Note: Proposed new language is <u>underlined</u>. 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 <u>subject to the display-price sliding process under paragraph (h) below</u> 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 <u>subject to the display-price sliding process described in this paragraph (h)</u> 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 <u>subject to display-price sliding described in this paragraph (h)</u> 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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