

Limit Up/Limit Down Update

Implementation Schedule	
Date	Description
Monday, February 24, 2014	LULD Phase 2, Stage 2 – LULD bands in effect from 9:30 a.m. ET to 4:00 p.m. ET

BATS Volatility Close Auction Procedures (pending SEC Approval)

If a security is halted due to a LULD pause between 3:50 p.m. and 4:00 p.m. ET, a Volatility Closing Auction will be held at 4:00 p.m. ET. This will end the LULD pause and set the Closing Price for the security.

- The Quote-Only period will begin when the security is halted. Auction Updates will be disseminated every 5 seconds throughout the halt.
- Previously booked orders intended for the closing cross, including Market On Close (MOC), Limit
 On Close (LOC), and Late-Limit-On-Close (LLOC) Orders), will remain on the book and will
 participate in the Volatility Closing Auction.
- New Auction Orders (i.e. MOC, LOC, and LLOC orders) can be entered, modified, and cancelled during the pause for participation in the Volatility Closing Auction. There is no cutoff for On-Close interest.
- New Market or Limit orders may be entered, modified, and cancelled during the pause for participation in the Volatility Closing Auction.
- Any Regular Hours Only (RHO), LOC, LLOC, or MOC shares that are not executed in the Volatility Closing Auction will be cancelled at the conclusion of the auction.
- Limit order shares on the Continuous Book that are not executed in the Volatility Closing Auction will remain on the Continuous Book during the After Hours Trading Session, subject to the Member's instructions.
- Orders will be executed at the price that maximizes the number of shares executed in the auction.
 - In the event of a volume-based tie at multiple price levels, the price level closest to the Final Last Sale Eligible Trade will be used for Volatility Closing Auctions.
 - Where no limit orders from one or both sides (the buy side, the sell side, or both the buy and sell side) would participate in a Volatility Closing Auction, the Volatility Closing Auction will occur at the price of the Final Last Sale Eligible Trade.
 - The Volatility Closing Auction will not execute at a price that is greater than the BATS Exchange Clearly Erroneous Execution Policy guidelines: 10% for securities priced \$0 to \$25, 5% for securities priced \$25 to \$50, or 3% for securities priced greater than \$50.

• The Closing Auction fees will be used for executions that result from a Volatility Closing Auction.

Phase 2 Testing Schedule

LULD Phase 2, Stage 2 testing will be available for testing in the BATS Certification environments effective Tuesday, January 21, 2014.

Additionally, BATS BYX Exchange and BZX Exchange will provide Members a testing opportunity for Limit Up/Limit Down (LULD) Phase 2, Stage 2 as follows.

Date	Test Objective
Saturday, February 8, 2014	Initial LULD Phase 2, Stage 2 Test
Saturday, February 22, 2014	Final LULD Phase 2, Stage 2 Test

A test script and time for each test will be provided in a future update.

For More Information

Refer to the BATS Limit Up/Limit Down FAQ for further information regarding Limit Up/Limit Down.

Please contact the BATS Trade Desk or your Director of Sales with any questions.

BATS Trade Desk

913.815.7001

tradedesk@bats.com

www.batsoptions.com/alerts

www.batstrading.com/alerts