



# Rule Book

BATS Europe

**26<sup>th</sup> August 2011**

Version 2.9

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## 1. DEFINITIONS AND INTERPRETATION

1.1 In these Rules the following terms shall have the following meanings:

<b>Applicant</b>	a person applying to become a Participant in accordance with Rule 2.
<b>BATS</b>	BATS Trading Limited (Company Number 6547680).
<b>BATS Closing Price</b>	in relation to a Security on any given day that BATS is open for business, the price of the last transaction on BATS on that day. If there are no transactions in a Security on a given day, the last BATS Closing Price is used.
<b>BATS MTF</b>	the MTF trading platform consisting of the Integrated Book and Dark Book operated by BATS for the trading of Securities in accordance with these Rules.
<b>BATS Volume Weighted Spread</b>	the spread between the average price if a sell Order executed against Displayed buy Orders on the Integrated Book up to the transaction size or the aggregate buy Displayed size, and the average price if a buy Order executed against Displayed sell Orders on the Integrated Book up to the transaction size or the aggregate sell Displayed size.
<b>Board</b>	the board of directors of BATS and any duly authorised committee of the Board as constituted from time to time.
<b>Central Counterparty</b>	the entity or entities appointed by BATS from time to time to act as counterparty to transactions executed on the BATS MTF and provide clearing services.
<b>Clearing Rules</b>	the rules as set out in the Central Counterparty's clearing rule book.
<b>Consolidated European Market</b>	for any Security any relevant Listing Market or MTF as determined by BATS.
<b>Dark Book</b>	an order book on the BATS MTF, which is separate from the Integrated Book, where all Orders are Non Displayed Orders.
<b>Direct Clearing Participant</b>	a Participant designated by the Central Counterparty as a Direct Clearing Participant and authorised by the Central Counterparty to clear transactions which have been executed for its own account or have been executed for the account of clients of the Direct Clearing Participant.
<b>Displayed Order</b>	an order that is displayed on the BATS MTF and visible to all

	Participants.
<b>Eligibility Criteria</b>	the criteria for eligibility for participation in the BATS MTF set out in Rule 2.2.
<b>EBBO</b>	the best Displayed buy Order and the best Displayed sell Order available from the Consolidated European Market.
<b>EEA</b>	the European Economic Area.
<b>European Volume Weighted Spread</b>	the spread between the average price if a sell Order executed against Displayed buy Orders on the Consolidated European Market up to the transaction size or the aggregate buy Displayed size, and the average price if a buy Order executed against Displayed sell Orders on the Consolidated European Market up to the transaction size or the aggregate sell Displayed size.
<b>FSA</b>	the Financial Services Authority of the UK.
<b>FSA Rules</b>	the FSA Handbook of Rules and Guidance as amended from time to time.
<b>FSMA</b>	the Financial Services and Markets Act 2000 of the UK as amended from time to time.
<b>General Clearing Participant</b>	an entity designated by the Central Counterparty as a General Clearing Participant and authorised by the Central Counterparty to clear its own transactions (where relevant), transactions executed by its clients and transactions executed by Trading Participants or their clients.
<b>Integrated Book</b>	an order book on the BATS MTF, which is separate from the Dark Book, where Orders may be Displayed or Non Displayed.
<b>Liquidity Provider</b>	a Participant which has entered into a Liquidity Provider Program Addendum.
<b>Liquidity Provider Program</b>	the Liquidity Provider Program operated by BATS for Participants that wish to provide liquidity on the BATS MTF in accordance with the criteria set out in the Participant Manual.
<b>Listing Market</b>	the market on which the Board determines a Security has its primary listing.
<b>Listing Market Closing Price</b>	in relation to a Security on any given day that the Listing Market is open for business, the price of the last transaction on the

Listing Market on that day. If there are no transactions in a Security on a given day, the last Listing Market Closing Price is used.

<b>Material Amendment</b>	an amendment to these Rules which will have a significant impact on Participants to the extent that (as determined by the Board in its absolute discretion) it requires significant changes to the systems of Participants or the BATS MTF; materially affects the way Orders are processed; has significant legal or regulatory implications; or may result in substantial additional financial or administrative costs to Participants.
<b>MiFID</b>	the European Parliament and Council Directive on markets in financial instruments (No. 2004/39/EC).
<b>MTF</b>	a Multilateral Trading Facility as defined in article 4(1)(15) of MiFID.
<b>Negotiated Transaction</b>	Has the meaning given in Rule 11.
<b>Non Displayed Order</b>	a qualifying Order that is not displayed on the BATS MTF.
<b>Officers</b>	in relation to a corporate or unincorporated body, any director, officer, partner, member or senior manager and any committee appointed by its board of directors or members or senior management and any of their respective agents.
<b>Order</b>	any order to buy or sell a Security submitted by a Participant to the BATS MTF.
<b>Participant</b>	a Trading Participant, a Direct Clearing Participant or a General Clearing Participant which has entered into a Participant Agreement and has been admitted in accordance with these Rules.
<b>Participant Agreement</b>	the BATS Participant Agreement entered into by each Participant with BATS.
<b>Participant Manual</b>	the guidance manual (as amended from time to time) available to Participants giving guidance on the functioning of the BATS MTF.
<b>Participant Notice</b>	any notice published or issued by or on behalf of the Board from time to time, which is displayed on the BATS website and may be e-mailed or copied to all Participants where it relates to a Material Amendment to the Rules.

<b>Regulated Market</b>	a Regulated Market as defined in article 4(1)(14) of MiFID
<b>Regulator</b>	the authority designated by each member state of the EEA in accordance with Article 48 of MiFID, the government of any EEA member state or any department or agency thereof, including (without limit) any authority in the EEA competent for the investigation and prosecution of market abuse.
<b>Rules</b>	the rules set out in this Rule Book and any Participant Notice both as amended or extended from time to time.
<b>Security</b>	a security admitted to trading on the BATS MTF.
<b>Sponsored Participant</b>	a third party permitted access to and use of the BATS MTF and other services pursuant to a Sponsored Access Addendum.
<b>Sponsored Access Addendum</b>	an addendum to a Participant Agreement between BATS and a Sponsoring Participant relating to access to and use of the BATS MTF and other services by Sponsored Participant(s).
<b>Sponsoring Participant</b>	a Participant which (i) proposes to sponsor a Sponsored Participant; and (ii) has entered into a Sponsored Access Addendum.
<b>Trading Participant</b>	a Participant which has no direct relationship with the Central Counterparty which has entered into an agreement with a General Clearing Participant in such form as the Central Counterparty may specify or accept.
<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland.

1.2 In these Rules words in the singular include the plural and in the plural include the singular. References to a person include a corporate or unincorporated body. References to one gender include the other gender. References to a law are to such law as it is in force for the time being and any amendment, extension, application or re-enactment thereof and includes any subordinate legislation for the time being in force made under it.

## 2. PARTICIPATION

2.1 Participation in the BATS MTF is at the discretion of BATS and open to Applicants who meet the Eligibility Criteria and who in each case:

2.1.1 agree to abide by these Rules and any guidance or other requirements issued by BATS; and

- 2.1.2 meet the technical specifications and standards imposed by BATS from time to time; and
  - 2.1.3 are applying to be either: a General Clearing Participant which will enter into a Participant Agreement; or a Direct Clearing Participant or Trading Participant which in each case has in place an agreement in such form as the Central Counterparty may specify or accept with a General Clearing Participant.
- 2.2 The Eligibility Criteria are as follows:
- 2.2.1 Participants must be EEA regulated investment firms or credit institutions (as defined by MiFID) or persons who BATS believe to be suitable for admission as a Participant including (without limit) UCITS management companies and members of regulated markets;
  - 2.2.2 Participants must be able to demonstrate to BATS (by completion of BATS approved certification testing) that their systems are compatible with the BATS MTF;
  - 2.2.3 Participants must have in place adequate systems and controls to ensure their ongoing compliance with these Rules; and
  - 2.2.4 Participants must have in place appropriate order management, order routing, execution, voice and other recording facilities to provide BATS (if requested) with such information as BATS may require in relation to the validity and execution of any Order.
- 2.3 Applications for participation shall be made to BATS in such form as BATS may specify or accept from time to time.
- 2.4 In becoming a Participant each Applicant agrees to:
- 2.4.1 abide by, comply with, and adhere to these Rules;
  - 2.4.2 pay such dues, assessments, and other charges in the manner and amount as shall from time to time be fixed by BATS.
- 2.5 BATS will notify each Applicant of the date on which its participation shall become effective.
- 2.6 BATS has a relationship with and deals exclusively with Participants. BATS does not have any relationship with any customer of any Participant including (without limit) any Sponsored Participant (except as provided for in the Sponsored Access Addendum). A Participant is solely responsible for every Order submitted by or through the Participant to the BATS MTF irrespective of whether the Participant was acting as principal or agent when placing the Order including Orders submitted by any customers of the Participant through an automatic order routing service. In the

case of a Sponsoring Participant, the Sponsoring Participant is also responsible for the Orders submitted by or through its Sponsored Participant.

### **3. SPONSORED ACCESS**

- 3.1 Provided that a relevant Sponsored Access Addendum has been entered into and has not been terminated, a Sponsoring Participant may allow a third party to access and use the BATS MTF and other services on its behalf as its Sponsored Participant. Save as expressly set out in the Sponsored Access Addendum, a Sponsored Participant will have the same rights of access and receive the same services as its Sponsoring Participant.
- 3.2 A Sponsoring Participant shall be responsible and liable for the acts and omissions of each Sponsored Participant it has sponsored including the Sponsored Participant's compliance with (so far as applicable) these Rules and any guidance or other requirements issued by BATS.
- 3.3 The Board (in its absolute discretion) may at any time suspend, terminate or restrict the rights of any Sponsored Participant to access and use the BATS MTF or any other services or may make such access or use conditional on the relevant Sponsoring Participant's or the Sponsored Participant's compliance with such further requirements as BATS may impose.
- 3.4 The Board reserves the right to refuse to accept any request for the addition of a Sponsored Participant in its absolute discretion and without assigning any reason for such refusal.

### **4. CONTINUING OBLIGATIONS**

- 4.1 Participants shall at all times ensure their continuing compliance with these Rules including (without limit) the Eligibility Criteria and any decision or direction of the Board.
- 4.2 Each Participant shall be responsible for compliance with all legal and regulatory responsibilities which may be imposed on the Participant by any Regulator including (but not limited to) making appropriate arrangements for the reporting of any transactions executed on the BATS MTF.
- 4.3 The responsibility for accurately pricing any Security is solely with the Participant and, for the avoidance of doubt, BATS will have no responsibility for providing Participants with information relating to any Security including (without limit) marking any Security as being subject to a pending corporate action or having the benefit of any entitlements (including, but not limited to, dividends).

### **5. LIQUIDITY PROVIDER PROGRAM**

- 5.1 Provided that a relevant Liquidity Provider Program Addendum has been entered into and has not been terminated, BATS will recognise the Participant as a Liquidity

Provider on the BATS MTF where it continues to satisfy the requirements of the Liquidity Provider Program.

- 5.2 Where the Board reasonably believes and has determined that a Liquidity Provider has not acted in accordance with the requirements of the Liquidity Provider Program, the Board (in its absolute discretion) may suspend or terminate a Participant's recognition as a Liquidity Provider on the BATS MTF.

## **6. NOTIFICATIONS**

- 6.1 Each Participant shall notify BATS immediately on the occurrence of any of the following in relation to it (or where relevant, its Sponsored Participants or any holding company):

6.1.1 an order being made or resolution being passed for the winding up of the Participant (other than voluntarily for the purposes of solvent amalgamation or reconstruction), or if an administrator, administrative receiver or receiver is appointed in respect of the whole or any part of the Participant's assets or business, or if the Participant makes any composition with its creditors or takes or suffers any similar or analogous action in consequence of debt (or equivalent action is taken in relation to the Participant in any other jurisdiction); and

6.1.2 the commencement of enforcement or other proceedings whether before any court or tribunal by any Regulator to the extent that such action or proceedings could impair, restrict or prevent its compliance with these Rules, save to the extent that such notification or disclosure is prohibited by law or any relevant Regulator; and

6.1.3 it becoming aware that it is in breach of these Rules and such breach is likely to impair the integrity of the BATS MTF.

- 6.2 Each Participant shall notify BATS as soon as possible on the occurrence of any of the following in relation to it (or where relevant, its Sponsored Participants or any holding company):

6.2.1 any proposed change in the name, registered office, or status of the Participant or the business name under which it carries on business;

6.2.2 any significant changes in the Officers of the Participant;

6.2.3 any substantial change in ownership or control of the Participant;

6.2.4 the Participant becoming aware that it is in breach of these Rules unless such a breach is likely to impair the integrity of the BATS MTF (in which case immediate notification is required in accordance with Rule 6.1.3); and

- 6.2.5 any other significant activities or events which the Participant reasonably believes is necessary to bring to the attention of BATS.

## **7. SUSPENSION, TERMINATION AND RESIGNATION**

- 7.1 If it appears to the Board that a Participant (or any person acting in the name of the Participant):

- 7.1.1 has failed to pay any dues, fees, assessments, charges or other amounts due to BATS within 60 days after the same has become payable;
- 7.1.2 is in breach of these Rules;
- 7.1.3 is subject to enforcement or other proceedings by a Regulator which could impair, restrict or prevent the Participant's compliance with these Rules;
- 7.1.4 is in such financial condition that the Board reasonably considers that it would not be prudent to permit it to continue trading on the BATS MTF; or
- 7.1.5 engages (or is suspected of engaging) in any activity or conduct which has or is likely to impair the functionality, speed or reliability of the BATS MTF or compromise, impair, restrict or prevent the ability of BATS to operate a fair and orderly market;

the Board may in its absolute discretion suspend or terminate the participation of a Participant or restrict the Participant's right to place Orders or to receive information from the BATS MTF.

- 7.2 BATS will notify a Participant of the Board's decision to suspend, terminate or restrict its participation.

- 7.3 A Participant will remain subject to Rules 9 and 12 notwithstanding the termination of their participation for a period of one year post termination. Participants will remain responsible for their acts and omissions during any period of participation on the BATS MTF.

## **8. RULES OF FAIR PRACTICE**

- 8.1 No Participant shall engage in any conduct which is intended or designed to or results in the creation of a false or misleading impression as to the market in or price of any Security or effect a transaction in, or induce the purchase or sale of, any Security by means of any manipulative, deceptive or other fraudulent device or contrivance.

8.2 No Participant or Applicant or any of its Officers shall make any false or misleading statements or representations to BATS in any application, report or other communication.

## **9. INFORMATION**

9.1 Each Participant must retain a record of each transaction executed on or through the BATS MTF for at least five years.

9.2 Each Participant shall furnish to BATS, upon request within such reasonable time and in such manner or format as BATS may require, any records, files, or financial information directly pertaining to transactions executed on or through the BATS MTF (save to the extent that such disclosure is prohibited by law or any relevant Regulator).

9.3 BATS may disclose information and documents received from any Participant to any Regulator for any purpose including (without limit) enabling any regulator to commence or pursue any investigation or enquiry or institute, continue, or defend any proceedings.

## **10. TRADING RULES**

10.1 The hours of operation of the BATS MTF will be determined by the Board and notified to Participants from time to time.

10.2 A Participant may submit, amend, or cancel their own Orders or enter into transactions with other Participants during the times specified by BATS. Continuous matching of Orders will take place during the trading hours for each Security notified to Participants by BATS.

10.3 When an Order is executed (unless broken by the Board in accordance with these Rules) a binding contract will immediately arise between the parties for the sale and purchase of such number or amount of the Security in question at the price displayed.

10.4 The Order types that may be submitted to the BATS MTF are described in the Participant Manual.

10.5 Any applicable minimum order sizes and tick sizes are detailed in the Participant Manual.

10.6 All Orders are firm and available for execution on the BATS MTF in accordance with the terms of the Order.

10.7 BATS may refuse to accept an Order or if it has accepted an Order shall have the right to cancel that Order if the Board believes that the Order is erroneous, invalid, manipulative, deceptive or fraudulent or that such action is necessary in order to

preserve the orderliness and integrity of the market on the BATS MTF in the Security to which the Order relates.

- 10.8 Any Orders in a Security suspended by a Regulator shall be cancelled and any transactions in the Security executed on or after the receipt of a notice of suspension by BATS from the relevant Regulator shall be broken. All Orders in any Security suspended by the Listing Market may be cancelled by the Board who may also break any transaction executed by a Participant on or after the first announcement of such suspension by the relevant Listing Market. The relevant Participants shall be promptly notified of the Board's determination which shall be final and binding on all Participants.
- 10.9 A Participant which reasonably believes that a transaction was executed as a result of an erroneously submitted Order may request that BATS review the transaction. Such request for review must be made via telephone and confirmed in writing (preferably by e-mail) within thirty (30) minutes of the execution of the Order in question. Once a request is submitted, it may not be withdrawn without the consent of all parties to the transaction. Upon receipt, BATS shall notify the counterparty(ies) to the transaction as soon as reasonably practicable. Any party to the transaction shall provide any supporting information as may reasonably be requested by the Board to aid the resolution of the matter in such format and within such time as the Board may reasonably specify in its request.
- 10.10 BATS may review any transaction which the Board reasonably believes was executed as a result of an erroneously submitted Order irrespective of whether any parties to the transaction have requested BATS review the transaction. In initiating a review of such Orders, the Board will consider a number of factors including without limit whether the price at which the Order in question was executed was significantly different from the last price at which transactions in the relevant Security were executed on the Listing Market or any other execution venues. BATS shall notify the counterparty(ies) to the transaction as soon as practicable that it is under review. Any party to the transaction shall provide any supporting information as may reasonably be requested by the Board to aid the resolution of the matter in such format and within such time as the Board may reasonably specify in its request.
- 10.11 In relation to Rules 10.9 and 10.10 the Board shall review each transaction in question to determine whether it is clearly erroneous, with a view to maintaining a fair and orderly market and the protection of investors and the public interest. If the Board determines that the transaction in question is not clearly erroneous, the Board shall notify, where relevant, all of the parties to the transaction of its determination and take no further action. If the Board determines that the transaction in question is clearly erroneous, the Board may break the transaction and notify, where relevant, all of the parties to the transaction.
- 10.12 In the event of any disruption or malfunction in the use or operation of any electronic communications and trading facilities of the BATS MTF, the suspension or limiting of trading in a Security on the Listing Market, the failure of the Central Counterparty, or

other extraordinary market conditions or circumstances (each as determined by the Board) (**Market Disruption**) the Board may for the maintenance of a fair and orderly market, the protection of investors and the public interest (with or without prior notice to Participants):

- 10.12.1 cease or suspend the operation of the BATS MTF in whole or in part; and/or
  - 10.12.2 cancel all outstanding Orders; and/or
  - 10.12.3 break all transactions arising out of the use or operation of the BATS MTF during such period of Market Disruption.
- 10.13 Any such action of the Board pursuant to Rule 10.12.3 shall be taken as promptly as practicable. Each Participant involved in any transaction so effected shall be notified as soon as practicable.

## 11. **NEGOTIATED TRANSACTIONS**

- 11.1 BATS in its absolute discretion may permit a Participant to bring a transaction (**Negotiated Transaction**) which has not been executed on an order book operated by BATS within the Rules subject to compliance with the following:
- 11.1.1 the transaction relates to a Security; and
  - 11.1.2 the transaction is negotiated privately and, by agreement, is subject to the Rules; and
  - 11.1.3 details of the transaction are notified to BATS in such form as BATS may in its absolute discretion specify or agree and the transaction is flagged as a negotiated transaction; and
  - 11.1.4 where the transaction is in a Security which is a share admitted to trading on a Regulated Market:

- (a) the transaction is priced at or within the current BATS Volume Weighted Spread; or
- (b) where there is no BATS Volume Weighted Spread, the Negotiated Transaction is priced at or within 20% greater than the highest transaction price and 20% less than the lowest transaction price on BATS for that Security on that day; or
- (c) where there is no BATS Volume Weighted Spread and no transaction has been executed on BATS in that Security on that day, the Negotiated Transaction is priced at or within 20% of the BATS Closing Price on the previous day.

11.1.5 where the transaction is in a Security other than a share admitted to trading on a Regulated Market:

- (a) the transaction is priced at or within the current European Volume Weighted Spread; or
- (b) where there is no European Volume Weighted Spread, the Negotiated Transaction is priced at or within 20% greater than the highest transaction price and 20% less than the lowest transaction price on the Consolidated European Market for that Security on that day; or
- (c) where there is no European Volume Weighted Spread and no transaction has been executed on the Consolidated European Market in that Security on that day, the Negotiated Transaction is priced at or within 20% of the Listing Market Closing Price on the previous day.

## **12. SETTLEMENT**

12.1 A Participant must, in respect of transactions executed on the BATS MTF, settle all obligations in accordance with the rules and customs of the relevant Listing Market pursuant to the Clearing Rules and any procedures established by the Central Counterparty.

## **13. ADMISSION, REMOVAL AND SUSPENSION OF SECURITIES**

13.1 BATS admits Securities to trading on the BATS MTF where they have first been listed or admitted to trading or are under an application to be listed by or admitted to trading on an EEA or equivalent Listing Market. The admission of a Security to or removal from trading on the BATS MTF is at the discretion of the Board and the admission or removal of any Security from trading shall be communicated by a Participant Notice.

13.2 BATS will suspend trading in any Security if instructed to do so by a Regulator, and may suspend trading in a Security if the Board (in its absolute discretion) deems it necessary for the maintenance of a fair and orderly market including (without limit) where there is a suspension of trading on the relevant Listing Market.

#### **14. COMPLAINTS BY PARTICIPANTS**

14.1 The Board will consider and respond to complaints by any Participant relating to the operation of the BATS MTF by BATS. Any complaint shall be made in writing as detailed in the Participant Manual.

#### **15. AMENDMENTS TO THESE RULES**

15.1 These Rules may be amended or extended by the Board at any time. Amendments to the Rules shall not be retrospective unless required by the Regulator or by law.

15.2 All amendments to these Rules will be notified to Participants by Participant Notice and shall have effect at such time as may be specified in the relevant Participant Notice.

15.3 Subject to Rule 15.4, the Board will consult with a representative group of Participants (but not Sponsored Participants) prior to making any Material Amendment to these Rules.

15.4 In the case of an emergency, the Board may make a Material Amendment to the Rules without prior consultation with Participants but the Board will consult with a representative group of Participants (but not Sponsored Participants) as soon as reasonably practicable after the Material Amendment has been made as to whether the Material Amendment should be retained.

#### **16. GENERAL**

16.1 BATS is authorised and regulated by the FSA.

16.2 These Rules are governed by and shall be interpreted in accordance with the laws of England.