $1 under sub-paragraph (2) above or less than $1 under sub-paragraph (3) above shall be based on the closing price on the previous trading day, or, if no closing price exists, the last sale reported to the Consolidated Tape on the previous trading day.

At the end of the trading pause, the Exchange will re-open the security using the Halt Auction process set forth in Rule 11.23. In the event of a significant imbalance at the end of a trading pause, the Exchange may delay the re-opening of a security. The Exchange will issue a notification if it cannot resume trading for a reason other than a significant imbalance.
Price moves under this paragraph (d) will be calculated by changes in each consolidated last-sale price disseminated by a network processor over a five minute rolling period measured continuously. Only regular way in-sequence transactions qualify for use in calculations of price moves. The Exchange can exclude a transaction price from use if it concludes that the transaction price resulted from an erroneous trade. If a trading pause is triggered under this paragraph, the Exchange shall immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.

If a primary listing market other than the Exchange issues an individual stock trading pause in any of the Circuit Breaker Securities, as defined in paragraph (f) below, the Exchange will pause trading in that security until trading has resumed on the primary listing market. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in such stock.]

(e) Limit Up-Limit Down Mechanism [*(operative as of April 8, 2013)*.]

(1)-(4) (No changes.)

(5) (No changes.)

(A) Market Orders, FOK Orders and IOC Orders. The System will only execute BATS market orders, FOK Orders or IOC Orders at or within the Price Bands. If a BATS [M]market [O]order, FOK Order or IOC Order cannot be fully executed at or within the Price Bands, the System shall cancel any unexecuted portion of the order without posting such order to the Exchange's order book.

(B)-(C) (No changes.)

(D) Routable Orders. If routing is permitted based on a User's instructions, orders shall be routed away from the Exchange pursuant to Rule 11.13, provided that the System shall not route buy (sell) interest at a price above (below) the Upper (Lower) Price Band.

(E)-(F). (No changes.)

(6) [Trading Pause. Securities shall remain subject to the requirements of paragraph (d) of this Rule until such securities become subject to the Plan. Once an NMS Stock is subject to the Plan, the security shall only be subject to a Trading Pause under the Plan consistent with paragraph (f) of this Rule.](Reserved.)

(7)-(8) (No changes.)

(f) On the occurrence of any trading halt pursuant to this Rule, all outstanding orders in the System, other than Eligible Auction Orders, will be cancelled.

[(f) The provisions of paragraph (e) of this Rule shall be in effect during a pilot set to end on February 4, 2014. During the pilot, the term "Circuit Breaker Securities" shall mean all NMS stocks other than NMS stocks subject to the Regulation NMS Plan to Address Extraordinary Market Volatility.]

(g) (No changes.)

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CHAPTER XXI. TRADING SYSTEMS

Rule 21.1. Definitions

(No change.)

(a)-(c) (No change.)

(d) The term "Order Type" shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1) "Reserve Orders" are limit orders that have both a portion of the quantity displayed ("Display Quantity") and with a reserve portion of the quantity ("Reserve Quantity") that is not displayed[displayed size as well as an additional non-displayed amount]. Both the [displayed and non-displayed portions]Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. If the [displayed portion]Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User's instruction, replenish the [display portion]Display Quantity from the Reserve Quantity using one of the below replenishment instructions[reserve up to the size of the original display amount]. If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the order. A User must instruct the Exchange as to the quantity of the order to be initially displayed by the System ("Max Floor") when entering a Reserve Order, which is also used to determine the replenishment amount, as set forth below. A new timestamp is created for both the [replenished portion]Display Quantity and the Reserve Quantity of the order each time it is replenished from reserve[, while the reserve portion retains the timestamp of its original entry].

(A) Random Replenishment. An instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. In particular, the User entering an order into the System subject to the Random Replenishment instruction must select a replenishment value and a Max Floor. The initial Display Quantity will be the Max Floor. The Display Quantity of an order when replenished will be determined by the System randomly selecting a number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value.

(B) Fixed Replenishment. For any order for which Random Replenishment has not been selected the System will replenish the Display Quantity of an order to the Max Floor designated by the User.

(2) (No change.)

(3) "Minimum Quantity Orders" are orders that require that a specified minimum quantity of contracts be obtained, or the order is cancelled. Minimum Quantity Orders will only execute against multiple, aggregated orders if such execution would occur simultaneously. The Exchange will only honor a specified minimum quantity on a BATS Only Order[Minimum Quantity Orders may only be] entered with a time-in-force designation of Immediate or Cancel and will disregard a minimum quantity on any other order. [Minimum Quantity Orders received prior to the market open or after market close will be rejected.]

(4)-(12) (No change.)

(13) *Stop Order*. A Stop Order is an order that becomes a Market Order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the option occurs at, or above, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the option occurs at, or below, the specified stop price.

(14) *Stop Limit Order*. A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected when the consolidated last sale in the option occurs at, or above, the specified stop price. A Stop Limit Order to sell becomes a sell limit order when the consolidated last sale in the option occurs at, or below, the specified stop price.

(e) (No change.)

(f) The term "Time in Force" shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1)-(4) (No changes.)

(5) Fill-or-Kill ("FOK"). A limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

* * *

Rule 21.7. Market Opening Procedures

(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<u>, FOK</u> or WAIT orders for queuing prior to the completion of the Opening Process. The Exchange will convert all ISOs entered for queuing prior to the completion of the Opening Process into non-ISOs. 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:

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