



BZX Regulatory Circular 11-002
BYX Regulatory Circular 11-002

Date: February 22, 2011

To: Members of BATS Exchange, Inc. ("BZX") and BATS Y-Exchange, Inc. ("BYX")

From: Tamara Schademann, Chief Regulatory Officer

Re: Notice Regarding Proposed Rule Change to Adopt New BATS Rule to Require Members to Identify Each Order Accurately as a Principal, Agency, or Riskless Principal Order -- OPERATIVE DATE: APRIL 4, 2011

On February 18, 2011, BATS Exchange, Inc. and BATS Y-Exchange, Inc. (each generally referred to hereafter as "BATS" or the "Exchange") each filed with the Securities and Exchange Commission ("Commission") a proposal to adopt new Rule 11.21 to require Members to identify each order accurately as a Principal, Agency, or Riskless Principal Order. Rule 11.21 becomes operative on April 4, 2011.

The new rule is set forth below, followed by general information regarding the Rule.

Rule 11.21. Input of Accurate Information

Members of the Exchange shall input accurate information into the System, including, but not limited to, whether the Member acted in a Principal, Agent, or Riskless Principal capacity for each order entered.

Though BATS has a variety of general rules requiring members to observe high standards of commercial honor and just and equitable principles of trade, BATS has not previously imposed any explicit requirement upon Members to report the capacity in which they are acting in connection with an order. Because of the regulatory importance of accurate information input in the System, BATS believes a rule that directly addresses Members' obligation to provide accurate information, including capacity, is warranted. Accordingly, the proposed rule makes clear Members' obligation to input accurate information into the System, including whether the Member acted in a Principal, Agent, or Riskless Principal capacity, and that failure to do so would be considered a violation of BATS Rules.

BATS notes that the BATS Exchange, Inc. equity options platform ("BATS Options") already has in place a rule, Rule 18.2(a)(6), that requires members of BATS Options ("Options Members") to ensure that accurate information is input into the System, a requirement that includes, but is not limited to, the capacity of the Options Member as it relates to the order.

The rule filings adopting the changes described above are available at:

http://www.batstrading.com/resources/regulation/rule_filings/approved/2011/SR-BATS-2011-007_approved.pdf, (for BZX), and

http://www.batstrading.com/resources/regulation/rule_filings/approved/2011/SR-BYX-2011-004_approved.pdf (for BYX).