Reminder: BZX Options Symbol Distribution Rebalance and Options Risk Management Updates Effective February 8, 2016 with Weekend Test Opportunity

Overview

As previously announced, effective **Monday, February 8, 2016** (BZX Options) **significant changes related to the BATS Options Risk Management functionality will be introduced that will require member attention.** Members can presently test required changes in the BATS Options Certification environments. Details regarding changes and updates required by Options Members are as follows.

Symbol Distribution Rebalance

As previously announced BATS will update the symbol distribution for BZX Options Exchange (effective February 8th) to ensure all series for a given OSI Root will be located on the same Matching Engine. Given that OSI Root level risk limits are applicable at the Matching Engine level, all OSI Root level risk limits will now be checked in an atomic fashion inside a single matching engine and will no longer be split across four matching engines by *call/put* or *front/trailing months*. Firm level risk limits will still be checked on a best efforts and will not be affected by the new symbol distribution.

As a result of the new symbol distribution, **files uploaded using the Risk Management Profile Tool that include the legacy *call/put* or *front/trailing month* fields will be rejected at the time of upload**. Members are encouraged to fully test the new file format within the Certification Environment or on the designated weekend test date in order to ensure the file upload assigns suitable risk values based on the new symbol rebalance. Members should expect to upload their new risk profiles any time between 9:00 AM ET the Friday *prior* to the effective launch date and 09:00 AM ET of the effective launch date. All Member risk profiles that are not updated during this window will be automatically assigned the least restrictive of the four OSI Root Limits in place at the time.

Details of the new file format can be found in the updated BATS Options Risk Management Specification.

Schedule

The deployment and testing schedule for the new symbol distribution as well as the risk management updates will be as follows:

- ➢ **BZX Options Exchange Production Weekend Test: Saturday, February 6, 2016**
- ➢ **BZX Options Exchange Production Deployment: Monday, February 8, 2016**

Order Level Calculation Changes

Instead of aggregating all bids and offers in a series, the Percentage of Quote calculation will be modified to use the individual order quantity when determining the percentage of quote executed. Percentage of Quote will be calculated as the sum of each order's percentage executed in a particular OSI Root during a specific period of time.

Example: A BATS Options Exchange Member specifies a Percentage of Quote limit of 200% with four (4) resting orders in two (2) different series quoted in a given OSI Root (XYZ) for 100 contracts. Executions are ordered by time and include the cumulative Percentage Of Quote after each execution:

Series XYZ1	Bids Size	Offer Size	Trade Size	POQ
Order 1	100		80	80%
Order 2		100	50	50%
Series XYZ2				
Order 3	100		60	60%
Order 4		100	10	10%
				200%

Sell 80 XYZ1 – Trades with Order 1 (Total POQ = 80%)
Buy 50 XYZ1 – Trades with Order 2 (Total POQ = 130%)
Sell 60 XYZ2 – Trades with Order 3 (Total POQ = 190%)
Buy 10 XYZ2 – Trades with Order 4 (Total POQ = 200%)

Order Modify behavior – Percentage of quote calculations on orders that have modifications of price or size will be retained and the modified order will be treated as a new order for purposes of Percent of Quote Risk.

Example: A BATS Options Exchange Member specifies a Percentage of Quote limit of 200% with two (2) resting orders quoted in the given OSI Root (XYZ) for 100 contracts, followed by a modify to Order 1 to refresh order size following an execution. Executions are ordered by time and include the cumulative Percentage Of Quote after each execution:

Series XYZ1	Bids Size	Offer Size	Trade Size	POQ
Order 1	100		80	80%
Order 2		100	50	50%
Order 1B	100		100	100%
				230%

Sell 80 XYZ1 – Trades with Order 1 (Total POQ = 80%)
Buy 50 XYZ1 – Trades with Order 2 (Total POQ = 130%)
Modify Order 1 – Increase size to 100 (Total POQ = 130%)
Sell 100 XYZ1 – Trades with Order 1B (Total POQ = 230%)

Firm Level Risk Reset

Finally, additional functionality is being added to disable automated risk resets when a Firm Level risk check has been breached.

The new default behavior will be to disable automated Firm Level risk resets such that a Member will not be able to reset Firm Level Risk via their FIX or BOE order entry sessions. Attempts to reset Firm Level Risk when sending BOE *RiskReset* field (FIX Tag 7692) of either "FIRM" or "BOTH" will result in a reject with a Text field reason of "A: Automatic risk resets are disabled". Instead, the Member will be required to contact the Trade Desk (913-815-7001, tradedesk@bats.com) and request a manual reset.

Members can optionally enable automatic Firm Level Risk trigger resets by contacting the Trade Desk. OSI Level Risk resets will be unaffected by this change.

Additional Information

Refer to the following technical specifications for more details regarding the noted updates:
- BATS Options Risk Management Specification *(New Functionality and Risk File Requirements)*
- BATS US Equity/Options Multicast Depth of Book (PITCH) Specification (*Symbol Distribution Updates*)
- BATS Options FIX Specification
- BATS Options Binary Order Entry (v2) 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.

BATS Trade Desk
913.815.7001
tradedesk@bats.com