



US Equities Sponsored Access Specification

Version 1.1.5

November 7, 2011

Contents

1	Introduction	3
1.1	Overview	3
1.2	Port Requests	3
1.2.1	Prior To Certification Testing	3
1.2.2	After Completion of Certification	3
1.2.3	Creating New Production Ports	4
1.2.4	Deletion of Production Ports	4
1.3	Port Management and Order Status	4
1.4	Data Access	4
2	BATS Sponsored Access Tools	5
2.1	BATSTRADING.COM Web Portal	5
2.2	BATS Secure Web API	6
3	Order Restriction	7
3.1	Intermarket Sweep Orders	7
3.2	Pre-Market Trading	7
3.3	Post-Market Trading	7
3.4	Short Sales	8
3.5	Block New Orders	8
4	Maximum Per-Order Limits	9
4.1	Max Notional Value Per Order	9
4.2	Max Shares Per Order	9
4.3	Fat Finger %	9
5	Restricted Symbol List Management	10
6	Easy-to-Borrow List Management	11
7	Aggregated Credit Limit Risk Management	12
8	Order Cut-offs	13
8.1	Cancel All Open Orders	13
8.2	Cancel All Open Orders and Block New Orders	13
8.3	Reject Orders on DROP Port Disconnect	13
8.4	Reject Orders on DROP Port Timeout	14
8.5	Cancel Open Orders on DROP Port Disconnect	14
9	Match Trade Prevention	15
10	Contact Details	16

1 Introduction

1.1 Overview

Through BATS Sponsored Access, an approved member of the Exchange agrees to sponsor the trading activity of a participant, who either does not meet the requirements for membership or chooses this means as an alternative to membership. The Sponsoring Member provides an approved MPID to trade with and is responsible for the clearing and covering of the participant's trades. BATS makes a series of order constraints available to Sponsoring Members for pre-trade protection, as well as the ability to receive a Sponsored Participant's order and trade activity via Order by Order DROP. Refer to the FIX DROP section of the appropriate (BYX or BZX) BATS US Equities FIX Specification for more information.

The Sponsored Participant's orders are validated in the FIX handler prior to entering the matching engine. Based on parameters provided by the Sponsoring Member, the order is immediately passed on to the matching engine or rejected back.

Both the Sponsoring Member and the Sponsored Participant must enter into a Sponsored Access Agreement (BYX and BZX agreements may be found in the [Sales and Support](#) section of <http://www.batstrading.com>) with BATS before trading by the Sponsored Participant can commence.

Sponsored Participants are responsible for establishing their own connectivity to the Exchange via either direct connection or remote access, and must complete certification of their order management system prior to being able to commence with live trading.

1.2 Port Requests

1.2.1 Prior To Certification Testing

1.2.1.1 Certification Ports

The request for certification ports can be made by either the sponsoring member or the sponsored participant anytime after the relationship between these parties has been processed and approved by the exchange.

1.2.1.2 Production Ports

BATS will provision production ports owned by a sponsored participant prior to certification. These ports will be disabled from accepting orders but will be available to connect and heartbeat for the participant while allowing the sponsoring member access to risk management tools. For procedure on creating ports, please see Creating New Production Ports below.

1.2.2 After Completion of Certification

Certification is complete once the sponsored participant has completed all testing required by the exchange to begin trading. As the sponsoring member accepts responsibility for trading activity of the sponsored participant, the exchange does not require the submission of a clearing test trade in production. If there are existing but

BATS US Equities
Sponsored Access Specification (Version 1.1.5)

disabled production ports, BATS Trade Desk will await e-mail guidance from the sponsoring member before enabling these sessions for trading. If there are no existing production ports, the sponsoring member and sponsored participant will follow the procedure outlined below to request and provision ports for trading.

1.2.3 Creating New Production Ports

Both the sponsored participant and the sponsoring member may send requests for Production ports via e-mail to the BATS Trade Desk as long as the other party is copied on the e-mail. Upon creation of a port originating from a sponsored participant request, BATS Trade Desk will send port confirmation to the participant as well as the sponsoring member as notification. The sponsoring member must notify BATS Trade Desk via e-mail to have their MPID activated on the new port. Sponsored participants can request new ports where no MPID will be enabled prior to approval of the sponsoring member. A sponsored participant who is also a member of the exchange can request new ports for trading activity where they are not using a sponsored MPID by working directly with BATS Trade Desk.

1.2.4 Deletion of Production Ports

As the responsibility of port fees are those of the sponsored participant alone, only the sponsored party may make a request to delete production ports. This must be done via e-mail to BATS Trade Desk with the understanding that the port will not be deleted before the next business day. While the sponsoring member cannot request the deletion of a port that they do not own, they can instead request the disabling or orders on any ports with a sponsoring MPID or the removal of that MPID from ports. This type of request can be handled with an immediate or future effective date and also requires and e-mail to BATS Trade Desk for documentation.

1.3 Port Management and Order Status

In a sponsored relationship, individuals associated with either the sponsoring member or the sponsoring party will have the ability to inquire about order status, request trade data information and cancel individual orders. Individuals with sufficient privileges from either entity will also have the ability to cancel open orders in bulk, either at the individual port level or for all sponsored ports using the sponsoring MPID.

Port configurations can be maintained by the sponsoring member via online Risk Management Tools or via e-mail request to BATS Trade Desk. Sponsored participants may only make these configuration requests to their sponsoring member, who can pass this request on to BATS Trade Desk. Note that port based Risk Management settings are only applied to ports that exist at the time the setting is established.

1.4 Data Access

Sponsored participants can be given access to trade data history and other information via BATS web portal when approval for such information has been granted by the sponsoring member. These requests and any necessary confirmation should come via e-mail to BATS Trade Desk. Any information not available to the sponsored participant at this level must be requested by the sponsoring member and passed on to their sponsored party.

2 BATS Sponsored Access Tools

BATS offers access to its Sponsored Access Risk Management Tools via its Member Web Portal and through utilization of a Secure Web API. Full functionality of all Risk Management tools is possible through either method.

2.1 BATSTRADING.COM Web Portal

Members of BATS who engage in Sponsoring activity can request a login to our Member Web Portal with the ability to set risk limitations on sessions owned by their Sponsored Participants. After logging into their Web Portal account, users with appropriate access will be able to click on the Sponsored Access link in the lower left menu of their account page.

Member Tools
Account Home
Stats and Ranking
Current Activity
Sponsored Access
Volume History
Trade Data
Files
Order Lookup Total 200 Recent: 0 Pending: 0
Market Maker
Ports

BATS US Equities
Sponsored Access Specification (Version 1.1.5)

The screen that follows allows users to select the Sponsored Participant they would like to edit settings for and proceed with configuration.

Sponsored Access Controls

The screenshot displays a web-based configuration interface for Sponsored Access Controls. At the top, there is a dropdown menu labeled "Select a Sponsored Client" with "Engineered Automated Trading Research (EATR)" selected, and a "View Audit Log" button. Below this, the interface is divided into several sections: "Order Restrictions" with five checkboxes (four checked: Allow ISO, Allow Short Sales, Allow Pre-Market, Allow Post-Market; one unchecked: Block New Orders); "Maximum Per Order Limits" with three input fields (Share Size: 999999, Notional Value: 0, Fat Finger %: 0); "Easy-to-Borrow Symbol List" and "Restricted Symbol List", each with "View", "Upload", and "Remove" buttons and a message "The list contains 0 symbols."; and "Cancel Orders" with two buttons: "Cancel Open Orders" and "Cancel Open Orders and Block New Orders". At the bottom right, there are "Reset" and "Save" buttons.

More information on these tools can be found beginning in [Section 3](#).

2.2 BATS Secure Web API

Information on the implementation of the Secure Web API can be found [here](#).

3 Order Restriction

Sponsored Access Controls

Select a Sponsored Client
Engineered Automated Trading Research (EATR) View Audit Log

Order Restrictions

- Allow ISO
- Allow Short Sales
- Allow Pre-Market
- Allow Post-Market
- Block New Orders

Maximum Per Order Limits

Share Size: 999999

Notional Value: 5000000

Fat Finger %: 10

Easy-to-Borrow Symbol List
View Upload Remove The list contains 0 symbols.

Restricted Symbol List
View Upload Remove The list contains 0 symbols.

Cancel Orders
Cancel Open Orders Cancel Open Orders and Block New Orders

Reset Save

3.1 Intermarket Sweep Orders

Sponsoring Members have the ability to allow, or restrict a Sponsored Participant's ability to place Intermarket Sweep Orders (ISO) which **do not** check for a trade through before executing on the BATS book. The default for this setting is to Allow ISO and can be changed by un-checking the corresponding box and saving the change.

3.2 Pre-Market Trading

Sponsoring Members have the ability to allow or restrict a Sponsored Participant's access to the BATS pre-market trading session of 8:00 – 9:30 am ET. The default for this setting is to Allow Pre-Market Trading and can be changed by un-checking the corresponding box and saving the change.

3.3 Post-Market Trading

Sponsoring Members have the ability to allow or restrict a Sponsored Participant's access to the BATS post-market trading session of 16:00 – 17:00 pm ET. The default for this setting is to Allow Post-Market Trading and can be changed by un-checking the corresponding box and saving the change.

3.4 Short Sales

Sponsoring Members have the ability to allow or restrict a Sponsored Participant's ability to place Short Sale orders. The default for this setting is to Allow Short Sale activity and can be changed by un-checking the corresponding box and saving the change.

3.5 Block New Orders

Sponsoring Members have the ability to block all new inbound order flow across all participant sessions by checking the corresponding box and saving the change. Participants will still be able to send cancel requests in for resting orders.

4 Maximum Per-Order Limits

Sponsored Access Controls

Select a Sponsored Client
Engineered Automated Trading Research (EATR) View Audit Log

Order Restrictions

- Allow ISO
- Allow Short Sales
- Allow Pre-Market
- Allow Post-Market
- Block New Orders

Maximum Per Order Limits

Share Size:	999999
Notional Value:	5000000
Fat Finger %:	10

Easy-to-Borrow Symbol List
View Upload Remove The list contains 0 symbols.

Restricted Symbol List
View Upload Remove The list contains 0 symbols.

Cancel Orders

Cancel Open Orders Cancel Open Orders and Block New Orders

Reset Save

4.1 Max Notional Value Per Order

This value is a per port limit but is implemented consistently across all of a Sponsored Participant's current ports. When the specified limit is reached or exceeded, the order is rejected. The value can be changed in real-time by entering the desired limit and saving the change. There is no default value for the Max Notional Value of an inbound order.

4.2 Max Shares Per Order

This value is also a per port limit but is implemented consistently across all of a Sponsored Participant's current ports. When the specified limit is reached or exceeded, the order is rejected. The value can be changed in real-time by entering the desired limit and saving the change. The default value for the Max Shares Per Order is 25000.

4.3 Fat Finger %

This value is another per port limit but is implemented uniformly across all of a Sponsored Participant's current ports. When a limit order is entered that is priced through the NBBO by an amount greater than or equal to the defined percentage, the order is rejected. For example, when a buy limit order is received, the limit price entered is checked against the current National Best Offer (NBO). If it exceeds the NBO by more than the set percentage it is rejected. This value can be changed in real-time by

BATS US Equities
Sponsored Access Specification (Version 1.1.5)

entering the desired limit and saving the change. Fat Finger % is not enabled by default and must be defined for the check to be applied to new orders.

5 Restricted Symbol List Management

Sponsoring Members have the capability to allow or restrict a Sponsored Participant's ability to enter a security which is restricted due to insider holding status or any other SEC mandated regulations defining its restricted status. Symbol lists are submitted via text file and uploaded via the Risk Management Tool. The Sponsoring Member is also able to view the current list that is in place or clear the list entirely through this component.

Sponsored Access Controls

Select a Sponsored Client
Engineered Automated Trading Research (EATR) View Audit Log

Order Restrictions

- Allow ISO
- Allow Short Sales
- Allow Pre-Market
- Allow Post-Market
- Block New Orders

Maximum Per Order Limits

Share Size: 999999

Notional Value: 5000000

Fat Finger %: 10

Easy-to-Borrow Symbol List
View Upload Remove The list contains 0 symbols.

Restricted Symbol List
View Upload Remove The list contains 0 symbols.

Cancel Orders

Cancel Open Orders Cancel Open Orders and Block New Orders

Reset Save

6 Easy-to-Borrow List Management

The Easy-to-Borrow List allows for order management of short sale orders at a per security level. When no list is present and Short Sales are allowed for the Sponsored Participant, all securities are eligible for short sales. If a list is present and the security is not in the list, the order is rejected. Symbol lists are submitted via text file and uploaded via the Risk Management Tool. The Sponsoring Member is also able to view the current list that is in place or clear the list entirely through this component.

Sponsored Access Controls

Select a Sponsored Client
Engineered Automated Trading Research (EATR) View Audit Log

Order Restrictions
 Allow ISO
 Allow Short Sales
 Allow Pre-Market
 Allow Post-Market
 Block New Orders

Maximum Per Order Limits
Share Size: 999999
Notional Value: 5000000
Fat Finger %: 10

Easy-to-Borrow Symbol List
View Upload Remove The list contains 0 symbols.

Restricted Symbol List
View Upload Remove The list contains 0 symbols.

Cancel Orders
Cancel Open Orders Cancel Open Orders and Block New Orders

Reset Save

7 Aggregated Credit Limit Risk Management

Coming soon, the Sponsored Access tool will allow for risk management based on aggregated credit limits. On a given port BATS will calculate and track four values:

- **Cumulative Notional Booked Bid Value (CBB)** – The sum of limit price * size for all buy limit orders on the book.
- **Cumulative Notional Booked Offer Value (CBO)** – The sum of limit price * size for all sell limit orders on the book.
- **Cumulative Notional Executed Bid Value (CEB)** – The sum of size * trade price on all executed buy orders.
- **Cumulative Notional Executed Offer Value (CEO)** – The sum of size * trade price on all executed sell orders.

The Sponsoring Member has the ability to configure both a Limit Order Notional Cutoff and a Market Order Notional Cutoff:

- **Limit Order Notional Cutoff** – When the risk measure exceeds this value, limit orders are rejected.
- **Market Order Notional Cutoff** – When the risk measure exceeds this value, market orders are rejected.

Defined risk measures will be applied at the port level across all of a Sponsored Participant's ports using a **Notional Cutoff Aggregation Method**. This method will be defined as either gross exposure **or** net exposure.

Gross exposure = CBB + CBO + CEB + CEO

Net exposure = ABSOLUTE VALUE of [(CEO + CBO) – (CEB+CBB)]

8 Order Cut-offs

The following section demonstrates the types of cut-offs which can be performed on Sponsored Participants. Note, a Sponsoring Member could block its Sponsored Participant from entering new orders without pulling existing orders from the market by just selecting the “Block New Orders” checkbox in the **Order Restrictions** section of the page.

Sponsored Access Controls

Select a Sponsored Client
Engineered Automated Trading Research (EATR) View Audit Log

Order Restrictions

- Allow ISO
- Allow Short Sales
- Allow Pre-Market
- Allow Post-Market
- Block New Orders

Maximum Per Order Limits

Share Size: 999999

Notional Value: 5000000

Fat Finger %: 10

Easy-to-Borrow Symbol List
View Upload Remove The list contains 0 symbols.

Restricted Symbol List
View Upload Remove The list contains 0 symbols.

Cancel Orders

Cancel Open Orders Cancel Open Orders and Block New Orders

Reset Save

8.1 Cancel All Open Orders

Sponsoring Members have the ability to cancel all of their Sponsored Participant's existing orders in real-time.

8.2 Cancel All Open Orders and Block New Orders

Sponsoring Members also have the ability to simultaneously prevent new order flow and cancel all existing orders of their Sponsored Participant in real-time.

8.3 Reject Orders on DROP Port Disconnect

Sponsoring Members have the ability to associate a Sponsored Participant's order entry port(s) with their DROP port(s). Once the association has been established, at least one DROP port associated with the order entry port must be connected. Otherwise, any new orders entered by the Sponsored Participant will be rejected on the associated order

entry port until at least one of the DROP port session connections have been established.

These DROP to order entry port relationships can only be established through the [BATS Trade Desk](#) by requesting the *Reject Orders on DROP Port Disconnect* port attribute.

8.4 Reject Orders on DROP Port Timeout

When the last associated DROP port for the order entry session has disconnected, the reject/cancel actions will be taken on the order entry session if an associated DROP port has not reestablished its connection in the defined time.

Only applicable for sessions where “Reject Orders on DROP Port Disconnect” has been enabled. This setting defaults to 30 seconds, but can be adjusted through the [BATS Trade Desk](#) by requesting an update to the *Reject Orders on DROP Port Timeout* port attribute. 20 seconds is the minimum timeout that will be allowed.

8.5 Cancel Open Orders on DROP Port Disconnect

If all DROP ports associated with an order entry port become disconnected, cancel all open orders on the order entry port.

Only applicable for sessions where “Reject Orders on DROP Port Disconnect” has been enabled. This setting is disabled by default, but can be enabled through the [BATS Trade Desk](#) by requesting an update to the *Cancel Open Orders on DROP Port* port attribute.

9 Match Trade Prevention

As Sponsoring Members are responsible for trading activity associated with their MPID, they will likely be interested in utilizing BATS Match Trade Prevention (MTP) technology to aide in wash trade prevention as it relates to trading activity of their Sponsored Participant's.

Sponsoring Members **must** contact the BATS Trade Desk (913.815.8115 or tradedesk@batstrading.com) to request MTP enforcement at the port level for their Sponsored Participants. FIX session level MTP settings are not functional for Sponsored Participants as the Sponsoring Member must actively manage the appropriate setting through the Trade Desk given they are the responsible MPID owner.

Should a Sponsoring Member wish to allow a Sponsored Participant the capability to override port level MTP settings on an order by order basis via FIX (tag 7928), they may contact the BATS Trade Desk and request "Sponsored Participant MTP Control" for any ports where this behavior is desired.

Refer to the [BATS US Equities \(BZX\) FIX Specification](#) or [BATS US Equities \(BYX\) FIX Specification](#) for more information on MMTP.

10 Contact Details

If you have any questions or would like to begin using Sponsored Access, please contact your account manager or any of the teams below:

Sales

sales@batstrading.com

Phone: 212.378.8530

Membership Services

membershipservices@batstrading.com

Phone: 913.815.7002

Trade Desk

tradedesk@batstrading.com

Phone: 913.815.7001

BATS US Equities
Sponsored Access Specification (Version 1.1.5)

Revision History

Document Version	Date	Description
1.0.0	02/03/10	Converted Sponsored Access Specification to new document template. Updated to match new and improved interface.
1.0.1	02/04/10	Added Member Match Trade Prevention section. Various minor updates.
1.1.0	04/15/10	Added Port Request, Management and Data Access information to Introduction. Added BYX references.
1.1.1	05/13/10	MMTP order by order override now supported.
1.1.2	07/12/11	Added Fat Finger Protection.
1.1.3	07/22/11	Added support for Reject Orders on DROP Port Disconnect.
1.1.4	08/25/11	Updated definition of Reject Orders on DROP Port Disconnect. Added Reject Orders on DROP Port Timeout. Added Cancel Open Orders on DROP Port Disconnect. Renamed "Member Match Trade Prevention (MMTP)" to "Match Trade Prevention (MTP)". Updated various screen shots.
1.1.5	11/07/11	Added Aggregated Credit Risk Limit Management section.