Bats Options Exchanges to Enhance Risk Functionality Capabilities Effective June 17, 2016

Overview

Bats is pleased to announce enhanced risk functionality for Bats BZX Options Exchange and EDGX Options Exchanges available effective Friday, June 17, 2016. Enhanced risk functionality will include the capability for Members to opt-in to exchange defined Fat Finger protection default settings, opt-in to Market Maker Reject if Cancel on Disconnect Disabled functionality and allow for implementation of default Post Trade Risk protection settings to account for situations where an OSI Root configuration has not been implemented.

Fat Finger Limit Order Protection

On the effective date, Members may optionally enable exchange defined default limits at the session (or firm) level for Fat Finger protection by submitting a "Modify" Logical Port Request into the Bats Member Web Portal. Members that do not directly configure or opt-in to exchange defined limits will continue to operate without Fat Finger collars. Members that opt-in to this new feature will have their default Fat Finger limits defined as follows.

Limit Price Range	Fat Finger % (Opt-In Default)	Fat Finger % (Max Limit)	Fat Finger Dollar-Based Limit (Opt-In Default)
Limit Price < $1	Disabled	500%	$0.50
≥ $1 Limit Price but < $10	50%	50%	Disabled
≥ $10 Limit Price but < $50	10%	20%	Disabled
≥ $50 Limit Price but < $100	5%	20%	Disabled
≥ $100 Limit Price but < $500	1%	20%	Disabled
Limit Price ≥ $500	1%	20%	Not Valid

While Members that opt-in to the defaults may override the defaults via the Bats Port Controls tool, they will not be able to extend their settings beyond the Fat Finger % Max Limit defined above.

Market Maker Reject if Cancel On Disconnect Disabled

On the effective date, Members may optionally configure Market Maker Reject if Cancel on Disconnect Disabled. If configured, Market Maker capacity orders will be rejected if session (or firm) level Cancel on Disconnect is not enabled. Non-Market Maker capacity orders will be unaffected with this configuration. Members may change their default Market Maker Reject if Cancel on Disconnect Disabled behavior by submitting a "Modify" Logical Port Request into the Bats Member Web Portal.

Post Trade Risk Protections

On the effective date, default level OSI Risk functionality will be configurable within the Member Risk Management Tool. Current functionality allows configurable risk profiles for notional, volume, trade count and percentage of quote controls for explicitly defined OSI Roots. The enhanced OSI Risk functionality will allow for a Member to define default controls where explicit OSI Root controls aren't specified. To define the default controls, input an asterisk "*" in the place of an OSI Root symbol within the Member Risk Management Tool.

Testing Opportunities

Testing of the updated risk functionality will be available in the BZX Options and EDGX Options Certification environments effective Tuesday, June 14, 2016.

Additional Information

Refer to the following technical specifications for more information:

- Risk Management Specification
- Web Portal Control 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.

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