



BATS Global Markets
8050 Marshall Drive
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Thursday, April 9th 2015

Dear BATS Customers and Members of the Trading Community,

A Message from BATS CEO Chris Concannon

Hello and thank you for the very warm welcome that I have received from so many since joining BATS Global Markets in December. It has been an exciting four months for BATS and the industry and I can promise, there is much more to come from us. Keeping with a great BATS tradition, the CEO has to have a few things to say in an email to the industry from time to time (Don't worry Bob G., I will be nice).

First, some thoughts about Joe Ratterman, a friend, a colleague and the person who led the company to such great success during the past eight years. Joe has built a winning team and a winning culture. Along the way, he established BATS as a global market leader on numerous fronts.

Consider this: when Joe became CEO of the company known as BATS Trading in July 2007, the firm was a single, upstart alternative trading system with great ambitions and 4% U.S. equities market share. Today, BATS Global Markets sits amongst the leaders in the global exchange industry as:

- The #1 stock market operator in Europe
- The #1 stock market operator, excluding auctions, in the U.S. (that means bigger than Nasdaq and NYSE ☺)
- The #1 market for ETFs (see above ☺)
- The largest retail trading venue in the U.S.
- Operator of the largest European trade reporting facility, BXTR
- The #1 price-time priority options market and 4th largest options exchange
- And now, a key player in the FX market with the recent BATS acquisition of Hotspot

While building BATS into a global market operator, Joe has been a vocal and respected industry leader championing important issues for our Members and the industry at large. As Chairman of the Board of BATS, Joe will continue his role as a market leader and proponent for the industry. As the sole exchange representative selected for the SEC's new Equity Market Structure Advisory Committee, rest assured he is committed to playing a pivotal role in the U.S. market structure conversation.

On a personal level, I am in awe of the amazing culture Joe has developed and nurtured here at BATS, now a company of just 256 employees that executed more than \$137 billion notional value of transactions per day in March. BATS is a highly transparent organization, both internally and externally, with a team that innovates, collaborates and succeeds like few others. And that is a direct reflection of Joe's leadership and vision that I hope to follow.

I am honored to take the baton from Joe and look forward to working closely with him in his role as Chairman.

Exclusive Listings

As I dive into my new position at BATS, the company couldn't be better positioned for continued growth and success. Market share is at or near all-time highs for equities in the U.S. and in Europe, as well as options in the U.S. We have just completed the technical integration of Direct Edge and recently closed the acquisition of Hotspot, moving BATS into the FX market, the world's largest asset class. We have also continued our dominance in ETF trading in the U.S. where we operate the largest liquidity pool for those instruments. Our goal is to be the #1 player in every business in which we participate. And we have the team in place to make that happen.



BATS, at its core, has always been a problem solver, creating new and better ways to serve customers while making the markets more efficient for all participants. It's at the center of everything we do, from our Kansas City headquarters to our offices in New York, London, Chicago, and, by virtue of the Hotspot acquisition, Singapore.

To that end, we have spent significant time trying to answer a question that has dogged the U.S. equities market for years: what can the industry do to improve liquidity in thinly-traded shares?

In our recent [market structure letter](#) – and subsequent [SEC rule petition](#) – we talked about ways the industry could potentially work to solve this long-running conundrum. With a goal of beginning an industry-wide conversation, we suggested a tiered approach to access fees, and rebates, moving away from the market's current one-size-fits-all approach.

In that same vein, we have another proposal which we believe could help (though not solve) trading in illiquid securities. This month, BATS will file a rule with the SEC proposing to no longer offer trading on the BATS markets in thinly-traded stocks that maintain a primary listing on other U.S. stock exchanges (Nasdaq and NYSE). Call it the "BATS Exclusive Listing Proposal."

Our proposal is designed to facilitate the concentration of liquidity for these securities at the primary listing market with the goal of improving their trading experience. Our filing with the SEC will define the characteristics of the thinly-traded stocks that we believe deserve Exclusive Listings and we hope that other markets will be encouraged by this approach and follow our lead for the benefit of issuers and investors.

We believe that concentrating displayed liquidity in thinly-traded stocks at a single venue will enable market participants to more efficiently form prices, and that one venue also will be better able to innovate their markets specifically for thinly-traded stocks (i.e., tick size, auctions, etc.). Obviously, once a stock achieves certain liquidity and trading characteristics, it will graduate into the competitive world of multiple exchange trading. And most importantly, we are NOT advocating for a trade-at rule as part of this proposal as we believe it would be disruptive to the market.

We view the BATS Exclusive Listing Proposal as a potentially critical step towards de-fragmenting trading volumes of illiquid securities, for the benefit of all investors, and, particularly, for issuers of these low-volume stocks. More importantly, we view this proposal as a non-disruptive modification to U.S. equity market structure that BATS, other exchanges and the industry at large can implement with very little technical impact to the industry and its many participants.

As the #1 U.S. stock exchange (excluding the end-of-day auction) and top venue for both ETF and retail trading, we take our responsibilities as a market leader seriously and believe we owe it to the industry to put forth positive, but simple solutions like this proposal. We look forward to your input and feedback.

What's Next for BATS?

Up next for the company are a number of key initiatives to continue to grow the firm and impact the industry.

The [Hotspot acquisition](#) is a unique one for BATS and will be every bit as transformative as the Chi-X Europe and Direct Edge transactions have been. I learned about the Hotspot business during my time as a trading customer and came away impressed with the impact that a nimble competitor can have in the FX space.

Hotspot has shaken up the foreign exchange industry by going after slower-moving incumbents, something that BATS has done successfully in both the U.S. and European equities markets, as well as U.S. options. And Hotspot is in great position to continue to grow its market share.

Recently we announced [our plans to put a Hotspot matching engine in London](#) near the existing BATS matching engine, giving Hotspot a much larger presence in the global epicenter of FX trading. Naturally, we will leverage the BATS infrastructure and personnel we've used to build Europe's largest stock market as we grow our FX business. We'll also be



moving the Hotspot matching engine in the U.S. to NY5 to allow customers to easily connect and grow with us state-side.

Speaking of Europe, the BATS business there – and the vast opportunity open to us in the region – is one of my favorite topics and a big part of the reason I joined the team. In seven years, we have grown to be the continent's largest stock market and also operate the #1 trade reporting facility, BXTR. In fact, according to our data, nearly 39% of all volume in Europe is either traded or reported using our systems. This is an extraordinary achievement. Further, this growth shows no sign of slowing – our Europe trading market share rose 290 basis points in the past year – and with an inside view of what the team is planning in the ever-changing European landscape, I'm convinced the pace of growth can only increase.

Back in the U.S., our options business has nearly tripled its market share in the past year, making BATS Options the #1 price-time priority options market in the U.S. and the fourth-largest exchange overall. We continue to set monthly records in no small part to our customer service and our ability to recognize what customers are seeking in an options marketplace. We have also recently added to our team by bringing in Kapil Rathie as a Vice President, Options Business Strategy. But to be clear, we are not anywhere near satisfied with our position. You can expect more news from us on the options front shortly and throughout the year.

In the next month, we're moving BATS Options and the BZX and BYX Exchanges from Weehawken, N.J., to NY5 in Secaucus to make good on a year-long promise to consolidate our U.S. markets in a single data center. This will allow the entire industry to realize significant cost synergies and provide a great platform for our continued growth here in the U.S. BATS Options moves to NY5 on Monday, April 13th, and BZX and BYX move on Monday, May 4th.

Finally, a few thoughts about ETFs and our ambitions in the space. As a prominent sell-side research analyst noted earlier this week, BATS is #1 in ETF trading in the U.S. on a daily basis. ETFs have become a wildly successful investment vehicle in the U.S. and around the globe. We are proud that investors and the trading community view BATS as the best market when trading ETFs. But, even with the largest liquidity pool for ETFs in the U.S., we have much bigger ambitions.

Recently another member of our executive team was quoted in the press as saying that BATS aims to be #1 in ETF listings in the U.S. in three to five years. He wasn't joking. Again, as a growing global player, our goal is to be THE leader in every market in which we compete. Today those businesses include ETF listings; equities, options and FX trading; and European trade reporting. It is a safe bet that the list will grow and that we will match it with our desire to succeed. Stay tuned for more from BATS.

Last but not least, I would like to acknowledge two very special groups of people.

First, thanks to all of the BATS employees for making me feel welcomed as a new team member. It is very much appreciated and I am honored to be here. I look forward to playing my part in continuing the growth that the company has experienced under Joe and the rest of the executive team.

Also, as always, I'd like to thank our customers for their consistent and unwavering support. We come to work every day determined to help each of you make your businesses better and I want to thank you for the large role you continue to play in making BATS what it is today.

I look forward to speaking with you soon.

Sincerely,

Chris Concannon
Chief Executive

*BATS is the source for all of the great data in this note. ☺