

Required fields are shown with yellow backgrounds and asterisks.

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

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

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

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

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

BATS Exchange, Inc. proposes to amend to Rule 21.1(d)(9), (h) and (i) to modify the operation of BATS Post Only Orders on its Options platform.

**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 * Chris	Last Name * Solgan
Title * Assistant General Counsel	
E-mail * csolgan@bats.com	
Telephone * (646) 856-8723	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.

(Title \*)

Date 06/30/2015	Assistant General Counsel
By Chris Solgan	
(Name *)	



csolgan@bats.com

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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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 \***

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

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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

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

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Exhibit Sent As Paper Document

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposal to amend Rules 21.1(d)(9), (h) and (i) to modify the operation of BATS Post Only Orders subject to the Price Adjust process on the Exchange’s options platform (“BATS Options”). The proposed rule change is based on the operation of similar order types currently offered by the Nasdaq Stock Market LLC (“Nasdaq”) and Nasdaq OMX BX, Inc. (“BX”).<sup>3</sup> The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>4</sup>

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

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange

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

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

<sup>3</sup> See the description of Post-Only Orders under Chapter VI, Section 1(e)(11) of the Nasdaq Rules and Chapter VI, Section 1(e)(10) of the BX Rules. See also Securities Exchange Act Release No. 65761 (November 16, 2011), 76 FR 72230 (November 22, 2011) (SR-Nasdaq-2011-152) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a “Post-Only” Order Type). See also NYSE Arca, Inc. (“NYSE Arca”) Rule 6.62(y) for a description of PNP Plus orders.

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

pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

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

Chris Solgan  
Assistant General Counsel  
(646) 856-8723

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

(a) Purpose

The Exchange is proposing to amend Rules 21.1(d)(9), (h) and (i) to modify the operation of BATS Post Only Orders that are subject to the Price Adjust process on BATS Options. The proposed rule change is based on the operation of similar order types currently offered by Nasdaq and BX.<sup>5</sup>

BATS Post Only Orders are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another trading center. Currently, a BATS Post Only Order will not remove liquidity from the BATS Options Book<sup>6</sup> unless the value of price improvement associated with such execution equals or exceeds the sum of fees

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<sup>5</sup> See supra note 3.

<sup>6</sup> "BATS Options Book" is defined as "the electronic book of options orders maintained by the Trading System." See Exchange Rule 16.1(a)(9).

charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Options Book and subsequently provided liquidity. Unless otherwise instructed by the User,<sup>7</sup> a BATS Post Only Order will be subject to the Display-Price Sliding process set forth under Rule 21.1(h).

The Exchange proposes to amend the operation of BATS Post Only Orders such that they will not remove liquidity from the BATS Options Book where the User elects that the order be subject to the Price Adjust process set forth under Exchange Rule 21.1(i). Specifically, a BATS Post Only Order subject to the Price Adjust process will no longer remove liquidity from the BATS Options Book pursuant to Rule 21.1(d)(9) where the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Options Book and subsequently provided liquidity. Under the Price Adjust process, a BATS Post Only order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will continue to be ranked and displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers). As a result, the Exchange proposes to amend: (i) the description of BATS Post Only Orders under Rule 21.1(d)(9) to specify that the price improvement formula described above would only be applied to BATS Post Only Orders subject to the Display-Price Sliding process; (ii) the description of the Price Adjust process under Rule 21.1(i)(4) to no longer state that a BATS Post Only Order subject to the Price Adjust process would be executed as

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<sup>7</sup> “User” is defined as “any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access).” See Exchange Rule 16.1(a)(63).

set forth in Rule 21.1(d)(9); and (iii) Rule 21.1(h) to clarify it is limited to BATS Post Only Orders subject to the Display-Price Sliding process.

The Exchange does not propose to amend the operation of BATS Post Only Orders subject to the Display-Price Sliding process. A BATS Post Only Order subject to the Display-Price Sliding process that locks or crosses a Protected Quotation displayed by the Exchange upon entry will either remove liquidity from the BATS Options Book pursuant to Rule 21.1(d)(9) or be cancelled. Should the order lock or cross a Protected Quotation displayed by an external market upon entry, it will be subject to the Display-Price Sliding process described in Rule 21.1(h). A BATS Post Only Order subject to the Display-Price Sliding process would continue to be cancelled where the NBBO changes such that the order would be ranked at a price at which it could remove displayed liquidity from the BATS Options Book.

The Exchange does, however, propose to amend the description of the Display-Price Sliding process under Rule 21.1(h)(4) to specify that a Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed subject to the price improvement formula set forth in Rule 21.1(d)(10) or cancelled when the order is subject to display-price sliding process. The Exchange does not propose to modify the operation of Partial Post Only at Limit Orders that are subject to the Display-Price Sliding Process.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities

exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>8</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act<sup>9</sup> because it is designed to encourage displayed liquidity and offer market participants greater flexibility to post liquidity on the BATS Options Book, thereby promoting just and equitable principles of trade, fostering cooperation and coordination with persons engaged in facilitating transactions in securities, removing impediments to, and perfecting the mechanism of, a free and open market and a national market system. The Exchange notes that Users who wish for their BATS Post Only Orders to post to the BATS Options Book and forego the opportunity to remove liquidity upon entry under Rule 21.1(d)(9) would be required to affirmatively elect that the order be subject to the Price Adjust process. Absent such an election, a BATS Post Only Order would be subject to the Display-Price Sliding process and eligible to remove liquidity from the BATS Options Book pursuant to the price improvement formula set forth under Rule 21.1(d)(9). In addition, the proposed operation of BATS Post Only Order subject to the Price Adjust process is based on the operation of similar order types, called Post-Only Orders, currently offered by Nasdaq and BX.<sup>10</sup> There are no differences between the operation of Post-Only Orders offered by Nasdaq and BX and the proposed amendments to the operation of BATS Post Only Orders subject to the Price Adjust process proposed herein.

Lastly, the Exchange believes the proposed amendment to Rule 21.1(h)(4) specifying that it applies to Partial Post Only at Limit Orders that are subject to the

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

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

<sup>10</sup> See supra note 3.

Display-Price Sliding process also promotes just and equitable principles of trade, and perfects the mechanism of a free and open market and a national market system because it provides additional specificity to the rule and does not modify the operation of Partial Post Only at Limit Orders that are subject to the Display-Price Sliding Process.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposed rule change is a competitive change that is based on the operation of similar order types currently offered by Nasdaq and BX.<sup>11</sup> The proposed rule change would, therefore, increase competition by enabling the Exchange to offer order type functionality that is identical to that offered by its competitors. For all the reasons stated above, the Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, and believes the proposed change will enhance competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change. The Exchange has not received any written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

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

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<sup>11</sup> Id.

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 Act<sup>12</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>13</sup> The Exchange asserts that the proposed rule change: (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 change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission.<sup>14</sup>

The Exchange believes that the proposed rule change does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. The rule change is being proposed as a competitive response to similar Post-Only Orders offered by Nasdaq and BX.<sup>15</sup> There are no differences between the operation of Post-Only Orders offered by Nasdaq and BX and the proposed amendments to the operation of BATS Post Only Orders subject to the Price Adjust process proposed herein. The Exchange believes that the proposed rule change does not significantly affect the protection of investors or the public interest because this proposal allows the Exchange, similarly to other markets, to offer functionality that would enable

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4.

<sup>14</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>15</sup> See supra note 3.

Users to post orders directly to the BATS Options Book. As such, the Exchange believes that the proposed rule change does not raise any new or unique regulatory issues not already considered by the Exchange and, accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>17</sup>

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

The proposed operation of BATS Post Only Order subject to the Price Adjust process is based on the operation of similar order types currently offered by Nasdaq and BX.<sup>18</sup> There are no differences between the operation of Post-Only Orders offered by Nasdaq and BX and the proposed amendments to the operation of BATS Post Only Orders subject to the Price Adjust process proposed herein.

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

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<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

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

<sup>18</sup> See supra note 3.

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

Exhibit 2–4: Not applicable.

Exhibit 5: Text of Proposed Rule Change

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-BATS-2015-51)

## Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 21.1(d)(9), (h) and (i) to Modify the Operation of BATS Post Only Orders on the Exchange's Options Platform

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, BATS Exchange, Inc. (the "Exchange" or "BATS") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange filed a proposal to amend Rules 21.1(d)(9), (h) and (i) to modify the operation of BATS Post Only Orders subject to the Price Adjust process on the Exchange's options platform ("BATS Options"). The proposed rule change is based on the operation of similar order types currently offered by the Nasdaq Stock Market LLC

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

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

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

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

(“Nasdaq”) and Nasdaq OMX BX, Inc. (“BX”).<sup>5</sup>

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

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

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

(A) Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange is proposing to amend Rules 21.1(d)(9), (h) and (i) to modify the operation of BATS Post Only Orders that are subject to the Price Adjust process on BATS Options. The proposed rule change is based on the operation of similar order types currently offered by Nasdaq and BX.<sup>6</sup>

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<sup>5</sup> See the description of Post-Only Orders under Chapter VI, Section 1(e)(11) of the Nasdaq Rules and Chapter VI, Section 1(e)(10) of the BX Rules. See also Securities Exchange Act Release No. 65761 (November 16, 2011), 76 FR 72230 (November 22, 2011) (SR-Nasdaq-2011-152) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt a “Post-Only” Order Type). See also NYSE Arca, Inc. (“NYSE Arca”) Rule 6.62(y) for a description of PNP Plus orders.

<sup>6</sup> See *supra* note 5.

BATS Post Only Orders are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another trading center. Currently, a BATS Post Only Order will not remove liquidity from the BATS Options Book<sup>7</sup> unless the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Options Book and subsequently provided liquidity. Unless otherwise instructed by the User,<sup>8</sup> a BATS Post Only Order will be subject to the Display-Price Sliding process set forth under Rule 21.1(h).

The Exchange proposes to amend the operation of BATS Post Only Orders such that they will not remove liquidity from the BATS Options Book where the User elects that the order be subject to the Price Adjust process set forth under Exchange Rule 21.1(i). Specifically, a BATS Post Only Order subject to the Price Adjust process will no longer remove liquidity from the BATS Options Book pursuant to Rule 21.1(d)(9) where the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Options Book and subsequently provided liquidity. Under the Price Adjust process, a BATS Post Only order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will continue to be ranked and

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<sup>7</sup> “BATS Options Book” is defined as “the electronic book of options orders maintained by the Trading System.” See Exchange Rule 16.1(a)(9).

<sup>8</sup> “User” is defined as “any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access).” See Exchange Rule 16.1(a)(63).

displayed by the System at one minimum price variation below the current NBO (for bids) or to one minimum price variation above the current NBB (for offers). As a result, the Exchange proposes to amend: (i) the description of BATS Post Only Orders under Rule 21.1(d)(9) to specify that the price improvement formula described above would only be applied to BATS Post Only Orders subject to the Display-Price Sliding process; (ii) the description of the Price Adjust process under Rule 21.1(i)(4) to no longer state that a BATS Post Only Order subject to the Price Adjust process would be executed as set forth in Rule 21.1(d)(9); and (iii) Rule 21.1(h) to clarify it is limited to BATS Post Only Orders subject to the Display-Price Sliding process.

The Exchange does not propose to amend the operation of BATS Post Only Orders subject to the Display-Price Sliding process. A BATS Post Only Order subject to the Display-Price Sliding process that locks or crosses a Protected Quotation displayed by the Exchange upon entry will either remove liquidity from the BATS Options Book pursuant to Rule 21.1(d)(9) or be cancelled. Should the order lock or cross a Protected Quotation displayed by an external market upon entry, it will be subject to the Display-Price Sliding process described in Rule 21.1(h). A BATS Post Only Order subject to the Display-Price Sliding process would continue to be cancelled where the NBBO changes such that the order would be ranked at a price at which it could remove displayed liquidity from the BATS Options Book.

The Exchange does, however, propose to amend the description of the Display-Price Sliding process under Rule 21.1(h)(4) to specify that a Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed subject to the price improvement formula set forth in Rule 21.1(d)(10)

or cancelled when the order is subject to display-price sliding process. The Exchange does not propose to modify the operation of Partial Post Only at Limit Orders that are subject to the Display-Price Sliding Process.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>9</sup> In particular, the proposal is consistent with Section 6(b)(5) of the Act<sup>10</sup> because it is designed to encourage displayed liquidity and offer market participants greater flexibility to post liquidity on the BATS Options Book, thereby promoting just and equitable principles of trade, fostering cooperation and coordination with persons engaged in facilitating transactions in securities, removing impediments to, and perfecting the mechanism of, a free and open market and a national market system. The Exchange notes that Users who wish for their BATS Post Only Orders to post to the BATS Options Book and forego the opportunity to remove liquidity upon entry under Rule 21.1(d)(9) would be required to affirmatively elect that the order be subject to the Price Adjust process. Absent such an election, a BATS Post Only Order would be subject to the Display-Price Sliding process and eligible to remove liquidity from the BATS Options Book pursuant to the price improvement formula set forth under Rule 21.1(d)(9). In addition, the proposed operation of BATS Post Only Order subject to the Price Adjust

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

process is based on the operation of similar order types, called Post-Only Orders, currently offered by Nasdaq and BX.<sup>11</sup> There are no differences between the operation of Post-Only Orders offered by Nasdaq and BX and the proposed amendments to the operation of BATS Post Only Orders subject to the Price Adjust process proposed herein.

Lastly, the Exchange believes the proposed amendment to Rule 21.1(h)(4) specifying that it applies to Partial Post Only at Limit Orders that are subject to the Display-Price Sliding process also promotes just and equitable principles of trade, and perfects the mechanism of a free and open market and a national market system because it provides additional specificity to the rule and does not modify the operation of Partial Post Only at Limit Orders that are subject to the Display-Price Sliding Process.

(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 that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the proposed rule change is a competitive change that is based on the operation of similar order types currently offered by Nasdaq and BX.<sup>12</sup> The proposed rule change would, therefore, increase competition by enabling the Exchange to offer order type functionality that is identical to that offered by its competitors. For all the reasons stated above, the Exchange does not believe that the proposed rule changes will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, and believes the proposed change will enhance competition.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed

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<sup>11</sup> See supra note 5.

<sup>12</sup> Id.

Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change. The Exchange has not received any written comments from members or other interested parties.

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

The Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>13</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>14</sup> The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily temporarily suspend such rule change if it appears to the Commission that such action is: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 C.F.R. 240.19b-4.

the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

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

Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BATS-2015-51 on the subject line.

##### Paper Comments:

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

All submissions should refer to File No. SR-BATS-2015-51. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

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

official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-BATS-2015-51 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

Robert W. Errett  
Deputy Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).

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

## Rules of BATS Exchange, Inc.

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### CHAPTER XXI. TRADING SYSTEMS

#### Rule 21.1. Definitions

(No change.)

(a) – (c) (No changes.)

(d) The term “Order Type” shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1) – (8) (No changes.)

(9) “BATS Post Only Orders” are orders that are to be ranked and executed on the Exchange pursuant to Rule 21.8 (Order Display and Book Processing) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the BATS Options Book, other than as described below. A BATS Post Only Order subject to the display-price sliding process under paragraph (h) below will execute against an order resting on the BATS Options Book if the value of price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS Options Book and subsequently provided liquidity. A BATS Post Only Order will be subject to the display-price sliding process unless a User has entered instructions not to use the display-price sliding process as set forth in paragraph (h) below.

(10) – (14) (No changes.)

(e) – (g) (No changes.)

(h) Display-Price Sliding.

(1) – (3) (No changes.)

(4) Any BATS Post Only Order subject to the display-price sliding process described in this paragraph (h) that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 21.1(d)(9) or cancelled. Any Partial Post Only at Limit Order subject to display-price sliding described in this paragraph (h) that locks or crosses a Protected Quotation displayed by the Exchange upon

entry will be executed as set forth in Rule 21.1(d)(10) or cancelled. Any BATS Post Only Order or Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by an external market upon entry will be subject to the display-price sliding process described in this paragraph (h). In the event the NBBO changes such that a BATS Post Only Order subject to display-price sliding would be ranked at a price at which it could remove displayed liquidity from the BATS Options Book, the order will be cancelled.

(i) Price Adjust.

(1) – (3) (No changes.)

(4) Any BATS Post Only Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be [executed as set forth in Rule 21.1(d)(9) or] adjusted pursuant to the Price Adjust process described in this paragraph (i). Any Partial Post Only at Limit Order that locks or crosses a Protected Quotation displayed by the Exchange upon entry will be executed as set forth in Rule 21.1(d)(10) or adjusted pursuant to the Price Adjust process described in this paragraph (i).

(j) (No change.)

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