

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

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

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

**Description**

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

BATS Exchange, Inc. proposes to amend Rule 11.9 to modify its Price Adjust functionality.

**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 *	afranzone@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 \*)

Date	06/16/2015	VP, Associate General Counsel
By	Anders Franzon	
	(Name *)	



afranzone@bats.com

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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 Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Rule 11.9 to modify the Exchange’s Price Adjust functionality, as described below.

(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 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

---

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

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

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

a. Purpose

The Exchange currently offers various forms of sliding, which, in all cases, result in the re-pricing of an order to, or ranking and/or display of an order at, a price other than an order's limit price in order to comply with applicable securities laws and/or Exchange rules. Specifically, the Exchange currently offers price sliding to ensure compliance with Regulation NMS and Regulation SHO. Price sliding currently offered by the Exchange re-prices and displays an order upon entry and in certain cases again re-prices and re-displays an order at a more aggressive price one time if and when permissible ("single display-price sliding"), and optionally continually re-prices an order ("multiple display-price sliding") based on changes in the national best bid ("NBB") or national best offer ("NBO", and together with the NBB, the "NBBO"). The Exchange proposes to modify one form of price sliding offered by the Exchange, the Price Adjust process, as described below, in order to align more closely with the Exchange's other form of price sliding, the display-price sliding process.

The Exchange's display-price sliding functionality is designed to avoid locking or crossing other markets' Protected Quotations, but does not price slide to avoid executions on the Exchange's order book ("BATS Book"). Specifically, when the Exchange receives an incoming order designated with a display-price sliding instruction that could execute against resting displayed liquidity on the BATS Book, it will execute against such liquidity. However, when an execution against resting displayed liquidity does not occur because an incoming order is designated as an order that will not remove liquidity (i.e., a BATS Post Only Order), then the Exchange will cancel the incoming order. In

contrast to display-price sliding, which is based solely on Protected Quotations<sup>3</sup> at external markets other than the Exchange, Price Adjust is currently based on Protected Quotations at external markets and at the Exchange. Under the Price Adjust process, if the Exchange has a Protected Quotation that an incoming order to the Exchange locks or crosses then such order executes against the resting order, or, if the incoming order is a BATS Post Only Order or Partial Post Only at Limit Order, such order would be executed in accordance with Rules 11.9(c)(6) and (c)(7), respectively,<sup>4</sup> or would be adjusted pursuant to the Price Adjust process. The Exchange proposes to modify the Price Adjust process so that it is applicable only with respect to quotations of external markets, which, as noted above, is how the display-price sliding process currently operates on the Exchange.

As proposed, under the Price Adjust process, an order eligible for display by the Exchange that, at the time of entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing a Protected Quotation of an external market will be ranked and displayed by the System at one minimum price variation below the current NBO (for

---

<sup>3</sup> As defined in BATS Rule 1.5(t), a “Protected Quotation” is “a quotation that is a Protected Bid or Protected Offer.” In turn, the term “Protected Bid” or “Protected Offer” means “a bid or offer in a stock that is (i) displayed by an automated trading center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an automated quotation that is the best bid or best offer of a national securities exchange or association.”

<sup>4</sup> The Exchange notes that BATS Post Only Orders are permitted to remove liquidity from the BATS Book if the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Book and subsequently provided liquidity. See Rule 11.9(c)(6). Similarly, Partial Post Only at Limit Orders are permitted to remove price improving liquidity as well as a User-selected percentage of the remaining order at the limit price if, following such removal, the order can post at its limit price. See Rule 11.9(c)(7).

bids) or to one minimum price variation above the current NBB (for offers). However, as is true for the current display-price sliding process, the Price Adjust process would not adjust the price of a BATS Post Only Order or Partial Post Only at Limit Order that would lock or cross an order displayed by the Exchange but rather, would either execute<sup>5</sup> or cancel such order upon entry. Further, to the extent the NBBO changes such that a BATS Post Only Order subject to the Price Adjust process would be ranked at a price at which it could remove displayed liquidity from the BATS Book, the order will be executed as set forth in Rule 11.9(c)(6) or cancelled.

As an example of the Price Adjust process, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at \$10.10 per share and a posted and displayed offer to sell 100 shares at \$10.11 per share. Assume the NBBO is \$10.10 by \$10.11, which includes an offer of \$10.11 displayed by at least one other market.

- Under the current functionality, if the Exchange receives a Post Only bid to buy 100 shares at \$10.11 per share with a Price Adjust instruction the Exchange will rank and display the order to buy at \$10.10 because displaying the bid at \$10.11 would lock the offer to sell for \$10.11 displayed by the Exchange (as well as one or more external markets).
- As proposed, however, if the Exchange receives a Post Only bid to buy 100 shares at \$10.11 per share with a Price Adjust instruction the Exchange will cancel the order back because displaying the bid at \$10.11 would lock the offer to sell for \$10.11 displayed by the Exchange (as well as one or more external markets) and the Exchange's Price Adjust

---

<sup>5</sup> See id.

functionality would no longer price slide past a displayed order resting on the Exchange.

- Assume however, that all facts are the same as the immediately preceding example except that the Exchange's best offer is displayed at \$10.12.

Because an incoming Post Only bid to buy 100 shares at \$10.11 could be displayed by the Exchange but would lock the Protected Quotation of one or more external markets at that price, the Exchange would re-price and display the order to buy at \$10.10.

In addition to the change proposed above, the Exchange proposes to correct two aspects of the Exchange's current rule regarding the display-price sliding process. First, the Exchange proposes to modify Rule 11.9(g)(1)(D), which states that "any" display-eligible BATS Post Only Order or Partial Post Only at Limit order that locks or crosses a Protected Quotation displayed by an external market upon entry will be subject to the display-price sliding process. Because an order can also be subject to the Price Adjust process or no price sliding option at all, the Exchange proposes to instead start this provision with "depending on User instructions." The Exchange proposes to use this same language in the proposed revision to Rule 11.9(g)(2)(D) with respect to Price Adjust. Second, the Exchange proposes to modify the cross-reference at the end of Rule 11.9(g)(2)(D) from 11.9(c)(7) to 11.9(c)(6) to accurately refer to the rule applicable to BATS Post Only Orders.

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”)<sup>6</sup> and further the objectives of Section 6(b)(5) of the Act<sup>7</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 also is designed to support the principles of Section 11A(a)(1)<sup>8</sup> of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets.

The Exchange believes that the proposed change to Price Adjust is consistent with Section 6(b)(5) of the Act,<sup>9</sup> as well as Rule 610 of Regulation NMS<sup>10</sup> and Rule 201 of Regulation SHO.<sup>11</sup> The Exchange is not modifying the overall functionality of Price Adjust, which is designed to avoid locking or crossing quotations of other market centers or to comply with applicable short sale restrictions. Instead, the Exchange is proposing changes to Price Adjust to more closely mirror the display-price sliding process, such that neither form of price sliding functionality adjusts the price of an order to avoid locking or crossing an order displayed by the Exchange, and instead, such an order will either be cancelled or executed by the Exchange. As noted above, in contrast to display-price sliding, which is based solely on Protected Quotations of external markets, the Price

---

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 15 U.S.C. 78k-1(a)(1).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 17 CFR 242.610.

<sup>11</sup> 17 CFR 242.201.

Adjust process is currently based on Protected Quotations at external markets and at the Exchange.

Rule 610(d) requires exchanges to establish, maintain, and enforce rules that require members reasonably to avoid “[d]isplaying quotations that lock or cross any protected quotation in an NMS stock.”<sup>12</sup> Such rules must be “reasonably designed to assure the reconciliation of locked or crossed quotations in an NMS stock,” and must “prohibit ... members from engaging in a pattern or practice of displaying quotations that lock or cross any protected quotation in an NMS stock.”<sup>13</sup> The Price Adjust process, as amended will continue to assist Users by displaying orders at permissible prices or rejecting them if the Exchange has displayed liquidity that would preclude their display. Similarly, Rule 201 of Regulation SHO<sup>14</sup> requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order at a price at or below the current NBB under certain circumstances. The Exchange’s short sale price sliding will continue to operate the same for Users of Price Adjust as it does for Users that select the display-price sliding process offered by the Exchange.

Thus, if the Exchange has a Protected Quotation that an incoming order to the Exchange locks or crosses then such incoming order will execute against the resting order, or, if the incoming order is a BATS Post Only Order or Partial Post Only at Limit Order, such order would be executed in accordance with Rules 11.9(c)(6) and (c)(7),

---

<sup>12</sup> 17 CFR 242.610(d).

<sup>13</sup> Id.

<sup>14</sup> 17 CFR 242.201.

respectively, or cancelled. The Exchange believes that it is reasonable and consistent with the Act to cancel orders on entry that cannot be executed or displayed at their limit price because this is consistent with display-price sliding functionality. Therefore, the Exchange believes the proposal to apply the Price Adjust process to orders that cannot be displayed because they would lock or cross displayed contra-side interest on the Exchange will promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system. The Exchange also reiterates that the proposed change to the Price Adjust process will continue to enable the System to avoid displaying a locking or crossing quotation in order to ensure compliance with Rule 610(d) of Regulation NMS.

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 proposed rule change is being proposed as a minor modification to functionality offered by the Exchange that will ensure that the Exchange's Price Adjust process is consistent with the display-price sliding process offered by the Exchange today.

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

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

6. Extension of Time Period for Commission Action

Not applicable.

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

Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)<sup>15</sup> of the Act and Rule 19b-4(f)(6)<sup>16</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission 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 of the proposed rule change, or such shorter time as designated by the Commission.<sup>17</sup> 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 (5) business days prior to the date of filing.

As described above, the Exchange notes that the proposed changes are directly based on the Exchange's existing display-price sliding functionality and will ensure more consistent treatment of orders upon entry between Price Adjust functionality and such functionality. 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

---

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

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

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

the Act<sup>18</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>19</sup>

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. Waiver of the 30-day operative delay would provide permit the Exchange to implement the proposed rule change immediately, subject to notice to Exchange members. Waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to align the operation of display-price sliding functionality and Price Adjust functionality with respect to treatment of orders on entry. The Exchange has alerted Members of the proposed technology changes as well as its anticipated launch date so that Members may make any requisite system changes.<sup>20</sup> Notably, Members that are currently utilizing Price Adjust functionality would not need to make any system changes in connection with the proposed change to Price Adjust (i.e., order entry protocol is not changing). Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will enable to the Exchange to implement the proposed rule change prior to the expiration of the 30 day waiting period.

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

---

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 C.F.R. 240.19b-4.

<sup>20</sup> See BATS Trade Desk Notice dated May 19, 2015, "BATS Update to Post Only Price Adjust Logic Effective Friday, June 19, 2015 on BZX," available at [www.batstrading.com/alerts](http://www.batstrading.com/alerts) under Release Notes.

protection of investors, or otherwise in furtherance of the purposes of the Act.

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

The Exchange notes that the proposed modifications are based on the Exchange's approved display-price sliding functionality. The Price Adjust process will continue to operate differently than the display-price sliding process, most notably by both ranking and displaying an order at a permissible price in contrast to display-price sliding process, which displays an order at a permissible price but ranks such an order at a more aggressive price. However, the proposed change will ensure that orders subject to the Price Adjust process or the display-price sliding process are handled more uniformly upon entry.

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

Not applicable.

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

Not applicable.

11. Exhibits

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

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-2015-47)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Rule 11.9 of BATS Exchange, Inc., to Modify its Price Adjust Functionality

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 to modify the Exchange’s Price Adjust functionality, as described below.

The text of the proposed rule change is available at the Exchange’s website at [www.batstrading.com](http://www.batstrading.com), at the principal office of the Exchange, and at the

---

<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 currently offers various forms of sliding, which, in all cases, result in the re-pricing of an order to, or ranking and/or display of an order at, a price other than an order's limit price in order to comply with applicable securities laws and/or Exchange rules. Specifically, the Exchange currently offers price sliding to ensure compliance with Regulation NMS and Regulation SHO. Price sliding currently offered by the Exchange re-prices and displays an order upon entry and in certain cases again re-prices and re-displays an order at a more aggressive price one time if and when permissible ("single display-price sliding"), and optionally continually re-prices an order ("multiple display-price sliding") based on changes in the national best bid ("NBB") or national best offer ("NBO", and together with the NBB, the "NBBO"). The Exchange proposes to modify one form of price sliding offered by the Exchange, the Price Adjust process, as described below, in order to align more closely with the Exchange's other form of price sliding, the display-price sliding process.

The Exchange's display-price sliding functionality is designed to avoid locking or crossing other markets' Protected Quotations, but does not price slide to avoid executions on the Exchange's order book ("BATS Book"). Specifically, when the Exchange receives an incoming order designated with a display-price sliding instruction that could execute against resting displayed liquidity on the BATS Book, it will execute against such liquidity. However, when an execution against resting displayed liquidity does not occur because an incoming order is designated as an order that will not remove liquidity (i.e., a BATS Post Only Order), then the Exchange will cancel the incoming order. In contrast to display-price sliding, which is based solely on Protected Quotations<sup>5</sup> at external markets other than the Exchange, Price Adjust is currently based on Protected Quotations at external markets and at the Exchange. Under the Price Adjust process, if the Exchange has a Protected Quotation that an incoming order to the Exchange locks or crosses then such order executes against the resting order, or, if the incoming order is a BATS Post Only Order or Partial Post Only at Limit Order, such order would be executed in accordance with Rules 11.9(c)(6) and (c)(7), respectively,<sup>6</sup> or would be adjusted

---

<sup>5</sup> As defined in BATS Rule 1.5(t), a "Protected Quotation" is "a quotation that is a Protected Bid or Protected Offer." In turn, the term "Protected Bid" or "Protected Offer" means "a bid or offer in a stock that is (i) displayed by an automated trading center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an automated quotation that is the best bid or best offer of a national securities exchange or association."

<sup>6</sup> The Exchange notes that BATS Post Only Orders are permitted to remove liquidity from the BATS Book if the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Book and subsequently provided liquidity. See Rule 11.9(c)(6). Similarly, Partial Post Only at Limit Orders are permitted to remove price improving liquidity as well as a User-selected percentage of the remaining order at the limit price if,

pursuant to the Price Adjust process. The Exchange proposes to modify the Price Adjust process so that it is applicable only with respect to quotations of external markets, which, as noted above, is how the display-price sliding process currently operates on the Exchange.

As proposed, under the Price Adjust process, an order eligible for display by the Exchange that, at the time of entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing a Protected Quotation of an external market will be ranked and displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers). However, as is true for the current display-price sliding process, the Price Adjust process would not adjust the price of a BATS Post Only Order or Partial Post Only at Limit Order that would lock or cross an order displayed by the Exchange but rather, would either execute<sup>7</sup> or cancel such order upon entry. Further, to the extent the NBBO changes such that a BATS Post Only Order subject to the Price Adjust process would be ranked at a price at which it could remove displayed liquidity from the BATS Book, the order will be executed as set forth in Rule 11.9(c)(6) or cancelled.

As an example of the Price Adjust process, assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at \$10.10 per share and a posted and displayed offer to sell 100 shares at \$10.11 per share. Assume the NBBO is \$10.10 by \$10.11, which includes an offer of \$10.11 displayed by at least one other market.

---

following such removal, the order can post at its limit price. See Rule 11.9(c)(7).

<sup>7</sup> See id.

- Under the current functionality, if the Exchange receives a Post Only bid to buy 100 shares at \$10.11 per share with a Price Adjust instruction the Exchange will rank and display the order to buy at \$10.10 because displaying the bid at \$10.11 would lock the offer to sell for \$10.11 displayed by the Exchange (as well as one or more external markets).
- As proposed, however, if the Exchange receives a Post Only bid to buy 100 shares at \$10.11 per share with a Price Adjust instruction the Exchange will cancel the order back because displaying the bid at \$10.11 would lock the offer to sell for \$10.11 displayed by the Exchange (as well as one or more external markets) and the Exchange's Price Adjust functionality would no longer price slide past a displayed order resting on the Exchange.
- Assume however, that all facts are the same as the immediately preceding example except that the Exchange's best offer is displayed at \$10.12. Because an incoming Post Only bid to buy 100 shares at \$10.11 could be displayed by the Exchange but would lock the Protected Quotation of one or more external markets at that price, the Exchange would re-price and display the order to buy at \$10.10.

In addition to the change proposed above, the Exchange proposes to correct two aspects of the Exchange's current rule regarding the display-price sliding process. First, the Exchange proposes to modify Rule 11.9(g)(1)(D), which states that "any" display-eligible BATS Post Only Order or Partial Post Only at Limit order that locks or crosses a Protected Quotation displayed by an external market upon entry will be subject to the

display-price sliding process. Because an order can also be subject to the Price Adjust process or no price sliding option at all, the Exchange proposes to instead start this provision with “depending on User instructions.” The Exchange proposes to use this same language in the proposed revision to Rule 11.9(g)(2)(D) with respect to Price Adjust. Second, the Exchange proposes to modify the cross-reference at the end of Rule 11.9(g)(2)(D) from 11.9(c)(7) to 11.9(c)(6) to accurately refer to the rule applicable to BATS Post Only Orders.

## 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”)<sup>8</sup> and further the objectives of Section 6(b)(5) of the Act<sup>9</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 also is designed to support the principles of Section 11A(a)(1)<sup>10</sup> of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets.

The Exchange believes that the proposed change to Price Adjust is consistent with

---

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78k-1(a)(1).

Section 6(b)(5) of the Act,<sup>11</sup> as well as Rule 610 of Regulation NMS<sup>12</sup> and Rule 201 of Regulation SHO.<sup>13</sup> The Exchange is not modifying the overall functionality of Price Adjust, which is designed to avoid locking or crossing quotations of other market centers or to comply with applicable short sale restrictions. Instead, the Exchange is proposing changes to Price Adjust to more closely mirror the display-price sliding process, such that neither form of price sliding functionality adjusts the price of an order to avoid locking or crossing an order displayed by the Exchange, and instead, such an order will either be cancelled or executed by the Exchange. As noted above, in contrast to display-price sliding, which is based solely on Protected Quotations of external markets, the Price Adjust process is currently based on Protected Quotations at external markets and at the Exchange.

Rule 610(d) requires exchanges to establish, maintain, and enforce rules that require members reasonably to avoid “[d]isplaying quotations that lock or cross any protected quotation in an NMS stock.”<sup>14</sup> Such rules must be “reasonably designed to assure the reconciliation of locked or crossed quotations in an NMS stock,” and must “prohibit ... members from engaging in a pattern or practice of displaying quotations that lock or cross any protected quotation in an NMS stock.”<sup>15</sup> The Price Adjust process, as amended will continue to assist Users by displaying orders at permissible prices or

---

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> 17 CFR 242.610.

<sup>13</sup> 17 CFR 242.201.

<sup>14</sup> 17 CFR 242.610(d).

<sup>15</sup> Id.

rejecting them if the Exchange has displayed liquidity that would preclude their display. Similarly, Rule 201 of Regulation SHO<sup>16</sup> requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order at a price at or below the current NBB under certain circumstances. The Exchange's short sale price sliding will continue to operate the same for Users of Price Adjust as it does for Users that select the display-price sliding process offered by the Exchange.

Thus, if the Exchange has a Protected Quotation that an incoming order to the Exchange locks or crosses then such incoming order will execute against the resting order, or, if the incoming order is a BATS Post Only Order or Partial Post Only at Limit Order, such order would be executed in accordance with Rules 11.9(c)(6) and (c)(7), respectively, or cancelled. The Exchange believes that it is reasonable and consistent with the Act to cancel orders on entry that cannot be executed or displayed at their limit price because this is consistent with display-price sliding functionality. Therefore, the Exchange believes the proposal to apply the Price Adjust process to orders that cannot be displayed because they would lock or cross displayed contra-side interest on the Exchange will promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system. The Exchange also reiterates that the proposed change to the Price Adjust process will continue to enable the System to avoid displaying a locking or crossing quotation in order to ensure compliance with Rule 610(d) of Regulation NMS.

---

<sup>16</sup> 17 CFR 242.201.

(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 proposed rule change is being proposed as minor modification to functionality offered by the Exchange that will ensure that the Exchange's Price Adjust process is consistent with the display-price sliding process offered by the Exchange today.

(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>17</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>18</sup> The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission 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

---

<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 C.F.R. 240.19b-4.

five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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

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-2015-47 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-2015-47. 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-2015-47 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>19</sup>

Robert W. Errett  
Deputy Secretary

---

<sup>19</sup> 17 CFR 200.30-3(a)(12).

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

### Rules of BATS Exchange, Inc.

\* \* \*

#### CHAPTER XI. TRADING RULES

\* \* \*

##### Rule 11.9. Orders and Modifiers

(No change.)

(a)-(f) (No change.)

(g) *Price Sliding.* The System will process orders, subject to a User's instructions, pursuant to the "price sliding process," as defined below.

(1) Display-Price Sliding.

(A)-(C) (No change.)

(D) Any display-eligible BATS Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(6) or cancelled. Any display-eligible Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(7) or cancelled. [Any] Depending on User instructions, a display-eligible BATS Post Only Order or Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by an external market upon entry will be subject to the display-price sliding process described in this paragraph (g)(1). In the event the NBBO changes such that a BATS Post Only Order subject to display-price sliding would be ranked at a price at which it could remove displayed liquidity from the BATS Book, the order will be executed as set forth in Rule 11.9(c)[(7)](6) or cancelled.

(E) (No change.)

(2) Price Adjust.

(A) An order eligible for display by the Exchange that, at the time of entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing a Protected Quotation of an external market [or the Exchange] will be ranked and displayed by the System at one minimum price variation below the

current NBO (for bids) or to one minimum price variation above the current NBB (for offers) (“Price Adjust”).

(B)-(C) (No change.)

(D) Any display-eligible BATS Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(6) or [adjusted pursuant to the Price Adjust process described in this paragraph (g)(2)]~~cancelled~~. Any display-eligible Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 11.9(c)(7) or [adjusted pursuant to the Price Adjust process described in this paragraph (g)(2)]~~cancelled~~. Depending on User instructions, a display-eligible BATS Post Only Order or Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by an external market upon entry will be subject to the Price Adjust process described in this paragraph (g)(2). In the event the NBBO changes such that a BATS Post Only Order subject to the Price Adjust process would be ranked at a price at which it could remove displayed liquidity from the BATS Book, the order will be executed as set forth in Rule 11.9(c)(6) or cancelled.

(3)-(6) (No change.)

\* \* \*