

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="27"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2010"/> - * <input type="text" value="020"/> Amendment No. (req. for Amendments *) <input type="text"/>
---	--	---

Proposed Rule Change 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"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="text"/> <small>☐</small>			Rule <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)		

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

Description
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

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 proposed rule change.

First Name * Last Name *
 Title *
 E-mail *
 Telephone * 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 officer.

Date
 By
(Name *) (Title *)

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 EFFS website.

Form 19b-4 Information (required)

Add Remove View

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 (required)

Add Remove View

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 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposal for the BATS Options Market (“BATS Options”) to amend Rule 19.6 (Series of Options Contracts Open for Trading) and Rule 29.11 (Terms of Index Options Contracts) in order to list option series that expire one week after being opened for trading; to add the definitions of Quarterly Options Series and Short Term Option Series to Rules 16.1 and 29.2; and to renumber and reletter definitions in Rule 16.1 and Rule 29.2. The Exchange has designated this proposal as non-controversial and requests the Commission waive the five business day pre-filing notice required by Rule 19b-4(f)(6)(iii) under the Act.³ The Exchange also requests that the Commission waive the 30-day pre-operative waiting period contained in Rule 19b-4(f)(6)(iii) under the Act.⁴ If such waiver is granted by the Commission, the Exchange shall implement this rule proposal immediately upon filing.

(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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6)(iii).

⁴ Id.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on November 10, 2009. Exchange staff will advise the BATS Exchange Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Eric Swanson, Senior Vice President and General Counsel of the Exchange at (913) 815-7000.

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

(a) Purpose

The purpose of the proposed rule change is to establish a short term option program on the Exchange ("STO Program" or "Short Term Option Program") by proposing to add new Rule 19.6, Interpretation Policy .05 and Rule 29.11(h) in order to list option series that expire one week after being opened for trading ("Short Term Option Series" or "STO"). The Exchange also proposes to add the definitions of "Quarterly Options Series" and "Short Term Option Series" to Rule 16.1 and Rule 29.2⁵, and to renumber and reletter definitions in Rule 16.1 and Rule 29.2.

The Commission approved the Short Term Option Program on a pilot basis in 2005 and approved permanent establishment of the Short Term Option Program in 2009

⁵ Short Term Option Series is defined as: a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively. Proposed Rules 16.1(a)(56) and 29.2(n).

on behalf of Chicago Board Options Exchange (“CBOE”) in its Rules 5.5 and 24.9.⁶ Thereafter, CBOE amended Rules 5.5 and 24.9 to permit opening Short Term Option Series not just on Friday but also on Thursday.⁷ Recently, other options exchanges have established or implemented as permanent Short Term Option Programs.⁸ The Exchange’s proposal is based directly on the short term option program (Weeklys Program) in CBOE Rules 5.5 and 24.9; PHLX Rules 1012 and Rule 1101A; NOM Rules Chapter IV, Section 6 and Chapter XIV, Section 11; BOX Rules Chapter IV, Section 6 and Chapter XIV, Section 10; NYSE Arca Rules 5.19 and 6.4; NYSE Amex Rules 903C and 903; and ISE Rules 504 and 2009.

⁶ CBOE refers to its short term option program as the “Weeklys Program.” See Securities Exchange Act Release Nos. 52011 (July 12, 2005), 70 FR 41451 (July 19, 2005) (SR-CBOE-2004-63) (approval order establishing Weeklys Pilot Program) and 59824 (April 27, 2009), 74 FR 20518 (May 4, 2009) (SR-CBOE-2009-018) (approval order permanently establishing Weeklys Program).

⁷ See Securities Exchange Act Release No. 62170 (May 25, 2010), 75 FR 30889 (June 2, 2010) (SR-CBOE-2010-048) (notice of filing and immediate effectiveness allowing opening Short Term Option Series on any Thursday or Friday).

⁸ See Securities Exchange Act Release Nos. 62296 (June 15, 2010), 75 FR 35115 (June 21, 2010) (SR-PHLX-2010-084) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by NASDAQ OMX PHLX, Inc. To Establish a Short Term Option Program); 62297 (June 15, 2010), 75 FR 35111 (June 21, 2010) (SR-NOM-2010-073) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by The NASDAQ Stock Market LLC To Establish a Short Term Option Program); 62369 (June 23, 2010), 75 FR 37868 (June 23, 2010) (SR-Arca-2010-059) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NYSE Arca to Expand and Permanently Establish its Short Term Option Program); 62370 (June 23, 2010), 75 FR 35870 (June 30, 2010) (SR-Amex-2010-062) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NYSE Amex, LLC to Expand and Permanently Establish its Short Term Option Program).

Specifically, the Exchange proposes to establish a Short Term Option Program for non-index options (*e.g.*, equity options and ETF options) in new Interpretation and Policy .05 to Rule 19.6; and for index options in new Rule 29.11(h). The Short Term Option Program allows the Exchange to list and trade Short Term Option Series. Thus, after an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire on the Friday of the following business week that is a business day (“Short Term Option Expiration Date”). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.⁹

Under the STO Program, the Exchange may select up to five (5) approved option classes on which Short Term Option Series could be opened. The Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules.¹⁰ For each class selected for the STO Program, the Exchange may open up to twenty Short Term Option Series for each expiration date in that class, with approximately the same number of strike prices above and below the value of the underlying security or calculated index value at about the time that the Short Term Option Series is opened. The interval between

⁹ See proposed Rule 19.6, Interpretation and Policy .05 and Rule 29.11(h).

¹⁰ See proposed Rule 19.6, Interpretation and Policy .05(a) and Rule 29.11(h)(l).

strike prices on Short Term Option Series shall be the same as the strike prices for series in that same option class that expire in accordance with the normal monthly expiration cycle.¹¹

Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.¹² If the Exchange opens less than twenty Short Term Option Series for a given expiration date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the current value of the underlying security or index moves substantially from the previously listed exercise prices. The total number of series for a given expiration date, however, will not exceed twenty series. Any additional strike prices listed by the Exchange shall be within 30% above or below the current price of the underlying security. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current price of the underlying security provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. Moreover, the opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.¹³

¹¹ See proposed Rule 19.6, Interpretation and Policy .05(e) and Rule 29.11(h)(5).

¹² See proposed Rule 19.6, Interpretation and Policy .05(c) and Rule 29.11(h)(3).

¹³ See proposed Rule 19.6, Interpretation and Policy .05(d) and Rule 29.11(h)(4).

The Short Term Option Program provides that no Short Term Option Series may expire in the same week in which monthly option series on the same class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Options Series on the same class.¹⁴ With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the potential additional traffic associated with the listing and trading of options pursuant to the Short Term Option Program.

Finally, the Exchange proposes to add a definition of Quarterly Options Series (“QOS”) to Rule 16.1 and Rule 29.2. The definition was inadvertently left out when the rules for BATS Options, including QOS listing standards, were adopted for the Exchange,¹⁵ and the addition conforms the noted BATS Options rule language to Phlx Rules 1000 and 1000A as well as the rules of CBOE.

The Exchange believes that the Short Term Option Program will provide investors with a flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities that underlie options contracts. The Exchange also believes that providing the flexibility to list all Short Term Option series (equity and index) on any Thursday or Friday will help implement the program more effectively and avoid investor confusion.

¹⁴ See proposed Rule 19.6, Interpretation and Policy .05(b) and Rule 29.11(h)(2). Moreover, the Exchange expects that Short Term Option Series will settle (*e.g.*, in terms of A.M. or P.M.) in the same manner as do the monthly expiration series in the same option class.

¹⁵ See Securities Exchange Act Release No. 61419 (January 26, 2010), 75 FR 5157 (February 1, 2010) (SR-BATS-2009-031) (notice of approval of a proposal to establish rules governing the trading of options on the BATS Options Exchange).

The Exchange has agreed for the purposes of this filing, to submit one report to the Commission providing an analysis of the Exchange's Short Term Option Program (the "Report"). The Report will cover the period from the date of effectiveness of the STO Program through the first quarter of 2011, and will describe the experience of the Exchange with the STO Program in respect of the options classes included by the Exchange in such program.¹⁶ The Report will be submitted by May 1, 2011, under separate cover and will seek confidential treatment under the Freedom of Information Act.

(b) Statutory Basis

Approval of the rule change proposed in this submission is consistent with Section 6(b) of the Act¹⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁸ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national

¹⁶ The Report would include the following: (1) data and written analysis on the open interest and trading volume in the classes for which Short Term Option Series were opened; (2) an assessment of the appropriateness of the option classes selected for the STO Program; (3) an assessment of the impact of the STO Program on the capacity of the Exchange, OPRA, and market data vendors (to the extent data from market data vendors is available); (4) any capacity problems or other problems that arose during the operation of the STO Program and how the Exchange addressed such problems; (5) any complaints that the Exchange received during the operation of the STO Program and how the Exchange addressed them; and (6) any additional information that would assist in assessing the operation of the STO Program.

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(5).

market system, by establishing a Short Term Option Program that will provide investors with a flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities that underlie option contracts.

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 not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this 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 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 and paragraph (f)(6) of Rule 19b-4 thereunder. 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. Also, as described elsewhere in this filing, the Exchange believes that the proposed rule change is consistent with Short Term Option Programs offered by other national securities exchanges. For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4.

Because the Exchange believes that implementation of the Short Term Option Program described in this filing is “non-controversial,” and substantially similar to filings recently made by other national securities exchanges, the Exchange respectfully requests that the Commission waive the five business day pre-filing requirement and the 30-day pre-operative delay so that the proposed rule change may become effective and operative upon filing with the Commission pursuant to Section 19(b)(3)(A) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder. Such waivers will permit BATS Options to immediately implement the Short Term Option Program for the benefit of investors and will allow BATS Options to remain competitive with other exchanges.

The Commission recently granted approval for a similar filing proposed by the CBOE; consistent with such approval, other markets, including PHLX, NOM, NYSE Arca, and NYSE Amex, have filed immediately effective rule filings.¹⁹ The Exchange believes that this proposed rule change, which is essential for competitive purposes and to promote a free and open market for the benefit of investors, does not raise any new, unique or substantive issues from those raised in the CBOE, PHLX, NOM, NYSE Arca or NYSE Amex proposals. Adding the Short Term Option Program to the Exchange’s Rules would enable BATS Options to immediately list and allow trading, and where

¹⁹ See supra notes 2-4.

appropriate routing, of the certain additional expiration lengths of option classes that are available at other options exchanges, including Short Term Options. Moreover, the Exchange believes that in the current options trading environment it is very important to Participants for an options exchange to list and offer all option expirations in all options classes, particularly in classes with significant liquidity. Participants that route orders may, and do, provide tools whereby the end user (customer) can choose to route an order to a particular exchange. The Exchange believes that waiving the five business day pre-filing requirement and the 30-day pre-operative delay is consistent with the protection of investors and the public interest in that it would reduce industry and investor confusion and encourage trading of similar products on BATS Options as on other exchanges.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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 rule change is based on CBOE Rules 5.5 and 24.9; PHLX Rules 1012 and Rule 1101A; NOM Rules Chapter IV, Section 6 and Chapter XIV, Section 11; BOX Rules Chapter IV, Section 6 and Chapter XIV, Section 10; NYSE Arca Rules 5.19 and 6.4; NYSE Amex Rules 903C and 903; and ISE Rules 504 and 2009.

9. Exhibits

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-2010-020)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by BATS Exchange, Inc. to Establish a Short Term Option Program.

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 July 27, 2010, 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 Act³ 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 is proposing to amend Rule 19.6 (Series of Options Contracts Open for Trading) and Rule 29.11 (Terms of Index Options Contracts) in order to list option series that expire one week after being opened for trading; to add the definitions of Quarterly Options Series and Short Term Option Series to Rules 16.1 and 29.2; and to renumber and reletter definitions in Rule 16.1 and Rule 29.2.

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).

The text of the proposed rule change is available at the Exchange's Web site at <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 purpose of the proposed rule change is to establish a short term option program on the Exchange ("STO Program" or "Short Term Option Program") by proposing to add new Rule 19.6, Interpretation Policy .05 and Rule 29.11(h) in order to list option series that expire one week after being opened for trading ("Short Term Option Series" or "STO"). The Exchange also proposes to add the definitions of "Quarterly Options Series" and "Short Term Option Series" to Rule 16.1 and Rule 29.2⁵, and to renumber and reletter definitions in Rule 16.1 and Rule 29.2.

⁵ Short Term Option Series is defined as: a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively. Proposed Rules 16.1(a)(56) and 29.2(n).

The Commission approved the Short Term Option Program on a pilot basis in 2005 and approved permanent establishment of the Short Term Option Program in 2009 on behalf of Chicago Board Options Exchange (“CBOE”) in its Rules 5.5 and 24.9.⁶ Thereafter, CBOE amended Rules 5.5 and 24.9 to permit opening Short Term Option Series not just on Friday but also on Thursday.⁷ Recently, other options exchanges have established or implemented as permanent Short Term Option Programs.⁸ The Exchange’s proposal is based directly on the short term option program (Weeklys Program) in CBOE Rules 5.5 and 24.9; PHLX Rules 1012 and Rule 1101A; NOM Rules Chapter IV, Section 6 and Chapter XIV, Section 11; BOX Rules Chapter IV, Section 6

⁶ CBOE refers to its short term option program as the “Weeklys Program.” See Securities Exchange Act Release Nos. 52011 (July 12, 2005), 70 FR 41451 (July 19, 2005) (SR-CBOE-2004-63) (approval order establishing Weeklys Pilot Program) and 59824 (April 27, 2009), 74 FR 20518 (May 4, 2009) (SR-CBOE-2009-018) (approval order permanently establishing Weeklys Program).

⁷ See Securities Exchange Act Release No. 62170 (May 25, 2010), 75 FR 30889 (June 2, 2010) (SR-CBOE-2010-048) (notice of filing and immediate effectiveness allowing opening Short Term Option Series on any Thursday or Friday).

⁸ See Securities Exchange Act Release Nos. 62296 (June 15, 2010), 75 FR 35115 (June 21, 2010) (SR-PHLX-2010-084) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by NASDAQ OMX PHLX, Inc. To Establish a Short Term Option Program); 62297 (June 15, 2010), 75 FR 35111 (June 21, 2010) (SR-NOM-2010-073) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by The NASDAQ Stock Market LLC To Establish a Short Term Option Program); 62369 (June 23, 2010), 75 FR 37868 (June 23, 2010) (SR-Arca-2010-059) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NYSE Arca to Expand and Permanently Establish its Short Term Option Program); 62370 (June 23, 2010), 75 FR 35870 (June 30, 2010) (SR-Amex-2010-062) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NYSE Amex, LLC to Expand and Permanently Establish its Short Term Option Program).

and Chapter XIV, Section 10; NYSE Arca Rules 5.19 and 6.4; NYSE Amex Rules 903C and 903; and ISE Rules 504 and 2009.

Specifically, the Exchange proposes to establish a Short Term Option Program for non-index options (*e.g.*, equity options and ETF options) in new Interpretation and Policy .05 to Rule 19.6; and for index options in new Rule 29.11(h). The Short Term Option Program allows the Exchange to list and trade Short Term Option Series. Thus, after an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire on the Friday of the following business week that is a business day (“Short Term Option Expiration Date”). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.⁹

Under the STO Program, the Exchange may select up to five (5) approved option classes on which Short Term Option Series could be opened. The Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules.¹⁰ For each class selected for the STO Program, the Exchange may open up to twenty Short Term Option Series for each expiration date in that class, with approximately the same number of

⁹ See proposed Rule 19.6, Interpretation and Policy .05 and Rule 29.11(h).

¹⁰ See proposed Rule 19.6, Interpretation and Policy .05(a) and Rule 29.11(h)(l).

strike prices above and below the value of the underlying security or calculated index value at about the time that the Short Term Option Series is opened. The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same option class that expire in accordance with the normal monthly expiration cycle.¹¹

Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.¹² If the Exchange opens less than twenty Short Term Option Series for a given expiration date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the current value of the underlying security or index moves substantially from the previously listed exercise prices. The total number of series for a given expiration date, however, will not exceed twenty series. Any additional strike prices listed by the Exchange shall be within 30% above or below the current price of the underlying security. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current price of the underlying security provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. Moreover, the

¹¹ See proposed Rule 19.6, Interpretation and Policy .05(e) and Rule 29.11(h)(5).

¹² See proposed Rule 19.6, Interpretation and Policy .05(c) and Rule 29.11(h)(3).

opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.¹³

The Short Term Option Program provides that no Short Term Option Series may expire in the same week in which monthly option series on the same class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Options Series on the same class.¹⁴ With regard to the impact of this proposal on system capacity, the Exchange has analyzed its capacity and represents that it and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the potential additional traffic associated with the listing and trading of options pursuant to the Short Term Option Program.

Finally, the Exchange proposes to add a definition of Quarterly Options Series (“QOS”) to Rule 16.1 and Rule 29.2. The definition was inadvertently left out when the rules for BATS Options, including QOS listing standards, were adopted for the Exchange,¹⁵ and the addition conforms the noted BATS Options rule language to Phlx Rules 1000 and 1000A as well as the rules of CBOE.

The Exchange believes that the Short Term Option Program will provide investors with a flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities that

¹³ See proposed Rule 19.6, Interpretation and Policy .05(d) and Rule 29.11(h)(4).

¹⁴ See proposed Rule 19.6, Interpretation and Policy .05(b) and Rule 29.11(h)(2). Moreover, the Exchange expects that Short Term Option Series will settle (*e.g.*, in terms of A.M. or P.M.) in the same manner as do the monthly expiration series in the same option class.

¹⁵ See Securities Exchange Act Release No. 61419 (January 26, 2010), 75 FR 5157 (February 1, 2010) (SR-BATS-2009-031) (notice of approval of a proposal to establish rules governing the trading of options on the BATS Options Exchange).

underlie options contracts. The Exchange also believes that providing the flexibility to list all Short Term Option series (equity and index) on any Thursday or Friday will help implement the program more effectively and avoid investor confusion.

The Exchange has agreed for the purposes of this filing, to submit one report to the Commission providing an analysis of the Exchange's Short Term Option Program (the "Report"). The Report will cover the period from the date of effectiveness of the STO Program through the first quarter of 2011, and will describe the experience of the Exchange with the STO Program in respect of the options classes included by the Exchange in such program.¹⁶ The Report will be submitted by May 1, 2011, under separate cover and will seek confidential treatment under the Freedom of Information Act.

2. Statutory Basis

Approval of the rule change proposed in this submission is consistent with Section 6(b) of the Act¹⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁸ in particular in that it is designed to prevent fraudulent and manipulative acts and

¹⁶ The Report would include the following: (1) data and written analysis on the open interest and trading volume in the classes for which Short Term Option Series were opened; (2) an assessment of the appropriateness of the option classes selected for the STO Program; (3) an assessment of the impact of the STO Program on the capacity of the Exchange, OPRA, and market data vendors (to the extent data from market data vendors is available); (4) any capacity problems or other problems that arose during the operation of the STO Program and how the Exchange addressed such problems; (5) any complaints that the Exchange received during the operation of the STO Program and how the Exchange addressed them; and (6) any additional information that would assist in assessing the operation of the STO Program.

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(5).

practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, by establishing a Short Term Option Program that will provide investors with a flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities that underlie option contracts.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change imposes any burden on 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.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁹ and Rule 19b-4(f)(6)(iii) thereunder.²⁰

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(6).

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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.

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. Please include File No. SR-BATS-2010-020 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-2010-020. 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 Web site (<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 changes 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

Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. 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-2010-020 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.²¹

Florence E. Harmon
Deputy Secretary

²¹ 17 CFR 200.30-3(a)(12).

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

Rules of BATS Exchange, Inc.

CHAPTER XVI. GENERAL PROVISIONS – BATS OPTIONS

Rule 16.1. Definitions

(a) With respect to the Rules contained in Chapters XVI to XXIX below, relating to the trading of options contracts on the Exchange, the following terms shall have the meanings specified in this Rule. A term defined elsewhere in the Exchange Rules shall have the same meaning with respect to this Chapter XVI, unless otherwise defined below.

(1)-(48) (No changes.)

(49) The term “Quarterly Options Series” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

[(49)](50) The terms “quote” or “quotation” mean a bid or offer entered by a Market Maker as a firm order that updates the Market Maker’s previous bid or offer, if any.

[(50)](51) The term “Responsible Person” shall mean a United States-based officer, director or management-level employee of an Options Member, who is registered with the Exchange as an Options Principal, responsible for the direct supervision and control of associated persons of that Options Member.

[(51)](52) The terms “Rules of the Clearing Corporation” or “Rules of the OCC” mean the Certificate of Incorporation, the By-Laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as may be in effect from time to time.

[(52)](53) The terms “SEC” or “Commission” mean the United States Securities and Exchange Commission.

[(53)](54) The term “series of options” means all options contracts of the same class of options having the same exercise price and expiration date.

[(54)](55) The term “short position” means a person’s interest as the writer of one or more options contracts.

(56) The term “Short Term Option Series” means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be

opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

[(55)](57) The term “SRO” means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

[(56)](58) The terms “Trading System” or “System” mean the automated trading system used by BATS Options for the trading of options contracts.

[(57)](59) The term “type of option” means the classification of an options contract as either a put or a call.

[(58)](60) The term “uncovered” means a short position in an options contract that is not covered.

[(59)](61) The term “underlying security” means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

[(60)](62) The term “User” means any Options Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3 (Access).

CHAPTER XIX. SECURITIES TRADED ON BATS OPTIONS

Rule 19.6. Series of Options Contracts Open for Trading

(a) After a particular class of options has been approved for listing and trading on BATS Options by the Exchange, the Exchange from time to time may open for trading series of options in that class. Only options contracts in series of options currently open for trading may be purchased or written on BATS Options. Prior to the opening of trading in a given series, the Exchange will fix the expiration month, year and exercise price of that series. For Quarterly Options Series and Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in Interpretations and Policy .04 and .05, respectively.

(b)-(f) (No changes.)

Interpretations and Policies

.01-.04 (No changes.)

.05 Short Term Options Series Program. After an option class has been approved for listing and trading on BATS Options, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire on the Friday of the following business week that is a business day (“Short Term Option Expiration Date”). If BATS Options is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to

that respective Thursday or Friday. Similarly, if BATS Options is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(a) The Exchange may select up to five (5) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the five-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series for each expiration date in that class.

(b) No Short Term Option Series may expire in the same week in which monthly option series on the same class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Options Series on the same class.

(c) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on BATS Options (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the closing price of the underlying security from the preceding day.

(d) If the Exchange opens less than twenty (20) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on BATS Options when deemed necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current price of the underlying security. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current price of the underlying security provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same option class that expire in accordance with the normal monthly expiration cycle.

CHAPTER XXIX. INDEX RULES

Rule 29.2. Definitions

(a)-(k) (No changes.)

(l) The term “Quarterly Options Series” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and expires at the close of business on the last business day of a calendar quarter.

~~[(1)]~~(m) The term “reporting authority” with respect to a particular index means the institution or reporting service designated by the Exchange as the official source for (1) calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and (2) reporting such level. The reporting authority for each index approved for options trading on BATS Options shall be Specified (as provided in Rule 29.1) in the Interpretations and Policies to this Rule.

(n) The term “Short Term Option Series” means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Thursday or Friday that is a business day and that expires on the Friday of the next business week. If a Thursday or Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Thursday or Friday, respectively.

~~[(m)]~~(o) The term “underlying security” or “underlying securities” with respect to an index options contract means any of the securities that are the basis for the calculation of the index.

Interpretations and Policies

01. (No changes.)

Rule 29.11. Terms of Index Options Contracts

(a)-(g) (No changes.)

(h) Short Term Option Series Program. After an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire on the Friday of the following business week that is a business day (“Short Term Option Expiration Date”). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:

(1) The Exchange may select up to five (5) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the five-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges

that employ a similar program under their respective rules. For each index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to twenty (20) Short Term Option Series on index options for each expiration date in that class.

(2) No Short Term Option Series on an index option class may expire in the same week during which any monthly option series on the same index class expire or, in the case of Quarterly Options Series, on an expiration that coincides with an expiration of Quarterly Options Series on the same index class.

(3) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying index at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security or calculated index value). Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.

(4) If the Exchange has opened less than twenty (20) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on BATS Options when deemed necessary to maintain an orderly market, to meet customer demand or when the current value of the underlying index moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(5) The interval between strike prices on Short Term Option Series shall be the same as the strike prices for series in that same index option class that expire in accordance with the normal monthly expiration cycle.
