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CHAIRMAN'S  
CORRESPONDENCE UNIT

July 1, 2010

The Hon. Mary Schapiro  
Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

The Hon. Gary Gensler  
Chairman  
Commodities Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581



**RE: Supplemental Questions from the June 22, 2010 Meeting of the CFTC and SEC Joint Advisory Committee on Emerging Regulatory Issues.**

Dear Chairman Schapiro and Chairman Gensler,

During the meeting held at the SEC on June 22, 2010, CFTC Chairman Gensler requested each of the exchange panelists to supplement their presentations with responses to several specific questions. The following represents the response from BATS Global Markets, Inc.:

- 1) What should be the guiding index for a market-wide circuit-breaker (Dow, S&P, something else)?

Because the exchanges would be taking broad market action, BATS believes a market-wide circuit breaker should be based on a broad and appropriately balanced guiding index. In that vein, reference to the S&P 500 would reflect a vast improvement over reference to the Dow Jones Industrial Averages' 30 securities, and a broader index, such as the recently launched BATS 1000 (TKR: "BATSK"; see [http://batstrading.com/market\\_data/indices/bats\\_1000/](http://batstrading.com/market_data/indices/bats_1000/)), which is designed to represent the performance of the large cap, mid cap, and small cap segments across 10 equally weighted market sectors, would be an even better guiding index.

- 2) Should the circuit breaker be percentage or velocity based?

BATS believes that a broad market wide circuit breaker should be percentage-based off of the morning's opening print. It should be simple to understand and implement, and appropriately wide such that it only catches extreme situations.

3) How long should the market be closed?

Given dramatic advances in technology and the speed at which information is disseminated and processed, BATS believes that a relatively short closure period would be appropriate and would support a 30 minute trading halt.

4) Should there be a time during the day when the scale changes (e.g., 10% until 2:30, then 15%)? Is this approach anachronistic?

Again, BATS believes the market-wide circuit breaker should be simple to understand and to implement. BATS would support a single percentage-based parameter across the entire trading day.

5) Are there policy concerns associated with disparate volatility triggers on different exchanges, such as, for example, the NYSE's Liquidity Replenishment Point (LRP) and the NASDAQ's recently announced Volatility Guard.

As I referenced during the June 22<sup>nd</sup> panel, BATS believes it to be critically important for markets to handle periods of market stress in a consistent manner, and not seize on such periods as an opportunity for drawing competitive distinctions. To do otherwise risks unnecessarily exacerbating volatility and market confusion. For this reason, BATS supported the joint proposals filed by the exchanges and FINRA in recent weeks to create consistent single stock circuit breakers across the equities markets, and BATS continues to support additional efforts underway by the exchanges and FINRA to potentially apply other rules in a consistent fashion across the equities markets related to stub quotes, market maker obligations, and trading limits.

For the same reason, BATS is opposed to the NYSE's retention of its LRP mechanism as well as the NASDAQ's planned implementation of Volatility Guard. While both are designed to operate within the circuit breaker thresholds, BATS is concerned that these initiatives create additional confusion and will at best have no impact on volatility, and at worst will exacerbate it by accelerating a security's move to a circuit breaker because each exchange is effectively removing its liquidity from the marketplace when it may most be needed. Accordingly, we believe the SEC should intervene and disallow such intra-exchange initiatives.

Hon. Mary Schapiro  
Hon. Gary Gensler  
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Thank you again for soliciting BATS' participation in the June 22<sup>nd</sup> panel discussion, and for your consideration of this supplemental submission. BATS is committed to working with the regulatory agencies and the Joint Advisory Committee to address these emerging regulatory issues, and to that end, please do not hesitate to contact me if you have any questions about this submission or BATS' views on relevant regulatory policy issues.

Sincerely,

A handwritten signature in black ink that reads "Joe Ratterman". The signature is written in a cursive style with a long horizontal flourish at the end.

Joe Ratterman  
Chairman & CEO