

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

The following definitions apply to Chapter XXI for the trading of options listed on BATS Options.

(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) – (12) (No changes)

[(13) “Market Maker Price Improving Orders” are orders submitted by registered BATS Options Market Makers to buy or sell an option that have a displayed price and size, as well as a non-displayed price at which the BATS Options Market Maker is willing to trade with a Directed Order. The non-displayed price of a Market Maker Price Improving Order may be entered in increments as small as (1) one cent. Market Maker Price Improving Orders will be ranked on the BATS Options Book at their displayed price. The non-displayed price of a Market Maker Price Improving Order is not entered into the BATS Options Book but is, along with the displayed size, converted to a buy or sell order at its non-displayed price in response to a Directed Order directed to the BATS Options Market Maker. If the Directed Order is marketable against the non-displayed price of the Market Maker Price Improving Order, the Market Maker Price Improving Order will execute against a Directed Order directed to the BATS Options Market Maker up to the full displayed size, and at the non-displayed price, of the Market Maker Price Improving Order, so long as the following conditions are satisfied:

(A) at the time the Directed Order arrives to the Exchange, the displayed price of the Market Maker Price Improving Order is equal to the NBB (for sell Directed Orders) or the NBO (for buy Directed Orders), and

(B) there are no other orders on the BATS Options Book at prices equal to or better than the non-displayed price of the Market Maker Price Improving Order.

If there are other non-displayed orders on the BATS Options Book at prices equal to or better than the non-displayed price of the Market Maker Price Improving Orders, those other non-displayed orders will in all cases have priority over the non-displayed price of the Market Maker Price Improving Order. In such circumstances, the Market Maker

Price Improving Order may still execute at its non-displayed price against the Directed Order consistent with the price/time priority provisions of Rule 21.8 to the extent of any remaining contracts of the Directed Order. If a Directed Order is directed to multiple BATS Options Market Makers, the Market Maker Price Improving Orders against which such Directed Order can execute will execute in price/time priority based on the non-displayed price of such orders.

(14) “Directed Orders” are orders from a BATS Options Member that are directed to one or more BATS Options Market Makers for execution. Directed Orders will be eligible to trade at a price better than the NBB or NBO with the BATS Options Market Maker(s) to whom the Directed Order is directed if the BATS Options Member submitting the Directed Order has been permissioned by the BATS Options Market Maker(s) to submit Directed Orders to the BATS Options Market Maker(s), and the BATS Options Market Maker(s) has or have posted a Market Maker Price Improving Order on the BATS Options Book in the security that has a displayed price equal to the NBB (for sell Directed Orders) or the NBO (for buy Directed Orders) at the time the Directed Order arrives to the Exchange. If these conditions are not met, the Directed Order will be processed on the Exchange, consistent with the terms of the Directed Order, in compliance with the order display and book processing provisions of BATS Rule 21.8 and, as applicable, with the order routing provisions of BATS Rule 21.9.]

(e) – (g) (No changes)

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