Date: June 30, 2016

To: Options Members of Bats BZX Exchange, Inc. and Bats EDGX Exchange, Inc.
(each an "Exchange")

From: Membership Services

Re: **Professional and Priority Customer Order Counting Methodology**

Effective **Friday, July 1, 2016**, the Exchange has adopted new standards to specify the methodology for counting average daily order submissions in listed options to determine whether a person or entity meets the definition of a "Professional". The Exchange's proposed standards are consistent with those of other options exchanges that have recently adopted similar standards.

The standards become operative as of July 1, 2016 and should be implemented commencing for Q2 2016. Accordingly, Exchange Members are expected to conduct their firm's review of Q2 2016 activity compliant with the requirements outlined in the definition of "Professional" (Exchange Rule 16.1(a)(46)) as well as the additional standards set forth in Interpretation and Policy .01 to Rule 16.1, which are summarized below.

Any changes to Priority Customer designations should be made within five days after the review period, but no later than **July 8, 2016**.

The Exchange notes the following key order counting standards highlighted below:

General Standard
Each order of any type (except as otherwise noted in the rule), regardless of the options exchange on which entered or to which routed, shall be counted as one order.

Complex Orders
- Complex orders comprised of **8 option legs or fewer** shall count as a single order
- For complex orders comprised of **9 option legs or more**, each option leg shall count as a separate order

Parent and Child Orders

- *Same Side and Series*: A "parent" order placed for the beneficial account(s) of a person or entity that is not a broker or dealer that is broken into multiple subordinate "child" orders on the same side (buy/sell) and series as the parent order, by a broker or dealer or an algorithm housed at a broker or dealer or licensed from a broker dealer but housed with the customer (a "same side/series order"), shall count as one order, even if routed away
- *Both Sides and/or Multiple Series*: A "parent" order (including a strategy order) that is broken into multiple subordinate "child" orders on both sides (buy/sell) of a series and/or multiple series (a "both sides/series order") shall count as multiple orders, with each child order counted as a new and separate order

Cancel and Replace Orders

- *General Standard*: An order that cancels and replaces an existing order shall generally count as a separate order (or multiple new orders in the case of a complex order comprised of 9 option legs or more)
- *Same Side and Series:* An order that cancels and replaces a same side/series order, as defined above, shall not count as a new order
- *Both Sides and/or Multiple Series*: An order that cancels and replaces a both sides/series order, as defined above, shall count as a new order
- *Pegged Orders:* An order that: (i) cancels and replaces a subordinate "child" order resulting from a "parent" order pegged to the BBO or NBBO, or (ii) cancels and replaces any subordinate "child" order pursuant to an algorithm that uses BBO or NBBO in the calculation of "child" orders and attempts to move with or follow the BBO or NBBO of a series, shall count as a new order each time a cancel/replace is used to follow the BBO or NBBO

For additional information please refer to the Exchange filings (each filed on an immediately effective basis), which are available at:

http://cdn.batstrading.com/resources/regulation/rule_filings/approved/2016/SR-BatsBZX-2016-31.pdf
http://cdn.batstrading.com/resources/regulation/rule_filings/approved/2016/SR-BatsEDGX-2016-28.pdf

Please contact Membership Services at 913.815.7002 or MembershipServices@bats.com *with any inquiries regarding this Regulatory Circular.*