

Dear BATS Europe Participants and Members of the Trading Community,

Welcome to the first issue of the BATS Europe newsletter. The following items will be covered in this inaugural version:

1. BATS Europe Progress to Date
2. June Pricing Special for NYSE Euronext Securities
3. CCP Interoperability – Driving Efficiency in Clearing
4. Uniform Symbology and Standardised Tick Sizes

BATS Europe has made strong progress since the end of April 2008 when Paul O'Donnell (COO) and I became the first two employees of BATS Global Markets' newly formed European venture. The first six months saw the creation of a high quality team and the development of highly valued client and industry relationships that enabled us to launch ahead of schedule on 31st October 2008.

Just seven months since going live, we are continuing to add new trading participants and setting new BATS Europe market share records in the major indices on an almost weekly basis. BATS Europe recently set market share records in the FTSE100 (4.32% on 19th May), the CAC40 (4.16% on 16th April), DAX (4.75% on 22nd May) and AEX (3.80% on 15th April). Over the same period, the notional value traded on BATS Europe has grown consistently and strongly with nearly €1 billion being traded on 7th May.

In addition, the BATS Europe pan-European [market share display](#), frequently referenced by journalists and analysts, has become an invaluable tool for the industry.

We are excited by our progress thus far and are hard at work driving solutions for pan-European trading issues affecting the industry, such as competitive clearing, uniform symbology and standardised tick sizes (more on these topics below).

With growing market share, a diverse participant base and what we believe to be the best performing – and most reliable – trading platform in the world, we consider now is the time to make an aggressive change in our pricing.

June Pricing Special for NYSE Euronext Securities

On 18th May, BATS Europe announced a pricing special beginning on 1st June. It is very simple: We are *inverting* the add/remove price model for constituents of the CAC 40, AEX and BEL20 indices and for three ETFs: LYXOR CAC 40, LYXOR EURO STOXX50 and ISHARES EURO STX50.

Participants will receive a rebate of 0.50 basis points of the notional value for executions that add liquidity and will be charged 0.30 basis points for executions that remove liquidity from the BATS Europe order book. We will honour the inverted add/remove (0.50/0.30) price structure during June up to €50 billion notional value traded in these securities.

The feedback from participants regarding the June pricing special has been overwhelmingly positive, and we would appreciate the support of all our participants trading these securities from 1st June.

If you have any questions regarding the June pricing special, I encourage you to contact the BATS Europe Trade Desk (+44 207 012 8901 or TradeDeskEurope@batstrading.com) or your account manager.

Continued Progress towards CCP Interoperability

When BATS Europe was formed last year, we immediately recognised that the choice of CCP should be made by the clearing and trading firms, not the trading venues and, therefore, clearing interoperability between multiple CCPs was an important step in order to create more efficient and competitive post-trade services. Since the outset, we have worked towards making competitive clearing a reality so our participants can experience the full benefits that arise as a result of competition. We believe that the decisive steps we have taken will help to make interoperability a reality that will benefit the industry as a whole.

Earlier this month, BATS Europe announced the appointment of LCH.Clearnet to clear UK and Swiss securities. We are also working with both x-clear and LCH.Clearnet to ensure that their interoperability agreement is open to all trading venues and not just a single trading venue.

When we launched in October 2008, appointing EMCF to clear for BATS Europe was a natural choice. As the first pan-European clearer, EMCF is an innovator which has led the way by providing competitive pricing. EMCF deserves much credit for pioneering a pan-European CCP and driving competition into Europe. EMCF's record of innovation has continued with its recently announced "Order-based Pricing Model" allowing multiple executions against one order to be compressed for the purposes of clearing fees.

Participants have a range of differing requirements that ultimately determine their choice of CCP. We have maintained a continued dialogue with many CCPs and clearing firms, with the aim of offering a choice of CCPs.

The recent moves by EMCF, LCH.Clearnet and x-clear towards becoming interoperable have our full support. We view the agreements as setting the precedent and model for interoperability in Europe and are working with all three parties to offer competitive clearing by late summer. We urge all of our participants to demand clearing choice from all trading venues.

Uniform Symbology and Standardised Tick Sizes Initiatives Update

Back in October, BATS Europe, Chi-X and NASDAQ OMX Europe formed an industry working group to develop a uniform symbology framework for trading pan-European stocks. The idea behind the working group is straightforward: a common securities symbology that uniformly identifies securities traded across Europe will facilitate orderly and efficient pan-European trading.

BATS Europe led the development of an innovative trust-based legal structure to ensure that Intellectual Property rights remain with the trust and can never be asserted by any single member of the trust over another.

Since its formation, Turquoise and NYSE Arca Europe have joined the working group and there is growing interest from other platforms.

Like uniform symbology, we view standardised pan-European tick sizes as a way to improve the equity markets for participants in Europe. We believe it is unnecessary and inefficient to have multiple tick size schemes when trading across many markets throughout Europe.

There are several views as to what is the appropriate tick size, and a balance must be found between a tick size that is neither too large nor too small. To that end, we have been working with multiple market venues, LIBA and FESE on a standardised tick size scheme that encourages both price improvement and liquidity formation. We want to thank everyone who is participating in the tick size discussions and appreciate the industry-wide cooperation.

We will continue to update you on the progress of both initiatives.

Why is BATS Europe working on CCP Interoperability, Tick Sizes and Symbology?

BATS Europe is highly motivated to work to help remove the friction in European trading. As friction is reduced, we believe there will be an increase in the overall frequency of trading and that trading can be conducted at the much lower fee levels. Together, these initiatives create the basis for the future development of a vibrant European order routing environment where market venues and participants can rapidly and efficiently direct trading activity to the most appropriate liquidity pool.

This will result in a significant improvement in European equity market structure when compared to the pre-MTF market structure where trading flows have been fettered by the expense, inefficiency and rigidity of the historic trading and clearing environment.

Last, But Certainly Not Least, Thank You

We plan to make this newsletter a regular communiqué to highlight issues that affect the industry overall, as well as to provide timely and valuable information about BATS Europe.

Finally, we thank our participants for their continued support and encourage more firms to take advantage of our ever-growing pool of liquidity. Your feedback is welcomed and encouraged, and we look forward to earning your business.

Best Regards,

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