



Dear BATS Members and Prospective Members,

As we head into year end, and with all of the activity happening within the industry, I wanted to take the opportunity to keep Members informed on developments at BATS that may be important to your business. We hope this transparent and timely information is beneficial to you.

### ***BATS BYX Launch Successfully Completed***

Recently another exchange publicly suggested that the aggressive pricing battle between US exchanges “seems to have abated” and market share had stabilized. Since then we’ve seen significant pricing changes and the launch of a two new exchanges, including the BATS BYX Exchange. We completed the rollout of the BATS BYX Exchange on Friday, October 22, 2010, which means all Tape A, B, and C securities are available to trade on BYX. With the launch of BYX, we’ve set another [pricing benchmark](#) with **an aggressive liquidity removal rebate** of \$0.0003 per share and no charge to add displayed liquidity to the BYX Exchange book. Lower your SOR costs for removing liquidity by sending your order flow to the BYX Exchange first in your order routing tables.

BYX, combined with our smart order routing technology, gives BATS Members the ability to aggressively and economically navigate the market. With more than 130 Members already approved for trading, the platform is well-positioned to serve Members who prefer a lower remove rate (or a rebate) to take liquidity. Early opportunities exist in liquid names such as Citigroup (C) and Bank of America (BAC).

### ***BATS BZX Exchange Pricing Change Effective November 1, 2010 (Pending SEC Approval)***

We’ve also made the decision to adjust pricing effective November 1, 2010, on the **BATS BZX Exchange** and offer a \$0.0027/share rebate to members that add liquidity while charging removers \$0.0028/share. We believe that providing a higher rebate will encourage tighter and deeper markets, therefore creating opportunity for removers. All other BZX pricing will remain unchanged for November. The [updated BZX fee schedule](#) can be found on our website.

### ***BYX Exchange SOR Includes New Routing Strategies***

With the launch of the BYX Exchange, more enhancements to BATS’ smart order routing technology have also arrived and Members can take advantage of four new routing strategies:

1. **B2B** – BYX Exchange Members can access the BATS BZX Exchange after removing liquidity on the BYX Exchange and conversely, existing BZX Exchange Members can use B2B to access BYX Exchange after accessing BZX Exchange liquidity. BATS’ optional DRT strategy may be accessed prior to routing to the sister exchange.
2. **TRIM – (Route to Select Lower Priced Venues)**: TRIM orders only route to the following low-cost, protected market centers: BYX Exchange, EDGA, NASDAQ BX, NYSE, and BZX Exchange.



3. **SLIM – (Route to all Markets while Minimizing Fees):** SLIM is similar to TRIM in that it seeks to minimize the cost of routing to away markets after accessing certain specified market centers, yet SLIM will route to **all** protected market centers.
4. **BYX “One Under” Routing:** In addition, BATS has extended the BZX Exchange’s “one under” pricing to BYX with reduced rates for Members who use its BYX + NASDAQ, BYX + NYSE Arca, and BYX + NYSE Floor order types. With the substantial remove rebate on the BYX Exchange and discount to access these away markets, members can dramatically decrease their overall costs.

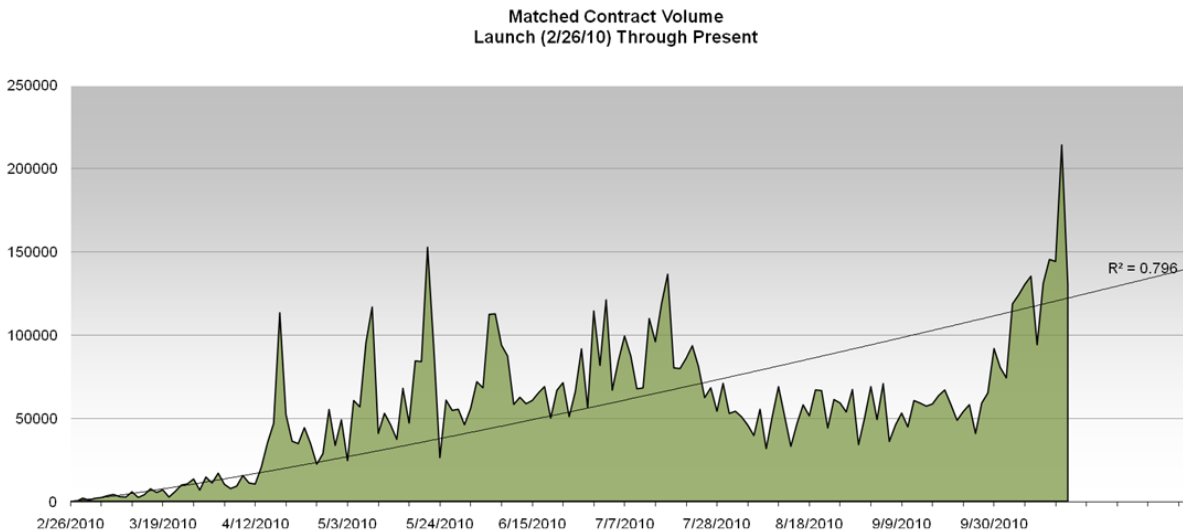
It should be noted that **effective November 1, 2010, the fee to route to BZX Exchange via the BYX Exchange B2B, TRIM, and SLIM routing strategies will increase to \$.0028/share** to coincide with the new pricing on the BZX Exchange.

In November, BATS will expand upon the recent release of [Parallel D routing](#) with two new parallel routing strategies: **Parallel 2D and Parallel T**. The first, **Parallel 2D (Fastest Execution)**, routes to *all price levels* at *all protected market centers* in parallel. The **Parallel T (Top Only)** routing strategy routes in parallel to all protected markets by sending only an order size equal to the visible quantity shown for the best bid or best offer at each protected market.

For a complete description of these new routing strategies, please review the [BATS Smart Order Routing strategies](#) or contact your BATS Director of Sales.

### **BATS Options**

BATS Options is experiencing its best month to date in October, with matched market share averaging about 1%. We’ve introduced simple and economical pricing (charging \$0.30/Customer and \$0.50/Firm or Market Maker) for access to liquidity at multiple market centers, using the Parallel D routing strategy, just another way that BATS is making the markets better in the options industry.



In addition, we've also unveiled **discounted destination specific "BATS + routing" (BATS+ AMEX, BATS+ ARCA, etc.)**, where orders are charged a low routing fee (often less than the direct access fees charged by other market centers).

Options market makers, take note that BATS Options is currently routing out a significant amount of order flow in liquid contracts. This creates tremendous new opportunities to make markets and interact with the orders before they are routed to other markets. All BATS Options Members receive the same \$0.20 rebate for adding and \$0.30 charge for removing liquidity, regardless of capacity or volumes traded. If you are interested in receiving our Daily Options Opportunity file showing matched and routed volumes please contact your Director of Sales or the [BATS Trade Desk](#).

### ***Options Risk Management Tools***

During October BATS began offering the much anticipated [Options Risk Management Tools](#), allowing Members to set parameters and prevent unwanted executions by limiting time frames for executions, quantity to be executed and notional volumes. Continuing our goal to level the playing field and provide an environment that benefits ALL options participants – we offer these tools **FREE** of charge, regardless of capacity or product type.

### ***Finally***

We are making every effort to meet with our Members on a regular basis. In case you haven't had a chance to tell us what you think, let us know how we are doing. We value member feedback and would like to hear from you.



As always, we are committed to our Members and to Making Markets Better. Thanks for your continued support.

Sincerely,

Joe Bracco

VP, Head of US Sales

**BATS... Making Markets Better**