



BATS to Introduce Display-Price Sliding Enhancement Effective September 16, 2011

Overview

Pursuant to an approved [rule filing](#), in September **BATS BYX Exchange, BATS BZX Exchange and BATS Options will be introducing an enhancement to the behavior of Display-Price Sliding** that has been designed to allow for more efficient and tighter markets at BATS. The release schedule for this enhancement on each exchange is below.

BATS will be addressing a situation that currently exists in which the NBBO is a penny wide, and the BATS market is unable to tighten its displayed quote to the same spread. This situation can occur when there is a Display-Price Sliding order (used at BATS to prevent locking and crossing) displayed at the NBBO working at the locking price. BATS Post Only orders on the opposite side of the market to the sliding order that attempt to post at the NBBO to further tighten the displayed price on BATS are rejected and prevented from posting.

Example (Current Behavior):

1. NBBO = \$10.00 x \$10.01
2. BATS BBO = \$10.00 x \$10.02
3. A bid on the BATS book has been Display-Price slid to \$10.00, but has a hidden working price of \$10.01.
4. BATS receives a BATS Post Only offer to display at \$10.01. Today, this order would be rejected.

Enhancement

A Display-Price Sliding order will now only be executable ½ tick better than its displayed price when a Post Only order locks its hidden working price. In the event the Post Only order, and any subsequent orders posted at the original working price, vacate the price level, the price sliding order will again be executable at the working price.

Example (New Behavior):

1. NBBO = \$10.00 x \$10.01
2. BATS BBO = \$10.00 x \$10.02
3. A bid on the BATS book has been Display-Price slid to \$10.00, but has a working price of \$10.01.
4. BATS receives a BATS Post Only offer to display at \$10.01.
5. The working price of the Display-Price Sliding order will not be modified, but the order will not be executable at its full working price while in this state.
6. The new BATS Post Only offer will be displayed at \$10.01.
7. Any additional offers sent to BATS will be allowed to be displayed at a price level of \$10.01.
8. Once the \$10.01 offers have been exhausted, the original Display-Price slid order will again be executable at \$10.01.
9. In the event an incoming offer is priced more aggressively than the Display-Price Sliding bid (in this case, lower than \$10.01), then the incoming order would execute against the Display-Price Sliding order at \$10.005 (one-half minimum price variation below the working price of the Display-Price Sliding order).

10. In the event the NBBO lifts (e.g., \$10.01 x \$10.02), the display price of the Display-Price slid order will be un-slid to \$10.01 in priority order based on its original time of entry or last modification.

Release Schedule

- BATS BYX Exchange – Friday, September 16, 2011
- BATS BZX Exchange – Friday, September 23, 2011
- BATS Options – Friday, September 30, 2011

Testing Opportunity

This functionality will be made available to Members within all BATS Certification environments effective Wednesday, September 7, 2011.

More Information

For more details regarding Display-Price Sliding, refer to the [Display-Price Sliding flyer](#).

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.

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