



# Participant Manual

BATS Europe

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## 1. INTRODUCTION

This document explains the policies, procedures and technology used by BATS Trading Limited (**BATS**).

Information contained in this document is subject to change at any time. For the latest updates, please refer to our **Website** <http://www.batstrading.co.uk>

Terms defined in the BATS Rule Book shall have the same meaning in this Participant Manual (unless the context requires otherwise).

## 2. OUR MISSION

Our mission is “to make markets better” by creating a Better Alternative Trading System.

BATS believes competition drives innovation and that Participants should have a choice between multiple competing electronic markets and post-trade service providers.

We are continuously working to enhance our product functionality.

## 3. HOW BATS WORKS

BATS is authorised and regulated by the FSA as the operator of a Multilateral Trading Facility (**MTF**), and as an investment firm which is able to arrange (bring about) deals in investments and deal as agent. BATS is passported and accessible across the whole of the European Economic Area (**EEA**).

BATS operates an MTF (**BATS MTF**) on which Participants can trade a range of pan-European financial instruments. BATS also offers an Order Routing Facility (**BATS Order Routing Facility**) which enables Participants to submit Orders for execution on the BATS MTF and for any unexecuted portion of the Order to be routed to alternative venues (**Away Venues**) for execution.

From time to time, BATS may offer additional related services.

Transactions conducted on the BATS MTF or through the BATS Order Routing Facility are conducted under the Rules and are centrally cleared by the Central Counterparty(ies).<sup>1</sup>

### BATS MTF

The BATS MTF consists of the **BATS Integrated Book** and the **BATS Dark Book**. Participants may also bring privately negotiated transactions under the Rules.

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<sup>1</sup> Participants have the option to suppress the reporting of certain self matched transactions to the Central Counterparty(ies) where there is no net settlement. Please refer to the Clearing and Settlement section of the Participant Manual.

Participants connect to the BATS MTF via the **BATS FIX Order Handler** using the industry standard FIX protocol, with BATS specific extensions or via the **BATS Binary Order Entry (BOE) protocol**.

### *BATS Integrated Book*

The BATS Integrated Book is an anonymous central limit order book, which combines both Displayed (or visible) and Non Displayed (or hidden) liquidity. In this book, the matching engine compares the limit price of an incoming Order with the price of resting limit Orders on the book. If the Order is immediately marketable against the book, an immediate match is made and communicated back to the Participants.

Resting Orders are matched according to the following criteria in descending order of priority:

- (i) Price – the displayed limit price of the Order;
- (ii) Display – Displayed (visible) Orders have priority over Non Displayed (hidden) Orders and reserve Orders; and
- (iii) Time – the time the Order was received by BATS (time priority in the BATS Integrated Book is based on the time stamped on an Order when it arrives in the book).

### *BATS Dark Book*

The BATS Dark Book is an anonymous midpoint order book, which is separate from the BATS Integrated Book, where all Orders are Non Displayed. The BATS Dark Book uses the pre-trade transparency waiver available to reference price systems under the Market in Financial Instruments Directive (**MiFID**) Regulation. Therefore, any Orders submitted to the BATS Dark Book will not be pre-trade transparent. The reference price used is the midpoint of the relevant Best Bid and Offer on the Listing (Primary) Market (**PBBO**).<sup>2</sup>

### BATS Order Routing Facility

The BATS Order Routing Facility is a separate service from the BATS MTF and is only available to clients who are Participants of the BATS MTF and who are categorised as Eligible Counterparties, as defined under the FSA Rules.

Participants connect to the BATS Order Routing Facility via the BATS FIX Order Handler using the industry standard FIX protocol, with BATS specific extensions or via the BOE protocol.

Any Order executed through the BATS Order Routing Facility on the BATS Integrated Book and/or BATS Dark Book will be subject to the Rules. Any Order executed through the BATS Order Routing Facility on an Away Venue will be brought under the Rules as a Negotiated Transaction and so will be subject to the Rules.

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<sup>2</sup> Where appropriate, midpoint prices are rounded (up) to four decimal places.

## BATS Liquidity Provider Program

BATS operates a Liquidity Provider Program (**BATS Liquidity Provider Program**) for Participants that wish to provide liquidity on the BATS MTF in accordance with the criteria set out below.

### Execution Price Collar

All Orders submitted to the BATS MTF or BATS Order Routing Facility are subject to an **Execution Price Collar** based on the PBBO. Where an execution would occur that would breach the Execution Price Collar, the aggressive Order will be rejected. All Orders are verified against the Execution Price Collar at the point of execution.

Where the PBBO is available, the Execution Price Collar is 20% or more through the PBBO. Where the PBBO is unavailable, for example, where the Listing Market is in auction or during an outage, the Execution Price Collar is 20% or more through the price of the last transaction on the Listing Market.

Where there is no PBBO and there has been no transaction on the Listing Market on that day, there is no Execution Price Collar.

Participants who wish to impose a finer Execution Price Collar may do so on an opt-in basis either at the Participant level or session level by contacting the BATS Europe Trade Desk (+44.207.012.8901, [TradeDeskEurope@batstrading.com](mailto:TradeDeskEurope@batstrading.com)). Finer collars are only used at the point of Order entry with respect to aggressive Orders. Passive resting Orders will always be subject to the default 20% Execution Price Collar.

### Market data

Full depth of book market data for Displayed Orders on the BATS Integrated Book is available via the BATS PITCH protocol.

All executions in the BATS Integrated Book and BATS Dark Book are also available on the market data feed. BATS does not charge Participants to use its market data.

Participants may also receive copies of their Orders via the BATS FIX protocol and may receive copies of their executions via either the BATS DROP or FIX protocol.

## **4. TECHNOLOGY**

The BATS trading platform is housed in a world-class data centre in Equinix Slough (LD4).

The Equinix Slough (LD4) data centre provides a high level of security, redundant power supplies including an on-site backup generator, and reliable cooling. Data centre personnel are available 24/7 to maintain and service the system.

The BATS trading platform is distributed across several Linux blade servers to maximise throughput and minimise bottlenecks. More blades can be added easily to expand system capacity.

Fast, reliable data storage is provided by a Storage Area Network (**SAN**).

## **5. PARTICIPATION**

### Participation on the BATS MTF

Participation in the BATS MTF is open to any partnership, corporation or other organisation which meets the Eligibility Criteria set out in the Rules.

Further information on providing clearing services for Participants can be obtained from the relevant Central Counterparty. Contact details for the Central Counterparties are available on the Website.

### Use of the BATS Order Routing Facility

Access to and use of the BATS Order Routing Facility is available to clients who are Participants of the BATS MTF and who are categorised as Eligible Counterparties, as defined under the FSA Rules. Access to and use of the BATS Order Routing Facility is made available at BATS' absolute discretion.

### Use of the BATS Liquidity Provider Program

Access to and use of the BATS Liquidity Provider Program is available to Participants of the BATS MTF. Access to and use of the BATS Liquidity Provider Program is made available at BATS' absolute discretion.

### Further information

Further information on the Eligibility Criteria and application process is available from **BATS Participant Services**: +44 20 7012 8902 [ParticipantServicesEurope@batstrading.com](mailto:ParticipantServicesEurope@batstrading.com).

Further information on technical specifications and systems requirements is available from the **BATS Trade Desk**: +44.20.7012.8901 or [TradeDeskEurope@batstrading.com](mailto:TradeDeskEurope@batstrading.com).

## **6. APPLICATIONS**

### Applications for participation on the BATS MTF

Applications for participation are made using the BATS Participant Application Form, which is available on the Website.

BATS may require additional information including:

- in the case of an EEA regulated investment firm or credit institution, information on its status and the scope of its permissions, if applicable;
- in the case of an Applicant which is not an EEA regulated investment firm or credit institution, any such information as BATS may require to determine whether the Applicant is fit and proper; has a sufficient level of trading ability

and competence; has adequate organisational arrangements; and has sufficient resources for the role they are to perform;

- in the case of an Applicant which is not in the regulated sector and not subject to the EU anti money laundering directive (2005/60/EC), such information as BATS may reasonably require to ensure that the Applicant has in place appropriate procedures to prevent money laundering and other financial crime;
- confirmation from the relevant Central Counterparty that appropriate arrangements are in place for the clearing and settlement of the Applicant's transactions.

#### Applications for use of the BATS Order Routing Facility

Any Participant who wishes to make use of the BATS Order Routing Facility must enter into a **Client Order Routing Addendum** and satisfy the eligibility criteria of an Eligible Counterparty, as defined under the FSA Rules.

#### Applications for use of the BATS Liquidity Provider Program

Any Participant who wishes to make use of the BATS Liquidity Provider Program must enter into a Liquidity Provider Program Addendum which is available on the Website.

## **7. SPONSORED ACCESS**

A Participant may, at any time, apply to BATS to permit a third party (**Sponsored Participant**) to access and use the BATS MTF, the BATS Order Routing Facility and other services on behalf of and in the name of the Participant (**Sponsoring Participant**). BATS will require the Sponsoring Participant to enter into a **Sponsored Access Addendum** and to complete the BATS Sponsored Access Application Form, which is available on the Website.

BATS may also require the Sponsoring Participant to have in place such systems and controls or to provide such information from or relating to any Sponsored Participant as BATS may in its absolute discretion consider appropriate whether before or after the Sponsored Participant has been allowed access to and use of the BATS MTF, the BATS Order Routing Facility and other services.

Generally BATS will deal with the Sponsoring Participant in relation to any Sponsored Participant although BATS may, if appropriate, contact the Sponsored Participant directly, such as in the case of operational matters.

It is the responsibility of the Sponsoring Participant to ensure that each of its Sponsored Participants complies with the duties and obligations imposed on Participants by the Rules as if the Sponsored Participant were the Participant (save for in respect of any such duties and/or obligations which manifestly relate to the Sponsoring Participant). All Orders placed and transactions executed on BATS MTF, through the BATS Order Routing Facility or any other services by a Sponsored Participant will be treated as the Orders and transactions of the Sponsoring Participant who will be wholly responsible for the acts and omissions of the Sponsored Participants they sponsor.

BATS will expect Sponsoring Participants to utilise the Sponsored Access functionality provided by BATS. This functionality includes the pre-execution control functionality, details of which can be found in the BATS Sponsored Access Specification on the Website, and the DROP COPY data feed functionality, details of which can be found in the BATS DROP and FIX Specifications on the Website. BATS will expect Sponsoring Participants to monitor the activity of their Sponsored Participants. Where a Sponsoring Participant does not use any of the BATS Sponsored Access functionality, BATS will expect Sponsoring Participants to otherwise satisfy BATS that they have appropriate controls in place.

BATS may but shall not be obliged to give notice to the Sponsoring Participant of its intention to suspend, terminate or restrict a Sponsored Participant's right of access to and use of the BATS MTF, the BATS Order Routing Facility and other services. For the avoidance of doubt, this includes but is not limited to circumstances in which the Sponsoring Participant is no longer able to effectively monitor the activity of its Sponsored Participants or where BATS considers it necessary to maintain the orderly functioning of its market.

Any Participant proposing to add a Sponsored Participant may wish to contact BATS Participant Services to discuss their plans.

## **8. CONTINUING OBLIGATIONS**

Participants are responsible for ensuring that, at all times, their directors, officers, employees and agents having access to the BATS MTF, the BATS Order Routing Facility and other services have adequate experience, knowledge and competency to transact business on and through the BATS MTF and provide them with adequate training.

Each Participant shall provide BATS with details of the person or persons who are responsible for:

- managing the relationship with BATS;
- ensuring the Participant's compliance with the Rules;
- technical (systems) matters;
- submission of Orders; and
- payment of accounts.

Notice of changes to such personnel may be made by telephone or email to BATS Participant Services and confirmed in writing by letter or facsimile.

It is each Participant's responsibility to ensure that they have in place adequate systems and procedures to ensure their ongoing compliance with the Rules and the standards which might reasonably be expected of Participants.

## 9. LIQUIDITY PROVIDER PROGRAM

The BATS Liquidity Provider Program (**Liquidity Provider Program**) has been designed for Participants that wish to provide liquidity on the BATS MTF (**Liquidity Providers**) by posting and maintaining executable quotes with certain set parameters as outlined below, with the result of providing liquidity on a regular and on-going basis to the market.

BATS may in its absolute discretion suspend or withdraw the Liquidity Provider Program during Market Disruption.

In order to be considered a Liquidity Provider pursuant to the Liquidity Provider Program, a Liquidity Provider undertakes to quote in accordance with the requirements set out below.

### Securities subject to Liquidity Provider Program

A Liquidity Provider may elect to add liquidity pursuant to the Liquidity Provider Program in one or more Securities on the BATS MTF. A list of Securities offered on the Liquidity Provider Program is available on the Website. From time to time, BATS may change the list of eligible securities and will provide such information on the Website.

### Registration and Minimum Term

In a manner prescribed by BATS, a Liquidity Provider must designate its intention to act as a Liquidity Provider on a per Security basis (each Security so designated, a **Relevant Security**). A Liquidity Provider that designates a Security pursuant to the program agrees to provide liquidity as required by the Liquidity Provider Program for a minimum term of 30 days (**Minimum Term**). Subject to the Minimum Term, a Liquidity Provider may voluntarily withdraw its status as a Liquidity Provider in one or more Relevant Security(ies) in a manner prescribed by BATS.

### Orders Subject to Liquidity Provider Program Status

Only orders for a Participant's own account using proprietary capital qualify for the Liquidity Provider Program. A Participant is required to be able to separately identify to BATS those Orders that are Orders qualifying for the Liquidity Provider Program.

### Time Requirement

The Liquidity Provider Program is active between the Official Market Open and Official Market Close, provided, however, the program shall not be active (i) during any trading day until after the first transaction on the Listing Market in the Relevant Security, (ii) during an auction, a request by the issuer to suspend the Relevant Security, a suspension from trading by BATS, or where a Regulator has instructed such suspension (collectively, a "halt"), until after the first transaction on the Listing Market in the Relevant Security following such halt, and (iii) in a Relevant Security where there is a public holiday on the Listing Market in the Relevant Security.

A Liquidity Provider must be present on the Integrated Book for the Relevant Security(ies) consistent with the Price Requirement, the Size Requirement and for the **Required Time** (as set out in the table below). Presence on the BATS MTF Integrated Book is calculated as the sum of

time that the Liquidity Provider Program is active and a Liquidity Provider has qualifying bids or offers divided by twice the time that the Liquidity Provider Program is active. Non Displayed Orders entered by the Liquidity Provider do not qualify towards a Liquidity Provider's obligations under the Liquidity Provider Program.

Price Requirement

A Liquidity Provider must enter and maintain bid prices that are no more than the **Specified Percentage** (as set out in the table below) below the BATS Best Bid and an offer price that is no more than the Specified Percentage above the BATS Best Offer, with respect to each Relevant Security, in order for such bid or offer, respectively, to qualify as a quotation satisfying the requirements of the Liquidity Provider Program.

Size Requirement

A Liquidity Provider must provide reasonable quotations by maintaining quotes, such that the aggregate displayed size of qualifying bids or offers in any Relevant Security of at least the **Required Size** (as set out in the table below), or the equivalent, as determined by BATS, in the traded currency of the Relevant Security, in order for such quotations to qualify as quotations satisfying the requirements of the Liquidity Provider Program.

Liquidity Provider Program Parameters

For purposes of the Liquidity Provider Program, the Required Time, Required Size, and Specified Percentage shall be as follows:

<u>REQUIRED TIME</u>	<u>REQUIRED SIZE</u>	<u>SPECIFIED PERCENTAGE</u>
80%	€5,000	0.25%

Failure to Comply with Liquidity Provider Program Requirements

If BATS determines that there has been any failure by a Liquidity Provider to quote as specified above during a calendar month, such Liquidity Provider will be notified of such failure and required to provide BATS with an explanation for such failure. A Participant's failure to quote in accordance with the requirements of the Liquidity Provider Program for two (2) consecutive calendar months will result in suspension of the Participant's recognition by BATS as a Liquidity Provider in each of the Relevant Security(ies) in which such Participant did not meet such requirements. Such suspension, in BATS' absolute discretion, can be applied to a Liquidity Provider's status in all Relevant Securities. A Liquidity Provider suspended from the Liquidity Provider Program cannot re-register to act as a Liquidity Provider for such suspended securities for at least thirty (30) days following such suspension being issued.

Withdrawal from Liquidity Provider Program

A Liquidity Provider may voluntarily terminate its status as a Liquidity Provider by providing BATS with a written notice of such termination. Notifications should be made to BATS Participant Services by e-mail or at BATS' registered office.

A Liquidity Provider may temporarily withdraw its status as a Liquidity Provider if it is experiencing technical or operational difficulties. BATS may terminate a Liquidity Provider's participation in the Liquidity Provider Program if such Liquidity Provider demonstrates frequent need to withdraw due to technical or operational problems.

### Fees and Rebates

Liquidity Providers do not receive any additional rebates or pay any additional fees for executions that occur through the Liquidity Provider Program. Standard BATS execution rebates and fees apply. Please refer to the Pricing Schedule located on the Website for further details.

## **10. PTM LEVY (UK TRANSACTIONS)**

Where relevant, a Participant should ensure the collection of the PTM levy from its clients on transactions executed on the BATS MTF, through the BATS Order Routing Facility or any other services. The PTM levy is charged at the rate(s) specified from time to time by the Panel on Takeovers and Mergers. Information on the current PTM levy is available on the Panel on Takeovers and Mergers' website: <http://www.thetakeoverpanel.org.uk>

## **11. TAX (UK SDRT AND IRISH SDT)**

All purchases of UK shares on the BATS MTF, through the BATS Order Routing Facility or any other services will be subject to UK Stamp Duty Reserve Tax (**UK SDRT**) (as defined in the **UK Finance Act 1986**, as amended). However, some Participants may be able to claim intermediary relief from UK SDRT (as set out in section 88 of the UK Finance Act, as amended).

Any Participant which qualifies as an intermediary (as defined in the Finance Act as a "person who carries on a bona fide business of dealing in chargeable securities and does not carry on an excluded business") will be able to apply to the UK HM Revenue & Customs (**HMRC**) for intermediary relief (either via BATS or directly to HMRC). Any decision as to whether a Participant qualifies for intermediary relief rests with HMRC. In order for a Participant to be eligible for intermediary relief it must have a UK address for HMRC to inspect its records. In the event that the Participant does not have a UK address then the Participant may use the UK address of its General Clearing Participant with their agreement.

If any Participant believes that it can claim intermediary relief and it wants to apply for intermediary relief via BATS, then it is required to forward a completed self-certified UK SDRT Intermediary Relief Form to BATS and BATS will review the form and pass it on to HMRC for processing. The Form is available on the Website.

Any Participant which has already been afforded intermediary status by HMRC in relation to Securities should provide full details of its status to BATS.

Where a Participant has opted to suppress the reporting of certain transactions on the BATS MTF to the Central Counterparty(ies), where those transactions are in securities which are subject to UK SDRT, that Participant is required to have in place appropriate arrangements so that each and every qualifying transaction which is suppressed is appropriately notified to HMRC or Euroclear UK and Ireland.

All purchases of Irish shares on the BATS MTF will be subject to Irish Stamp Duty Tax (**Irish SDT**) (as defined by the Stamp Duties Consolidation Act 1999, as amended). However, some Participants may be able to claim intermediary relief from Irish SDT (as set out in section 75 of the Stamp Duties Consolidation Act 1999, as amended).

If any Participant believes that it can claim intermediary relief, it should read the Irish SDT Guidance Notes and complete the self-certified Irish SDT Intermediary Relief Form. The Guidance Notes and Irish SDT Intermediary Relief Form are available on the Website.

## **12. NOTIFICATIONS**

All notifications by Participants to BATS (required by the Rules) should ideally be made in advance and in the case of significant changes to the status or nature of a Participant (such as a change of ownership or control) at least five business days prior to the effective date of change.

Notifications should be made to BATS Participant Services at BATS' registered office.

## **13. TRANSACTION CONFIRMATIONS**

### BATS Order Routing Facility

BATS will confirm Orders executed through the BATS Order Routing Facility via the Participant's FIX or BOE connection. The price, quantity and the nature of the transaction (buy or sell) will be made immediately available after an Order has been executed. Any discrepancy between the Order and confirmation should be immediately reported to BATS Trade Desk (+44 20 7012 8901). After a Participant has notified BATS by telephone, a written notification must be made by the Participant to BATS within thirty (30) minutes of the Order in question by email to [TradeDeskEurope@batstrading.com](mailto:TradeDeskEurope@batstrading.com). The notification should include the name of the Participant, time(s) of the transaction(s), the symbol(s), the quantity(ies), the side (bought or sold) and the price(s).

Any erroneous transactions will be subject to the Erroneous Transaction Policy.

## **14. SUBSTANTIAL SHAREHOLDINGS**

Each Participant shall ensure that, where necessary, any transactions executed on the BATS MTF, through the BATS Order Routing Facility or any other services are incorporated into its calculations with regard to any applicable substantial shareholdings rules established by the FSA or any other relevant regulatory authority.

Where there are relevant requirements under substantial shareholdings rules to notify any person or body as to the existence of a substantial shareholding, Participants must ensure compliance with such requirements. Notification to BATS will not discharge any obligations under any substantial shareholding rules.

## **15. RULES OF FAIR PRACTICE**

Every Participant shall supervise persons associated with it to ensure the Participant's compliance with the Rules and the rules and guidance of the FSA, any other relevant regulatory authority, the EU Market Abuse Directive (2003/6/EC) and any other applicable regulations or laws.

## **16. SUSPENSION, TERMINATION AND RESTRICTION**

Notice of suspension, termination or the restriction of a Participant's right to place Orders or receive information from the BATS MTF, through the BATS Order Routing Facility or any other services shall be made by telephone or email and confirmed by letter or fax. BATS is under no obligation to notify a Participant before suspending the Participant or restricting the Participant's right to place Orders or receive information from the BATS MTF, through the BATS Order Routing Facility or any other services.

## **17. INFORMATION**

In accordance with Rule 9, every Participant shall maintain for a period of 5 years in a legible format and (unless prevented by law from doing so) make available to BATS on demand all and any information in the possession or under the custody and control of the Participant (or any Sponsored Participant sponsored by that Participant) relating to its activity on the BATS MTF, through the BATS Order Routing Facility or any other services, any Order (including but not limited to information about the reception and transmission of any Order or its subsequent deletion or execution) and the settlement of any resultant transaction.

## **18. ERRONEOUS TRANSACTION POLICY**

In accordance with Rule 10.9, where a Participant reasonably believes that a transaction was executed on the BATS MTF, through the BATS Order Routing Facility or any other services as a result of an erroneously submitted Order, that Participant should in the first instance immediately telephone BATS Trade Desk (+44 20 7012 8901) to request that BATS review the transaction.

After a Participant has notified BATS by telephone, a written request must be made by the Participant to BATS within thirty (30) minutes of the execution of the Order in question preferably using the Clearly Erroneous Execution (CEE) Form available through the Participant's web login or by email to [TradeReviewEurope@batstrading.com](mailto:TradeReviewEurope@batstrading.com).

Such written e-mail request should contain the following details:

Participant	
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Security symbol	
Order ID (preferred)	
Execution ID (preferred)	
Price	
Execution time	
Why the transaction is considered erroneous	

In accordance with Rule 10.10, BATS may also in its sole discretion review any transaction which it believes was executed as a result of an erroneously submitted Order regardless of whether any parties to the transaction have requested a review of the transaction. BATS will typically only unilaterally cancel transactions in exceptional circumstances where necessary to preserve the orderliness and integrity of the market.

As soon as practicable, BATS will notify by e-mail all parties to any transaction being reviewed under Rule 10.9 or Rule 10.10. BATS will not disclose the identities of the parties to any transaction(s) under consideration as a potentially erroneous transaction.

Participants must provide BATS as soon as reasonably practical with any information requested by BATS about a potentially erroneous transaction (in accordance with Rules 10.9 and 10.10) so that the matter can be resolved during the same trading day before the end of the day cut-off imposed by the relevant Central Counterparty(ies) for processing transactions.

When reviewing a transaction in accordance with Rule 10.9 or Rule 10.10 to determine whether a transaction is clearly erroneous, BATS will consider the importance of preserving the integrity of the BATS MTF, including the importance of preserving certainty of transactions executed on the BATS MTF. BATS will review every case on its own merits and may consider, without limit, any of the following criteria:

- (i) the price at which the Order was executed, including whether the price at which the Order was executed was more than 5% away from a suitable reference price. This will typically be the price of the last transaction on the Listing Market or any other relevant MTF. BATS will in its sole discretion determine the reference price;
- (ii) information gained from the relevant Participants;
- (iii) BATS' analysis of relevant market data; and
- (iv) BATS' analysis of any relevant market events.

As soon as practicable, BATS will notify by e-mail all parties to any transaction being reviewed under Rule 10.9 or Rule 10.10 whether the transaction(s) will stand or be cancelled.

Where an Order has been routed to an Away Venue through the BATS Order Routing Facility, BATS Europe will typically follow the rules and procedures of that Away Venue.

## **19. DEFAULT**

In case of a default by a Participant all transactions executed on the BATS MTF, through the BATS Order Routing Facility or any other services guaranteed by the relevant Central Counterparty will be dealt with in accordance with the rules and procedures of the relevant Central Counterparty and will involve either novation or open offer depending on the rules and procedures of the relevant Central Counterparty. In the event that a transaction has been executed on the BATS MTF, through the BATS Order Routing Facility or any other services but not novated or accepted by way of open offer by the relevant Central Counterparty, the Participants who are party to the transaction will (in accordance with Rule 10.3) be bound by the transaction to each other.

## **20. COMPLAINTS**

In the event that a Participant has any complaint against or is not satisfied with the service provided by BATS or the operation of the BATS MTF, BATS Order Routing Facility, or any other services, the Participant should inform BATS' Compliance Department. Complaints should be sent to [ComplianceEurope@batstrading.com](mailto:ComplianceEurope@batstrading.com) or Ground Floor, 25 Cophall Avenue, London, EC2R 7BP.

All complaints will be determined by the Board who will determine what action to take in response to the complaint.

Participants do not have the ability to refer any complaint to the Financial Ombudsman Service.

## **21. CURRENCIES QUOTED**

Local currency for each Security: GBX, EUR, NOK, DKK, SEK, CHF, USD.

## **22. ELIGIBLE SECURITIES**

BATS offers trading in financial instruments, including constituents of major European indices, Depository Receipts (DRs), Exchange Traded Funds (ETFs), Exchange Traded Commodities (ETCs) and Exchange Traded Currencies. BATS will notify Participants of details of eligible securities from time to time and will display a list of eligible securities on the Website.

Participants will be given access to trade in all securities for which they have valid clearing arrangements, as confirmed by the relevant Central Counterparty. Participants should ensure that they only enter Orders into the BATS MTF, through the BATS Order Routing Facility or any other services for those securities where they have the appropriate regulatory permissions. A Participant may contact BATS Participant Services at any time to amend its access rights.

Securities will only be available through the BATS Order Routing Facility where they are admitted to trading on the BATS MTF.<sup>3</sup> Participants may request that a security be admitted to trading on the BATS MTF by contacting BATS Participant Services and providing details of the security. The Board will determine whether or not the security will be admitted to trading and the results of that determination will be communicated to the Participant. BATS reserves the right to add and delete Securities from the BATS MTF, or from the list of Securities which may be traded through the BATS Order Routing Facility or any other services, if the Board deems it necessary to do so.

Any additions and deletions of securities traded on the BATS MTF, through the BATS Order Routing Facility or any other services will be communicated to Participants and will be displayed on the Website.

BATS will not offer trading in any securities which are not listed or admitted to trading on at least one of the principal European Exchanges. However, this may include admitting newly listed securities to the BATS MTF on the first day of trading.

## **23. MINIMUM AND MAXIMUM ORDER SIZES**

Minimum Order Size: 1 Share for all markets.

Maximum Order Size: 99,999,999 Shares for all markets.

## **24. CLEARING AND SETTLEMENT**

### Interoperable CCP model

All Participants must have an appropriate clearing relationship with a Central Counterparty either directly or through a General Clearing Participant. A list of eligible Central Counterparties is on the Website.

Under the Interoperable CCP model, where a transaction occurs between two Participants, each leg of the transaction will be sent to the Participant's respective Interoperable CCP.

### Clearing Suppression Service

Participants have the option to suppress the reporting of transactions conducted on the BATS MTF to the Central Counterparty(ies) where there is no net settlement; that is, where the Participant, clearing method (as a Direct Clearing Participant or through a General Clearing Participant) and the account type (either House or Client) are all the same. These transactions will not be centrally cleared by the Counterparty(ies). Participants who wish to suppress the reporting of qualifying transactions to the Central Counterparty(ies) may do so on an opt-in basis for specified Listing Markets by contacting the BATS Europe Trade Desk (+44.207.012.8901, [TradeDeskEurope@batstrading.com](mailto:TradeDeskEurope@batstrading.com)).

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<sup>3</sup> BATS maintains on the Website a list of securities available through the BATS Order Routing Facility.

## Settlement

Unless agreed otherwise, a transaction in any European security shall be settled in accordance with the standards set by the Listing Market or customary place of settlement for that security, as published by BATS from time to time and appearing on the Website. The normal settlement cycle for securities is a period of T+3 (except Securities in Germany, which will settle T+2).

In exceptional circumstances, BATS or the relevant Central Counterparty may postpone or extend a settlement period for all transactions or for transactions in specified securities on a given day, indefinitely or for a specified period.

Where a Participant is acting as agent for a third party, and the failure to deliver securities and/or cash is the fault of the third party, pursuant to the Rules the Participant will be bound as principal with and to the counterparty or counterparties to the transaction.

A Participant shall ensure that securities delivered in settlement of a transaction are free of any charge or other encumbrance.

## **25. TIME IN FORCE VALUES**

IOC – immediate-or-cancel

DAY – available for trading during trading hours

GTD – expires at the earlier of the specified expiry time or at the end of the trading day.

All remaining Orders (including GTC Orders) expire at the end of the BATS trading day.

## **26. MINIMUM QUOTE INCREMENT**

Most Securities quote in the appropriate minimum quote increments for the relevant Listing Market. Orders submitted to the BATS MTF, through the BATS Order Routing Facility or any other services that are priced in increments finer than the minimum quote increment are rejected.

## **27. ORDER TYPES**

### BATS MTF

#### *Limit Orders*

BATS accepts limit Orders in the BATS Integrated Book.

#### *Market Orders*

BATS accepts market Orders in the BATS Integrated Book. BATS imposes a limit price on all market Orders. The limit price provided by BATS on any market Order is 1% away from the BATS Best Bid and Offer (**BATS BBO**), but at least 0.1 traded currency units. Where the

provided limit price would exceed the Execution Price Collar, the limit price will be one tick inside the Execution Price Collar. All market Orders are implicitly IOC.

#### *Non Displayed (hidden) Orders*

BATS allows Non Displayed Orders. Non Displayed Orders are any Order that may rest hidden in the BATS Integrated Book or BATS Dark Book. Any Orders with a Time in Force of IOC are not classified as Non Displayed Orders.

All Non Displayed Orders in the BATS Integrated Book must, where applicable, satisfy at the time of entry the qualifying Large in Scale (LIS) criteria specified in table 2 to Annex II of the Markets in Financial Instruments Directive (MiFID) Regulation. For financial instruments not covered by the MiFID LIS criteria, all Non Displayed Orders must satisfy at the time of entry the criteria determined by BATS, which will be communicated to Participants and displayed on the Website.

In the BATS Integrated Book, Displayed Orders receive the highest time priority over all other Order types. Non Displayed Orders receive the lowest time priority.

Non Displayed Orders in the BATS Dark Book must be flagged as midpoint but do not have to satisfy the MiFID LIS criteria. Participants may attach an absolute limit to their Orders, such that where the reference price (that is, the midpoint of the PBBO) is more aggressive than the specified limit, the Order will not be available for execution.

Executions in the BATS Dark Book will only occur at the midpoint of the PBBO.

Minimum Acceptable Quantity (MAQ) is allowed for the above Non Displayed Orders. Where a Participant has specified an MAQ for an Order that Order may execute against multiple resting Orders which aggregate to fulfil the MAQ. Where an Order is partially filled and the residual Order size is lower than the MAQ, the MAQ will be reset to the residual Order size.

#### *BATS Dark Book Self Cross (BDSX) Orders*

BDSX Orders are Non Displayed Orders and are only available in the BATS Dark Book. BDSX enables a Participant to enter an Order which will only execute against an opposing Order from the same Participant. Both Orders must be flagged as BDSX in order to match. As with any other execution in the BATS Dark Book, all BDSX transactions will only occur at the reference price (that is, the midpoint of the PBBO).

#### *Reserve (Iceberg) Orders*

In the BATS Integrated Book, reserve quantities of an Order are filled only after Displayed and Non Displayed Orders are filled. With this Order type, a Participant can set the amount of the Order to be displayed and the amount of the Order to keep in reserve and how many shares are to be “reloaded” after the displayed portion is filled with each execution.

#### *Pegged Orders*

In the BATS Integrated Book, BATS allows Orders to peg to the PBBO in four ways:

1. Primary – pegs to the same side of the PBBO as the Order
2. Market – pegs to the opposite side of the PBBO from the Order
3. Midpoint – pegs to the midpoint of the PBBO
4. Alternate Midpoint – pegs to the less aggressive of the midpoint of the PBBO or 1 tick inside the same side of the PBBO as the Order

All pegged Orders which are capable of resting must be Non Displayed. Primary and Market pegs may include a non-aggressive offset. Midpoint pegs may not include an offset. All pegged Orders are ranked at a lower priority than non-pegged Orders. Midpoint peg Orders have a lower priority than other peg Orders ranked at the same price.

#### *Post only Orders*

BATS only allows post only Orders in the BATS Integrated Book. Post only Orders allow Participants to make a market and specify not to remove liquidity. Any incoming Displayed post only Order that would cross with a resting passive Order will be rejected. Any Non Displayed post only Order that would cross with a resting passive Order will not be rejected but will not be available for execution until a re-evaluation event has occurred, such as a new incoming Order or a price movement in the applicable reference price.

#### *Partial post only at limit Orders*

BATS only allows partial post only at limit Orders in the BATS Integrated Book. Partial post only at limit Orders are a variation of post only Orders, which allow Participants to: (1) remove liquidity from the BATS Integrated Book when the Order will receive price improvement relative to the limit price; and (2) designate a Maximum Remove Percentage that removes liquidity at the Order's limit price if the remainder of the Order would rest on the BATS Integrated Book.

Full details of the Order execution priorities can be found on the Website.

#### BATS Order Routing Facility

##### *CYCLE*

The BATS Order Routing Facility offers a strategy called CYCLE, which targets one Away Venue at a time and then sends the full remaining quantity on to the next Away Venue. If the Order cannot be filled completely at the EBBO at a particular Away Venue, the CYCLE strategy will route to other Away Venues at the limit price of the original Order.

Multiple options are available with CYCLE including the ability, on an Order by Order basis or at a port level, to route only to Displayed Away Venues (External Lit Only), only to Non Displayed Away Venues (LP Only) or to both Displayed and Non Displayed Away Venues (Default).

All Orders using the CYCLE strategy access the BATS Dark Book and BATS Integrated Book before routing out to Away Venues.

After accessing the BATS order books, Default or LP Only Orders with CYCLE will route to participating Non Displayed Away Venues. BATS will only maintain relationships with Non Displayed Away Venues that provide quality executions in terms of meaningful fill rates and fast executions. Full anonymity on each Order is maintained for Non Displayed Away Venues and Participants at all times. Accessing Non Displayed Away Venues can add up to 25 milliseconds to Order lifetimes.

After accessing the BATS Dark Book, the BATS Integrated Book and optionally routing to Non Displayed Away Venues, the BATS Order Routing Facility routes to Displayed Away Venues which are prioritised by the price of the quote. For Displayed Away Venues at the same price level, the BATS Order Routing Facility uses several factors, including liquidity, cost and speed of execution, to determine priority. Once a price level is exhausted, the BATS Order Routing Facility repeats the CYCLE strategy at new price levels, beginning with BATS Integrated Book, up to the original limit price.

After routing up to the limit price, Participants will have the option to post any remainder on the BATS Integrated Book or BATS Dark Book. The default configuration is for any remainder to post on the BATS Integrated Book unless the Order is marked Immediate Or Cancel (IOC).

### *RECYCLE*

The BATS Order Routing Facility offers two RECYCLE strategies: RECYCLE on Lock and RECYCLE on Cross. The RECYCLE Order types are available for Orders that have already routed using the CYCLE logic and any remaining unexecuted quantity is resting on the BATS Integrated Book.

With the current CYCLE Order type, after routing, any unfilled portion of a non-IOC CYCLE Order will rest on the BATS Europe Integrated Book until it is either matched with an incoming Order to the BATS Europe Integrated Book, or cancelled.

The RECYCLE Order type targets quotes from other Displayed Away Venues that lock or cross the order up the limit price specified on the original Order. With RECYCLE on Lock, the Order routes according to the CYCLE logic up to the specified limit price. Any remaining unexecuted quantity then rests on the BATS Integrated Book until it is either executed, cancelled, or the EBBO locks or crosses the BATS quote, at which time the order re-routes via the CYCLE logic. RECYCLE on Cross is similar to RECYCLE on Lock except re-routing occurs only if another Displayed Away Venue crosses the BATS quote.

The RECYCLE behaviour is triggered whenever BATS Europe receives an updated quote from a Displayed Away Venue that locks or crosses the RECYCLE Order resting on the BATS Europe Integrated Book. Re-routing via RECYCLE may continue until the order is completely filled.

### *Parallel D*

The BATS Order Routing Facility offers a strategy called Parallel D which targets multiple Away Venues at the same time. The default configuration for Parallel D is to route to Non Displayed Away Venues prior to accessing Displayed Away Venues. The BATS Order Routing Facility

splits the original Order into multiple Orders (subject to a minimum size). Once liquidity at a price level is exhausted (i.e. the EBBO has changed), the BATS Order Routing Facility re-evaluates available Displayed quotes up to and including the limit price on the original Order and divides the remainder of the Order to send to Away Venues.

After routing up to the limit price, Participants will have the option to post any remainder on the BATS Integrated Book or BATS Dark Book. The default configuration is for any remainder to post on the BATS Integrated Book unless the Order is marked Immediate Or Cancel (IOC).

### *Parallel 2D*

The BATS Order Routing Facility offers a strategy called Parallel D which targets multiple Away Venues at the same time. The default configuration for Parallel 2D is to route to Non Displayed Away Venues prior to accessing Displayed Away Venues. The BATS Order Routing Facility splits the original Order into multiple child Orders (subject to a minimum size). The BATS Order Routing Facility considers multiple price level at a time, and may route to Away Venues with prices through the EBBO, subject to the limit price on the original Order.

After routing up to the limit price, Participants will have the option to post any remainder on the BATS Integrated Book or BATS Dark Book. The default configuration is for any remainder to post on the BATS Integrated Book unless the Order is marked Immediate Or Cancel (IOC).

### *BATS+*

The BATS Order Routing Facility offers a strategy called BATS+ which targets a single named Away Venue, which may be a Displayed Away Venue or a Non Displayed Away Venue.<sup>4</sup>

All Orders using the BATS+ strategy first access the BATS Dark Book and BATS Integrated Book up to the specified limit price before routing out any residual quantity to a single named Away Venue. After routing up to the limit price at the Away Venue, Participants will have the option to post any remainder on the BATS Integrated Book or BATS Dark Book. The default configuration is for any remainder to post on the BATS Integrated Book unless the Order is marked Immediate Or Cancel (IOC).

## **28. THROTTLES**

No guarantee is made about system performance, especially during periods of high volatility and Order traffic. However, the BATS MTF system was designed to handle at least 500 incoming messages per second, per port, while providing acceptable Order acknowledgement times. Participants planning to send Orders at a higher rate than 500 Orders per second should make arrangements to connect to multiple ports. Any incoming Orders in excess of 5,000 messages per second per port will be rejected.

## **29. CONNECTIVITY CHOICES**

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<sup>4</sup> Refer to the BATS Market Guide for a list of available Away Venues.

Participants are responsible for choosing their telecommunications provider and arranging for connections to the BATS data centre in Equinix Slough (LD4). BATS publishes all connectivity options in the BATS Connectivity Manual. This document is updated regularly and can be found on the Website.

### **30. BANDWIDTH REQUIREMENTS**

Bandwidth requirements for all BATS feeds are published in the BATS Connectivity Manual. This document is updated regularly and can be found on the Website.

### **31. TRADING HOURS – LONDON LISTED SECURITIES (UK TIME)**

#### BATS MTF

6:15AM	Certification Environment Open (QA environment is open for Participant testing)
7:00AM	PITCH feeds and FIX and BOE handlers are available for connectivity testing
7:00AM	BATS Trade Desk Staffed, NOC Desk Staffed, Development Support Available
8:00AM	Official Market Open
4:30PM	Official Market Closed (Our book for the trading day is closed and all outstanding day Orders are cancelled)
5:30PM	All inbound connections are severed
5:30PM	BATS Trade Desk Closed
5:30PM	NOC Desk Closed
8:00PM	Certification Environment Closed (QA environment is no longer available for Participant testing)

The trading hours of BATS MTF may not be the same as the relevant Listing Market. Changes to trading hours will be notified to Participants and Participants will be given reasonable notice of any changes.

#### BATS Order Routing Facility

The BATS Order Routing Facility will follow the trading hours of BATS MTF, which may not be the same as the relevant Listing Market.

### **32. TRADING DAYS**

#### BATS MTF

The BATS MTF will be open for business and offering trading in all securities where the Listing Market is open on that day. BATS' opening hours and holiday schedule can be found on the Website.

### BATS Order Routing Facility

The BATS Order Routing Facility will be available where the BATS MTF is open on that day. BATS' opening hours and holiday schedule can be found on the Website.

### **33. PARTICIPANT NOTICES**

The Board shall publish or issue Participant Notices or otherwise notify Participants from time to time relating to such matters as amendments to the Rules, notification of the addition or removal of securities, changes to arrangements for trading a security (for example to reflect corporate actions). Participant Notices will be displayed on the Website and emailed or copied to every Participant where they relate to a Material Amendment to the Rules. With respect to amendments to the Rules, BATS will endeavour to consult where appropriate and give Participants reasonable notice (subject to Rule 15.4).

### **34. FEES AND CHARGES**

Each Participant shall pay BATS all applicable fees, charges and costs. These will be set out in the Fee Schedule (as amended from time to time) displayed on the Website.

Any applicable fees, charges and costs imposed by BATS may also be subject to UK Value Added Tax or any other applicable taxes which each Participant shall also pay.

BATS reserves the right to charge interest on any amount due to BATS from the date on which payment was due to the date of actual receipt at such rate or rates as BATS may specify from time to time in the Fee Schedule.