



## **Opening Remarks by Joe Ratterman, President & CEO, BATS Global Markets and BATS Exchange**

**Prepared for the Securities & Exchange Commission Market Structure Roundtable, Panel 1 - Market Structure Performance and Price Volatility, held June 2, 2010 at 9:45AM ET.**

I would like to thank the Commission and its staff for providing a public forum to discuss these important topics and for providing BATS Exchange an opportunity to participate in these discussions.

Many of the topics under consideration in the Concept Release and under discussion today reflect on past policy decisions made by the Commission, such as the Order Handling Rules, Regulation ATS, and Regulation NMS. Collectively these initiatives have injected competition into the marketplace. Consequently, the cost of trade execution has dramatically declined. Recent academic studies have verified that transaction fees have fallen and trading spreads have narrowed in the last several years, which we believe has led to a better trading experience for all market participants.

While we believe investors have realized substantial benefits from the current state of competition in the markets, the recent events of May 6<sup>th</sup> serve as a reminder that we must remain vigilant about evolving and optimizing our market structure. I have been proud of how our industry quickly mobilized to address the particular structural gaps highlighted by market events that day. The exchanges, FINRA, and Commission staff have been working cooperatively to implement several solutions, some short and some long term, to prevent a recurrence of these events.

Longer term, BATS supports the introduction of limit-up/limit-down functionality, which would prevent clearly erroneous transactions in the first place. This type of

approach would allow trading and price discovery to continue, within known thresholds, while liquidity has an opportunity to come back into the market.

The Concept Release frames the discussion of the fairness of today's equity markets by focusing on a variety of market structure issues, including issues related to "high frequency trading", whether particular trading strategies have emerged that are detrimental to the industry, and the impact of co-location and direct market data feeds.

Nearly all equity trading in the US today is automated in some fashion and can exhibit characteristics that fall under the umbrella label of “high frequency trading”. These characteristics include direct access to a market, the sending of a large number of orders into the market, orders generated by a computer algorithms, trading through a co-located broker, or subscribing to an exchange’s direct data feed. Future regulations targeted in this area should take into account that the phrase “high frequency” more broadly describes the state of our market than it does any particular segment of trading participants.

In addition, I don’t believe efforts to judge the benefits or detriments of particular trading strategies are useful. The diversity of trading strategies in our markets has produced a healthy, vibrant, and sustainable eco-system that allows traders and investors, with a wide range of investment needs and differing time horizons, to find each other in a network of well connected liquidity pools.

Lastly, with respect to co-location and direct market data feeds, the latency improvements experienced by firms who co-locate can dramatically reduce their trading risk, enabling them to more efficiently deploy capital, which results in narrower spreads and, hence, decreased trading costs for all investors. BATS believes that so long as such services are provided on a fair and transparent basis, the benefits inuring to all investors are real – intense competition pushing a security to its fair value, narrow spreads, and fast executions against firm and automatically accessible quotes.

Thank you and I look forward answering any questions and participating in today’s panel discussion.