



Participant Notice

Ref: PN10/01

Dated: 2nd February 2010

From: Participant Services

Subject: Amendments to the Rule Book and Participant Manual

This Notice summarises a number of amendments that BATS Trading Limited ("BATS") is making to the Rule Book and Participant Manual. The amendments have not been deemed Material Amendments under the Rules, as they either introduce additional but not compulsory functionality or seek to clarify current provisions. With respect to the amendments to the Erroneous Transaction Policy, these have been discussed with the BATS Advisory Group.

The amendments will come into effect from market open on Monday 8th February 2010.

Negotiated Transaction Rule

BATS is amending its Negotiated Transaction Rule in line with guidance recently published by the Committee of European Securities Regulators ("CESR").

Order Routing Facility

From 8th February 2010, BATS will offer an Order Routing Facility. This is a separate service from the MTF operated by BATS. Use of the Order Routing Facility will be open to Participants of the MTF who may be classified as Eligible Counterparties. BATS is amending the Participant Manual to include a description of the Order Routing Facility, the Eligibility Criteria, Application Process, and other aspects of the Order Routing Facility.

Clearing and settlement

BATS intends to offer interoperable clearing arrangements for transactions conducted on the MTF and through the Order Routing Facility. BATS is amending the Participant Manual to reflect this. Once available, launch dates for interoperable clearing will be confirmed by Trade Desk notice and on the Website.

Erroneous Transaction Policy

In consultation with the BATS Advisory Group, BATS is making a number of amendments to the Erroneous Transaction Policy. These amendments: aim to increase certainty about the circumstances in which BATS will unilaterally cancel transactions; introduce an objective threshold to assess review requests; introduce a standard template to be completed; and clarify how BATS will deal with potentially erroneous transactions conducted through the Order Routing Facility.



Order entry collar

BATS has in place an order entry collar which, at the point of entry, compares incoming Orders with the PBBO and rejects any Orders that would execute more than 20% away from the Best Bid and Offer on the Listing (Primary) Market (PBBO). At present, where the PBBO is unavailable, e.g. due to an auction on the Listing Market or during an outage, BATS is unable to impose the order entry collar. From market open on Friday 19th February 2010, BATS will offer an additional order entry collar such that, when the PBBO is unavailable, any Order that would, at the point of entry, execute more than 20% away from the last transaction on the Listing Market will be rejected.

A summary of the changes to the Rule Book and Participant Manual can be found in the attached table. Definitive copies of the amended Rule Book and Participant Manual, which will take effect from market open on 8th February 2010, are attached and will be available on 8th February 2010 on the Website.

Please note that the additional order entry collar will come into effect from market open on Friday 19th February 2010.

For any queries, please contact Participant Services: ParticipantServicesEurope@batstrading.com or +44 (0) 20 7012 8902.

Regards,

Participant Services
BATS Europe
BATS ... Making Markets Better



Rule Book: Summary of amendments between version 2.3 and version 2.4

Section	Amendment
Cover	Change of date and change of version number
Definitions	Amended definition of BATS Closing Price
Rule 10 (Negotiated Transactions)	Amended Rule 10 in line with CESR guidelines.

Participant Manual: Summary of amendments between version 2.5 and version 2.6

Section	Amendment
Cover	Change of date and change of version number
Contents	Added new section 12 (Transaction Confirmations). Amended page references.
Section 2 (Our mission)	Added reference to post-trade service providers.
Section 3 (How BATS works)	<p>Added further details on BATS' regulatory permissions and included a reference to the Negotiated Transaction Rule and the Order Routing Facility.</p> <p>Expanded section on the order entry collar. From market open on Friday 19th February 2010, where the PBBO is unavailable, BATS will impose a collar based on the last transaction on the Primary (Listing) Market.</p>
Section 5 (Participation)	Added a section on the Order Routing Facility.
Section 6 (Applications)	<p>Changed reference to the "relevant" Central Counterparty.</p> <p>Added a section on the Order Routing Facility.</p>
Section 7 (Sponsored Access)	Included a reference to the Order Routing Facility.
Section 8 (Continuing Obligations)	Included a reference to the Order Routing Facility.

Section 9 (PTM levy)	Included a reference to the Order Routing Facility.
Section 10 (TAX (UK SDRT and Irish SDT))	Included a reference to the Order Routing Facility.
Section 12 (Transaction Confirmations)	Added a new section on Transaction Confirmations under the Order Routing Facility.
Section 13 (Substantial shareholdings)	Included a reference to the Order Routing Facility.
Section 15 (Suspension, termination and restriction)	Included a reference to the Order Routing Facility.
Section 16 (Information)	Included a reference to the Order Routing Facility.
Section 17 (Erroneous Transaction Policy)	<p>Included a reference to the Order Routing Facility.</p> <p>Added a standard review request template.</p> <p>Clarified the circumstances where BATS will unilaterally cancel transactions.</p> <p>Changed reference to the “relevant” Central Counterparty.</p> <p>Added a percentage threshold and reference price that may be considered.</p> <p>Clarified that BATS will notify Participants by e-mail the outcome of any review under the Erroneous Transaction Policy.</p>
Section 18 (Default)	<p>Included a reference to the Order Routing Facility. Amended references such that clearing may be through open offer or novation.</p> <p>Changed reference to the “relevant” Central Counterparty.</p>
Section 19 (Complaints)	Included a reference to the Order Routing Facility. Added contact details for the Compliance Department.
Section 21 (Eligible securities)	<p>Included a reference to Exchanged Traded Currencies.</p> <p>Included a reference to the Order Routing Facility and noted that securities will only be available through the Order Routing Facility whether they are admitted to trading on the MTF.</p>



Section 23 (Clearing and settlement)	<p>Changed reference from “Primary Market” to “Listing Market”.</p> <p>Changed reference to the “relevant” Central Counterparty.</p>
Section 25 (Minimum quote increment)	<p>Changed reference from “Primary Market” to “Listing Market”.</p> <p>Included a reference to the Order Routing Facility.</p>
Section 26 (Order types)	<p>Clarified that the market Orders are converted to limit orders with respect to the PBBO.</p> <p>Changed reference from “Primary Market” to “Listing Market”.</p> <p>Clarify that pegged Orders in the Integrated Book peg to the PBBO.</p> <p>Included a reference to the Trading at Last phase under market on close Orders.</p> <p>Included details of order types available for the Order Routing Facility.</p>
Section 30 (Trading hours – London listed securities (UK time))	<p>Added in the end of the Trading at Last phase.</p> <p>Changed reference from “Primary Market” to “Listing Market”.</p> <p>Included a reference to the Order Routing Facility.</p>
Section 31 (Trading days)	<p>Changed reference from “Primary Market” to “Listing Market”.</p> <p>Included a reference to the Order Routing Facility.</p>