



BATS December U.S. Market Update

Dear BATS Customers and Members of the Trading Community,

In this edition of the BATS U.S. Market Update, you'll find the following:

1. BATS BYX Exchange – Still Growing at BATS Speed
2. REMINDER: BATS Options – Innovative NBBO Setter Rebate & Aggressive New Pricing January 3, 2011
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BATS BYX Exchange – Still Growing at BATS Speed

BATS BYX Exchange continues to experience rapid growth less than two months into operation. Over 200 members have signed up. While many members have already taken advantage of the aggressive remove rebate pricing on the proven BATS platform, even more are now completing their connectivity and certification to capitalize on the best remove rebate of any major exchange operator. The rapid increase in BYX market share is shown below in Figures 1 and 2.

To assist you in identifying opportunities to trade on BYX, [Daily Volume](#), [Opportunity](#), and [Market Share](#) reports can be found at http://www.batstrading.com/market_data/.

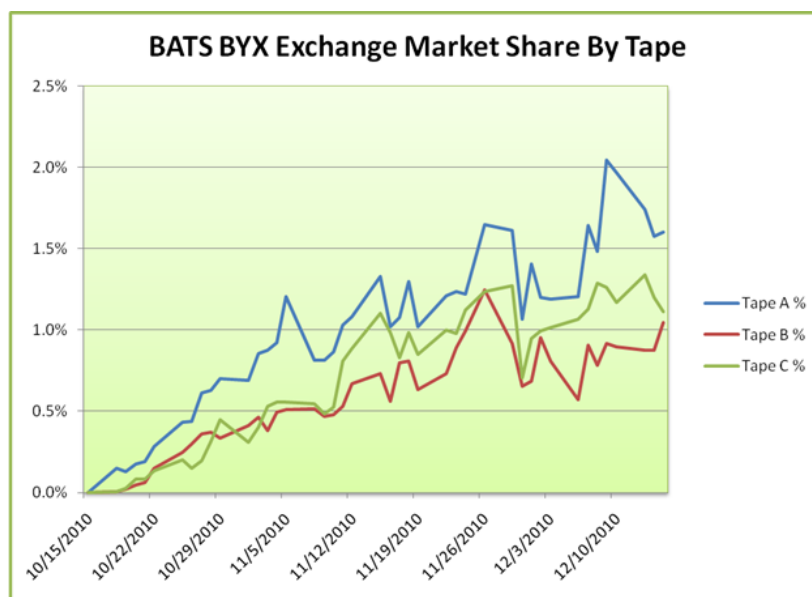


Figure 1

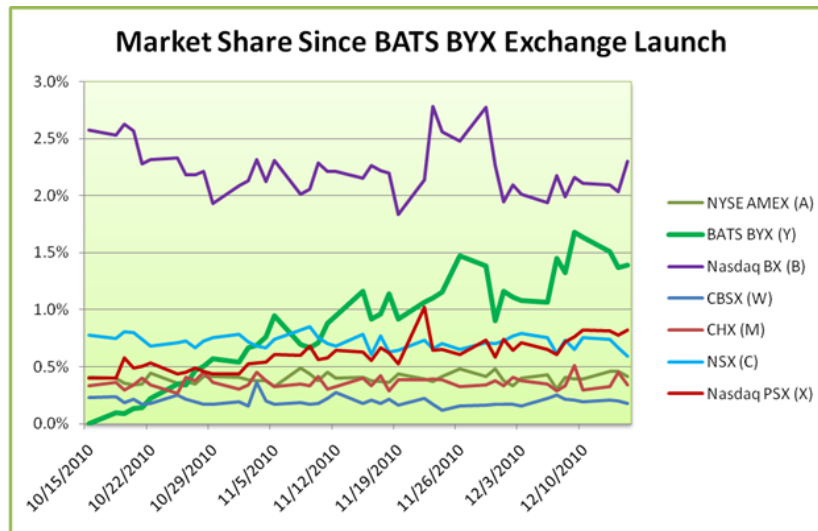


Figure 2

REMINDER: BATS Options – Innovative NBBO Setter Rebate & Aggressive New Pricing January 3, 2011

As [announced](#) earlier this week, BATS Options is introducing innovative and aggressive new pricing January 3, 2011. This new pricing will offer a low remove rate to customers of \$.25/contract, a higher rebate to firms and market makers of \$.35/contract, and a *NBBO Setter Rebate* of \$.50/contract for members who set the NBBO by posting liquidity.

BATS Options is also changing its BATS+ and Smart Order Routing (Parallel and Cycle) pricing to better align with away market center pricing while remaining less expensive than using other exchange Smart Order Routers.

The full details of the new [BATS Options pricing](#) can be found on our website.

Faster Access to BATS via 10 Gigabit Connections

BATS is pleased to announce the availability of 10 Gigabits per second (10G) connectivity access to the BATS BZX and BYX equity exchanges. This service is offered in addition to existing connectivity options which continue to be available. 10G ports will be available to all participants on an optional basis regardless of whether they are co-located or have a circuit into BATS' primary U.S. datacenter. 10G ports will also be available to extranet network providers.

10G Service availability

Customers can test their Production 10G connectivity effective immediately. Connectivity will be limited to a single BZX production FIX port until January 3, 2011. Production 10G access will go live Monday, January 3, 2011.

10G Pricing

10G access to BATS will be a chargeable *optional* service available to all participants. The price per 10G port per month will be \$2,500. BATS will continue to offer four (4) 1 Gigabit (1G) connections **free of charge** while charging \$2,500 per month for 1G ports beyond four (4). BATS will pass through in full any hardware expense incurred directly related to completing a cross-connect if the expense exceeds \$1,000.

Customers wishing to upgrade to 10G should contact the [BATS NOC](#) or their [Sales Director](#) for further information.

Note: 10G access will not be available to BATS Options in January 2011 but is anticipated later in the year.

BATS Real Time Latency Monitoring Service – New Offering February 1, 2011

As the first exchange to transparently display [latency statistics](#) on our website years ago, BATS is pleased to announce an entirely new real time latency monitoring service available to all members via their BATS Ports Dashboard. This service will allow BATS members to monitor their latency on each and every BATS FIX port as witnessed at the point where the member connects to the BATS network, via 1G or a new 10G connection. This real time latency information will be made available as part of the BATS Ports Dashboard which members can access through the BATS Web Portal. Contrary to other offerings, no hardware or 3rd party relationship will be required of members to take advantage of this valuable data. To get a login to the BATS Web Portal, please contact the [BATS Trade Desk](#).

Effective February 1, 2011, in conjunction with the release of this new real time latency service, BATS will increase the logical port fees for BATS BZX Exchange from \$250 per month per pair (primary and secondary datacenter) to \$400 per month per pair. This includes all BZX logical ports (FIX, FIXDROP, TCP PITCH, TOP, etc).

Note: Logical ports will remain free of charge on BATS BYX Exchange and BATS Options.

Parallel Smart Order Routing Update

In November BATS released two optional Parallel Smart Order Routing strategies, Parallel 2D and Parallel T, to augment our default Smart Order Routing strategy, Parallel D.

Parallel 2D routes to *all price levels* at *all* protected market centers in parallel. This strategy routes enough size to each protected market center to fulfill the displayed quotes until the order size is exhausted to the limit price of the order. If the entire order cannot be fulfilled with the displayed quotes the remaining quantity will be split among the market centers using a BATS over-allocation method. The fee to use Parallel 2D is the same as Parallel D, \$.0028/share, which is **less than any major exchange smart order routing fee**.

Parallel T routes the order in parallel to protected markets sending the exact quantity of only the protected (**top**) quote to each market center. Unlike Parallel D and 2D, Parallel T will not use depth of book quotes to build the routing plan. Once the protected (top) quotes have been accessed, any unfilled shares will be posted to the BATS book or cancelled back to the user if it is an IOC order. The fee to use Parallel T is \$.0033/share.

The full [details](#) regarding our Parallel Smart Order Routing strategies and the full menu of all our routing strategies, including BATS+, SLIM, TRIM, and B2B can be found on our website with their corresponding [FIX Tags](#).

Conclusion

2010 has been an incredible year for BATS with the launch of BATS Options and BYX Exchange, the continued growth of the BATS Europe MTF, and the addition of significant new functionality such as Parallel Smart Order Routing across our markets. While 2010 has been a groundbreaking year for us, we're even more excited about 2011 and working with you to make markets better. We appreciate your business and wish you a wonderful Holiday Season.

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