

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 28	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2013 - * 057	Amendment No. (req. for Amendments *)
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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 Section 806(e)(1) <input type="checkbox"/> Section 806(e)(2) <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>
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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 *).

Proposal to amend Interpretation and Policy .02 to Rule 11.8, entitled Competitive Liquidity Provider Program.

Contact Information

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

First Name * Anders Last Name * Franzon

Title * VP, Associate General Counsel

E-mail * afranzon@bats.com

Telephone * (913) 815-7154 Fax (913) 815-7119

Signature

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

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

(Title *)

Date 11/12/2013 VP, Associate General Counsel

By Anders Franzon

(Name *)

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

Persona Not Validated - 1364234628553,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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

Exhibit 1 - Notice of Proposed Rule Change *

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

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

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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

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 the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Interpretation and Policy .02 to Rule 11.8, entitled “Competitive Liquidity Provider Program.”

(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 filing 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 Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of this proposal.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

On August 30, 2011, the Exchange received approval of rules applicable to the qualification, listing and delisting of securities of issuers on the Exchange.³ More recently, the Exchange received approval to operate a program that is designed to incentivize certain market makers registered with the Exchange as Competitive Liquidity Providers (“CLPs”) to enhance liquidity on the Exchange in Exchange-listed securities (the “Competitive Liquidity Provider Program” or “CLP Program”).⁴ The Exchange subsequently adopted financial incentives for the CLP Program⁵ and thereafter amended certain of the financial incentives and criteria for the CLP Program.⁶

The purpose of this filing is to modify Interpretation and Policy .02 of Rule 11.8 regarding certain details around the implementation of the CLP Program. Specifically, effective December 1, 2013, the Exchange proposes to: (1) award up to three CLPs, or more in the case of a tie, at each size event test (“SET”) with credits (“SET Credits”) based on their rank in aggregate size at the NBB or NBO at the time of the SET; (2) base the allocation of daily financial rewards on the number of SET Credits awarded to CLPs; (3) change the allocation of the daily financial rewards to a set dollar value per CLP in each class of security; and (4) make certain cleanup and clarifying changes to Interpretation and Policy .02 to Rule 11.8.

³ See Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

⁴ See Securities Exchange Act Release No. 66307 (February 2, 2012), 77 FR 6608 (February 8, 2012) (SR-BATS-2011-051).

⁵ See Securities Exchange Act Release No. 66427 (February 21, 2012), 77 FR 11608 (February 27, 2012) (SR-BATS-2012-011).

⁶ See Securities Exchange Act Release Nos. 67854 (September 13, 2012), 77 FR 58198 (September 19, 2012) (SR-BATS-2012-036) and 69190 (March 20 2013), 78 FR 18384 (March 26, 2013) (SR-BATS-2013-005).

Increasing Winning SETs and Awarding SET Credits

The Exchange is proposing to award Winning Bid SETs⁷ and Winning Offer SETs⁸ (collectively, “Winning SETs”) along with SET Credits to at least three CLPs each for the bid (“Bid SET Credits”) and offer (“Offer SET Credits”) based on a CLP’s rank in aggregate size at the NBB or NBO at the time of a SET. Currently, only the CLP with the greatest aggregate size at the NBB and the CLP with the greatest aggregate size at the NBO at the time of a SET are considered to have a Winning Bid SET and a Winning Offer SET, respectively. CLPs are not currently awarded SET Credits.

The Exchange is proposing to amend Interpretation and Policy .02(g)(1) to Rule 11.8 such that the three CLPs with the greatest aggregate size at the NBB and the three CLPs with the greatest aggregate size at the NBO at the time of each SET will be considered to have a Winning SET. Where there is a tie, all CLPs with the same aggregate size at the NBB (NBO) will be considered to have a Winning Bid (Offer) SET if there are two or less CLPs that have greater aggregate size at the NBB (NBO). Additionally, all CLPs with a Winning SET will be awarded SET Credits based on the following: all CLPs with the greatest aggregate size at the NBB or NBO will receive three SET Credits; all CLPs with the second greatest aggregate size at the NBB or NBO will receive two SET Credits; and all CLPs with the third greatest aggregate size at the NBB will receive one SET Credit.

For example:

CLP	Shares at NBB
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⁷ As defined in Interpretation and Policy .02 (g)(1) to BATS Rule 11.8.

⁸ Id.

CLP1	1,000
CLP2	900
CLP3	800
CLP4	800

Here, all four CLPs will have a Winning Bid SET because CLP1 and CLP2 are both two of the top three CLPs with the greatest aggregate size at the NBB, while CLP3 and CLP4 are tied at 800 shares and there are only two CLPs that have greater aggregate size at the NBB than 800 shares. CLP1 would receive three Bid SET Credits, CLP2 would receive two Bid SET Credits, and CLP3 and CLP4 would each receive one Bid SET Credit.

However, if CLP3 had 900 shares at the NBB and all other CLPs remained the same, only CLP1, CLP2, and CLP3 would have a Winning SET because CLP2 and CLP3 would be tied and there is only one CLP that has greater aggregate size than 900 shares (CLP1). CLP4 would have the fourth greatest aggregate size at the NBB among CLPs and thus would not qualify for a Winning SET. In this instance, CLP1 would receive three Bid SET Credits, CLP2 and CLP3 would each receive two Bid SET Credits, and CLP4 would not receive any Bid SET Credits.

Finally, if CLP1, CLP2, CLP3, and CLP4 all had 1,000 shares at the NBB, the four CLPs would each receive three Bid SET Credits. In this scenario, if another CLP (“CLP5”) had 900 shares at the NBB, CLP5 would not qualify for a Winning SET and would not receive any Bid SET Credits because more than two CLPs have greater aggregate size at the NBB than the 900 shares posted by CLP5.

The above examples would operate in an identical fashion for the NBO.

Determining the Recipients of the Daily Financial Rewards

The Exchange is also proposing to amend its Rules in order to base the allocation of daily financial rewards associated with the CLP Program on SET Credits instead of

Winning SETs. Currently, the daily financial reward for Tier I securities⁹ and ETPs¹⁰ is awarded to the two CLPs with the most Winning Bid SETs and the two CLPs with the most Winning Offer SETs. For Tier II securities,¹¹ the daily financial reward is awarded to the CLP with the most Winning Bid SETS and the CLP with the most Winning Offer SETs.

The Exchange proposes to amend Interpretation and Policy .02 (k)(1) of BATS Rule 11.8 to provide that the daily financial reward for all securities participating in the Program will be based on SET Credits. Specifically, the Exchange proposes that the daily financial reward for Tier I securities and ETPs be awarded to the two CLPs with the most Bid SET Credits and the two CLPs with the most Offer SET Credits and for the daily financial reward for Tier II securities to be awarded to the CLP with the most Bid Set Credits and the CLP with the most Offer SET Credits. The Exchange notes that it is not proposing to change the daily quoting requirement that a CLP have Winning Bid SETs or Winning Offer SETs equal to at least 10% of the total Bid SETs or total Offer SETs in a security in order to be eligible for the daily financial reward.

Allocating the Daily Financial Rewards

The Exchange also proposes to change the allocation of the daily financial rewards to a specified amount per CLP in each class of security. Currently, the daily financial rewards for Tier I securities and ETPs are allocated to the two CLPs with the most Winning Bid SETs and the two CLPs with the most Winning Offer SETs on a pro

⁹ As defined in BATS Rule 14.8.

¹⁰ As defined in Interpretation and Policy .02(d)(2) of BATS Rule 11.8.

¹¹ As defined in BATS Rule 14.9.

rata basis, based on the combined sum of the two CLPs' Winning SETs. The financial rewards for Tier II securities are allocated to the single CLP with the most Winning Bid SETs and the single CLP with the most Winning Offer SETs.

The Exchange proposes to amend Interpretation and Policy .02 (k)(1) of BATS Rule 11.8 in order to allocate the daily financial rewards to CLPs on a pre-determined basis rather than on a pro rata basis. Specifically, the Exchange is proposing to allocate the daily financial rewards as follows: (i) for the six months after initial listing on the Exchange in Tier I securities, the CLPs with the most and second most SET Credits will receive \$150 and \$100, respectively, for both the bid and the offer; and (ii) for Tier I securities that have been listed on the Exchange for more than six months and for ETPs, the CLPs with the most and second most SET Credits will receive \$75 and \$50, respectively, for both the bid and the offer. For Tier II securities, the CLP with the most SET Credits will continue to receive 100% of the daily financial reward for both the bid and the offer.

Cleanup Changes

The Exchange also proposes to make several cleanup and clarifying changes to Interpretation and Policy .02 of BATS Rule 11.8. These changes include the following: (i) adding "the time of" between "aggregate size at the NBB at" and "each SET" to paragraph (g)(1); (ii) adding "the time of" between "aggregate size at the NBO at" and "each SET" to paragraph (g)(1); (iii) adding the word "to" between the words "order" and "meet" in paragraph (g)(1)(A); (iv) to capitalize the "b" in each instance of "bid SET" that is not capitalized in paragraph (k)(1); and (v) to capitalize the "o" in each instance of "offer SET" that is not capitalized in paragraph (k)(1).

(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.¹² In particular, the proposal is consistent with Section 6(b)(5) of the Act,¹³ 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. The Exchange also believes that the combination of fixed financial rewards (rather than awarding financial rewards on a pro rata basis) and awarding SET Credits to three CLPs per SET for the bid and offer will promote tighter spreads and deeper liquidity for all market participants by incentivizing multiple CLPs to quote at the NBBO. More specifically, the Exchange believes that implementing fixed financial rewards will incentivize additional CLPs to continue to provide liquidity even where one CLP is winning the majority of SETs, while awarding three CLPs with SET Credits for each SET will incentivize multiple CLPs to add liquidity at or inside the NBBO even if another CLP consistently has greater liquidity at the NBBO than the other CLP. The Exchange believes that this will foster greater competition and participation among CLPs which, as outlined above, will enhance market quality to the benefit of all market participants.

Further, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁴ in that it provides for the equitable allocation of reasonable

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ 15 U.S.C. 78f(b)(4).

dues, fees and other charges, and is not unfairly discriminatory. The Exchange believes that the proposed changes are reasonable and equitably allocated because, while the proposal does lower the potential high-end of the daily financial reward available to the CLP with the most SET Credits, it will incentivize additional CLPs to continue to provide liquidity even where one CLP is winning the majority of SETs, which, as described above, will foster greater competition among CLPs and enhance market quality to the benefit of all market participants. The Exchange also believes that the proposal is not unfairly discriminatory because registration as a market maker and, in turn, a CLP, is equally available to all Members that satisfy the requirements of Rule 11.8.

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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposal will merely improve the incentives and, in turn, the results, of its CLP Program. The Exchange believes that the proposed changes will enhance competition amongst participants in the CLP Program.

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

Not applicable.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹⁵ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁶ The Exchange asserts that the proposed rule changes: (1) will not significantly affect the protection of investors or the public interest, (2) will not impose any significant burden on competition, and (3) and will not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. In addition, the Exchange provided the Commission with written notice of its intent to file the proposed rule changes, along with a brief description and text of the proposed rule changes, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.¹⁷

The Exchange believes that its rule change proposal is appropriate for filing on an immediately effective basis because it is not controversial, will not significantly affect the protection of investors or the public interest, and does not impose any significant burden on competition, and is eligible to become effective immediately for the following reasons: (1) the proposal raises no novel issues and constitutes only a minor reconfiguration of already existing Exchange functionality; (2) the proposal will enhance market quality by promoting deeper liquidity and tighter spreads through incentivizing multiple CLPs to add liquidity at or inside the NBBO; and (3) the proposal will help to clarify Interpretation and Policy .02 of BATS Rule 11.8 regarding the CLP Program.

¹⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁶ 17 CFR 240.19b-4.

¹⁷ 17 CFR 240.19b-4(f)(6)(iii).

Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹⁸ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁹

The Exchange requests that the Commission waive the 30-day operative waiting period contained in Exchange Act Rule 19b-4(f)(6)(iii).²⁰ The Exchange requests this waiver so that the proposal may become operative on December 1, 2013. The Exchange believes that the changes proposed in this filing should be operative on December 1, 2013 because the proposed changes, as described above, provide important improvements to the CLP Program which would benefit both CLPs and market participants generally, specifically by incentivizing CLPs to provide tighter spreads and deeper liquidity, as well as provide additional clarity around existing Exchange rules. The operative delay would only act to needlessly withhold the improvements to the CLP Program from CLPs and market participants. Based on the foregoing, the Exchange believes that promptly implementing these changes is consistent with the public interest and the protection of investors.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

Not applicable.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6).

²⁰ 17 CFR 240.19b-4(f)(6)(iii).

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-2013-057)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the BATS Competitive Liquidity Provider Program.

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 November 12, 2013, 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 Act³ and Rule 19b-4(f)(6)(iii) thereunder,⁴ which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to amend Interpretation and Policy .02 to Rule 11.8, entitled “Competitive Liquidity Provider Program.”

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6)(iii).

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

On August 30, 2011, the Exchange received approval of rules applicable to the qualification, listing and delisting of securities of issuers on the Exchange.⁵ More recently, the Exchange received approval to operate a program that is designed to incentivize certain market makers registered with the Exchange as Competitive Liquidity Providers ("CLPs") to enhance liquidity on the Exchange in Exchange-listed securities (the "Competitive Liquidity Provider Program" or "CLP Program").⁶ The Exchange subsequently adopted financial incentives for the CLP Program⁷ and thereafter amended certain of the financial incentives and criteria for the CLP Program.⁸

⁵ See Securities Exchange Act Release No. 65225 (August 30, 2011), 76 FR 55148 (September 6, 2011) (SR-BATS-2011-018).

⁶ See Securities Exchange Act Release No. 66307 (February 2, 2012), 77 FR 6608 (February 8, 2012) (SR-BATS-2011-051).

⁷ See Securities Exchange Act Release No. 66427 (February 21, 2012), 77 FR 11608 (February 27, 2012) (SR-BATS-2012-011).

⁸ See Securities Exchange Act Release Nos. 67854 (September 13, 2012), 77 FR 58198 (September 19, 2012) (SR-BATS-2012-036) and 69190 (March 20 2013), 78 FR 18384 (March 26, 2013) (SR-BATS-2013-005).

The purpose of this filing is to modify Interpretation and Policy .02 of Rule 11.8 regarding certain details around the implementation of the CLP Program. Specifically, effective December 1, 2013, the Exchange proposes to: (1) award up to three CLPs, or more in the case of a tie, at each size event test (“SET”) with credits (“SET Credits”) based on their rank in aggregate size at the NBB or NBO at the time of the SET; (2) base the allocation of daily financial rewards on the number of SET Credits awarded to CLPs; (3) change the allocation of the daily financial rewards to a set dollar value per CLP in each class of security; and (4) make certain cleanup and clarifying changes to Interpretation and Policy .02 to Rule 11.8.

Increasing Winning SETs and Awarding SET Credits

The Exchange is proposing to award Winning Bid SETs⁹ and Winning Offer SETs¹⁰ (collectively, “Winning SETs”) along with SET Credits to at least three CLPs each for the bid (“Bid SET Credits”) and offer (“Offer SET Credits”) based on a CLP’s rank in aggregate size at the NBB or NBO at the time of a SET. Currently, only the CLP with the greatest aggregate size at the NBB and the CLP with the greatest aggregate size at the NBO at the time of a SET are considered to have a Winning Bid SET and a Winning Offer SET, respectively. CLPs are not currently awarded SET Credits.

The Exchange is proposing to amend Interpretation and Policy .02(g)(1) to Rule 11.8 such that the three CLPs with the greatest aggregate size at the NBB and the three CLPs with the greatest aggregate size at the NBO at the time of each SET will be considered to have a Winning SET. Where there is a tie, all CLPs with the same

⁹ As defined in Interpretation and Policy .02 (g)(1) to BATS Rule 11.8.

¹⁰ Id.

aggregate size at the NBB (NBO) will be considered to have a Winning Bid (Offer) SET if there are two or less CLPs that have greater aggregate size at the NBB (NBO).

Additionally, all CLPs with a Winning SET will be awarded SET Credits based on the following: all CLPs with the greatest aggregate size at the NBB or NBO will receive three SET Credits; all CLPs with the second greatest aggregate size at the NBB or NBO will receive two SET Credits; and all CLPs with the third greatest aggregate size at the NBB will receive one SET Credit.

For example:

CLP	Shares at NBB
CLP1	1,000
CLP2	900
CLP3	800
CLP4	800

Here, all four CLPs will have a Winning Bid SET because CLP1 and CLP2 are both two of the top three CLPs with the greatest aggregate size at the NBB, while CLP3 and CLP4 are tied at 800 shares and there are only two CLPs that have greater aggregate size at the NBB than 800 shares. CLP1 would receive three Bid SET Credits, CLP2 would receive two Bid SET Credits, and CLP3 and CLP4 would each receive one Bid SET Credit.

However, if CLP3 had 900 shares at the NBB and all other CLPs remained the same, only CLP1, CLP2, and CLP3 would have a Winning SET because CLP2 and CLP3 would be tied and there is only one CLP that has greater aggregate size than 900 shares (CLP1). CLP4 would have the fourth greatest aggregate size at the NBB among CLPs and thus would not qualify for a Winning SET. In this instance, CLP1 would receive three Bid SET Credits, CLP2 and CLP3 would each receive two Bid SET Credits, and CLP4 would not receive any Bid SET Credits.

Finally, if CLP1, CLP2, CLP3, and CLP4 all had 1,000 shares at the NBB, the four CLPs would each receive three Bid SET Credits. In this scenario, if another CLP (“CLP5”) had 900 shares at the NBB, CLP5 would not qualify for a Winning SET and would not receive any Bid SET Credits because more than two CLPs have greater aggregate size at the NBB than the 900 shares posted by CLP5.

The above examples would operate in an identical fashion for the NBO.

Determining the Recipients of the Daily Financial Rewards

The Exchange is also proposing to amend its Rules in order to base the allocation of daily financial rewards associated with the CLP Program on SET Credits instead of Winning SETs. Currently, the daily financial reward for Tier I securities¹¹ and ETPs¹² is awarded to the two CLPs with the most Winning Bid SETs and the two CLPs with the most Winning Offer SETs. For Tier II securities,¹³ the daily financial reward is awarded to the CLP with the most Winning Bid SETS and the CLP with the most Winning Offer SETs.

The Exchange proposes to amend Interpretation and Policy .02 (k)(1) of BATS Rule 11.8 to provide that the daily financial reward for all securities participating in the Program will be based on SET Credits. Specifically, the Exchange proposes that the daily financial reward for Tier I securities and ETPs be awarded to the two CLPs with the most Bid SET Credits and the two CLPs with the most Offer SET Credits and for the daily financial reward for Tier II securities to be awarded to the CLP with the most Bid

¹¹ As defined in BATS Rule 14.8.

¹² As defined in Interpretation and Policy .02(d)(2) of BATS Rule 11.8.

¹³ As defined in BATS Rule 14.9.

Set Credits and the CLP with the most Offer SET Credits. The Exchange notes that it is not proposing to change the daily quoting requirement that a CLP have Winning Bid SETs or Winning Offer SETs equal to at least 10% of the total Bid SETs or total Offer SETs in a security in order to be eligible for the daily financial reward.

Allocating the Daily Financial Rewards

The Exchange also proposes to change the allocation of the daily financial rewards to a specified amount per CLP in each class of security. Currently, the daily financial rewards for Tier I securities and ETPs are allocated to the two CLPs with the most Winning Bid SETs and the two CLPs with the most Winning Offer SETs on a pro rata basis, based on the combined sum of the two CLPs' Winning SETs. The financial rewards for Tier II securities are allocated to the single CLP with the most Winning Bid SETs and the single CLP with the most Winning Offer SETs.

The Exchange proposes to amend Interpretation and Policy .02 (k)(1) of BATS Rule 11.8 in order to allocate the daily financial rewards to CLPs on a pre-determined basis rather than on a pro rata basis. Specifically, the Exchange is proposing to allocate the daily financial rewards as follows: (i) for the six months after initial listing on the Exchange in Tier I securities, the CLPs with the most and second most SET Credits will receive \$150 and \$100, respectively, for both the bid and the offer; and (ii) for Tier I securities that have been listed on the Exchange for more than six months and for ETPs, the CLPs with the most and second most SET Credits will receive \$75 and \$50, respectively, for both the bid and the offer. For Tier II securities, the CLP with the most SET Credits will continue to receive 100% of the daily financial reward for both the bid and the offer.

Cleanup Changes

The Exchange also proposes to make several cleanup and clarifying changes to Interpretation and Policy .02 of BATS Rule 11.8. These changes include the following: (i) adding “the time of” between “aggregate size at the NBB at” and “each SET” to paragraph (g)(1); (ii) adding “the time of” between “aggregate size at the NBO at” and “each SET” to paragraph (g)(1); (iii) adding the word “to” between the words “order” and “meet” in paragraph (g)(1)(A); (iv) to capitalize the “b” in each instance of “bid SET” that is not capitalized in paragraph (k)(1); and (v) to capitalize the “o” in each instance of “offer SET” that is not capitalized in paragraph (k)(1).

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.¹⁴ In particular, the proposal is consistent with Section 6(b)(5) of the Act,¹⁵ 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. The Exchange also believes that the combination of fixed financial rewards (rather than awarding financial rewards on a pro rata basis) and awarding SET Credits to three CLPs per SET for the bid and offer will promote tighter spreads and deeper liquidity for all market participants by incentivizing multiple CLPs to quote at the NBBO. More specifically, the Exchange believes that implementing fixed financial rewards will incentivize additional CLPs to

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

continue to provide liquidity even where one CLP is winning the majority of SETs, while awarding three CLPs with SET Credits for each SET will incentivize multiple CLPs to add liquidity at or inside the NBBO even if another CLP consistently has greater liquidity at the NBBO than the other CLP. The Exchange believes that this will foster greater competition and participation among CLPs which, as outlined above, will enhance market quality to the benefit of all market participants.

Further, the Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁶ in that it provides for the equitable allocation of reasonable dues, fees and other charges, and is not unfairly discriminatory. The Exchange believes that the proposed changes are reasonable and equitably allocated because, while the proposal does lower the potential high-end of the daily financial reward available to the CLP with the most SET Credits, it will incentivize additional CLPs to continue to provide liquidity even where one CLP is winning the majority of SETs, which, as described above, will foster greater competition among CLPs and enhance market quality to the benefit of all market participants. The Exchange also believes that the proposal is not unfairly discriminatory because registration as a market maker and, in turn, a CLP, is equally available to all Members that satisfy the requirements of Rule 11.8.

(B) 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 not necessary or appropriate in furtherance of the purposes of the Act. The Exchange believes that the proposal will merely improve the incentives and, in

¹⁶ 15 U.S.C. 78f(b)(4).

turn, the results, of its CLP Program. The Exchange believes that the proposed changes will enhance competition amongst participants in the CLP Program.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷ and paragraph (f) of Rule 19b-4 thereunder.¹⁸ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

Electronic Comments:

- 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-2013-057 on the subject line.

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f).

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-2013-057. 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 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 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-2013-057 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.¹⁹

¹⁹ 17 CFR 200.30-3(a)(12).

Kevin M. O'Neill
Deputy Secretary

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

Rules of BATS Exchange, Inc.

CHAPTER XI. TRADING RULES

Rule 11.8. Obligations of Market Makers

(a)–(e) (No changes.)

Interpretations and Policies

.01 (No changes.)

.02 Competitive Liquidity Provider Program

(a)–(f) (No changes.)

(g) *CLP Quoting Requirements.*

(1) The Exchange will measure the performance of a CLP in assigned securities by calculating Size Event Tests (“SETs”) between 9:25 a.m. and 4:05 p.m. on every day on which the Exchange is open for business. The Exchange will measure each CLP’s quoted size, excluding odd lots, at the NBB and NBO at least once per second to determine SETs. The three CLPs with the greatest aggregate size at the NBB at the time of each SET (a “Bid SET”) will be considered to have a winning Bid SET (a “Winning Bid SET”). In the event of a tie, all CLPs with the same aggregate size at the NBB will be considered to have a Winning Bid SET if there are two or less CLPs that have greater aggregate size at the NBB. Of the CLPs with a Winning Bid SET for a particular Bid SET, all CLPs with the greatest aggregate size at the NBB will receive three (3) Bid SET credits (“Bid SET Credits”); all CLPs with the second greatest aggregate size at the NBB will receive two (2) Bid SET Credits; and all CLPs with the third greatest aggregate size at the NBB will receive one (1) Bid SET Credit. Separately, the three CLPs with the greatest aggregate size at the NBO at the time of each SET (an “Offer SET”) will be considered to have a winning Offer SET (a “Winning Offer SET”). In the event of a tie, all CLPs with the same aggregate size at the NBO will be considered to have a Winning Offer SET if there are two or less CLPs that have greater aggregate size at the NBO. Of the CLPs with a Winning Offer SET for a particular Offer SET, the CLPs with the greatest aggregate size at the NBO will receive three (3) Offer SET credits

(“Offer SET Credits”); the CLPs with the second greatest aggregate size at the NBO will receive two (2) Offer SET Credits; and the CLPs with the third greatest aggregate size at the NBO will receive one (1) Offer SET Credit.

(A) Daily Quoting Requirement. A CLP must have Winning Bid SETs or Winning Offer SETs equal to at least 10% of the total Bid SETs or total Offer SETs, respectively, on any trading day in order to meet its daily quoting requirement and to be eligible for the daily rebates (each such CLP an “Eligible CLP”) for a security, as described in sub-paragraph (k)(1). Eligible CLPs will be ranked according to the number of [Winning] Bid SET[s] Credits and [Winning] Offer SET[s] Credits each trading day, and only the Eligible CLP or Eligible CLPs ranked number one, and in some cases as described in paragraph (k)(1), the Eligible CLP ranked number two, in each of the [Winning] Bid SET[s] Credits and [Winning] Offer SET[s] Credits will receive the daily rebate.

(B) (No changes.)

(2)-(5) (No changes.)

(h)-(j) (No changes.)

(k) *Financial Incentives for CLPs*

(1) *Daily Rebates.* Eligible CLPs, as defined in sub-paragraph (g)(1)(A) above, shall compete for daily financial rebates based on each day’s quoting activity as follows:

Class of Security	Amount of Total Daily Rebate	Allocation of Daily Rebate*
Tier I Securities Listed on the Exchange Pursuant to Rule 14.8 for Six Months Commencing from the Date of Initial Listing on the Exchange	\$500 per day: \$250 for [b]Bid SETs and \$250 for [o]Offer SETs	CLPs with highest and second highest number of [Winning] Bid SET[s] <u>Credits**</u> will receive a[split] daily financial rebate[s on a pro rata basis, based on the combined sum of their Winning Bid SETs] of <u>\$150 and \$100, respectively;</u> CLPs with highest and second highest number of [Winning]Offer SET[s] <u>Credits</u> will receive a[split] daily financial rebate[s on a

		pro rata basis, based on the combined sum of their <u>Winning Offer SETs] of \$150 and \$100, respectively</u>
Tier I Securities Listed on the Exchange Pursuant to Rule 14.8 for Remaining Time Subject to CLP Program	\$250 per day: \$125 for <u>[b]Bid SETs</u> and \$125 for <u>[o]Offer SETs</u>	CLPs with highest and second highest number of <u>[Winning] Bid SET[s] Credits</u> will <u>receive a[split] daily financial rebate[s]</u> on a pro rata basis, based on the combined sum of their <u>Winning Bid SETs] of \$75 and \$50, respectively;</u> CLPs with highest and second highest number of <u>[Winning] Offer SET[s] Credits</u> will <u>receive a[split] daily financial rebate[s]</u> on a pro rata basis, based on the combined sum of their <u>Winning Offer SETs] of \$75 and \$50, respectively</u>
Tier II Securities Listed on the Exchange Pursuant to Rule 14.9	\$100 per day: \$50 for <u>[b]Bid SETs</u> and \$50 for <u>[o]Offer SETs</u>	100% to CLP with highest number of <u>[winning b]Bid SET Credits</u> ; 100% to CLP with highest number of <u>[winning o]Offer SET Credits</u>
ETPs Listed Pursuant to Rule 14.11	\$250 per day: \$125 for <u>[b]Bid SETs</u> and \$125 for <u>[o]Offer SETs</u>	CLPs with highest and second highest number of <u>[Winning] Bid SET[s] Credits</u> will <u>receive a[split] daily financial rebate[s]</u> on a pro rata basis, based on the combined sum of their <u>Winning Bid SETs] of \$75 and \$50, respectively;</u> CLPs with highest and second highest number of <u>[Winning]Offer SET Credits</u> will <u>receive a[split] daily financial rebate[s]</u> on a pro rata basis,

		based on the combined sum of their Winning Offer SETs] of \$75 and \$50, <u>respectively</u>
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* In the event only one CLP is eligible for the daily rebate, 100% of such rebate will be provided to such CLP. In the event that multiple CLPs have an equal number of [winning] Bid SET Credits or Offer SET Credits, the CLP with the highest executed volume in the security will be awarded the applicable daily rebate.

** Size Event Tests, or SETs, are defined in paragraph (g) above.
