

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

Rules of BATS Exchange, Inc.

CHAPTER XXV. DISCIPLINE AND SUMMARY SUSPENSIONS

Rule 25.3. Penalty for Minor Rule Violations

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

(a) Position Limit and Exercise Limit Violations.

Violations of Rule 18.7 (Position Limits) or Rule 18.9 (Exercise Limits) of these Rules shall be subject to the fines listed below.[that continue over consecutive business days will be subject to a separate fine, pursuant to this paragraph (a), for each day during which the violation occurs and is continuing.

(1) Customer Accounts. For purposes of this subparagraph (1) only, all accounts of non-Options Member broker-dealers will be treated as customer accounts. In calculating fine thresholds under this subparagraph (1) for each Options Member, all violations occurring within the Period in all of that Member’s customer accounts are to be added together. For violations of Rule 18.7 occurring in customer accounts, the Member shall be subject to fines as follows, with a minimum fine amount of \$100:]

**[Number of Cumulative Fine Amount
Violations Within One Period**

1 to 6 (up to 5% in excess of applicable limit)	Letter of Caution
1 to 6 (above 5% in excess of applicable limit)	\$1 per contract
7 to 12	\$1 per contract over limit
13 or more	\$5 per contract over limit]

**Number of Violations Within
One Period***

Fine Amount

<u>First Offense</u>	<u>\$500</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Fourth and Each Subsequent Offense</u>	<u>\$5,000</u>

* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

[(2) Options Member Accounts. For violations occurring in an Options Member's account (i.e., proprietary accounts and accounts of other Options Members), the Options Member whose account exceeded the limits shall be subject to fines as follows, with a minimum fine amount of \$100. In calculating fine thresholds under this subparagraph (2) for each Options Member, all violations occurring within the Period in all of that Member's accounts, (i.e., proprietary accounts and accounts of other Options Members) are to be added together:

**Number of Cumulative Fine Amount
Violations Within One Period**

1 to 3 (up to 5% in excess of applicable limit)	Letter of Caution
1 to 3 (above 5% in excess of applicable limit)	\$1 per contract
4 to 6	\$1 per contract over limit
7 or more	\$5 per contract over limit]

(b) Reports Related to Position Limits.

Violations of Rule 18.10 regarding the failure to accurately report position and account information shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$500</u>
<u>2</u>	<u>\$1,000</u>

<u>3</u>	<u>\$2,500</u>
<u>4 or more</u>	<u>\$5,000</u>

[(b)](c) Order Entry.

Violations of Rule 22.6(a) – (c), (Market Maker Quotations) regarding restrictions on orders entered by Market Makers, will be subject to the fines listed below. Each paragraph of such sections subject to this Rule shall be treated separately for purposes of determining the number of cumulative violations.

**[Number of Violations Fine Amount
Within One Period]**

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
1 to 5	Letter of Caution
6 to 10	\$500
11 to 15	\$1,000
16 to 20	\$2,000

[(c)](d) Continuous Quotes.

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

**[Number of Cumulative Fine Amount
Violations Within One Period]**

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
1	Letter of Caution
2 or more	\$300 per day

(e) Expiring Exercise Declarations.

(1) Non-Cash-Settled Equity Options. Violations of Rule 23.1(a) through (k) regarding expiring exercise declarations and the timely submission of “Advice Cancel” or exercise instruction relating to the exercise or non-exercise of non-cash-settled equity options shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>	
	<u>Individual</u>	<u>Member Organization</u>
<u>1</u>	<u>\$500</u>	<u>\$1,000</u>
<u>2</u>	<u>\$1,000</u>	<u>\$2,500</u>
<u>3 or more</u>	<u>\$2,500</u>	<u>\$5,000</u>

(2) American-Style, Cash-Settled Index Options. Violations of Rule 23.1(l) regarding the failure to submit an Exercise Advice; the submission of an advice and no subsequent exercise; the submission of an Exercise Advice after the designated cut-off time; the submission of an Exercise Advice for an amount different than the amount exercised; and the time-stamping of an advice or exercise instruction memorandum prior to purchasing contracts shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$500</u>
<u>2</u>	<u>\$1,000</u>
<u>3</u>	<u>\$2,500</u>
<u>4 or more</u>	<u>\$5,000</u>

(f) Requests for Trade Data.

Any Member who fails to respond within ten (10) business days to a request by the Exchange for submission of trade data pursuant to Rule 24.4 shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$2,500</u>

2 or more

\$5,000 or Formal Disciplinary Action