

Required fields are shown with yellow backgrounds and asterisks.

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

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

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

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

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

BATS Exchange, Inc. proposed to amend Rules 11.9(a)(2) and 11.18(e) to modify the operation of BATS market orders.

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Anders      Last Name \* Franzon  
 Title \* VP, Associate General Counsel  
 E-mail \* afranzon@bats.com  
 Telephone \* (913) 815-7154      Fax (913) 815-7119

**Signature**

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

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

(Title \*)  
 VP, Associate General Counsel

Date 12/10/2014  
 By Anders Franzon  
 (Name \*)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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

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

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

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

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 11.9(a)(2), which describes BATS market orders, and Rule 11.18(e), which describes the Exchange’s implementation of the Limit Up-Limit Down Plan, as defined below. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup> The Exchange requests that the Commission waive the 30-day operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>4</sup>

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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

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

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

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

<sup>4</sup> Id.

the rule change.

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

Eric Swanson  
EVP, General Counsel  
(913) 815-7000

Anders Franzon  
VP, Associate General Counsel  
(913) 815-7154

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

a. Purpose

The Exchange proposes to amend Rule 11.9(a)(2), which describes BATS market orders, and Rule 11.18(e), which describes the Exchange's implementation of the Limit Up-Limit Down Plan, as defined below. The proposed change to the operation of BATS market orders is based on existing behavior of Market Orders available on EDGA Exchange, Inc. ("EDGA") and EDGX Exchange, Inc. ("EDGX").<sup>5</sup>

Earlier this year, the Exchange and its affiliate, BATS Y-Exchange, Inc. ("BYX"), received approval to effect a merger (the "Merger") of the Exchange's parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGX and EDGA (together with BZX, BYX and EDGX, the "BGM Affiliated Exchanges").<sup>6</sup> 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, the proposal set forth below is intended to add certain system functionality currently offered by EDGA and EDGX in order to provide a

<sup>5</sup> See EDGA Rule 11.8(a)(4) and EDGX Rule 11.8(a)(4).

<sup>6</sup> See Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

consistent technology offering for users of the BGM Affiliated Exchanges.

Currently, BATS market orders can be executed on the Exchange or routed to other destinations but cannot be posted to the BATS Book. The proposed modification to the operation of a BATS Market Order would allow such orders to post to the BATS Book under certain limited circumstances to the extent such BATS Market Order is designated with a time-in-force of Day. Specifically, as proposed, a BATS market order that is not eligible for routing (i.e., BATS Only) and contains a time-in-force of Day will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.13(a)(1) unless the reason that such BATS market order cannot be executed is because it is entered into the System and the NBO (NBB) is greater (less) than the Upper (Lower) Price Band, as such term is defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan"), in which case such order will be posted by the System to the BATS Book and priced at the Upper (Lower) Price Band, and re-priced as set forth in Rule 11.18(e)(5)(B), which the Exchange proposes to amend as described below. Similarly, a BATS market order to sell with a time-in-force of Day that is marked short that cannot be executed because of the existence of a Short Sale Circuit Breaker pursuant to Regulation SHO will be posted by the System to the BATS Book subject to the price sliding process as set forth in Rule 11.9(g).

The Exchange also proposes to modify Rule 11.18(e)(5)(A), which describes the handling of BATS market orders and other orders that are not currently posted to the Exchange's order book when not executable pursuant to the Limit Up-Limit Down Plan. The Exchange proposes to make clear that a BATS market order that cannot be executed

within the applicable Price Bands will be cancelled if it contains a time-in-force other than Day but if it maintains a time-in-force of Day that such an order will be posted and displayed at the applicable Price Band and re-priced to remain at such Price Band. Specifically, the Exchange proposes to state that a BATS market order to buy (sell) with a time-in-force of Day that is posted to the BATS Book and displayed at the Upper (Lower) Price Band will be re-priced and displayed at the Upper (Lower) Price Band if Price Bands move such that the price of the resting market order to buy (sell) would be above (below) the Upper (Lower) Price Band or if the Price Bands move such that the order is no longer posted and displayed at the most aggressive permissible price. The Exchange further proposes that the System shall re-price such displayed interest to the most aggressive permissible price until the order is executed in its entirety or cancelled.

The Exchange proposes to post to the BATS Book all BATS market orders with a time-in-force of Day in these circumstances (i.e., when an execution would otherwise occur but cannot due to the application of Price Bands pursuant to the Limit Up-Limit Down Plan or due to a Regulation SHO Short Sale Circuit Breaker), because the sender of a market order typically expects an execution when such order is sent. In these circumstances although an execution could not occur, the Exchange believes that Users would prefer to have their orders posted to the Exchange's book in compliance with the Limit Up-Limit Down Plan and Regulation SHO to potentially receive a later execution.

A BATS market order will default to a time-in-force of Day unless otherwise specified by a User, however, Users that do not want their orders posted to the BATS Book in these circumstances can choose a different time-in-force, in which case their order will be cancelled back in such circumstances. A BATS market order that is not

eligible for routing with a time-in-force other than Day will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.13(a)(1). Further, the Exchange proposes to make clear that BATS market orders that are designated as BATS Post Only are rejected.

b. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Act<sup>7</sup> and further the objectives of Section 6(b)(5) of the Act<sup>8</sup> 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 adds certain system functionality currently offered by EDGA and EDGX in order to provide a consistent technology offering across 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 may result in the execution of such orders when they would otherwise be cancelled and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. Therefore, the Exchange believes that the proposed change removes impediments to and perfects the mechanism of a free and open market and a national market system.

As explained elsewhere in this proposal, the proposed operation of BATS Market

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

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

Orders with a time-in-force of Day is intended to allow such orders to post to the BATS Book, rather than cancel back to the User unexecuted, when an execution would have occurred but did not because of the application of Limit Up-Limit Down Price Bands or a Regulation SHO Short Sale Circuit Breaker. The Exchange believes that Users in such circumstances would prefer to have their orders posted to the BATS Book in compliance with the Limit Up-Limit Down Plan and Regulation SHO, to potentially receive a later execution. Similarly, the Exchange believes that it is reasonable and consistent with the Act to continue to re-price and display BATS market orders at their most aggressive permissible price because this functionality will be more likely to result in an execution of such order and is consistent with the overall intent of a BATS market order, which is to receive an execution not bounded by price but at the going price for the security. Specifically, the Exchange believes that its proposed handling of BATS market orders in this way is consistent with the Act because it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system. Lastly, the Exchange does not believe that this will permit unfair discrimination among customers, brokers, or dealers because it will be available to all Users and will be applied as the default for BATS market orders. The Exchange notes that Users that do not want to have their orders posted to the BATS Book in such circumstances can elect a different time-in-force.

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 does not believe that the proposed rule change raises any

competitive issues, as it will simply allow certain orders that would otherwise be cancelled to post to the BATS Book. 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<sup>9</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>10</sup> 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.<sup>11</sup>

As described above, the Exchange notes that the proposed change is directly

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 C.F.R. 240.19b-4.

<sup>11</sup> 17 C.F.R. 240.19b-4(f)(6)(iii).

based on the rules of EDGA and EDGX.<sup>12</sup> Based on the foregoing, the proposed rule change does 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<sup>13</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>14</sup>

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<sup>15</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>16</sup> Waiver of the operative delay is 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 EDGA and EDGX, and because such functionality will allow orders that would otherwise be cancelled to post to the BATS Book for potential later execution. 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 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

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<sup>12</sup> See supra note 5.

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 C.F.R. 240.19b-4.

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

<sup>16</sup> 17 C.F.R. 240.19b-4(f)(6).

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

The proposed rule change is based on EDGA and EDGX Rule 11.8(a)(4). The proposed rule text that the Exchange proposes to add to Rule 11.9(b)(2) is nearly identical to the rule text contained in EDGA and EDGX Rule 11.8(a)(4). The Exchange notes that it has proposed additional language for Rule 11.18(e)(5)(A) that is not contained in EDGX and EDGA rules but that this distinction arises from a difference between the Exchange's rules and EDGX and EDGA rules with respect to the Limit Up-Limit Down Plan rather than a substantive difference in the functionality. Specifically, while the Exchange maintains specific language related to BATS market orders in its rules related to the Limit Up-Limit Down Plan that require modification as proposed above, EDGA and EDGX rules do not contain such language.<sup>17</sup> Instead, EDGA and EDGX rules related to re-pricing of market orders in connection with the Limit Up-Limit Down Plan are contained in EDGA and EDGX rules specifically related to market orders (i.e., EDGA Rule 11.8(a)(4) and EDGX Rule 11.8(a)(4)), and such rules state that an order is "posted" at the applicable Price Bands. While the proposed language for Exchange Rule 11.18(e)(5)(A) makes clear that BATS market orders re-priced in connection with the Limit Up-Limit Down Plan will continually re-price to their most aggressive permissible price (i.e., such orders remain posted at such Price Bands), this is not a difference between the proposed language and EDGA and EDGX rules or the

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<sup>17</sup> See EDGA Rule 11.10(a)(3)(A) and (B); EDGX Rule 11.10(a)(3)(A) and (B).

proposed functionality and EDGA and EDGX functionality, but rather, further clarity on the meaning of “posted.” The Exchange has based the language for proposed Rule 11.18(e)(5)(A) on existing Exchange Rule 11.18(e)(5)(B), which describes re-pricing of limit orders.

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

Not applicable.

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

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Publication in the Federal Register.

Exhibit 5 – Text of the Proposed Rule Change.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BATS-2014-068)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.9(a)(2) and 11.18(e) of BATS Exchange, Inc.

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

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

The Exchange filed a proposal to amend Rule 11.9(a)(2), which describes BATS market orders, and Rule 11.18(e), which describes the Exchange’s implementation of the Limit Up-Limit Down Plan, as defined below.

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

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

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

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

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

Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to amend Rule 11.9(a)(2), which describes BATS market orders, and Rule 11.18(e), which describes the Exchange's implementation of the Limit Up-Limit Down Plan, as defined below. The proposed change to the operation of BATS market orders is based on existing behavior of Market Orders available on EDGA Exchange, Inc. ("EDGA") and EDGX Exchange, Inc. ("EDGX").<sup>5</sup>

Earlier this year, the Exchange and its affiliate, BATS Y-Exchange, Inc. ("BYX"), received approval to effect a merger (the "Merger") of the Exchange's parent company, BATS Global Markets, Inc., with Direct Edge Holdings LLC, the indirect parent of EDGX and EDGA (together with BZX, BYX and EDGX, the "BGM Affiliated Exchanges").<sup>6</sup> In the context of the Merger, the BGM Affiliated Exchanges are working to align certain system functionality, retaining only intended differences between the

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<sup>5</sup> See EDGA Rule 11.8(a)(4) and EDGX Rule 11.8(a)(4).

<sup>6</sup> See Securities Exchange Act Release No. 71375 (January 23, 2014), 79 FR 4771 (January 29, 2014) (SR-BATS-2013-059; SR-BYX-2013-039).

BGM Affiliated Exchanges. Thus, the proposal set forth below is intended to add certain system functionality currently offered by EDGA and EDGX in order to provide a consistent technology offering for users of the BGM Affiliated Exchanges.

Currently, BATS market orders can be executed on the Exchange or routed to other destinations but cannot be posted to the BATS Book. The proposed modification to the operation of a BATS Market Order would allow such orders to post to the BATS Book under certain limited circumstances to the extent such BATS Market Order is designated with a time-in-force of Day. Specifically, as proposed, a BATS market order that is not eligible for routing (i.e., BATS Only) and contains a time-in-force of Day will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.13(a)(1) unless the reason that such BATS market order cannot be executed is because it is entered into the System and the NBO (NBB) is greater (less) than the Upper (Lower) Price Band, as such term is defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan"), in which case such order will be posted by the System to the BATS Book and priced at the Upper (Lower) Price Band, and re-priced as set forth in Rule 11.18(e)(5)(B), which the Exchange proposes to amend as described below. Similarly, a BATS market order to sell with a time-in-force of Day that is marked short that cannot be executed because of the existence of a Short Sale Circuit Breaker pursuant to Regulation SHO will be posted by the System to the BATS Book subject to the price sliding process as set forth in Rule 11.9(g).

The Exchange also proposes to modify Rule 11.18(e)(5)(A), which describes the handling of BATS market orders and other orders that are not currently posted to the

Exchange's order book when not executable pursuant to the Limit Up-Limit Down Plan. The Exchange proposes to make clear that a BATS market order that cannot be executed within the applicable Price Bands will be cancelled if it contains a time-in-force other than Day but if it maintains a time-in-force of Day that such an order will be posted and displayed at the applicable Price Band and re-priced to remain at such Price Band. Specifically, the Exchange proposes to state that a BATS market order to buy (sell) with a time-in-force of Day that is posted to the BATS Book and displayed at the Upper (Lower) Price Band will be re-priced and displayed at the Upper (Lower) Price Band if Price Bands move such that the price of the resting market order to buy (sell) would be above (below) the Upper (Lower) Price Band or if the Price Bands move such that the order is no longer posted and displayed at the most aggressive permissible price. The Exchange further proposes that the System shall re-price such displayed interest to the most aggressive permissible price until the order is executed in its entirety or cancelled.

The Exchange proposes to post to the BATS Book all BATS market orders with a time-in-force of Day in these circumstances (i.e., when an execution would otherwise occur but cannot due to the application of Price Bands pursuant to the Limit Up-Limit Down Plan or due to a Regulation SHO Short Sale Circuit Breaker), because the sender of a market order typically expects an execution when such order is sent. In these circumstances although an execution could not occur, the Exchange believes that Users would prefer to have their orders posted to the Exchange's book in compliance with the Limit Up-Limit Down Plan and Regulation SHO to potentially receive a later execution.

A BATS market order will default to a time-in-force of Day unless otherwise specified by a User, however, Users that do not want their orders posted to the BATS

Book in these circumstances can choose a different time-in-force, in which case their order will be cancelled back in such circumstances. A BATS market order that is not eligible for routing with a time-in-force other than Day will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.13(a)(1). Further, the Exchange proposes to make clear that BATS market orders that are designated as BATS Post Only are rejected.

## 2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Act<sup>7</sup> and further the objectives of Section 6(b)(5) of the Act<sup>8</sup> 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 adds certain system functionality currently offered by EDGA and EDGX in order to provide a consistent technology offering across 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 may result in the execution of such orders when they would otherwise be cancelled and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. Therefore, the Exchange

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

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

believes that the proposed change removes impediments to and perfects the mechanism of a free and open market and a national market system.

As explained elsewhere in this proposal, the proposed operation of BATS Market Orders with a time-in-force of Day is intended to allow such orders to post to the BATS Book, rather than cancel back to the User unexecuted, when an execution would have occurred but did not because of the application of Limit Up-Limit Down Price Bands or a Regulation SHO Short Sale Circuit Breaker. The Exchange believes that Users in such circumstances would prefer to have their orders posted to the BATS Book in compliance with the Limit Up-Limit Down Plan and Regulation SHO, to potentially receive a later execution. Similarly, the Exchange believes that it is reasonable and consistent with the Act to continue to re-price and display BATS market orders at their most aggressive permissible price because this functionality will be more likely to result in an execution of such order and is consistent with the overall intent of a BATS market order, which is to receive an execution not bounded by price but at the going price for the security. Specifically, the Exchange believes that its proposed handling of BATS market orders in this way is consistent with the Act because it is designed to remove impediments to and perfect the mechanism of a free and open market and a national market system. Lastly, the Exchange does not believe that this will permit unfair discrimination among customers, brokers, or dealers because it will be available to all Users and will be applied as the default for BATS market orders. The Exchange notes that Users that do not want to have their orders posted to the BATS Book in such circumstances can elect a different time-in-force.

(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 does not believe that the proposed rule change raises any competitive issues, as it will simply allow certain orders that would otherwise be cancelled to post to the BATS Book. 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 Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>9</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>10</sup>

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.

IV. Solicitation of Comments

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 C.F.R. 240.19b-4.

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

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BATS-2014-068 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-2014-068. 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-2014-068 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).

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

**Rules of BATS Exchange, Inc.**

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CHAPTER 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) *General Order Types.*

(1) (No change.)

(2) BATS Market Order. An order to buy or sell a stated amount of a security that is to be executed at the NBBO when the order reaches the Exchange. BATS market orders shall not trade through Protected Quotations. A BATS market order that is designated as BATS Only with a time-in-force of Day will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.13(a)(1) unless the reason that such BATS market order cannot be executed is because it is entered into the System and the NBO (NBB) is greater (less) than the Upper (Lower) Price Band, in which case such order will be posted by the System to the BATS Book, displayed at the Upper (Lower) Price Band, and re-priced as set forth in Rule 11.18(e)(5)(B). A BATS market order to sell with a time-in-force of Day that is marked short that cannot be executed because of the existence of a Short Sale Circuit Breaker will be posted by the System to the BATS Book subject to the price sliding process as set forth in paragraph (g) below. A BATS market order will default to a time-in-force of Day unless otherwise specified by a User. A BATS market order that is designated as [“]BATS Only[”] with a time-in-force other than Day will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.13(a)(1). BATS market orders that are designated as BATS Post Only are rejected. BATS market orders that are not designated as [“]BATS Only[”] and that cannot be executed in accordance with Rule 11.13(a)(1) on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 11.13(a)(2). Any portion of a BATS market order that would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches the Exchange, whichever is greater, will be cancelled. BATS market orders are not eligible for execution during the Pre-Opening Session or the After Hours Trading Session.

(b)-(g) (No changes.)

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Rule 11.18. Trading Halts Due to Extraordinary Market Volatility

(No change.)

(a)-(d) (No change.)

(e) Limit Up-Limit Down Mechanism

(1)-(4) (No change.)

(5) (No change.)

(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 market order with a time-in-force other than Day, 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. A BATS market order to buy (sell) with a time-in-force of Day that is posted to the BATS Book and displayed at the Upper (Lower) Price Band will be re-priced and displayed at the Upper (Lower) Price Band if Price Bands move such that the price of the resting market order to buy (sell) would be above (below) the Upper (Lower) Price Band or if the Price Bands move such that the order is no longer posted and displayed at the most aggressive permissible price. The System shall re-price such displayed interest to the most aggressive permissible price until the order is executed in its entirety or cancelled.

(B)-(F) (No change.)

(6)-(8) (No change.)

(f)-(g) (No change.)

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