



**BZX Regulatory Circular 15-009**  
**BYX Regulatory Circular 15-009**  
**EDGA Regulatory Circular 15-009**  
**EDGX Regulatory Circular 15-009**

Date: November 3, 2015

To: Members of BATS Exchange, Inc., BATS Y-Exchange, Inc., EDGA Exchange, Inc. and EDGX Exchange, Inc.

From: Membership Services

**Re: Mandatory Participation in Disaster Recovery Testing**

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BATS Exchange, Inc. ("BZX"), BATS Y-Exchange, Inc. ("BYX"), EDGA Exchange, Inc. ("EDGA") and EDGX Exchange, Inc. ("EDGX", and together with BZX, BYX and EDGA, the "Exchanges") recently adopted Rule 2.4, entitled "Mandatory Participation in Testing of Backup Systems" in connection with Regulation Systems Compliance and Integrity ("Regulation SCI").

### **Regulation SCI**

Regulation SCI requires SCI entities, including the Exchanges, to maintain business continuity and disaster recovery plans that provide for resilient and geographically diverse backup and recovery capabilities that are reasonably designed to achieve next business day resumption of trading and two-hour resumption of critical SCI systems following a wide-scale disruption<sup>1</sup>.

Regulation SCI requires the Exchanges to require certain Members to participate in business continuity and disaster recovery testing in a manner specified by the Exchanges and at a frequency of not less than once every 12 months. Pursuant to the regulation, the Exchanges are required to establish standards for the designation of Members that the Exchanges reasonably determine are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event the Exchanges' business continuity and disaster recovery plans are activated.

### **Designation Criteria**

The Exchanges have adopted Rule 2.4, which governs mandatory participation in testing of the Exchanges' backup systems. The Exchanges have designated Members to participate in mandatory testing because they either account for a meaningful percentage of an individual Exchange's overall volume or maintain exclusive responsibilities with respect to Exchange-listed securities. Specifically, Members that meet one of the following criteria shall be required to connect to the applicable Exchange's secondary data center in Chicago and participate in functional and performance testing of such systems:

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<sup>1</sup> See Securities Exchange Act Release No. 73639 (November 19, 2014), 79 FR 72252 (December 5, 2014) ("SCI Adopting Release").

- Member accounts for five (5) percent or more of the executed volume<sup>2</sup> on BZX, BZX Options, BYX, EDGA, EDGX or EDGX Options; or
- Member participates as a Lead Market Maker with respect to one or more securities listed on BZX.

Members will be required to connect to and participate in testing on each Exchange(s) for which they meet the established criteria. The Exchanges will announce mandatory testing dates periodically, with at least one mandatory test each year.

While the Exchanges mandate that certain Members connect to their backup facilities, the Exchanges note that all Members are permitted and encouraged to connect to the Exchanges' backup systems, as well as participate in the testing of such systems.

#### **Notification and Applicability**

Pursuant to Interpretation and Policy .01 of Rule 2.4, the Exchanges will provide written notification to designated Members quarterly based on the prior calendar quarter's volume on each Exchange. Designated Members not currently connected to the Exchanges' backup systems shall have until the next calendar quarter before such requirements are applicable.

See [SR-BATS-2015-86](#)

See [SR-BYX-2015-44](#)

See [SR-EDGA-2015-40](#)

See [SR-EDGX-2015-45](#)

*Please contact Membership Services at 913.815.7002 with any inquiries regarding this Regulatory Circular.*

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<sup>2</sup> Each Exchange will measure volume executed on its Exchange on a quarterly basis.