



Regulatory Circular 10-003

Date: April 22, 2010

To: Members of BATS Exchange, Inc.

From: Membership Services

Re: **Notice of Proposed Principal Registration Requirement Rule and Reminder Regarding Existing Registration Rules**

Overview of Proposed Rule Change

On April 9, 2010, BATS Exchange, Inc. (the "Exchange" or "BATS") filed with the Securities and Exchange Commission ("Commission") a proposed rule change to amend BATS Rule 2.5, entitled "Restrictions," to require each Exchange Member to register with the Exchange:

- at least two principals to supervise Authorized Traders of the Member (subject to certain exceptions), and
- at least one financial and operations principal.

The Exchange proposes to require all Members to be compliant with the proposed rule by September 30, 2010.

The proposed changes to the Exchange's rules are described below, followed by guidance regarding the Exchange's existing registration requirements.

Proposal to Require Registration of Supervisory Principals with BATS

This section will address the requirements under the proposed rule that Members register with BATS certain Principals responsible for supervising Authorized Traders, the exceptions to the requirements, a definition of "Principal," as well as the licensing and registration requirements for Principals. If approved by the Commission as proposed, the rule will require the following:

- Unless a Member solely conducts business on the Exchange as an Options Member, the Exchange will require each Member other than a sole proprietorship or a proprietary trading firm with 25 or fewer Authorized Traders ("Limited Size Proprietary Firm") to register at least two Principals with the Exchange.
- A Limited Size Proprietary Firm will be required to register at least one Principal with the Exchange.
- The Exchange will have the ability to waive the two Principal requirement in other situations that indicate conclusively that only one Principal associated with a Member should be required.

- A “Principal” would be defined as an individual responsible for supervising the activities of a Member’s Authorized Traders.
- Each Principal would be required to successfully complete the General Securities Principal Examination (“Series 24”).

Proposal to Require Registration of a Financial and Operations Principal with BATS

This section will address the requirements under the proposed rule for Members to register with BATS a Financial and Operations Principal, the duties of the Financial and Operations Principal, and the licensing and registration requirements for the Financial and Operations Principal. If approved by the Commission as proposed, the rule will require the following:

- Each Member subject to Exchange Act Rule 15c3-1 will be required to designate a Financial and Operations Principal.
- The duties of a Financial and Operations Principal will include taking appropriate action to assure that the Member complies with applicable financial and operational requirements under Exchange Rules and the Exchange Act of 1934, including but not limited to those requirements relating to the submission of financial reports and the maintenance of books and records.
- A Financial and Operations Principal of a Member could be a full-time employee of the Member or a part-time employee or independent contractor of the Member.
- Each Financial and Operations Principal will be required to successfully complete the Financial and Operations Principal Examination (“Series 27”).
- The Exchange would have the ability to waive the requirements described above if a Member has satisfied the financial and operational requirements of its designated examining authority applicable to registration.

Reminder Regarding Existing Registration Requirements

The above-described proposed rules would be in addition to existing registration requirements for BATS Equities and BATS Options. Please find below information regarding the existing registration requirements applicable to BATS Members as well as a description of Authorized Traders and Options Principals.

- For both equities and options, “Authorized Traders” of Members who have access to the BATS platform are required to register with the Exchange. The Exchange uses Form U4 as part of its procedure for registration and oversight of Member personnel.
- By definition, Authorized Traders are all individuals who submit orders, or who supervise a routing engine that automatically submits orders, on behalf of a Member.
- These individuals are required to successfully complete the General Securities Representative Examination (“Series 7” or equivalent foreign examination module approved by the Exchange).

- All BATS Options Members must have at least one Options Principal registered with the Exchange who is responsible for supervising the options related activities of such Options Member.
- An Options Principal is required to successfully complete the Registered Options Principal Qualification Examination ("Series 4").

Notice Regarding the Electronic Registration of Personnel with BATS via WebCRD

As described in Rule 2.5, Interpretation and Policy .03, individuals associated with BATS Members that are required to register with BATS must do so electronically through the Central Registration Depository ("CRD").

Please be advised that the BATS checkboxes located on the Form U4 for purposes of registering Options Principals (Series 4), General Securities Principals (Series 24), or Financial and Operations Principals (Series 27) are not yet available. These checkboxes should be available on or about June 28, 2010, and it will be necessary for firms to register applicable personnel as soon as such electronic registration is made available (to the extent BATS Rules require registration).¹

Electronic registration for individuals holding the Series 7 license is currently available, so all Series 7 licensed Authorized Traders who have access to the BATS platform should be registered with BATS.

Please contact Membership Services, 913-815-7002, membershipservices@batstrading.com with any inquiries regarding this Regulatory Circular.

¹ The Series 4 Options Principal requirement for Options Members is the only principal registration rule currently in effect. However, if the proposed rule described in this Circular is approved by the Commission, Members will be required to register Series 24 and Series 27 personnel with BATS via CRD.