



BATS Exchange Options Market FAQs

This document contains frequently asked questions about the BATS Exchange Options Market broken down into the following categories: [BATS Options System](#), [Operations](#), [Routing](#), [Regulation](#), [Data Feeds](#), [Fees](#), [Membership Requirements](#), and [Market Making](#). Please contact [Membership Services](#) (913.815.7002) or [Trade Desk](#) (913.815.7001) with any additional questions.

A. **BATS OPTIONS SYSTEM**

Q: How are executions on BATS Options allocated?

A: Executions are allocated in price/time priority, meaning that all trading interest at the best price level will be executed prior to any trading interest at the next best price. At each price level with displayed trading interest, orders will be executed in the following priority: (1) displayed orders; (2) the non-displayed portion of Reserve Orders; and (3) the discretionary portion of discretionary orders. At each price level between displayed trading interest, orders will be executed in the following priority: (1) Price Improving Orders and orders subject to displayed price sliding; and (2) the discretionary portion of discretionary orders.

Q: How will BATS Options handle orders it receives that would lock or cross the BATS Options book or the National Best Bid and Offer (“NBBO”)?

A: This depends on the instructions entered with the order as well as the current liquidity and prices of BATS Options and external venues, as follows:

-- *Order that would lock or cross BATS Options:* If BATS Options receives an order that would lock or cross BATS Options, it will immediately execute the order at a price within the NBBO.

-- *Routable order:* If a routable order would not lock or cross BATS Options, but would lock or cross a protected quotation of another options exchange, BATS will route the order to that exchange.

-- *Order eligible for price sliding:* Price Improving orders, BATS Only orders, BATS Post Only orders, Partial Post Only at Limit Orders, and routed orders that return to BATS without being completely executed are eligible for “displayed price sliding” as defined in BATS Rule 21.1(d)(6). Unless a user has entered instructions not to do so: (1) a price improving order that, after rounding to the minimum price variation, would lock or cross a protected quotation, will be subject to displayed price sliding; and (2) any other order that would lock or cross a protected quotation at the time of entry, will be subject to displayed price sliding. Pursuant to displayed price sliding, an order will be displayed on BATS Options at one minimum price variation below the current NBO for a bid or at one minimum price variation above the current NBB for offers. In the event the NBBO changes such that the order at the original locking price would not lock or cross a protected quotation, the order will receive a new timestamp, and will be displayed at the original locking price.

-- *Other orders:* Any order entered with a price that would lock or cross a protected quotation that is not eligible for either routing or the displayed price sliding process will be cancelled.



B. OPERATIONS

Q: How are orders submitted to BATS Options?

A: Orders are submitted to BATS Options through a BATS specific implementation of the FIX 4.2 protocol. Details are available in the [BATS US Options FIX Specification](#).

Q: Can a current BATS Member connect to BATS Options using existing connectivity to BATS Exchange?

A: Firms are able to connect to BATS Options using the same physical infrastructure and network that they currently use for connecting to the equities market. Each Member will, however, need to request a new logical port for options trading and should be cognizant of the additional bandwidth required for options trading.

Q: How do firms designate how/whether an order should be routed?

A: In order to designate a routing strategy, firms should populate the "RoutingInst" field (Tag 9303) with one of the following values:

Value	Destination
A	NYSE Arca
B	BATS Only
C	BATS Only WAIT order. Will cause the order to wait one (1) second before processing.
E	ISE
K	Boston Options Exchange
N	NASDAQ
P	BATS Only Post Only (will reject rather than remove liquidity)
Q	BATS Only Post Only At Limit (remove contracts that improve upon limit price and up to MaxRemovePct of remaining OrdQty at limit Price)
R	ALL – CYCLE
RL	RECYCLE – Allow for use of CYCLE up to limit or discretion price on entry and allow for re-route via CYCLE after the order has booked only if another market locks or crosses the limit or discretion price.
U	NYSE AMEX
W	CBOE
X	Philadelphia

Q: Does BATS provide clearing drop copies?

A: Yes. BATS provides drop copies of all executions that occur on BATS Options. The drop copies are provided on drop copy ports where ExecType (tag 150) is Partially Filled (1) or Filled (2). Full order logs are made available via BATS Order by Order Drop for Sponsored Participant activity. This is a full echo of FIX logging and includes new orders, cancels, modifies, fills and rejects. Drop copy ports may be configured to send various combinations of Member and OCC member IDs.

Q: Which field should be used if the entering firm would like to use a CMTA to clear the trade to a different firm?

A: The CMTA can be defined on a per-order basis on the BATS Options FIX protocol. The CMTA clearing number can be entered in the "ClearingFirm" field (tag 439). The clearing number must be supplied for CMTA orders and be left unspecified for non-CMTA orders.



C. ROUTING

Q: Will BATS Options route orders that are not listed on BATS?

A: At least initially, BATS will not route options that are not listed on BATS Options to other exchanges.

D. REGULATION

Q: What rules are applicable to BATS Options?

A: The specific BATS Rules applicable to membership and trading on BATS Options are contained in Chapters XVI – XXIX of the BATS Rulebook, provided, however, that Chapters I – XV are applicable to BATS Options Members unless specific rules relating to options trading govern or the context otherwise requires. The rules of BATS Exchange are available at:

http://www.batstrading.com/resources/regulation/rule_book/BATS_Exchange_Rulebook.pdf.

Q: Can firms that are not market makers enter orders on both sides of the market?

A: Yes. All BATS Options Members are allowed to simultaneously enter orders on both sides of the market.

Q: What are the requirements for an Options Member to trade against its customer orders on BATS Options?

A: An Options Member may not execute orders for its own account against the order of a customer of the Options Member unless (1) the customer's order has been exposed on BATS Options for at least one second or (2) the Options Member has been bidding or offering on BATS Options for at least one second prior to receiving the customer order. An order designated "WAIT" in the "RoutingInst" field will cause an order to wait one second before processing for potential display and/or execution, in satisfaction of requirement (1) above. The "WAIT" modifier is not intended to be used with customer orders.

E. DATA FEEDS

Q: Does BATS offer market data products/feeds?

A: BATS offers the following proprietary data feeds for BATS Options:

- **DROP** – A feed based on a variation of the DROP protocol providing real-time information about executions.
- **Order-By-Order DROP** - Full order logs are made available via BATS Order-by-Order Drop for Sponsored Participant activity. This is a full echo of FIX logging and includes new orders, cancels, modifies, fills and rejects. Drop copy ports may be configured to send various combinations of Member and OCC member IDs.
- **Multicast PITCH** – A real-time depth of book feed providing quotations and execution information directly from BATS. In order to receive Multicast PITCH information, recipients must indicate to the Exchange that they already receive data from the Options Pricing Reporting Authority ("OPRA").



F. FEES

Q: What is the fee schedule for options trading on BATS?

A: The fee schedule for BATS Options is available at <http://www.batsoptions.com/regulation/>.

Q: Are there cancel fees on BATS Options?

A: No. BATS Options does not charge cancel fees.

Q: What is the cost for routing through BATS Options to access other options markets?

A: When BATS Options doesn't have the best bid or offer and receives a routable order, the order is routed to another exchange. For most routable orders, BATS charges the fees it incurs plus \$0.05 per contract for routing to other exchanges. For directed ISOs, BATS charges the fees it incurs plus \$0.10 per contract for routing to other exchanges. Orders entered into BATS Options can always be designated as unroutable if the participant only wants the orders to execute on BATS Options.

G. MEMBERSHIP AND REGISTRATION REQUIREMENTS

Q: What is required for a firm to participate on BATS Options?

A: In order for currently approved BATS Exchange Members to become eligible to transact business on the BATS Options platform, they must complete necessary agreements and receive a notification from the BATS Membership Services team acknowledging their firm is a recognized "BATS Options Member."

Following is a list of the documents that need to be completed as determined by your firm's current membership status:

If your firm is a currently approved BATS Exchange Member, please complete the following document:

- [BATS Options Member Application and Agreements](#)

Any Broker/Dealer who is not currently a BATS Exchange Member, must complete the following documents:

- [BATS Exchange Membership Application and Agreements](#) and
- [BATS Options Member Application and Agreements](#)

Any Options Member who intends to become a BATS Options Market Maker must complete the following document:

- [BATS Options Market Maker Registration Application](#)

Once complete, all documents may be returned to BATS for processing via fax to 913-815-7119, email to membershipservices@batstrading.com, or certified or first class mail to:

BATS Exchange, Inc.
Attn: Membership Services
8050 Marshall Drive, Suite 120
Lenexa, KS 66214

For more information about becoming a participant in BATS Options, visit the [BATS Options webpage](#) or contact the sales team at sales@batstrading.com.



Q: What is required for an individual to participate on BATS Options? Are any registrations required?

A: Yes. Authorized Traders of Members are required to register with the Exchange and all Options Members must have at least one Options Principal registered with the Exchange, as described below:

--*Authorized Traders:* All individuals who submit orders, or supervise a routing engine that automatically submits orders, on behalf of a Member are "Authorized Traders" required to successfully complete the General Securities Representative Examination (Series 7 or equivalent foreign examination module approved by the Exchange). For more information regarding registration of Authorized Traders, see BATS Rule 1.5(d), the Interpretations and Policies to BATS Rule 2.5 and BATS Rule 11.4.

--*Registered Options Principals:* The options related activities of each BATS Options Member are required to be supervised by at least one Options Principal. An Options Principal is required to successfully complete the Registered Options Principal Qualification Examination (Series 4). For more information regarding registration of Options Principals, see the Interpretations and Policies to BATS Rule 2.5 and BATS Rule 17.2(g).

H. MARKET MAKING

Q: Do market makers have quoting obligations on BATS Options?

A: Yes. Market makers on BATS Options must maintain a continuous two-sided market of at least one contract. Please review Chapter XXII of the BATS Exchange Rulebook which discusses market maker obligations and requirements.

Q: Are there any volume restrictions for market makers on BATS Options?

A: Market makers on BATS Options must execute at least 75% of their market making activity in options for which they are registered. As mentioned above, please review Chapter XXII of the BATS Exchange Rulebook for a discussion of market maker obligations and requirements.

Q: Can a market maker or specialist on another exchange send BATS orders with a capacity of "M"?

A: Yes. BATS does not have an away market maker designation. In order to ensure that their trades clear to the firm's OCC market maker account, market makers and specialists from other exchanges can mark their orders with capacity of "M". It is a firm's responsibility to ensure that orders are marked properly and that only appropriate market maker trades are entered into the firm's market maker account.