



January 23, 2008

Dear BATS Subscribers and Members of the Trading Community,

In this edition of our news letter you will find ...

- * ***PokingFun*** at Tiered Pricing
- * Eric Swanson Hired as General Council
- * Exchange Status Update
- * BATS Surpasses 1 Billion Shares
- * BATS Performance Focus
- * Thank You to Subscribers

If you can't beat 'em, join 'em ... BATS Unveils New Tiered Pricing Structure (*not really*)

In January, NYSE/Arca announced that they moved to a tiered pricing model after all these years of having straightforward and simple pricing. Just last week, Nasdaq introduced yet another tier level in their complex, multi-page pricing grid. Seems like BATS is the odd-man out in this trend, so we have finally broken down and decided to move to tiered pricing as well. We realized that providing simple and consistent pricing to all subscribers is just plain boring. Who really cares about easy to understand pricing models anyway? Plus, it's a way for us to exclude at least some portion of the industry from getting our best pricing.

Starting in February, only customers who can meet the volume tiers at BATS will get our best prices. We will keep our ultra aggressive 1 mil spread for Tapes A & C, and our inverted -5 mil spread in Tape B, but only for our best customers who meet the tier. Those who don't meet the tier will be forced to accept much less aggressive pricing, resulting in an effective spread for most participants as bad as 10 mils. Ouch.

We have taken steps, however, to make it easy for market participants to meet the BATS tier. The first requirement in hitting the tier involves becoming a subscriber to the BATS ECN. The second, and more important requirement, is that you send us at least 1 share each month. If you can't meet these volume tier requirements, then you won't be eligible for our best pricing. No exceptions. Subscribers who can't send us at least 1 share each month will have no choice but to trade at other markets and accept the inferior economics that they offer.

Ok, so maybe we are having a bit of fun at our competitors' expense (pun intended) with regards to tiered pricing, and the truth is we **are not** moving to tiered pricing at BATS. To the contrary, we feel that having one pricing model, for all subscribers, is a differentiating factor for BATS. Simple pricing, that anybody can understand, that is available to every subscriber, is the approach that we will continue to promote in the industry. It's one way that we are making markets better.

If you are one of the many market participants that don't regularly meet the volume tiers required by our competitors, you should consider sending more of your orders to BATS ... we will be

happy to provide you with our best prices, regardless of how big you are (assuming of course you can send us at least 1 share each month).

For a summary of our (simple) pricing schedule, please refer to our web site (http://www.batstrading.com/subscriber_resources/BATS_Fee_Schedule_20080101.pdf)

Key New Hire

We are excited to announce that Eric Swanson has joined the BATS team as General Counsel, and will be based in our New York office. Eric will spearhead our exchange application process with the SEC. With his strong background and knowledge of the SEC and market centers, Eric is the ideal individual to work with the Commission during this process.

Eric has a significant history with the SEC, having served at the Commission from 1996-2006 and rising to the title of Assistant Director in the Office of Compliance Inspections and Examinations' market oversight unit in Washington. His duties included supervising the Commission's inspection program responsible for regulatory oversight of trading on the securities exchanges and ECNs.

During his tenure at the SEC, Eric supervised and conducted inspections and examinations that involved a wide range of issues including best execution, order handling, insider trading, market manipulation, and compliance with Regulation ATS. In addition, Eric was responsible for the identification of regulatory risks and the development of parameters for surveillance and examination programs.

Exchange Application Status

After several months of preparation and interactive dialogue with the SEC Market Regulation staff in 2007, our final exchange application was filed with the SEC in November. We anticipate that the commission will publish our application for public comment in the near future. When the public comment period begins, we would like to encourage our subscribers and business partners to send comments to the SEC. If you feel as though our exchange application represents progress and improvements for the industry, please consider supporting our bid to become the next registered national exchange.

Performance and Stability

As market volatility has increased again in January, we would like to thank our subscribers for their trust and confidence in the BATS platform to handle the demands of their high volume trading. We have seen average daily volumes continue to rise each month, with this January being our best month ever. Daily average volumes so far in January have been over 680M, while last week we witnessed three days in a row over 830M. This week we set a new daily record with 975M shares traded on Tuesday. **Today we crossed through a major milestone and traded over 1.1 Billion shares.** Our customers have come to expect excellence and performance at BATS. When volatility and market activity go to new extremes, the BATS market center stands ready to be your market of choice.

The technology preeminence at BATS sets our market apart from the pack. We continue to push “latency down” and “capacity up” in ever optimizing cycles of improvement. We have tested our system at order frequency rates as high as 110,000 msgs/sec, and have shown order acknowledgement response times consistently under 0.7 milliseconds under these loads.

With regards to uptime at BATS, we hold ourselves to an extremely high bar. Internally, we don’t take credit for a successful month of uptime unless our aggregate system outage time for the entire month is less than 60 seconds combined. Compare this standard to other markets, especially those that tend to falter under heavy loads, and it becomes clear that BATS is a technology leader. Don’t take our word for it, just look at our track record and the market share we have built based on the trust and confidence of our many valued subscribers.

Thank You

We would like to thank our subscribers for their continued support. Our touched and matched market share clearly distinguish BATS as the 3rd largest equity market center in the US, and our market share continues to grow. In addition, we continue to match 80% - 85% of the orders executed through the BATS platform, where only 15% to 20% of the shares end up routing to away markets. As always, your comments and feedback are welcome.

Sincerely,

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