



BATS Updating Hidden Order Behavior in Crossed Markets Effective November 10, 2010

Dear Member,

The BATS BYX Exchange and the BATS BZX Exchange will be modifying the default behavior for resting hidden orders that are crossed by the market **effective Wednesday, November 10, 2010 (subject to filing with the SEC)**. This will coincide with the activation date for Short Sale Circuit Breaker functionality and this new behavior will operate in a similar manner for hidden short sale orders (non-exempt) that are resting on the BYX Exchange or BZX Exchange Order Book when a Short Sale Circuit Breaker is activated for a given security.

Currently, resting hidden orders that are crossed by the market are cancelled back to the user. On the noted effective date, BATS will refer to the port level setting for price sliding to determine a user's preference. If the port level setting indicates price sliding is enabled (the default), the hidden order price will be automatically slid to a non-crossing price. Otherwise, the order will be cancelled back to the user.

Treatment of non-exempt hidden short sale orders that are booked when a Short Sale Circuit Breaker is activated will also depend on the port level settings for price sliding. In a slightly different manner than described above, these orders will be slid to a non-locking price when locked (or crossed) by the National Best Bid. If price sliding is not enabled on the port, the order will be cancelled back to the user.

Existing price sliding functionality that occurs upon order entry will remain the same.

To confirm your firm's current port level settings, you may refer to the "Allow Price Slide" attribute within the *Ports* tool in the [BATS Member Web Portal](#) or contact the BATS Trade Desk. Requests to modify default port level attributes must be requested by emailing the BATS Trade Desk.

At this time, FIX Tag 9479 (DisplayIndicator) cannot be used to override the port level settings for these specific cases.

We appreciate your continued support of BATS and look forward to earning more of your business. Please contact your Sales Director or the Trade Desk if you have any questions.

BATS Trade Desk

913.815.7001

tradedesk@batstrading.com

www.batstrading.com/alerts