



Security Based Circuit Breaker FAQ

How will this circuit breaker function?

A trading pause will go into effect for certain individual securities that experience a price change of 10% or more during a 5 minute period of time. The primary listing market for the security will initiate the trading pause by disseminating a specific message to the SIPs. Upon receipt of this message, all other markets will honor the 5 minute trading pause which will be lifted once the affected security has been re-opened by the primary listing market. If the primary market fails to re-open the security, all other markets may resume trading 10 minutes after initiation of the trading pause.

What securities will be part of the pilot?

As proposed, securities within the S&P 500[®] Index would be subject to the circuit breaker trading pause. However, discussions continue regarding the possibility of adding other securities during the course of the pilot.

What is the timeline for the trading pause pilot?

Pending SEC approval, it is expected that the stock-by-stock circuit breaker functionality will be in place by June 14, 2010 and would run through December 10, 2010.

Can only a primary market center print trigger a trading pause?

No. All regular way, in-sequence prints sent to the Consolidated Tape can trigger a trading pause.

How will this be communicated via the SIPs?

Trading Halt Reason Code and Quote Condition Code "M", will be disseminated by CTS/CQS to all data feed recipients when a trade triggers a trading pause. For more information contact SIAC Operations.

The UTP SIPs will disseminate a Regulatory Halt ("H") with a new reason code to be defined by the listing markets. For more information, contact Nasdaq UTP SIP Operations.

How will BATS know that trading has been re-opened for the security by the primary listing market?

BATS will wait for the trading resumption message from the listing market to resume trading in a symbol. If the listing market is unable to open the stock within 10 minutes, on a case-by-case basis, BATS may resume trading at 10 minutes or later.

What happens to orders on the BATS book when a trading pause is initiated?

All open orders on the BATS book will be cancelled when a trading pause has been initiated.

Can a stock trade during a trading pause?

No. All trading in a must cease for the subject security for the 5 minute trading pause. Trading may not resume until the primary market has put up a print to the Consolidated Tape OR 10 minutes have passed since the primary market initiated the trading pause. Any orders received for a security under a trading pause condition will be rejected by BATS until the trading pause has been lifted.

Will the opening and closing prints be subject to the 10% circuit breaker threshold?

No. The calculations for the 10% threshold will begin at 9:45 AM ET and cease at 3:35 PM ET. For securities re-opening after a trading pause, the calculation will restart immediately.

How will Clearly Erroneous Executions be handled when an individual security circuit breaker goes into effect?

Race conditions can occur where market centers can have executions after a primary listing market has sent a circuit breaker message to the SIPs, but before the market centers have received the message themselves. As such, BATS Exchange is actively working with other market centers to establish a consistent set of policies and procedures for dealing with such situations in a way that will minimize the need for trade breaks, but when necessary will allow for prompt identification and dissemination of information regarding trades that need be reviewed and/or broken. More information on this topic will be made available as soon as possible.

How will BATS Options Exchange handle a circuit breaker trading pause?

BATS Options Exchange will cancel all open orders and halt all options series related to the paused underlying security.

How will BATS determine when to resume trading on BATS Options Exchange after a circuit breaker is initiated?

BATS will wait for the trading resumption message from the listing market to resume trading in a symbol. This will also trigger resumption of any options series halted as a result of the circuit breaker pause. If the listing market is unable to open the stock within 10 minutes, on a case-by-case basis, BATS may resume trading at 10 minutes or later.

Where can I find the BATS rule filing for this proposal?

[SR-BATS-2010-014](#)

What if I have additional questions regarding this change?

Please call the BATS Trade Desk or your Director of Sales with any questions regarding this proposed change.

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