



Reminder: BZX Exchange Auction Process for BATS-Listed Securities Effective May 1, 2015

Overview

As a reminder, effective Friday, May 1, 2015, BATS BZX Exchange (BZX) will make several updates to the BZX Auction Process for BATS-listed Securities. The definitions of Eligible Auction Orders, Reference Price Range, and the Volume Based Tie Breaker will be updated. In addition, the provision which requires that there be crossing limit orders on one or both sides in order to perform an auction at a price other than the Volume Based Tie Breaker will be removed. Finally, BATS will update the handling of Late Orders to use the NBBO rather than the ZBBO when calculating the BATS expects these changes to improve the auction experience on the BZX platform for our Members through increased executions, while also delivering improved logic around the reference prices used for BATS Auction Collars to prevent erroneous auction prices.

Definition Changes

On the effective date, the definitions of Eligible Auction Orders, Reference Price Range, and the Volume Based Tie Breaker will be updated. BATS will also add a definition for Maximum Percentage.

- Eligible Auction Orders: Orders eligible to participate in BATS-listed auctions include:
 - On-Open and On-Close orders that are entered prior to the cut-off or Late-Limit orders entered after the cut-off for an Opening/Closing Auction.
 - RHO orders that are entered prior to 9:30 a.m. ET.
 - All orders entered prior to the auction match for an IPO/New Issue/Halt Auction.
- Reference Price Range: The prices between and including the NBB and the NBO. In the event that there is no NBBO, this will be the price of the Final Last Sale Eligible Trade. The Reference Price Range is used only for the purpose of calculating the Reference Price and will not be disseminated as part of the BATS Auction information.
- Volume Based Tie Breaker: The midpoint of the NBBO, if valid. The NBBO is valid when:
 - there is both an NBB and NBO for the security, and
 - the NBBO is not crossed, and
 - the midpoint of the NBBO is less than the Maximum Percentage away from the NBB and NBO.

In the event the NBBO is not valid, the price of the Final Last Sale Eligible Trade will be used. For IPO Auctions, the issue price will be used.

- Maximum Percentage: The Maximum Percentage will vary depending on the price of the NBBO Midpoint.

NBBO Midpoint Price	<u>Maximum Percentage</u>
Less than or equal to \$25	5%

Greater than \$25 but less than or equal to \$50	2.5%
Greater than \$50	1.5%

Removal of Crossing Limit Order Provision

BATS will remove the provision that requires limit orders from one or both sides to participate in the auction in order to perform the auction at a price other than the Volume Based Tie Breaker. The removal of this provision will allow Market Orders a better chance of execution against resting contra-side liquidity on the auction and continuous books at the time of the auction. However, the BATS Auction Collar may still prevent some or all of the shares of a Market Order from executing if the resulting price of the auction falls outside the Collar Price Range.

Update to Late Order Handling

BATS will update Late Orders so that they are priced no more aggressive than the NBB for bids and the NBO for offers. Currently, Late Orders are priced based on the ZBB (BATS Best Bid) and ZBO (BATS Best Offer).

More Information

For more information, refer to the BATS Auction Process Specification:

- [BATS Auction Process Specification](#)

Please contact the BATS Trade Desk or your [Director of Sales](#) with any questions. We appreciate your continued support of BATS and look forward to earning more of your business.

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