SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75360; File No. SR-BATS-2015-51)

July 6, 2015

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"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on June 30, 2015, 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 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

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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).

OMX BX, Inc. ("BX").[5]

The text of the proposed rule change is available at the Exchange's website at 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.[6]

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

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5 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.

6 See supra note 5.

routing away to another trading center. Currently, a BATS Post Only Order will not remove liquidity from the BATS Options Book[7] 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,[8] 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

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[7] "BATS Options Book" is defined as "the electronic book of options orders maintained by the Trading System." See Exchange Rule 16.1(a)(9).

[8] "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).

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.[9] In particular, the proposal is consistent with Section 6(b)(5) of the Act[10] 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.[11] 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

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[9] 15 U.S.C. 78f(b).

[10] 15 U.S.C. 78f(b)(5).

[11] See supra note 5.

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.[12] 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 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[13] and paragraph (f)(6) of Rule 19b-4 thereunder.[14] The proposed rule

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[12] Id.

[13] 15 U.S.C. 78s(b)(3)(A).

[14] 17 C.F.R. 240.19b-4.

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 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 proposed rule change 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 Number SR-BATS-2015-51 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number 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 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices 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 Number SR-BATS-2015-51, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[15]

Brent J. Fields
Secretary

[15] 17 CFR 200.30-3(a)(12).