



BATS Announces Hidden Order Enhancement

Overview

BATS is pleased to announce an enhancement to hidden orders will be implemented on both BATS BYX Exchange and BATS BZX Exchange **effective Monday, January 3, 2011**. This enhancement will allow Members with hidden orders on the BATS book that are locking BATS displayed liquidity at the NBBO to be executed at a less aggressive price providing for an execution and price improvement for both sides.

Currently, such hidden orders may be locked by a displayed post only order on the other side or lock a displayed order if marked as post only. In this hidden locking situation the hidden order is not executable at the locked price as an execution as this price would violate price/time priority of the BATS order that is displayed on the other side of the NBBO.

Example

The NBBO is \$10.10 x \$10.11 and at the same time BATS is displaying liquidity at \$10.10 x \$10.11. BATS also has a hidden bid booked at a locking price of \$10.11. Presently, the hidden Bid will be executable only after the BATS displayed offer at the NBO is lifted. Now consider the situation where an aggressive order to Sell at \$10.10 enters the BATS market. With this enhancement, BATS will allow the incoming Sell order and the hidden bid to execute at \$10.105 providing a ½ penny of price improvement to each side of this trade.

Impact

As this is a functional enhancement to hidden order processing on BATS, Members are not required to make any changes to take advantage of this new behavior.

Members will have the ability to opt-in to functionality that will allow them to identify these executions by examining the 2nd character position of FIX tag 9730. The 2nd character is available for opt-in at the firm or port level and this can be enabled by contacting the BATS Trade Desk. A value of 'I' will be present in the 2nd character position of FIX tag 9730 for orders that add hidden liquidity that is price improved.

Fee Schedule Updates (subject to filing with the SEC)

As this new behavior will be allowing for at least ½ penny of price improvement for certain hidden orders, the Fee Schedules for both BYX Exchange and BZX Exchange will be adjusted for certain hidden executions \$1 or above. The adjustment in fee is more than offset by the price improvement.

- BYX Exchange – Executions for hidden orders adding liquidity **and** receiving price improvement will be assessed a fee of \$0.0030/share.
- BZX Exchange – Executions for hidden orders adding liquidity **and** receiving price improvement will be FREE.

For More Information

Refer to the appropriate FIX Specification:

- [BATS US Equities \(BYX\) FIX Specification](#)
- [BATS US Equities \(BZX\) FIX 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. As always, we are committed to our Members and to Making Markets Better.

BATS Trade Desk

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