

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="21"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2010"/> - * <input type="text" value="025"/> Amendment No. (req. for Amendments *) <input type="text"/>
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Proposed Rule Change 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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule		
			<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 type="checkbox"/> 19b-4(f)(6)	

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 proposed rule change (limit 250 characters, required when Initial is checked *).

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 proposed rule change.

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

Date

By

(Name *)

(Title *)

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 EFFS website.

Form 19b-4 Information (required)

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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 (required)

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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 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” or the “Exchange Act”),¹ and Rule 19b-4 thereunder,² BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend BATS Rule 11.8, which relates to the obligations of market makers registered with BATS (“Market Makers”).

(a) The text of the proposed rule change is below. Material proposed to be added is double-underlined. Material proposed to be deleted is enclosed in brackets.

* * * * *

CHAPTER XI. TRADING RULES

* * * * *

Rule 11.8. Obligations of Market Makers

(a) General. Members who are registered as Market Makers in one or more securities traded on the Exchange must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange in accordance with these Rules. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:

- (1) Maintain continuous quotations consistent with the requirements of paragraph (d) below[limit orders to buy and to sell for round lots in those securities in which the Market Maker is registered to trade];
- (2) Remain in good standing with the Exchange and in compliance with all Exchange Rules applicable to it;
- (3) Inform the Exchange of any material change in financial or operational condition or in personnel;

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

(4) Maintain a current list of MMATs who are permitted to enter orders on behalf of the Market Maker and provide an updated version of this list to the Exchange upon any change in MMATs; and

(5) Clear and settle transactions through the facilities of a registered clearing agency. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another Member that clears trades through such agency.

[(b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during Regular Trading Hours on all days in which the Exchange is open for business. A Market Maker may voluntarily open for business prior to 9:30 a.m. and remain open for business later than 4:00 p.m. Eastern Time. Market Makers whose quotes are open prior to 9:30 a.m. Eastern Time or after 4:00 p.m. Eastern Time shall be obligated to comply, while their quotes are open, with all Exchange Rules that are not by their express terms, or by an official interpretation of the Exchange, inapplicable to any part of the Pre-Opening Session or the After Hours Trading Session.]

[(c)](b) A Market Maker shall be responsible for the acts and omissions of its MMATs.

[(d)](c) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of the registration by the Exchange in one or more of the securities in which the Market Maker is registered. Nothing in this Rule 11.8 will limit any other power of the Exchange under the By-Laws, Rules, or procedures of the Exchange with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule 11.8. Any Member aggrieved by any determination under this Rule 11.8 may seek review under Chapter X of the Exchange Rules governing adverse action.

[(e) Temporary Withdrawal. A Market Maker may apply to the Exchange to withdraw temporarily from its Market Maker status in the securities in which it is registered. The Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal. The Exchange will act promptly on such request.]

(d) Quotation Requirements and Obligations

(1) Two-Sided Quote Obligation. For each security in which a Member is registered as a Market Maker, the Member shall be willing to buy and sell such security for its own account on a continuous basis during Regular Trading Hours and shall enter and maintain a two-sided trading interest (“Two-Sided Obligation”) that is identified to the Exchange as the interest meeting the obligation and is displayed in the Exchange’s System at all times. Interest eligible to be considered as part of a Market Maker’s Two-Sided Obligation shall have a displayed quotation size of at least one normal unit of trading (or a larger multiple

thereof); provided, however, that a Market Maker may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. Unless otherwise designated, a “normal unit of trading” shall be 100 shares. After an execution against its Two-Sided Obligation, a Market Maker must ensure that additional trading interest exists in the System to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on the BATS Book that will satisfy this obligation.

(2) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) a Market Maker shall adhere to the pricing obligations established by this Rule during Regular Trading Hours.

(A) Bid Quotations. At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage away from the then current NBB, or if no NBB, not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the NBB (or if no NBB, the last reported sale) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the NBB (or if no NBB, the last reported sale), or if the bid is executed or cancelled, the Market Maker shall enter new bid interest at a price not more than the Designated Percentage away from the then current NBB (or if no NBB, the last reported sale), or must be able to identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(B) Offer Quotations. At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be not more than the Designated Percentage away from the then current NBO, or if no NBO, not more than the Designated Percentage away from the last reported sale received from the responsible single plan processor. In the event that the NBO (or if no NBO, the last reported sale) decreases to a level that would cause the offer interest of the Two-Sided Obligation to be more than the Defined Limit away from the NBO (or if no NBO, the last reported sale), or if the offer is executed or cancelled, the Market Maker shall enter new offer interest at a price not more than the Designated Percentage away from the then current NBO (or if no NBO, the last reported sale), or must be able to identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(C) The NBB and NBO, as defined in Rule 1.5, shall be determined by the Exchange in accordance with its procedures for determining Protected Quotations under Rule 600 under Regulation NMS.

(D) For purposes of this Rule, the term “Designated Percentage” shall mean the individual stock pause trigger percentage under the applicable rules of a primary listing market less two (2) percentage points. For times during Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market, the Designated Percentage calculation will assume a trigger percentage of 22%. For NMS stocks that are not subject to such stock pause triggers the Designated Percentage will assume a trigger percentage of 32%.

(E) For purposes of this Rule, the term “Defined Limit” shall mean the individual stock pause trigger percentage under the applicable rules of a primary listing market less one-half (1/2) percentage point. For times during Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market, the Defined Limit calculation will assume a trigger percentage of 22%. For NMS stocks that are not subject to such stock pause triggers the Defined Limit calculation will assume a trigger percentage of 32%.

(F) Nothing in this Rule shall preclude a Market Maker from quoting at price levels that are closer to the NBBO than the levels required by this Rule.

(G) The minimum quotation increment for quotations of \$1.00 or above shall be \$0.01. The minimum quotation increment in the System for quotations below \$1.00 shall be \$0.0001.

[(f)](e) The Exchange will, upon request from a Market Maker received prior to 9:00 a.m. (Eastern Time) on a day in which the Exchange is open for business, enter on behalf of such Market Maker a two-sided limit order [as a \$0.0001 bid and \$999,999.99 offer] in each security to which the request applies. Such bids and offers will be entered at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. Upon reaching the Defined Limit, a bid or offer entered pursuant to this paragraph will be cancelled and re-entered at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. If a bid or offer entered pursuant to this paragraph moves a specified number of percentage points away from the Designated Percentage towards the then current NBB or NBO, which number of percentage points will be determined and published in a circular distributed to Members from time to time, such bid or offer will be cancelled and re-entered at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. If a bid or offer entered pursuant to this paragraph is executed, the Exchange will re-enter a new bid or offer at the Designated Percentage away from the then current NBB and NBO, or if no NBB or NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor.

Bids and offers entered by the Exchange pursuant to this paragraph will be designated as BATS Only Orders pursuant to Rule 11.9(c)(4), will be in the amount of [one round lot]one normal unit of trading each, and will be posted in the BATS Book during Regular Trading Hours unless cancelled by the Market Maker [pursuant to Rule 11.9(e)]. In the event a Market Maker cancels the quotations entered by the Exchange in accordance with this paragraph, such Market Maker remains responsible for compliance with the requirements of paragraph (d).

* * * * *

(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 November 10, 2009. Exchange staff will advise the BATS Exchange Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Eric Swanson, Senior Vice President and General Counsel of the Exchange at (913) 815-7000.

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

(a) Purpose

The Exchange proposes to adopt rules to enhance minimum quotation requirements for market makers. Under the proposal, the Exchange will require market makers for each stock in which they are registered to continuously maintain a two-sided quotation within a designated percentage of the National Best Bid ("NBB") and National Best Offer ("NBO") (or, if there is no NBB or NBO, the last reported sale). These enhanced market maker quotation requirements are intended to eliminate trade executions

against market maker placeholder quotations traditionally priced far away from the inside market, commonly known as “stub quotes.” They are also intended to augment and work in relation to the single stock pause standards already in place on a pilot basis for stocks in the S&P 500® Index,³ the Russell 1000® Index, as well as a pilot list of Exchange Traded Products.⁴

Under the proposal, the Exchange will require registered market makers to enter and maintain quotes priced at no more than a certain percentage away from the national inside bid and offer. Permissible quotes are determined by the individual character of the security, the time of day in which the quote is entered, and other factors which are summarized below.

For issues subject to an individual stock trading pause, a permissible quote is determined by first looking at the applicable individual stock pause trigger percentage of the security and then reducing that number by 2%. Since currently the individual stock pause trigger percentage utilized by the primary listing markets is 10%, a market maker’s quote in a such a security may not be more than 8% away from the NBBO as appropriate. Once a compliant quote is entered, it may rest without adjustment until such time as it moves to within ½ of 1% of the applicable stock pause trigger percentage (*i.e.*, currently 9.5%) whereupon the market maker must immediately move its quote back to at least the permissible default level of 8% away from the NBBO. During times in which a stock pause trigger percentage is not applicable (*e.g.*, before 9:45 a.m. and after 3:35 p.m.), a

³ See Exchange Act Release No. 62340 (June 21, 2010), 75 FR 36768 (June 28, 2010) (SR-BATS-2010-014).

⁴ See Securities Exchange Act Release No. 62884 (September 10, 2010), 75 FR 56618 (September 16, 2010) (SR-BATS-2010-018).

market maker must maintain a quote no further than 20% away from the inside (*i.e.*, it may rest without adjustment until it reaches 21.5%). In the absence of a NBB or NBO, the above calculations will remain the same, but will use the national last sale instead of the absent bid or offer.

For securities not subject to any individual stock trading pause, the proposal will assume a hypothetical 32% stock pause trigger percentage, apply a 2% reduction, and require market makers in those issues to maintain quotes no more than 30% away from the NBBO. Like securities subject to stock trading pauses, once a compliant quote is entered, it may rest without adjustment until such time as it moves to within $\frac{1}{2}$ of 1% of its applicable pause trigger percentage (31.5%) whereupon the market maker must immediately move its quote back to at least the permissible default level of 30%. These requirements shall apply to Regulation NMS securities during normal market hours.

Nothing in the above precludes a market maker from voluntarily quoting at price levels that are closer to the NBBO than required under the proposal.

The Exchange proposes to offer optional functionality to Exchange Market Makers to assist such Market Makers with the quotation obligations proposed by this filing. Specifically, at 9:00 a.m. Eastern Time, the Exchange will extract information submitted by the Market Maker that provides specific quote instructions for the Exchange to enter a quote on the Market Maker's behalf consistent with proposed paragraph (d). The Exchange proposes to enter the initial bid and offer at the Designated Percentage and to cancel and replace the bid or offer if it drifts away from the NBBO to the Defined Limit or away from the Designated Percentage towards the NBBO by a number of percentage points determined by the Exchange. The Exchange will determine and

publish this percentage in a circular distributed to Members from time to time; the Exchange wishes to retain this flexibility in the event it wishes to modify the number periodically in the future, for instance, to mitigate the amount of quotation information resulting from Exchange generated Market Maker quotes. If a bid or offer entered pursuant to proposed paragraph (e) is executed, the Exchange will re-enter a new bid or offer on behalf of a Market Maker. Bids and offers entered by the Exchange consistent with proposed paragraph (e) to replace a cancelled or executed quotation will be entered at the Designated Percentage away from the NBBO. Such orders will be posted by the Exchange as BATS Only Orders,⁵ and will be maintained on the Exchange during Regular Trading Hours⁶ unless cancelled by the Market Maker pursuant to the Exchange's Rules. In the event a Market Maker cancels the quotations entered by the Exchange in accordance with proposed paragraph (e), such Market Maker remains responsible for compliance with the requirements of paragraph (d).

In order to adopt the above-described market maker quotation obligations, the Exchange proposes to modify Rule 11.18(a)(1), which currently contains a two-sided quotation obligation, to cross-reference the above-described market maker quotation obligations in new paragraph (d). In addition, because proposed paragraph (d) makes clear that the obligations of that paragraph apply during Regular Trading Hours, the Exchange proposes to delete paragraph (b) of current Rule 11.8 related to the when the current quoting obligations apply. Finally, the Exchange proposes deletion of current Rule 11.8(e), related to temporary withdrawal, because Exchange Rule 11.5(d) already

⁵ As defined in Rule 11.9(c)(4).

⁶ Defined in Rule 1.5(w) as 9:30 a.m. to 4:00 p.m. Eastern Time.

provides a Market Maker with the ability to withdraw his or her status as a Market Maker and Rule 11.7(b) already provides a Market Maker with the ability to terminate his or her registration in a security. The Exchange believes that these mechanisms are sufficient for a Market Maker to withdraw or terminate its registration in a security or as a Market Maker without the need for an additional provision related to withdrawal.

(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.⁷ In particular, the proposed change is consistent with Section 6(b)(5) of the Act,⁸ because it would 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 proposed rule change is also designed to support the principles of Section 11A(a)(1)⁹ 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 rule meets these requirements in that it promotes uniformity across markets concerning minimum market maker quotation requirements. The Exchange believes that the proposed optional functionality to assist Exchange Market Makers in maintaining continuous, two-sided limit orders in the securities in which they are registered will encourage Market Makers to remain registered with and trade on the

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78k-1(a)(1).

Exchange, thus providing valuable liquidity to the Exchange; at the same time, the Exchange believes that the proposed functionality will keep Exchange generated quotations within reasonable reach of the NBBO and that the elimination of “stub quotes” is important for the protection of investors and the public interest.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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 Exchange requests that the Commission approve the proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act so that it may be operative as soon as practicable. Because similar rule filings are being proposed by multiple market centers, the Exchange believes that this rule filing will establish uniformity regarding minimum market maker quotation obligations. In particular, the Exchange is proposing to adopt this rule filing to address the execution of numerous transactions at stub quote prices during the declines that the market experienced on the afternoon of May 6, 2010. The Exchange believes that it could implement the proposed rule change as soon as

October 1, 2010. As such, the Exchange does not believe that the proposal should be delayed.

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

Not applicable.

9. Exhibits

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

Exhibit 2 – 5: Not applicable.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-BATS-2010-025

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing of Proposed Rule Change to Amend BATS Rule 11.8, entitled “Obligations of Market Makers.”

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 17, 2010, 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 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 is proposing to amend BATS Rule 11.8, which relates to the obligations of market makers registered with BATS (“Market Makers”).

The text of the proposed rule change is available at the Exchange’s Web site at <http://www.batstrading.com>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 adopt rules to enhance minimum quotation requirements for market makers. Under the proposal, the Exchange will require market makers for each stock in which they are registered to continuously maintain a two-sided quotation within a designated percentage of the National Best Bid ("NBB") and National Best Offer ("NBO") (or, if there is no NBB or NBO, the last reported sale). These enhanced market maker quotation requirements are intended to eliminate trade executions against market maker placeholder quotations traditionally priced far away from the inside market, commonly known as "stub quotes." They are also intended to augment and work in relation to the single stock pause standards already in place on a pilot basis for stocks in the S&P 500[®] Index,³ the Russell 1000[®] Index, as well as a pilot list of Exchange Traded Products.⁴

Under the proposal, the Exchange will require registered market makers to enter and maintain quotes priced at no more than a certain percentage away from the national inside bid and offer. Permissible quotes are determined by the individual character of the security, the time of day in which the quote is entered, and other factors which are summarized below.

³ See Exchange Act Release No. 62340 (June 21, 2010), 75 FR 36768 (June 28, 2010) (SR-BATS-2010-014).

⁴ See Securities Exchange Act Release No. 62884 (September 10, 2010), 75 FR 56618 (September 16, 2010) (SR-BATS-2010-018).

For issues subject to an individual stock trading pause, a permissible quote is determined by first looking at the applicable individual stock pause trigger percentage of the security and then reducing that number by 2%. Since currently the individual stock pause trigger percentage utilized by the primary listing markets is 10%, a market maker's quote in a such a security may not be more than 8% away from the NBBO as appropriate. Once a compliant quote is entered, it may rest without adjustment until such time as it moves to within $\frac{1}{2}$ of 1% of the applicable stock pause trigger percentage (*i.e.*, currently 9.5%) whereupon the market maker must immediately move its quote back to at least the permissible default level of 8% away from the NBBO. During times in which a stock pause trigger percentage is not applicable (*e.g.*, before 9:45 a.m. and after 3:35 p.m.), a market maker must maintain a quote no further than 20% away from the inside (*i.e.*, it may rest without adjustment until it reaches 21.5%). In the absence of a NBB or NBO, the above calculations will remain the same, but will use the national last sale instead of the absent bid or offer.

For securities not subject to any individual stock trading pause, the proposal will assume a hypothetical 32% stock pause trigger percentage, apply a 2% reduction, and require market makers in those issues to maintain quotes no more than 30% away from the NBBO. Like securities subject to stock trading pauses, once a compliant quote is entered, it may rest without adjustment until such time as it moves to within $\frac{1}{2}$ of 1% of its applicable pause trigger percentage (31.5%) whereupon the market maker must immediately move its quote back to at least the permissible default level of 30%. These requirements shall apply to Regulation NMS securities during normal market hours.

Nothing in the above precludes a market maker from voluntarily quoting at price levels that are closer to the NBBO than required under the proposal.

The Exchange proposes to offer optional functionality to Exchange Market Makers to assist such Market Makers with the quotation obligations proposed by this filing. Specifically, at 9:00 a.m. Eastern Time, the Exchange will extract information submitted by the Market Maker that provides specific quote instructions for the Exchange to enter a quote on the Market Maker's behalf consistent with proposed paragraph (d). The Exchange proposes to enter the initial bid and offer at the Designated Percentage and to cancel and replace the bid or offer if it drifts away from the NBBO to the Defined Limit or away from the Designated Percentage towards the NBBO by a number of percentage points determined by the Exchange. The Exchange will determine and publish this percentage in a circular distributed to Members from time to time; the Exchange wishes to retain this flexibility in the event it wishes to modify the number periodically in the future, for instance, to mitigate the amount of quotation information resulting from Exchange generated Market Maker quotes. If a bid or offer entered pursuant to proposed paragraph (e) is executed, the Exchange will re-enter a new bid or offer on behalf of a Market Maker. Bids and offers entered by the Exchange consistent with proposed paragraph (e) to replace a cancelled or executed quotation will be entered at the Designated Percentage away from the NBBO. Such orders will be posted by the Exchange as BATS Only Orders,⁵ and will be maintained on the Exchange during Regular Trading Hours⁶ unless cancelled by the Market Maker pursuant to the

⁵ As defined in Rule 11.9(c)(4).

⁶ Defined in Rule 1.5(w) as 9:30 a.m. to 4:00 p.m. Eastern Time.

Exchange's Rules. In the event a Market Maker cancels the quotations entered by the Exchange in accordance with proposed paragraph (e), such Market Maker remains responsible for compliance with the requirements of paragraph (d).

In order to adopt the above-described market maker quotation obligations, the Exchange proposes to modify Rule 11.18(a)(1), which currently contains a two-sided quotation obligation, to cross-reference the above-described market maker quotation obligations in new paragraph (d). In addition, because proposed paragraph (d) makes clear that the obligations of that paragraph apply during Regular Trading Hours, the Exchange proposes to delete paragraph (b) of current Rule 11.8 related to the when the current quoting obligations apply. Finally, the Exchange proposes deletion of current Rule 11.8(e), related to temporary withdrawal, because Exchange Rule 11.5(d) already provides a Market Maker with the ability to withdraw his or her status as a Market Maker and Rule 11.7(b) already provides a Market Maker with the ability to terminate his or her registration in a security. The Exchange believes that these mechanisms are sufficient for a Market Maker to withdraw or terminate its registration in a security or as a Market Maker without the need for an additional provision related to withdrawal.

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.⁷ In particular, the proposed change is consistent with Section 6(b)(5) of the Act,⁸ because it

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

would 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 proposed rule change is also designed to support the principles of Section 11A(a)(1)⁹ 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 rule meets these requirements in that it promotes uniformity across markets concerning minimum market maker quotation requirements. The Exchange believes that the proposed optional functionality to assist Exchange Market Makers in maintaining continuous, two-sided limit orders in the securities in which they are registered will encourage Market Makers to remain registered with and trade on the Exchange, thus providing valuable liquidity to the Exchange; at the same time, the Exchange believes that the proposed functionality will keep Exchange generated quotations within reasonable reach of the NBBO and that the elimination of “stub quotes” is important for the protection of investors and the public interest.

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

The Exchange does not believe that the proposed rule change imposes any burden on competition.

(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.

⁹ 15 U.S.C. 78k-1(a)(1).

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-BATS-2010-025 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-2010-025. 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 Web site

(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. 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-2010-025 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.¹⁰

Florence E. Harmon
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).