OMB APPROVAL	
OMB Number:	3235-0045
Estimated average burden hours per response............38	

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2014 - * 013
Amendment No. (req. for Amendments *)

Filing by BATS Exchange

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

Initial * ☑ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☑ Section 19(b)(3)(B) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☑ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

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

BATS Exchange, Inc. proposed to amend Interpretation and Policy .05 to Rule 19.6, entitled “Series of Options Contracts Open for Trading,” and Rule 29.11, entitled “Terms of Index Options Contracts.”

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 * Christopher Last Name * Solgan
Title * Regulatory Counsel
E-mail * csolgan@bats.com
Telephone * (201) 942-8321 Fax

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.

Date 04/24/2014

By Christopher Solgan

(Name *)

(Title *)

Regulatory Counsel

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.

csolgan@directedge.com

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☐	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of 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 proposed rule change to amend Interpretation and Policy .05 to Rule 19.6, entitled "Series of Options Contracts Open for Trading," related to the expiration dates, classes, series, initial and additional series listed in, and strike price intervals related to Short Term Option Series ("STOS") as well as to make certain corresponding changes to Rule 29.11, entitled "Terms of Index Options Contracts." 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.[3] The Exchange requests that the Commission waive the 30-day operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.[4] If such waiver is granted by the Commission, the Exchange shall implement this rule proposal immediately.

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

(b) Not applicable.

(c) Not applicable.

---

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b-4.

[3] 17 CFR 240.19b-4(f)(6)(iii).

[4] Id.

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.

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 purpose of the proposed rule change is to harmonize the Exchange's rules with recently approved changes to the rules governing short-term option series programs of other options exchanges. Specifically, the Exchange is proposing to amend Interpretation and Policy .05 to Rule 19.6 for changes related to equity options and Rule 29.11(h) for changes related to index options in order to (i) allow the Exchange to list options in STOS for each of the next five Fridays that are business days and are not Fridays in which monthly options series or quarterly options series ("Short Term Expiration Dates") expire at one time for both equity and index options; (ii) state that additional series of STOS may be listed up to, and including on, the day of expiration for both equity and index options; (iii) expand the number of classes on which STOS may be opened from 30 to 50 for both equity and index options; (iv) modify the initial listing provision to allow the Exchange to open up to 30 STOS for each expiration date in a STOS class for equity options; (v) expand the strike price range limitations for STOS for equity options; (vi) allow the Exchange to list STOS in equity options in \$0.50 or greater strike intervals where the strike price is less than \$75.00, in \$1.00 or greater strike intervals where the strike price is between \$75 and \$150, and in \$2.50 or greater strike intervals where the strike price is above \$150; and (vii) permit, for both equity and index options, an expanded number of STOS to be opened and to require delisting of certain STOS where the price of the underlying security or value of the underlying index has moved dramatically. Finally, the Exchange is proposing to make corrections to certain typos in the text of paragraph (c) and (d) of Interpretation and Policy .05 to Rule 19.6 in order to change references to "underlying index" to "underlying security." The Exchange believes that the proposed rule changes would enable the Exchange to compete equally and fairly with other options exchanges in satisfying high market demand for weekly options and continuing strong customer demand to use STOS to execute hedging and trading strategies.

<u>Proposals (i) and (ii)</u>

First, the Exchange proposes to amend Interpretation and Policy .05 of Rule 19.6 and Rule 29.11(h), which codify the STOS program for equity options and index options, respectively, as follows: (i) to allow the Exchange to list options in STOS for each of the next five Short Term Expiration Dates expire at one time; and (ii) to state that additional series of STOS may be listed up to, and including on, the day of expiration. These proposed rule changes are identical to a recently approved filing by the Chicago Board Options Exchange ("CBOE") and a copycat filing for immediate effectiveness by the International Securities Exchange ("ISE") and substantially identical to a filing for immediate effectiveness by NYSE Arca, Inc. ("Arca") except that, unlike the Arca filing, the Exchange is also proposing to amend its rules relating to STOS for index options.[5]

Currently, Interpretation and Policy .05 of Rule 19.6 and Rule 29.11(h) provide that a STOS is a series of an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires at the close of business on each of the next five consecutive Fridays that are business days. The rules further state that if a Thursday or Friday is not a business day, the series may be opened on the first business day immediately prior to that Thursday or Friday and, if a Friday is not a business day, the series shall expire on the first business day immediately prior to that Friday. No STOS may expire in the same week in which a monthly or quarterly option series in the same class expires. Thus, because a Friday expiration may coincide with an existing expiration of a monthly or quarterly series of an option in the same class as the STOS option series, the current requirement that the Fridays be consecutive may mean that the Exchange cannot open five STOS expiration dates because of existing monthly or quarterly expirations.

The Exchange proposes to amend Interpretation and Policy .05 of Rule 19.6 and Rule 29.11(h) to remove the requirement that the five expiration dates be on consecutive Fridays and instead provide that the Exchange would have the ability to list a total of five STOS expirations at the same time, provided that the expirations are on "each of the next five Fridays" that do not include a monthly or quarterly options expiration date. As

---

5 See Securities and Exchange Act Release Nos. 71005 (December 6, 2013), 78 FR 75395 (December 11, 2013) (SR-CBOE-2013-096) (approval order); 71033 (December 11, 2013), 78 FR 76375 (December 17, 2013) (SR-ISE-2013-68); and 71750 (March 19, 2014), 79 FR 16416 (March 25, 2014) (SR-NYSEArca-2014-24).

proposed, the Exchange would list each of the five STOS as close to the STOS opening date as possible so that the next five STOS may be listed at one time, not including the monthly or quarterly options. For example, where a quarterly option expires in week 1 and a monthly option expires in week 4, the Exchange could list new STOS as follows: week 1 quarterly option, week 2 STOS option, week 3 STOS option, week 4 monthly option, week 5 STOS option, week 6 STOS option, and week 7 STOS option.[6] As another example, where a quarterly option expires in week 3 and a monthly option expires in week 6, the Exchange could list new STOS as follows: week 1 STOS option, week 2 STOS option, week 3 quarterly option, week 4 STOS option, week 5 STOS option, week 6 monthly option, week 7 STOS option.

The Exchange is also proposing to codify an existing practice by adding language to paragraph (d) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(4) to state that additional STOS may be added up to, and including on, the expiration date of the series and, correspondingly, to delete text from paragraph (f) to Policy .05 of Rule 19.6 and Rule 29.11(h)(6) that prohibits the opening of additional series during expiration week in classes listed pursuant to paragraphs (f) and (6), respectively. As discussed below, the Exchange rules specify the number of initial and additional series that the Exchange may open for each option class that participates in the STOS program. In practice, the Exchange, along with the other options exchanges, list additional STOS up to and on the expiration day, with the exception of STOS listed pursuant to paragraph (f) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(6), which prohibit the

---

[6] As proposed, the rules would not allow for there to not be a STOS expiration in week 7, but then to have a STOS option expire in week 8.

opening of additional series during expiration week in classes listed pursuant to those rules.[7] Consistent with the actions taken by other options exchanges, the Exchange believes that codifying this practice will clarify authority that is not currently explicitly stated in its rules to add series up until and on the day of expiration and to make the Exchange's rules regarding the timing of opening additional STOS consistent with those of other options exchanges. Given the short lifespan of STOS, the Exchange believes that the ability to list new series of options intraday is appropriate.

Proposals (iii) – (vi)

The Exchange further proposes to amend its rules in order to: (i) expand the number of classes on which STOS may be opened from 30 to 50 for both equity and index options; (ii) modify the initial listing provision for equity options to allow the Exchange to open up to 30 STOS for each expiration date in a STOS class; (iii) expand the strike price range limitations for STOS in equity options; and (iv) allow the Exchange to list STOS in equity options in $0.50 or greater strike intervals where the strike price is less than $75.00, in $1.00 or greater strike intervals where the strike price is between $75 and $150, and in $2.50 or greater strike intervals where the strike price is above $150. These proposed changes are substantially identical to a recent approved filing by NASDAQ OMX PHLX, LLC ("PHLX") and copycat filings for immediate effectiveness by CBOE, ISE, and Arca, unless otherwise noted herein.[8]

---

7 The Exchange notes that the Options Clearing Corporation (the "OCC") has the ability to accommodate adding STOS intraday.

8 See Securities Exchange Act Release Nos. 70682 (October 15, 2013), 78 FR 62809 (October 22, 2013) (SR-PHLX-2013-101) (notice of filing); 71004 (December 6, 2013), 78 FR 75437 (December 11, 2013) (approval order); Securities and Exchange Act Release No. 71079 (December 16, 2013), 78 FR

Currently, the Exchange may select up to 30 currently listed option classes on which to list STOS and the Exchange may also list STOS on classes selected by other exchanges under their respective STOS programs. The Exchange may open up to 30 STOS per expiration comprised of up to 20 initial series and 10 additional series per expiration. The same number of strike prices must be opened above and below the value of the underlying security at about the time that the STOS are initially opened for trading on the Exchange. Strike prices must be within 30% above or below the current value of the underlying security from the preceding day.

The Exchange's rules currently provide that the intervals between strike prices are to be the same as the strike prices for series in the monthly options on the same class, however, the Exchange may open STOS for trading at $0.50 strike price intervals for option classes that trade in one dollar increments and are listed pursuant to the STOS rules. The Exchange may also open additional strike prices of STOS that are more than 30% above or below the current price of the underlying security provided that demonstrated customer interest exists for such series.

The Exchange proposes to expand the STOS program as the Exchange believes an expansion will benefit the marketplace while aligning the Exchange with other options exchanges.[9]

77188 (December 20, 2013) (SR-CBOE-2013-121); 71034 (December 11, 2013), 78 FR 76363 (December 17, 2013) (SR-ISE-2013-69); and 71750 (March 19, 2014), 79 FR 16416 (March 25, 2014) (SR-NYSEArca-2014-24). The Exchange notes that the number of classes that may participate in the STOS Program is aggregated between equity options and index options and is not apportioned between equity options and index options.

9 See supra note 8.

First, the Exchange is proposing to increase the number of STOS classes that may be opened after an option class has been approved for listing and trading on the Exchange. The Exchange proposes to amend paragraph (a) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(1) so that the Exchange may select up to fifty currently listed option classes on which STOS may be opened. The Exchange also proposes to amend paragraph (c) of Interpretation and Policy .05 to Rule 19.6 so that the Exchange may initially open up to 30 series of STOS for equity options for each expiration date in that class.

Second, the Exchange proposes to amend paragraphs (c) and (d) of Interpretation and Policy .05 to Rule 19.6 to indicate that any initial or additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50% above or below the price of the underlying security.

The Exchange is also proposing to add language stating that the Exchange may open additional strike prices of STOS that are more than 50% above or below the current value of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers and that adding such strike prices would comply with the Options Listing Procedures Plan ("OLPP"). Market Makers trading for their own account shall not be considered when determining customer interest under this provision.

This proposal is substantially identical to the recently amended rules of other exchanges,[10] excluding Arca, except that the Exchange is proposing to include language in the rule that indicates that the addition of strike prices of STOS that are more than 50% above or below the current value of the underlying security (if the price is greater than $20) must comply with the OLPP. Each of the other options exchanges referenced have a similar requirement, again, excluding Arca, however such requirement is located elsewhere in their respective rules.[11] While provisions (i) and (ii) above are identical to Arca's amended rule, Arca's rules do not include any reference to opening additional strike prices of STOS that are more than 50% above or below the current value of an underlying security priced greater than $20.

Next, the Exchange is proposing to amend paragraph (e) of Interpretation and Policy .05 to Rule 19.6 to permit the Exchange to list strike price intervals of: (i) $0.50 or greater where the strike price is less than $75; (ii) $1.00 or greater where the strike price is between $75 and $150; or (iii) $2.50 or greater for strike prices greater than $150. Currently, paragraph (e) of Interpretation and Policy .05 to Rule 19.6 permits the Exchange to list strike price intervals on STOS that are the same as strike prices for series in that same option class that expire in accordance with the normal monthly expiration cycle or, under paragraph (f) of Interpretation and Policy .05 to Rule 19.6, where the

---

10 See PHLX Commentary .11(d) of Rule 1012; CBOE 5.5(d)(4); ISE Supplementary Material .02(d) to Rule 504. See also PHLX Commentary .10(a) of Rule 1012; CBOE Rule 5.5A; ISE Rule 504A(b)(i).

11 See PHLX Commentary .10(a) of Rule 1012; CBOE Rule 5.5A; ISE Rule 504A(b)(i).

option class trades in one dollar increments and is in the STOS program, the Exchange may open for trading STOS at $0.50 strike price intervals. The Exchange is not proposing to delete either of these existing rules.

This proposal is a competitive proposal designed to bring the Exchange's rules for the strike intervals in STOS in line with those of other options exchanges, as recently amended.[12] Other options exchanges originally added the rules permitting them to list strike price intervals of $0.50 or greater where the strike price is less than $75 and $1.00 or greater where the strike price is between $75 and $150.[13] In a separate filing, the other exchanges recently amended their rules to permit the use of strike price intervals of $2.50 or greater for strike prices greater than $150.[14]

Proposal (vii)

The Exchange is also proposing to add new language to both paragraph (d) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(4) to allow the Exchange, in the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security or the value of the underlying index, as applicable, to delist series with no open interest in both the call and the put series having a: (i) strike higher than the highest strike price with open interest in

---

12 See supra note 8.

13 See Securities Exchange Act Release Nos. 67446 (July 16, 2012), 77 FR 42780 (July 20, 2012) (SR-PHLX-2012-78) (notice of filing); 67753 (August 29, 2012), 77 FR 54635 (September 5, 2012) (approval order); Securities and Exchange Act Release No. 68074 (October 19, 2012), 77 FR 65241 (October 25, 2012) (SR-CBOE-2012-092); 70335 (September 6, 2013), 78 FR 56253 (September 12, 2013) (SR-ISE-2013-47); and 68194 (November 8, 2012), 77 FR 68172 (November 15, 2012) (SR-NYSEArca-2012-114).

14 See supra note 8.

the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week, so as to list series that are at least 10% but not more than 30% above or below the current price of the underlying security or the value of the underlying index. Further, in the event that all existing series have open interest and there are no series at least 10% above or below the current price of the underlying security or the value of the underlying index, the Exchange may list additional series, in excess of the 30 allowed currently under current paragraphs (c) and (d) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(3) and (4), that are at least 10% and not more than 30% above or below the current price of the underlying security or the value of the underlying index. This change is being proposed notwithstanding the current cap of 30 series per class under the STOS program. This change is substantially identical to that of recently approved changes made to the rules of Arca and NYSE MKT LLC ("MKT")[15] and changes made immediately effective by ISE.[16]

Finally, the Exchange is proposing to correct several typographical errors in paragraphs (c) and (d) of Interpretation and Policy .05 to Rule 19.6 in which the Rules refer to "underlying index" instead of "underlying security." These changes are non-substantive and are intended to make sure that the rule text is as accurate and clear as possible.

---

15 See Securities Exchange Act Release Nos. 68190 (November 8, 2012) (SR-NYSEArca-2012-95) and 68191 (November 8, 2012) (SR-NYSEMKT-2012-42).

16 See Securities Exchange Act Release No. 68318 (November 29, 2012), 77 FR 72426 (December 5, 2012) (SR-ISE-2012-90).

(b) Statutory Basis

The rule changes proposed herein are 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.[17] Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,[18] because it is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of, a free and open market and, in general, to protect investors and the public interest. Additionally, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5)[19] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that all of the elements of this proposal, including (i) allowing the Exchange to list options in STOS for each of the next five Fridays that are business days and are not Fridays in which monthly options series or quarterly options series ("Short Term Expiration Dates") expire at one time for both equity and index options; (ii) stating that additional series of STOS may be listed up to, and including on, the day of expiration for both equity and index options; (iii) expanding the number of classes on which STOS may be opened from 30 to 50 for both equity and index options; (iv) modifying the initial listing provision to allow the Exchange to open up to 30 STOS for each expiration date in a STOS class for equity options; (v) expanding the strike price

---

[17] 15 U.S.C. 78f(b).

[18] 15 U.S.C. 78f(b)(5).

[19] Id.

range limitations for STOS for equity options; (vi) allowing the Exchange to list STOS in equity options in $0.50 or greater strike intervals where the strike price is less than $75.00, in $1.00 or greater strike intervals where the strike price is between $75 and $150, and in $2.50 or greater strike intervals where the strike price is above $150; (vii) permitting, for both equity and index options, an expanded number of STOS to be opened and to require delisting of certain STOS where the price of the underlying security has moved dramatically; and (viii) making corrections to certain typos to change references to “underlying index” to “underlying security,” will result in a continuing benefit to investors by giving them more flexibility to closely tailor their investment and hedging decisions in a greater number of securities and indices, thus allowing them to better manage their risk exposure. The Exchange further believes that this proposal to expand the STOS program would make the STOS program more effective, would harmonize the provisions with the OLPP, and would create more clarity in the Exchange’s rules to the benefit of investors, market participants, and the market in general. For the foregoing reasons, the Exchange also believes that the proposed rule changes are equitable and not unfairly discriminatory as the benefits from the expansion of the STOS program will be available to all market participants.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated with the proposed expansion of the STOS program. While the expansion of the STOS program is expected to generate additional quote traffic, the Exchange believes that this increased traffic will be manageable. The Exchange also notes that any series added under this expansion would be subject to message traffic mitigation under BATS Rule 21.14. Although the number of classes participating in the STOS program would increase, that increase would be limited, as described above, and consistent with existing, similar programs on other exchanges.[20] Further, the Exchange does not believe that the proposal will result in a material proliferation of additional series because it is limited to a fixed number of classes.

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. To the contrary, the Exchange believes the proposal is pro-competitive and will allow the Exchange to compete more effectively with other options exchanges that have already adopted changes to their STOS programs that are substantially identical to the changes proposed by this filing.[21] The Exchange believes that the proposal will result in additional investment options and opportunities to achieve the investment objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

---

20 See supra notes 5, 8, 10, 13, 15, and 16.

21 See supra notes 5, 8, 10, 13, 15, and 16.

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 believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)[22] of the Act and Rule 19b-4(f)(6)(iii) thereunder[23] because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate.

The Exchange believes that its proposal is appropriate for filing on an immediately effective basis under paragraph (f)(6) of Rule 19b-4. In particular, the Exchange believes that this proposal is non-controversial, will not significantly affect the protection of investors or the public interest, and is eligible to become effective immediately because it raises no novel issues. The proposed rules would be substantially similar to the corresponding rules of PHLX, CBOE, ISE, and Arca, except as noted herein, and do not raise any new policy issues. Because the filing is a "copycat" of rules of other options exchanges and does not present any new or novel issues that have not been previously considered by the Commission, the Exchange believes this proposal is properly filed pursuant to paragraph (f)(6) of Rule 19b-4. In addition, the Exchange believes the proposal is consistent with the protection of investors and the public interest because it will ensure fair competition among the options exchanges by allowing the

---

22 15 U.S.C. § 78s(b)(3)(A)

23 17 C.F.R. § 240.19b-4(f)(6)(iii).

Exchange to offer a more efficient STOS program that is harmonized internally and externally with the OLPP, and to meet customer demand for a greater number of STOS classes and strike price intervals, in the same manner as other exchanges. For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4.[24]

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests the Commission to waive the noted operative delay so that the Exchange may implement the proposal immediately. Such waiver is appropriate in order to provide the Exchange with the ability to, as soon as possible, compete with exchanges such as PHLX, CBOE, ISE, and Arca that have expanded their STOS programs, which will promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of, a free and open market and, in general, to protect investors and the public interest. Waiver of the operative delay will also help to eliminate investor confusion and promote competition among the option exchanges. The Exchange notes that this proposal does not propose any new policies or provisions that are unique or unproven, as the change proposed herein is a clarifying change.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that

---

24 Id.

subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

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: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

The proposal is substantially similar in all material aspects to rule changes recently approved by the Commission.[25]

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.

Exhibits 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

---

[25] See supra notes 5, 8, 10, 13, 15, and 16.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____________; File No. SR-BATS-2014-013)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Related to Short Term Option Series.

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 April 24, 2014, 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[3] 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 .05 to Rule 19.6, entitled "Series of Options Contracts Open for Trading," related to the expiration dates, classes, series, initial and additional series listed in, and strike price intervals related to Short Term Option Series ("STOS") as well as to make certain corresponding changes to Rule 29.11, entitled "Terms of Index Options Contracts."

---

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).

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.

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 purpose of the proposed rule change is to harmonize the Exchange's rules with recently approved changes to the rules governing short-term option series programs of other options exchanges. Specifically, the Exchange is proposing to amend Interpretation and Policy .05 to Rule 19.6 for changes related to equity options and Rule 29.11(h) for changes related to index options in order to (i) allow the Exchange to list options in STOS for each of the next five Fridays that are business days and are not Fridays in which monthly options series or quarterly options series ("Short Term Expiration Dates") expire at one time for both equity and index options; (ii) state that additional series of STOS may be listed up to, and including on, the day of expiration for both equity and index options; (iii) expand the number of classes on which STOS may be opened from 30 to 50 for both equity and index options; (iv) modify the initial listing provision to allow the Exchange to open up to 30 STOS for each expiration date in a

STOS class for equity options; (v) expand the strike price range limitations for STOS for equity options; (vi) allow the Exchange to list STOS in equity options in $0.50 or greater strike intervals where the strike price is less than $75.00, in $1.00 or greater strike intervals where the strike price is between $75 and $150, and in $2.50 or greater strike intervals where the strike price is above $150; and (vii) permit, for both equity and index options, an expanded number of STOS to be opened and to require delisting of certain STOS where the price of the underlying security or value of the underlying index has moved dramatically. Finally, the Exchange is proposing to make corrections to certain typos in the text of paragraph (c) and (d) of Interpretation and Policy .05 to Rule 19.6 in order to change references to "underlying index" to "underlying security." The Exchange believes that the proposed rule changes would enable the Exchange to compete equally and fairly with other options exchanges in satisfying high market demand for weekly options and continuing strong customer demand to use STOS to execute hedging and trading strategies.

Proposals (i) and (ii)

First, the Exchange proposes to amend Interpretation and Policy .05 of Rule 19.6 and Rule 29.11(h), which codify the STOS program for equity options and index options, respectively, as follows: (i) to allow the Exchange to list options in STOS for each of the next five Short Term Expiration Dates expire at one time; and (ii) to state that additional series of STOS may be listed up to, and including on, the day of expiration. These proposed rule changes are identical to a recently approved filing by the Chicago Board Options Exchange ("CBOE") and a copycat filing for immediate effectiveness by the International Securities Exchange ("ISE") and substantially identical to a filing for immediate effectiveness by NYSE Arca, Inc. ("Arca") except that, unlike the Arca filing, the Exchange is also proposing to amend its rules relating to STOS for index options.[5]

Currently, Interpretation and Policy .05 of Rule 19.6 and Rule 29.11(h) provide that a STOS is a series of an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires at the close of business on each of the next five consecutive Fridays that are business days. The rules further state that if a Thursday or Friday is not a business day, the series may be opened on the first business day immediately prior to that Thursday or Friday and, if a Friday is not a business day, the series shall expire on the first business day immediately prior to that Friday. No STOS may expire in the same week in which a monthly or quarterly option series in the same class expires. Thus, because a Friday expiration may coincide with an existing expiration of a monthly or quarterly series of an option in the same class as the STOS option series, the current requirement that the Fridays be consecutive may mean that the Exchange cannot open five STOS expiration dates because of existing monthly or quarterly expirations.

The Exchange proposes to amend Interpretation and Policy .05 of Rule 19.6 and Rule 29.11(h) to remove the requirement that the five expiration dates be on consecutive Fridays and instead provide that the Exchange would have the ability to list a total of five STOS expirations at the same time, provided that the expirations are on "each of the next five Fridays" that do not include a monthly or quarterly options expiration date. As

---

5 See Securities and Exchange Act Release Nos. 71005 (December 6, 2013), 78 FR 75395 (December 11, 2013) (SR-CBOE-2013-096) (approval order); 71033 (December 11, 2013), 78 FR 76375 (December 17, 2013) (SR-ISE-2013-68); and 71750 (March 19, 2014), 79 FR 16416 (March 25, 2014) (SR-NYSEArca-2014-24).

proposed, the Exchange would list each of the five STOS as close to the STOS opening date as possible so that the next five STOS may be listed at one time, not including the monthly or quarterly options. For example, where a quarterly option expires in week 1 and a monthly option expires in week 4, the Exchange could list new STOS as follows: week 1 quarterly option, week 2 STOS option, week 3 STOS option, week 4 monthly option, week 5 STOS option, week 6 STOS option, and week 7 STOS option.[6] As another example, where a quarterly option expires in week 3 and a monthly option expires in week 6, the Exchange could list new STOS as follows: week 1 STOS option, week 2 STOS option, week 3 quarterly option, week 4 STOS option, week 5 STOS option, week 6 monthly option, week 7 STOS option.

The Exchange is also proposing to codify an existing practice by adding language to paragraph (d) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(4) to state that additional STOS may be added up to, and including on, the expiration date of the series and, correspondingly, to delete text from paragraph (f) to Policy .05 of Rule 19.6 and Rule 29.11(h)(6) that prohibits the opening of additional series during expiration week in classes listed pursuant to paragraphs (f) and (6), respectively. As discussed below, the Exchange rules specify the number of initial and additional series that the Exchange may open for each option class that participates in the STOS program. In practice, the Exchange, along with the other options exchanges, list additional STOS up to and on the expiration day, with the exception of STOS listed pursuant to paragraph (f) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(6), which prohibit the

---

[6] As proposed, the rules would not allow for there to not be a STOS expiration in week 7, but then to have a STOS option expire in week 8.

opening of additional series during expiration week in classes listed pursuant to those rules.[7] Consistent with the actions taken by other options exchanges, the Exchange believes that codifying this practice will clarify authority that is not currently explicitly stated in its rules to add series up until and on the day of expiration and to make the Exchange's rules regarding the timing of opening additional STOS consistent with those of other options exchanges. Given the short lifespan of STOS, the Exchange believes that the ability to list new series of options intraday is appropriate.

Proposals (iii) – (vi)

The Exchange further proposes to amend its rules in order to: (i) expand the number of classes on which STOS may be opened from 30 to 50 for both equity and index options; (ii) modify the initial listing provision for equity options to allow the Exchange to open up to 30 STOS for each expiration date in a STOS class; (iii) expand the strike price range limitations for STOS in equity options; and (iv) allow the Exchange to list STOS in equity options in $0.50 or greater strike intervals where the strike price is less than $75.00, in $1.00 or greater strike intervals where the strike price is between $75 and $150, and in $2.50 or greater strike intervals where the strike price is above $150. These proposed changes are substantially identical to a recent approved filing by NASDAQ OMX PHLX, LLC ("PHLX") and copycat filings for immediate effectiveness by CBOE, ISE, and Arca, unless otherwise noted herein.[8]

---

7 The Exchange notes that the Options Clearing Corporation (the "OCC") has the ability to accommodate adding STOS intraday.

8 See Securities Exchange Act Release Nos. 70682 (October 15, 2013), 78 FR 62809 (October 22, 2013) (SR-PHLX-2013-101) (notice of filing); 71004 (December 6, 2013), 78 FR 75437 (December 11, 2013) (approval order); Securities and Exchange Act Release No. 71079 (December 16, 2013), 78 FR

Currently, the Exchange may select up to 30 currently listed option classes on which to list STOS and the Exchange may also list STOS on classes selected by other exchanges under their respective STOS programs. The Exchange may open up to 30 STOS per expiration comprised of up to 20 initial series and 10 additional series per expiration. The same number of strike prices must be opened above and below the value of the underlying security at about the time that the STOS are initially opened for trading on the Exchange. Strike prices must be within 30% above or below the current value of the underlying security from the preceding day.

The Exchange's rules currently provide that the intervals between strike prices are to be the same as the strike prices for series in the monthly options on the same class, however, the Exchange may open STOS for trading at $0.50 strike price intervals for option classes that trade in one dollar increments and are listed pursuant to the STOS rules. The Exchange may also open additional strike prices of STOS that are more than 30% above or below the current price of the underlying security provided that demonstrated customer interest exists for such series.

The Exchange proposes to expand the STOS program as the Exchange believes an expansion will benefit the marketplace while aligning the Exchange with other options exchanges.[9]

77188 (December 20, 2013) (SR-CBOE-2013-121); 71034 (December 11, 2013), 78 FR 76363 (December 17, 2013) (SR-ISE-2013-69); and 71750 (March 19, 2014), 79 FR 16416 (March 25, 2014) (SR-NYSEArca-2014-24). The Exchange notes that the number of classes that may participate in the STOS Program is aggregated between equity options and index options and is not apportioned between equity options and index options.

[9] See supra note 8.

First, the Exchange is proposing to increase the number of STOS classes that may be opened after an option class has been approved for listing and trading on the Exchange. The Exchange proposes to amend paragraph (a) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(1) so that the Exchange may select up to fifty currently listed option classes on which STOS may be opened. The Exchange also proposes to amend paragraph (c) of Interpretation and Policy .05 to Rule 19.6 so that the Exchange may initially open up to 30 series of STOS for equity options for each expiration date in that class.

Second, the Exchange proposes to amend paragraphs (c) and (d) of Interpretation and Policy .05 to Rule 19.6 to indicate that any initial or additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50% above or below the price of the underlying security.

The Exchange is also proposing to add language stating that the Exchange may open additional strike prices of STOS that are more than 50% above or below the current value of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers and that adding such strike prices would comply with the Options Listing Procedures Plan (“OLPP”). Market Makers trading for their own account shall not be considered when determining customer interest under this provision.

This proposal is substantially identical to the recently amended rules of other exchanges,[10] excluding Arca, except that the Exchange is proposing to include language in the rule that indicates that the addition of strike prices of STOS that are more than 50% above or below the current value of the underlying security (if the price is greater than $20) must comply with the OLPP. Each of the other options exchanges referenced have a similar requirement, again, excluding Arca, however such requirement is located elsewhere in their respective rules.[11] While provisions (i) and (ii) above are identical to Arca's amended rule, Arca's rules do not include any reference to opening additional strike prices of STOS that are more than 50% above or below the current value of an underlying security priced greater than $20.

Next, the Exchange is proposing to amend paragraph (e) of Interpretation and Policy .05 to Rule 19.6 to permit the Exchange to list strike price intervals of: (i) $0.50 or greater where the strike price is less than $75; (ii) $1.00 or greater where the strike price is between $75 and $150; or (iii) $2.50 or greater for strike prices greater than $150. Currently, paragraph (e) of Interpretation and Policy .05 to Rule 19.6 permits the Exchange to list strike price intervals on STOS that are the same as strike prices for series in that same option class that expire in accordance with the normal monthly expiration cycle or, under paragraph (f) of Interpretation and Policy .05 to Rule 19.6, where the

10 See PHLX Commentary .11(d) of Rule 1012; CBOE 5.5(d)(4); ISE Supplementary Material .02(d) to Rule 504. See also PHLX Commentary .10(a) of Rule 1012; CBOE Rule 5.5A; ISE Rule 504A(b)(i).

11 See PHLX Commentary .10(a) of Rule 1012; CBOE Rule 5.5A; ISE Rule 504A(b)(i).

option class trades in one dollar increments and is in the STOS program, the Exchange may open for trading STOS at $0.50 strike price intervals. The Exchange is not proposing to delete either of these existing rules.

This proposal is a competitive proposal designed to bring the Exchange's rules for the strike intervals in STOS in line with those of other options exchanges, as recently amended.[12] Other options exchanges originally added the rules permitting them to list strike price intervals of $0.50 or greater where the strike price is less than $75 and $1.00 or greater where the strike price is between $75 and $150.[13] In a separate filing, the other exchanges recently amended their rules to permit the use of strike price intervals of $2.50 or greater for strike prices greater than $150.[14]

Proposal (vii)

The Exchange is also proposing to add new language to both paragraph (d) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(4) to allow the Exchange, in the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security or the value of the underlying index, as applicable, to delist series with no open interest in both the call and the put series having a: (i) strike higher than the highest strike price with open interest in

---

12 See supra note 8.

13 See Securities Exchange Act Release Nos. 67446 (July 16, 2012), 77 FR 42780 (July 20, 2012) (SR-PHLX-2012-78) (notice of filing); 67753 (August 29, 2012), 77 FR 54635 (September 5, 2012) (approval order); Securities and Exchange Act Release No. 68074 (October 19, 2012), 77 FR 65241 (October 25, 2012) (SR-CBOE-2012-092); 70335 (September 6, 2013), 78 FR 56253 (September 12, 2013) (SR-ISE-2013-47); and 68194 (November 8, 2012), 77 FR 68172 (November 15, 2012) (SR-NYSEArca-2012-114).

14 See supra note 8.

the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week, so as to list series that are at least 10% but not more than 30% above or below the current price of the underlying security or the value of the underlying index. Further, in the event that all existing series have open interest and there are no series at least 10% above or below the current price of the underlying security or the value of the underlying index, the Exchange may list additional series, in excess of the 30 allowed currently under current paragraphs (c) and (d) of Interpretation and Policy .05 to Rule 19.6 and Rule 29.11(h)(3) and (4), that are at least 10% and not more than 30% above or below the current price of the underlying security or the value of the underlying index. This change is being proposed notwithstanding the current cap of 30 series per class under the STOS program. This change is substantially identical to that of recently approved changes made to the rules of Arca and NYSE MKT LLC ("MKT")[15] and changes made immediately effective by ISE.[16]

Finally, the Exchange is proposing to correct several typographical errors in paragraphs (c) and (d) of Interpretation and Policy .05 to Rule 19.6 in which the Rules refer to "underlying index" instead of "underlying security." These changes are non-substantive and are intended to make sure that the rule text is as accurate and clear as possible.

---

15 See Securities Exchange Act Release Nos. 68190 (November 8, 2012) (SR-NYSEArca-2012-95) and 68191 (November 8, 2012) (SR-NYSEMKT-2012-42).

16 See Securities Exchange Act Release No. 68318 (November 29, 2012), 77 FR 72426 (December 5, 2012) (SR-ISE-2012-90).

2. Statutory Basis

The rule changes proposed herein are 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.[17] Specifically, the proposed change is consistent with Section 6(b)(5) of the Act,[18] because it is designed to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of, a free and open market and, in general, to protect investors and the public interest. Additionally, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5)[19] requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that all of the elements of this proposal, including (i) allowing the Exchange to list options in STOS for each of the next five Fridays that are business days and are not Fridays in which monthly options series or quarterly options series ("Short Term Expiration Dates") expire at one time for both equity and index options; (ii) stating that additional series of STOS may be listed up to, and including on, the day of expiration for both equity and index options; (iii) expanding the number of classes on which STOS may be opened from 30 to 50 for both equity and index options; (iv) modifying the initial listing provision to allow the Exchange to open up to 30 STOS for each expiration date in a STOS class for equity options; (v) expanding the strike price

---

[17] 15 U.S.C. 78f(b).

[18] 15 U.S.C. 78f(b)(5).

[19] Id.

range limitations for STOS for equity options; (vi) allowing the Exchange to list STOS in equity options in $0.50 or greater strike intervals where the strike price is less than $75.00, in $1.00 or greater strike intervals where the strike price is between $75 and $150, and in $2.50 or greater strike intervals where the strike price is above $150; (vii) permitting, for both equity and index options, an expanded number of STOS to be opened and to require delisting of certain STOS where the price of the underlying security has moved dramatically; and (viii) making corrections to certain typos to change references to “underlying index” to “underlying security,” will result in a continuing benefit to investors by giving them more flexibility to closely tailor their investment and hedging decisions in a greater number of securities and indices, thus allowing them to better manage their risk exposure. The Exchange further believes that this proposal to expand the STOS program would make the STOS program more effective, would harmonize the provisions with the OLPP, and would create more clarity in the Exchange’s rules to the benefit of investors, market participants, and the market in general. For the foregoing reasons, the Exchange also believes that the proposed rule changes are equitable and not unfairly discriminatory as the benefits from the expansion of the STOS program will be available to all market participants.

With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority have the necessary systems capacity to handle the potential additional traffic associated with the proposed expansion of the STOS program. While the expansion of the STOS program is expected to generate additional quote traffic, the Exchange believes that this increased traffic will be manageable. The Exchange also notes that any series added under this expansion would be subject to message traffic mitigation under BATS Rule 21.14. Although the number of classes participating in the STOS program would increase, that increase would be limited, as described above, and consistent with existing, similar programs on other exchanges.[20] Further, the Exchange does not believe that the proposal will result in a material proliferation of additional series because it is limited to a fixed number of classes.

(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. To the contrary, the Exchange believes the proposal is pro-competitive and will allow the Exchange to compete more effectively with other options exchanges that have already adopted changes to their STOS programs that are substantially identical to the changes proposed by this filing.[21] The Exchange believes that the proposal will result in additional investment options and opportunities to achieve the investment objectives of market participants seeking efficient trading and hedging vehicles, to the benefit of investors, market participants, and the marketplace in general.

(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.

---

20 See supra notes 5, 8, 10, 13, 15, and 16.

21 See supra notes 5, 8, 10, 12, 14, and 15.

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 Act[22] and paragraph (f) of Rule 19b-4 thereunder.[23] 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-2014-013 on the subject line.

Paper Comments:

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

All submissions should refer to File No. SR-BATS-2014-013. 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

---

22 15 U.S.C. 78s(b)(3)(A).

23 17 CFR 240.19b-4(f).

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-2014-013 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.[24]

Kevin M. O'Neill
Deputy Secretary

---

[24] 17 CFR 200.30-3(a)(12).

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

Rules of BATS Exchange, Inc.

***

CHAPTER XIX. SECURITIES TRADED ON BATS OPTIONS

***

Rule 19.6. Series of Options Contracts Open for Trading

(a)-(g) (No changes.)

Interpretations and Policies

.01-.04 (No changes.)

.05 After an option class has been approved for listing and trading on BATS Options, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on each of the next five (5) [consecutive]Fridays that are business days <u>and are not Fridays in which monthly options series or Quarterly Options Series expire </u>("Short Term Option Expiration Dates"). <u>The Exchange may have no more than a total of five Short Term Option Expiration Dates. </u>If BATS Options is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if BATS Options is not open for business on the Friday that the options are set to expire, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(a) The Exchange may select up to [thirty (30)]<u>fifty (50)</u> currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the <u>50</u>[30] option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) (No changes.)

(c) Initial Series. The Exchange may open up to [twenty (20)]<u>thirty (30)</u> initial series for each option class that participates in the Short Term Option Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying [index]<u>security</u> at about the time that the Short Term Option Series are initially opened for trading on the Exchange (*e.g.*, if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security[or calculated index value]). Any strike prices listed by the Exchange shall be [within thirty percent (30%) above or below the current value of the underlying index]reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying is less than or equal to $20, strike prices shall be not more than 100% above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty (50%) above or below the price of the underlying security.

(d) Additional Series. If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange[The Exchange may open up to ten (10) additional series for each option class that participates in the Short Term Option Series Program] when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be [within thirty percent (30%) above or below the current value of the underlying index] reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying is less than or equal to $20, strike prices shall be not more than 100% above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty (50%) above or below the price of the underlying security. The Exchange may also open additional strike prices of Short Term Option Series that are more than [30%]50% above or below the current value of the underlying [index]security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers, provided that such strike prices comply with the Options Listing Procedures Plan. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security and all existing series have open interest, the Exchange may list additional series, in excess of the thirty series per class limit set forth in paragraph (c) above, that are between 10% and 30% above or below the price of the underlying security. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. Notwithstanding any other provisions in this Rule 19.6, Short Term Options Series may be added up to and including on the Short Term Option Expiration Date for that option series.

(e) Strike Interval. The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same option class that expire in accordance with the normal monthly expiration cycle. During the expiration week of an option class that is selected for the Short Term Option Series Program pursuant to this rule ("Short Term Option"), the strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option. If the class does not trade in $1 strike price intervals, the strike price interval for Short Term Option Series may be (i) $0.50 or greater where the strike price is less than $75; (ii) $1.00 or greater where the strike price is between $75 and $150; or (iii) $2.50 or greater for strike prices greater than $150. During the week before the expiration week of a Short Term Option, the Exchange shall open the related non-Short Term Option for trading in Short Term Option intervals in the same manner permitted by this Interpretation and Policy .05.

(f) Notwithstanding the requirements set forth in this Rule 19.6 and any Interpretations and Policies thereto, the Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at $0.50 strike price intervals for option classes that trade in one dollar increments and are in the Short Term Option Series Program.[No additional series, including additional series of the Related non-Short Term Option, may be opened during expiration week in classes that are listed pursuant to this paragraph.]

***

CHAPTER XXIX. INDEX RULES

***

Rule 29.11. Terms of Index Options Contracts

(a)–(g) (No changes.)

(h) Short Term Option Series Program. After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire on each of the next five (5) [consecutive]Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"). The Exchange may have no more than a total of five Short Term Option Expiration Dates. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday that the options are set to expire, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(1) The Exchange may select up to [thirty (30)]fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the [thirty]fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series on index options for each expiration date in that class. The Exchange may also open Short Term Option

Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(2)-(3) (No changes.)

(4) Additional Series. The Exchange may open up to ten (10) additional series for each option class that participates in the Short Term Option Series Program when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened. In the event that the underlying index has moved such that there are no series that are at least 10% above or below the current value of the underlying index and all existing series have open interest, the Exchange may list additional series, in excess of the thirty series per class limit set forth in Rule 29.11(h)(1), that are between 10% and 30% above or below the value of the underlying index. In the event that the underlying index has moved such that there are no series that are at least 10% above or below the current value of the underlying index, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week, so as to list series that are at least 10% but nor more than 30% above or below the current value of the underlying index. Notwithstanding any other provisions in this Rule 29.11(h), Short Term Option Series may be added up to, and including on, the last trading day for that options series.

(5) (No changes.)

(6) Notwithstanding the requirements set forth in this Rule 29.11 and any Interpretations and Policies thereto, the Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option Expiration Date at $0.50 strike price intervals for option classes that trade in one dollar increments and are in the Short Term Option Series Program.[No additional series, including additional series of the Related non-Short Term Option, may be opened during expiration week in classes that are listed pursuant to this paragraph.]

***