

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="23"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2016"/> - * <input type="text" value="08"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by **BATS Exchange**  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	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. proposes a rule change to Rules 8.15, Imposition of Fines for Minor Violation(s) of Rules, and 25.3, Penalty for Minor Rule Violations, to amend the Minor Rule Violation Plan.

**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 * <input type="text" value="Anders"/>	Last Name * <input type="text" value="Franzon"/>
Title * <input type="text" value="SVP, Associate General Counsel"/>	
E-mail * <input type="text" value="afranzone@bats.com"/>	
Telephone * <input type="text" value="(913) 815-7154"/>	Fax <input type="text"/>

**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 <input type="text" value="02/10/2016"/>	<input type="text" value="SVP, Associate General Counsel"/>
By <input type="text" value="Anders Franzon"/>	<input type="text"/>
(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.

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 \***

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BZX”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Rules 8.15 and 25.3 to amend the Exchange’s Minor Rule Violation Plan. 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>

(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:

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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).

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

Anders Franzon  
SVP, 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 8.15 applicable to the Exchange’s equity platform (“BZX Equities”) to remove the \$2,500 penalty limitation contained in Rule 8.15(a) in order to modify the permissible penalties for minor rule violations with respect to Rule 25.3 applicable to the BZX options platform (“BZX Options”) and to allow the Exchange the discretion to impose penalties in excess of \$2,500 under both the BZX Equities and BZX Options Minor Rule Violation Plans. The proposal further provides that only fines that do not exceed \$2,500 will not be reported. Fines that exceed \$2,500 will continue to be publicly reported by the Exchange<sup>4</sup> and reported as final in compliance with SEC Rule 19d-1(c).<sup>5</sup>

Further, the Exchange proposes to amend the BZX Options Minor Rule Violation Plan penalty schedule contained in Rule 25.3(d) – for violations of Rule 22.6(d) regarding Market Makers maintaining continuous bids and offers – to aggregate violations of Rule 22.6(d) that occur in a single month of a rolling 24-month period and sanction such aggregated violations as a single offense. The proposed amended penalty

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<sup>4</sup> As set forth in Interpretation and Policy .01 to Rule 8.11, except as provided in Rule 8.15(a), the staff shall cause details regarding all formal disciplinary actions where a final decision has been issued to be published on a website maintained by the Exchange.

<sup>5</sup> 17 CFR 240.19d-1(c).

schedule is substantially similar to International Securities Exchange (“ISE”) Rule 1614(d)(11) Minor Rule Violation Plan penalties for continuous options quotation violations.

#### *Removal of Penalty Limitation*

Rule 25.3 states that the Exchange may proceed under the Minor Rule Violation Plan pursuant to the procedures set forth in Rule 8.15 applicable to BZX Equities. Currently, Rule 8.15(a) states that the Exchange may impose a fine “not to exceed \$2,500” for a minor rule violation. Because existing Rule 25.3 recommends the imposition of penalties in excess of \$2,500 in certain circumstances, the Exchange believes the penalty limitation in 8.15(a) is obsolete, inappropriate, and unnecessarily confusing. Moreover, abiding by the terms of the penalty limitation contained in 8.15(a) for purposes of the BZX Options Minor Rule Violation Plan deprives Rule 25.3 of much of its meaning and effectiveness. Further, it is the Exchange’s position that the penalty limitation currently contained in Rule 8.15(a) is also unnecessary because the Exchange must exercise its discretion to opt to proceed under the Minor Rule Violation Plan rather than under its default process, the formal disciplinary process. As a practical matter, if an individual or entity exceeds the prescribed Minor Rule Violation Plan fine threshold of \$2,500, it will oftentimes be appropriate for the Exchange to decline to exercise its discretion to proceed under the Minor Rule Violation Plan and to instead proceed under the formal disciplinary process. The Exchange, however, believes it should have the discretion to elect to proceed under the Minor Rule Violation Plan for a minor rule violation that would otherwise cumulatively exceed \$2,500. Accordingly, the Exchange proposes to eliminate the penalty limitation in Rule 8.15(a).

The Exchange recognizes, however, a fine exceeding \$2,500 must be reported as final in accordance with SEC Rule 19d-1(c),<sup>6</sup> regardless of whether or not it is imposed under the Minor Rule Violation Plan. The Exchange provides, therefore, that only fines that do not exceed \$2,500 will not be reported. Fines that exceed \$2,500 will continue to be reported as final in compliance with SEC Rule 19d-1(c).<sup>7</sup>

*Amendment to MRVP for Continuous Quoting Violations*

The Exchange proposes to amend Rule 25.3(d) to impose fines for violations of Rule 22.6(d) – regarding a Market Maker’s failure to maintain continuous bids and offers – under the Minor Rule Violation Plan by aggregating the violations that occur in a month and sanctioning the violations as a single offense. The Exchange proposes to continue its current recommendation of issuing a letter of caution for the first offense in a rolling 24-month period. For the second violation in the period, the Exchange proposes to issue a \$1,000 penalty; for the third a \$2,500 penalty; for the fourth a \$5,000 penalty. Finally, if there occurs a fifth violation within a rolling 24-month period, the Exchange believes that such a violation is inappropriate for disposition under the Minor Rule Violation Plan, and the proposed amendment to Rule 25.3(d) directs that the violation be enforced in a formal disciplinary action. The Exchange believes it is appropriate to recommend higher penalties than recommended in current Rule 25.3(d) because the Exchange is aggregating violations that occur in a month and sanctioning the violations as a single offense.

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<sup>6</sup> 17 CFR 240.19d-1(c).

<sup>7</sup> Id.

As with other violations covered under the Exchange's Minor Rule Violation Plan, the Exchange may elect to forgo the Minor Rule Violation Plan and enforce any egregious violations of its rules under the Exchange's formal disciplinary process.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>8</sup> Specifically, the proposal is consistent with Section 6(b)(5) of the Act,<sup>9</sup> which requires exchange rules to 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, and, in general, protect investors and the public interest. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>10</sup> which requires that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act such that it can enforce compliance with the Act by persons registered with the Exchange. The Exchange also believes the proposed rule change furthers the objectives of Section 6(b)(6)<sup>11</sup> of the Act, which requires that the rules of an exchange provide that its members and persons associated with its members be appropriately disciplined for violation of the provisions of the Act, the rules and regulations thereunder, or the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations,

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<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. 78f(b)(1).

<sup>11</sup> 15 U.S.C. 78f(b)(6).

fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. Finally, the Exchange believes that the proposed rule change furthers the objectives of Section 6(b)(7) of the Act,<sup>12</sup> in particular, in that it provides fair procedures for the disciplining of members and persons associated with members.

The Exchange believes the proposed rule change for Rule 8.15(a) fulfills the requirements set forth above because it modifies the procedures for the Exchange to discipline minor BZX Options rule violations by removing the \$2,500 penalty limitation from the BZX Equities and BZX Options Minor Rule Violation Plan. The proposed rule change further provides that the Exchange will not report fines that do not exceed \$2,500 under the Minor Rule Violation Plan except as required under SEC Rule 19d-1(c).<sup>13</sup>

The Exchange believes the proposed rule change for Rule 25.3(d) fulfills the requirements set forth above because it permits the Exchange to levy progressively larger fines against a repeat-offender and prescribes that after five violations in a rolling 24-month period, the conduct is outside the purview of the Minor Rule Violation Plan, and formal disciplinary action is appropriate. Further, the Exchange believes the proposed rule change for Rule 25.3(d) fulfills the requirements set forth above because it clearly defines when and how a Market Maker may be disciplined under the Minor Rule Violation Plan. The Exchange also notes that the proposed rule change for Rule 25.3(d) is based on and substantially similar to ISE Rule 1614(d)(11).

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<sup>12</sup> 15 U.S.C. 78f(b)(7).

<sup>13</sup> 17 CFR 240.19d-1(c).



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

The Exchange believes the proposal is consistent with Section 6(b)(8) of the Act<sup>14</sup> in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change merely amends the procedures the Exchange intends to follow with regard to minor BZX Options Rule 22.6(d) violations and removes an obsolete and unnecessary penalty limitation. Thus, the Exchange does not believe the proposed rule change will have any effect on competition.

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 foregoing 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 thirty (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

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<sup>14</sup> 15 U.S.C. 78f(b)(8).

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

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

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 believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4<sup>18</sup> because the proposed rule change modifies the procedures the Exchange intends to follow with regard to minor BZX Options rule violations and removes an obsolete and unnecessary penalty limitation. As described above, the proposed change to Rule 25.3(d) is based on and substantially similar to ISE Rule 1614(d)(11). Therefore, the proposal does not propose any new or unique issues that have not already been considered by the Commission. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>19</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>20</sup>

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

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

The proposed rule change for Rule 25.3(d) is based on and substantially similar to ISE Rule 1614(d)(11).

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

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

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6).

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-2016-08)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 8.15, Imposition of Fines for Minor Violation(s) of Rules, and 25.3, Penalty for Minor Rule Violations, to Amend the Minor Rule Violation Plan

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 Rules 8.15 and 25.3 to amend the Exchange’s Minor Rule Violation Plan. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-

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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).

4(f)(6)(iii) under the Act.<sup>5</sup>

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 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 8.15 applicable to the Exchange's equity platform ("BZX Equities") to remove the \$2,500 penalty limitation contained in Rule 8.15(a) in order to modify the permissible penalties for minor rule violations with respect to Rule 25.3 applicable to the BZX options platform ("BZX Options") and to allow the Exchange the discretion to impose penalties in excess of \$2,500 under both the BZX Equities and BZX Options Minor Rule Violation Plans. The proposal further provides that only fines that do not exceed \$2,500 will not be reported. Fines that exceed \$2,500

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<sup>5</sup> 17 CFR 240.19b-4(f)(6)(iii).

will continue to be publicly reported by the Exchange<sup>6</sup> and reported as final in compliance with SEC Rule 19d-1(c).<sup>7</sup>

Further, the Exchange proposes to amend the BZX Options Minor Rule Violation Plan penalty schedule contained in Rule 25.3(d) – for violations of Rule 22.6(d) regarding Market Makers maintaining continuous bids and offers – to aggregate violations of Rule 22.6(d) that occur in a single month of a rolling 24-month period and sanction such aggregated violations as a single offense. The proposed amended penalty schedule is substantially similar to International Securities Exchange (“ISE”) Rule 1614(d)(11) Minor Rule Violation Plan penalties for continuous options quotation violations.

#### *Removal of Penalty Limitation*

Rule 25.3 states that the Exchange may proceed under the Minor Rule Violation Plan pursuant to the procedures set forth in Rule 8.15 applicable to BZX Equities. Currently, Rule 8.15(a) states that the Exchange may impose a fine “not to exceed \$2,500” for a minor rule violation. Because existing Rule 25.3 recommends the imposition of penalties in excess of \$2,500 in certain circumstances, the Exchange believes the penalty limitation in 8.15(a) is obsolete, inappropriate, and unnecessarily confusing. Moreover, abiding by the terms of the penalty limitation contained in 8.15(a) for purposes of the BZX Options Minor Rule Violation Plan deprives Rule 25.3 of much

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<sup>6</sup> As set forth in Interpretation and Policy .01 to Rule 8.11, except as provided in Rule 8.15(a), the staff shall cause details regarding all formal disciplinary actions where a final decision has been issued to be published on a website maintained by the Exchange.

<sup>7</sup> 17 CFR 240.19d-1(c).

of its meaning and effectiveness. Further, it is the Exchange's position that the penalty limitation currently contained in Rule 8.15(a) is also unnecessary because the Exchange must exercise its discretion to opt to proceed under the Minor Rule Violation Plan rather than under its default process, the formal disciplinary process. As a practical matter, if an individual or entity exceeds the prescribed Minor Rule Violation Plan fine threshold of \$2,500, it will oftentimes be appropriate for the Exchange to decline to exercise its discretion to proceed under the Minor Rule Violation Plan and to instead proceed under the formal disciplinary process. The Exchange, however, believes it should have the discretion to elect to proceed under the Minor Rule Violation Plan for a minor rule violation that would otherwise cumulatively exceed \$2,500. Accordingly, the Exchange proposes to eliminate the penalty limitation in Rule 8.15(a).

The Exchange recognizes, however, a fine exceeding \$2,500 must be reported as final in accordance with SEC Rule 19d-1(c),<sup>8</sup> regardless of whether or not it is imposed under the Minor Rule Violation Plan. The Exchange provides, therefore, that only fines that do not exceed \$2,500 will not be reported. Fines that exceed \$2,500 will continue to be reported as final in compliance with SEC Rule 19d-1(c).<sup>9</sup>

*Amendment to MRVP for Continuous Quoting Violations*

The Exchange proposes to amend Rule 25.3(d) to impose fines for violations of Rule 22.6(d) – regarding a Market Maker's failure to maintain continuous bids and offers – under the Minor Rule Violation Plan by aggregating the violations that occur in a

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<sup>8</sup> 17 CFR 240.19d-1(c).

<sup>9</sup> Id.

month and sanctioning the violations as a single offense. The Exchange proposes to continue its current recommendation of issuing a letter of caution for the first offense in a rolling 24-month period. For the second violation in the period, the Exchange proposes to issue a \$1,000 penalty; for the third a \$2,500 penalty; for the fourth a \$5,000 penalty. Finally, if there occurs a fifth violation within a rolling 24-month period, the Exchange believes that such a violation is inappropriate for disposition under the Minor Rule Violation Plan, and the proposed amendment to Rule 25.3(d) directs that the violation be enforced in a formal disciplinary action. The Exchange believes it is appropriate to recommend higher penalties than recommended in current Rule 25.3(d) because the Exchange is aggregating violations that occur in a month and sanctioning the violations as a single offense.

As with other violations covered under the Exchange's Minor Rule Violation Plan, the Exchange may elect to forgo the Minor Rule Violation Plan and enforce any egregious violations of its rules under the Exchange's formal disciplinary process.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>10</sup> Specifically, the proposal is consistent with Section 6(b)(5) of the Act,<sup>11</sup> which requires

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<sup>10</sup> 15 U.S.C. 78f(b).

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



exchange rules to 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, and, in general, protect investors and the public interest. The Exchange also believes the proposed rule change is consistent with Section 6(b)(1) of the Act,<sup>12</sup> which requires that the Exchange be organized and have the capacity to be able to carry out the purposes of the Act such that it can enforce compliance with the Act by persons registered with the Exchange. The Exchange also believes the proposed rule change furthers the objectives of Section 6(b)(6)<sup>13</sup> of the Act, which requires that the rules of an exchange provide that its members and persons associated with its members be appropriately disciplined for violation of the provisions of the Act, the rules and regulations thereunder, or the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. Finally, the Exchange believes that the proposed rule change furthers the objectives of Section 6(b)(7) of the Act,<sup>14</sup> in particular, in that it provides fair procedures for the disciplining of members and persons associated with members.

The Exchange believes the proposed rule change for Rule 8.15(a) fulfills the requirements set forth above because it modifies the procedures for the Exchange to discipline minor BZX Options rule violations by removing the \$2,500 penalty limitation from the BZX Equities and BZX Options Minor Rule Violation Plan. The proposed rule

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<sup>12</sup> 15 U.S.C. 78f(b)(1).

<sup>13</sup> 15 U.S.C. 78f(b)(6).

<sup>14</sup> 15 U.S.C. 78f(b)(7).

change further provides that the Exchange will not report fines that do not exceed \$2,500 under the Minor Rule Violation Plan except as required under SEC Rule 19d-1(c).<sup>15</sup>

The Exchange believes the proposed rule change for Rule 25.3(d) fulfills the requirements set forth above because it permits the Exchange to levy progressively larger fines against a repeat-offender and prescribes that after five violations in a rolling 24-month period, the conduct is outside the purview of the Minor Rule Violation Plan, and formal disciplinary action is appropriate. Further, the Exchange believes the proposed rule change for Rule 25.3(d) fulfills the requirements set forth above because it clearly defines when and how a Market Maker may be disciplined under the Minor Rule Violation Plan. The Exchange also notes that the proposed rule change for Rule 25.3(d) is based on and substantially similar to ISE Rule 1614(d)(11).

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

The Exchange believes the proposal is consistent with Section 6(b)(8) of the Act<sup>16</sup> in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change merely amends the procedures the Exchange intends to follow with regard to minor BZX Options Rule 22.6(d) violations and removes an obsolete and unnecessary penalty limitation. Thus, the Exchange does not believe the proposed rule change will have any effect on competition.

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

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<sup>15</sup> 17 CFR 240.19d-1(c).

<sup>16</sup> 15 U.S.C. 78f(b)(8).

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

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (A) significantly affect the protection of investors or the public interest; (B) impose any significant burden on competition; and (C) by its terms, become operative for 30 days from the date on which it was filed or such shorter time as the Commission may designate it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>17</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>18</sup> the Exchange has designated this rule filing as non-controversial. The Exchange 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.

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

<sup>18</sup> 17 CFR 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-2016-08 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-BATS-2016-08. 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-2016-08 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

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<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.**

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#### **Rule 8.15 Imposition of Fines for Minor Violation(s) of Rules**

(a) In lieu of commencing a disciplinary proceeding as described in Rules 8.1 through 8.13, the Exchange may, subject to the requirements set forth in this Rule, impose a fine[, not to exceed \$2,500,] on any Member, associated person of a Member, or registered or non-registered employee of a Member, for any violation of a Rule of the Exchange, which violation the Exchange shall have determined is minor in nature. The Exchange may, if no exceptional circumstances are present, impose a fine based upon a determination that there exists a pattern or practice of violative conduct. The Exchange also may aggregate similar violations generally if the conduct was unintentional, there was no injury to public investors, or the violations resulted from a single systemic problem or cause that has been corrected. Any fine imposed pursuant to this Rule that does not exceed \$2,500 and is not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Act or as may be required by any other regulatory authority.

(b)-(e) (No changes.)

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#### **Rule 25.3 Penalty for Minor Rule Violations**

The following BATS Options rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Rule 8.15 (Imposition of Fines for Minor Violation(s) of Rules) and impose the fine set forth below. The Exchange is not required to proceed under said Rules as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under Chapter VIII (Discipline) rules as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period (“Period”).

(a)-(c) (No changes.)

(d) Continuous Quotes

Violations of Rule 22.6(d) regarding Market Maker continuous bids and offers shall be subject to the fines listed below.[ Violations of the rule that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph (d), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker, all violations occurring within the Period in any of the Market Makers registered series are to be added together.]

<b>Number of Violations Within</b>	<b>Fine Amount</b>
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<b>One Period*</b>	
1	Letter of Caution
[2 or more]	[\$300 per day]
<u>2</u>	<u>\$1,000</u>
<u>3</u>	<u>\$2,500</u>
<u>4</u>	<u>\$5,000</u>
<u>5 or more</u>	<u>Formal Disciplinary Action</u>

\* Violations occurring during a calendar month are aggregated and sanctioned as a single offense.

(e) - (f) (No changes.)

\* \* \* \* \*