

MEMO# 22254

February 20, 2008

BATS Exchange Applies for Registration with SEC

[22254]

February 20, 2008

TO: EQUITY MARKETS ADVISORY COMMITTEE No. 9-08 RE: BATS EXCHANGE APPLIES FOR REGISTRATION WITH SEC

The Securities and Exchange Commission has published an application filed by BATS Exchange to become registered as a national securities exchange.* BATS Exchange proposes to operate a fully automated electronic book for orders to buy or sell securities with a continuous, automated matching function. The Exchange would derive liquidity from orders to buy and sell submitted electronically to the Exchange by its members from remote locations. BATS Exchange would not have a trading floor, nor would there be exchange specialists or market makers.

As proposed, membership in BATS Exchange would be open to any registered broker-dealer, and there would only be one class of membership, with all members enjoying the same rights and privileges on the Exchange. Members would be subject to fees for orders executed on BATS Exchange – as set forth in the Exchange’s rules or as determined by the Exchange’s Board of Directors. At this time, BATS Exchange does not propose charging a membership fee. In addition, Exchange memberships generally would not be transferable.

According to the application, members would access the Exchange by developing their own customized front-end software using protocols determined by the Exchange, or by using third-party vendors to route orders to the Exchange via a front-end or service bureau configuration. BATS Exchange also proposes to permit access to the Exchange to entities (“sponsored participants”) whose access is authorized in advance by one or more

members. In addition, BATS Exchange proposes to make its order book for any security traded on the Exchange available for viewing by any member of the public through the Exchange's web site. Comments on BATS Exchange's Form 1 are due 45 days from publication of the application in the Federal Register.

Heather L. Traeger
Assistant Counsel