



BZX Regulatory Circular 10-011
BYX Regulatory Circular 10-003

Date: November 10, 2010

To: Market Makers Registered with BATS Exchange, Inc. and BATS Y-Exchange, Inc.

From: Membership Services

**Re: Approval of Amendments to Market Maker Quotation Rules and BATS Market
Maker Quoter Functionality**

On September 17, 2010, BATS Exchange, Inc. ("BZX" or generically, the "Exchange"), in conjunction with other exchanges and FINRA, proposed to amend Exchange Rule 11.8 to modify the quotation requirements applicable to market makers registered with BZX, including the elimination of stub quotes.¹ This proposal was amended on November 4, 2010,² and approved on an accelerated basis on November 8, 2010.³ On September 27, 2010, BATS Y-Exchange, Inc. ("BYX", or generically, the "Exchange") filed an identical proposal and amendment with respect to market makers registered with BYX.⁴ BYX believes that this proposal will be approved in the near future. **The implementation date for the new rules is December 6, 2010.**

Under the new rules, the Exchange will require that Registered Market Makers maintain continuous two-sided quotes during regular trading hours within a defined price range. Pursuant to the rules, as amended, the Exchange will offer an optional functionality to Market Makers registered with the Exchange (the "Market Maker Quoter"). This functionality is intended to assist Market Makers with their compliance with the new quotation requirements.⁵ Specifically, for Market Makers that choose to use the Exchange's Market Maker Quoter functionality, the Exchange will enter the initial bid and offer at the Designated Percentage and cancel and replace the bid or offer if it drifts away from the NBBO to the Defined Limit or away from the Designated Percentage towards the NBBO by a number of percentage points determined by the Exchange.

The Exchange is notifying interested parties that the percentage away from the Designated Percentage towards the NBBO that a market makers quote, as maintained by the Exchange, will be allowed to drift prior to being reset at the Designated percentage is **one percentage point (1%)**. This percentage may be adjusted in the future, for instance, to mitigate the amount of quotation information resulting from Exchange generated Market Maker quotes. In the event of a change to this percentage the Exchange will distribute a new circular to its Members.

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

¹ See [SR-BATS-2010-025](#).

² See [SR-BATS-2010-025 Amendment 1](#).

³ See Securities Exchange Act Release No. 63255 (November 5, 2010); available at <http://www.sec.gov/rules/sro/bats/2010/34-63255.pdf>.

⁴ See [SR-BYX-2010-001](#) and [SR-BYX-2010-001 Amendment 1](#).

⁵ The Exchange has published specifications outlining the functionality of the [Market Maker Quoter](#).