



December 18, 2007

Dear BATS Subscribers and Members of the Trading Community,

New Pricing Reduces BATS' Add / Take Spread by 50%

From the beginning, BATS has worked to make markets better through innovative pricing. We have offered an extremely aggressive, yet maintainable, spread for all customers, regardless of how much volume they do at BATS. Our standard pricing for Tape A & C has been based on a 2 mil add/take spread, and at times over the last year we offered special limited time pricing promotions that were even more aggressive. In Tape B, we were the first to introduce an inverted spread, incorporating tape revenue sharing back into the trade-by-trade economics. This has the effect of sharing the tape revenue with our customers in real-time.

Starting in 2008, BATS will be reducing our standard add/take spread from 2 mils to 1 mil. We will continue to offer an inverted spread for Tape B based on positive feedback we have received from our subscribers who prefer the "baked in" tape revenue sharing approach as opposed to the quarterly rebate check (that often doesn't arrive for weeks after the end of each quarter). Over time we expect that the industry's significant differential in tape revenue sharing between A, B, and C will normalize. Until such time, BATS will continue to offer aggressively higher rebates for adding liquidity in Tape B in order to pass back the tape revenue benefits to our subscribers.

Pricing Summary (effective January 2008)

Tape A: 0.0024 to Add Liquidity, 0.0025 to Take Liquidity

Tape B: 0.0030 to Add Liquidity, 0.0025 to Take Liquidity

Tape C: 0.0024 to Add Liquidity, 0.0025 to Take Liquidity

(Standard routing charges vary by market destination and range from 0.0025 to 0.0028)

With this pricing change, we are attempting to offer a consistent access fee for all securities, regardless of where they happen to be listed. We are also improving our liquidity rebates, with only a 1 mil spread in Tape A & C, and an inverted -5 mil spread in Tape B. These are not "special" or "limited time" pricing levels, but represent an aggressive and maintainable approach to operating efficiently for the benefit of our subscribers. We believe this simple approach to pricing will be appreciated by the industry and will put pressure on our competitors to simplify their pricing models as well. We are asking our customers to vote with their shares whether they appreciate the simplified approach to pricing.

In each case, the BATS pricing provides a significant reduction in access fees when compared to our primary competitors, Nasdaq and NYSE/Arca. It makes a lot of sense to put BATS at the top of your routing tables when trying to decide where to access displayed liquidity.

By moving up our standard rebates in Tape A & C from 0.0022 to 0.0024, it also makes a lot of sense to post your limit orders to BATS, knowing that our market will likely be scanned first based on the lower access fees we offer.

As you will have seen by now, Nasdaq and Arca have been tweaking their price plans for January, and for the most part it looks like their effective spreads are narrowing ... which is good for the industry, although they still have not reached the levels established by BATS.

Arca has, for the first time, entered into the tiered pricing model by offering a higher rebate in Tape C for what they call "Active Customers". This will tighten their effective add/take spread from 5 mils in Tape C to something less than 5 mils, maybe 3 or 4 mils. For customers who both add liquidity and remove liquidity, this will result in an overall improvement in their market access economics. We like to think that the 2 mil spread we had been offering all along has had a big influence on the tightening of prices elsewhere.

One of the biggest opportunities open to BATS subscribers, compared to our competitors, is very attractive access fees for Tape A. Nasdaq has raised their fee structure so that the best rate, available only to their largest customers, is 0.0028 for Tape A. Arca's access fee for Tape A is 0.0030. Putting BATS at the top of your routing table to get our 0.0025 access fee (available to all our subscribers) can have a major impact on your trading access fees. Saving between 3 and 5 mils on every share can add up to significant savings on a daily, monthly, and annual basis.

For a full and detailed pricing schedule, please refer to our web site (http://www.batstrading.com/subscriber_resources/BATS_Fee_Schedule_20080101.pdf)

New Features at the BATS Market Center

Smart Order Routing – The foundational phase of Smart Order Routing was rolled into production during December, with enhancements planned throughout Q1 2008. This initial release sets the stage for future developments and enhancements to our current routing capabilities. Over the next few weeks we will be moving symbols across from our legacy routing technology to the new Smart Order Routing technology, with no change in routing behavior. Once all the symbols have been brought over, we will begin offering new routing strategies for our customers to choose from that will provide advantages in functionality over what is offered by our competitors.

Disaster Recovery Site – As of December 2007, we have brought a remote secondary data center online. The development team at BATS have created an advanced architecture that replicates all order and market data traffic between the data centers in real time, allowing BATS to switch processing over to the secondary site should we determine that trading has been impacted at our primary data center. Details regarding the secondary site will be sent to all subscribers in the next few days, and we will be encouraging our customers to connect to both data centers for trading redundancy and disaster recovery purposes. This is an exciting step for BATS as we provide the redundancy and maturity our customers expect from a major market center. It also confirms BATS' commitment to stepping up our capabilities and redundancy in seeking approval from the SEC to operate a National Securities Exchange.

Press Releases planned for January – We have some exciting news to share with you in the new year, so keep your eyes open for important press releases that will come out early in 2008.

We considered sending out the announcements now, but with the holiday season upon us, we decided to wait until everybody gets back to work before sharing the news.

Happy Holidays

2007 was an exciting year for BATS and BATS subscribers. We are grateful to all of our subscribers for the support and confidence they provided us throughout the year. Our matched market share clearly distinguishes BATS as the 3rd largest equity market center in the US, and our market share continues to grow thanks to our subscribers. From the entire BATS team, we would like to wish you and your families a happy and joyous holiday season, and we look forward to following up with you in the New Year. As always, your comments and feedback are welcome.

Sincerely,

Joe Ratterman
President and CEO
BATS Trading ... Making Markets Better