Market Structure Reform

A Better Way Forward

U.S. Market Structure

The U.S. stock market is widely seen as the world's most liquid, transparent, efficient and competitive market with its performance throughout the financial crisis serving as a great example of resiliency and strength. To that end, market participants have also long displayed a willingness to continually re-evaluate current practices with a view to making the market even better and, at this time, we believe there is industry consensus that improvements are needed.

In particular, BATS believes it is appropriate to address the current one-size-fits-all aspect of market structure, which does not fully meet the needs of its many participants, including end investors and issuers. To be clear, we are NOT advocating for a compromise between industry participants that would add further complexity (e.g., Trade-At) or introduce anti-competitive pricing mechanisms (e.g., the ban on Maker-Taker).

Instead, based on conversations with numerous and diverse market participants, we believe there is a desire for forward-looking market structure initiatives that will maintain the healthy market quality gains investors have realized during the past decade, while achieving further optimizations to our equity market in the years to come.

With those thoughts in mind, BATS has written an open letter to the industry, proposing the following:

- **The Restructuring and Reduction of Market Access Fees.** Tiered access fees should be introduced, beginning at $0.0005 per share (five cents per 100 shares) for the most liquid stocks, representing a greater than 80% fee reduction. This would benefit end investors and issuers, and recognizes that exchange liquidity rebates that are enabled by access fees provide a meaningful incentive for liquidity providers to display quotes and narrow spreads. But, highly liquid securities don't require as great a rebate as less liquid securities.

- **Greater Order Handling Transparency.** Alternative trading systems should be required to provide their rules of operation to customers, and Rules 605 and 606 of Regulation NMS should be amended to require additional disclosure of achieved execution quality on a broker-by-broker basis.

- **Higher Standards for Small Trading Centers.** Regulation NMS should be revised so that, until an exchange or other currently protected market center achieves more than 1% share of consolidated average daily volume in any rolling three-month period, they should not be protected under the trade-through rule, and not share in, or otherwise receive any NMS plan market data revenue. This addresses the concerns of many market participants regarding how the current structure may artificially subsidize competition or encourage complexity that does not address a market need.

We offer this set of suggestions as a starting point for constructive discussion and continue to seek feedback from a diverse group of market participants.

Industry participants who support any, all or none of the proposals from BATS are asked to file their comments with the SEC by sending a letter or an email that references BATS Petition 4-680 to rule-comments@sec.gov.

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