LD4 & NY5 Matching Engine FAQs

GENERAL - LONDON/LD4

Why is Hotspot launching a London matching engine?
Hotspot wants to further serve customers located in Europe (and Asia), particularly those with operations in London. With Europe being home to more than 50% of currency trading globally, it's also an acknowledgement of London as one of the primary locations globally for FX price discovery.

With Hotspot now under the BATS Global Markets (BATS) umbrella, the timing is also ideal to leverage what BATS brings to the combination in terms of relationships, infrastructure and support as the operator of Europe's largest stock exchange, BATS Chi-X Europe, and Europe's largest trade reporting facility, BXTR.

Where will the matching engine be located?
The new matching engine will reside in the Equinix London LD4 data center in Slough. All four of the BATS Chi-X Europe order books – two displayed exchanges and two dark pools – as well as BXTR are located there, as are many key FX and equities trading markets and participants.

When do you expect the London matching engine to go live?
The London matching engine is scheduled to go-live on Monday, September 14, 2015.

GENERAL - U.S./NY5

Why is Hotspot migrating its U.S. matching engine from its current location in Jersey City, N.J. to the NY5 data center?
The NY5 data center in Secaucus, N.J., houses a rich ecosystem of trading participants, exchanges, and service providers allowing easy and efficient access for our customers. We're also focused on enabling participants to realize potential data center synergies by aligning the Hotspot data center space in the U.S. with BATS' existing data center footprint.

What is the planned go-live date for the new matching engine at NY5?
The current U.S. matching engine is migrating to the NY5 data center with a planned go-live of Monday, November 9, 2015.

Is it expected that the NY5 migration will lead to any improved performance on the U.S. matching engine?
Yes. All of the hardware is new and being configured at this time. We are also making some additional software changes within the platform that we do expect will lead to material performance improvements from a customer perspective.

PRODUCT INFORMATION - LONDON/LD4 & U.S./NY5

Will the same currency pairs trade on both matching engines (U.S. and London)?
Yes. Our plan is to support the same currency pairs on both matching engines.

Will I need a separate ID for each matching engine (U.S. and London)?
Yes. Existing clients will need to request a new trading ID from their Prime Broker.

CONNECTIVITY - LONDON/LD4 & U.S./NY5

Is any new paperwork required to connect to the new London matching engine in LD4 or to the new U.S. matching engine in NY5?
Yes, all customers must complete/sign the following to connect to LD4 and NY5, which can be found on the Hotspot website: Connectivity Order Form

This Order Form is made between BATS and the User and is subject to the Hotspot Connectivity Terms and Conditions available at the following web page: www.hotspotfx.com/pdfs/Hotspot_Connectivity_Terms_and_Conditions.pdf

Additionally, existing customers that want to connect to the new London/LD4 matching engine must also execute a brief amendment to their existing customer agreement.

What is the connectivity pricing for the new data centers?
The current Connectivity Price List can be found on the Hotspot website.

How soon can customers make a cross connect request?
For London/LD4, Hotspot is now accepting connections.

For U.S./NY5, Hotspot will begin accepting cross-connects in NY4 and NY5 beginning on August 15, 2015.

All information on connecting to London/LD4 and U.S./NY5 is in the Hotspot Connectivity Manual.

Is Hotspot planning to offer connectivity between LD4 and NY5?
Yes, the precise details have not been finalized but we expect to offer market data and order entry connectivity. Due to bandwidth restrictions, it is unlikely that this connectivity will be available for market makers.

If a customer is already connected to Hotspot, will these connections be able to access Hotspot in NY5?
Yes, however Hotspot recommends that customers put in new cross connects to NY5 as this will provide the lowest latency option. The details of what options are available are described in Appendix B in the Hotspot Connectivity Manual. Note that existing connections will not give access to the LD4 matching engine.

Will there latency-equalized connections for people to connect to NY5 from NY4?
Yes, for all new connections. BATS has equalized latency both within and between NY4 and NY5 for its equities and options markets, and we'll be doing the same thing for Hotspot. There will be no latency penalty if you are located in NY4 and have connected to NY5 via the new latency-equalized infrastructure.

Will there be latency-equalized connections in LD4?
No, equal length cross connects are not available in LD4.

Is there a plan to decommission all existing pre-migration connections in the future?
Yes, although we have not determined a specific decommissioning date for those connections, ample notice will be given to customers.

TESTING & CERTIFICATION - LONDON/LD4 & U.S./NY5

When can customers begin testing the new platforms?
Please see hotspotfx.com/London and hotspotfx.com/ny5 for all the testing details.

Is there a requirement for present members to recertify against the Hotspot API?
Yes, **all customers** will need to recertify against each of the Hotspot platforms, both in London/LD4 and U.S./NY5.

What's the rationale behind recertifying? Is it due to API changes?
It is not due to API changes. The London matching engine launch in LD4 and migration of the U.S. matching engine to NY5 are both significant projects for Hotspot. Recertification enables Hotspot and our customers to mitigate potential risks with these launches. While we want to ensure there are no unexpected problems on the Hotspot side, we also want to ensure there are no unexpected problems on the customer side. We intend to streamline this certification process as much as reasonably possible to minimize the impact on our customers.

GENERAL FAQs - LONDON/LD4 & U.S./NY5

Will the two matching engines (London and U.S.) operate independently?
Yes, the London and U.S. matching engines will operate independently. With the exception of the credit functionality described below, there will not be any linkage between the two matching engines/order books. The London and U.S. matching engines will operate as separate and distinct marketplaces.

Do you have any plans to connect the two pools of liquidity (London and U.S.)?
No, there are no plans at this point to connect the two pools of liquidity. As described below, Hotspot will allow certain shared credit across these platforms. More details on the credit sharing model will be published in due course.

How will shared credit be managed?

Participating Financial Institutions (PFIs) that serve as clearing counterparties (primes and banks) on Hotspot will be able to leverage/share credit lines between themselves across the two matching engines (London and U.S.). This will ensure that additional credit lines for PFIs will not be necessary for Hotspot London.

This sharing of credit lines does not extend to trading accounts, as the London matching engine will require separate trading accounts from the U.S. matching engine. These separate trading accounts will also need to be allocated a credit line. More details on the credit sharing model will be published in due course.

Will Hotspot eventually migrate to the BATS technology?

There are no immediate plans to migrate the Hotspot software technology onto BATS software technology. For the foreseeable future, we will continue to utilize Hotspot's award-winning software with the high-performance BATS hardware and infrastructure.

We do plan to update Hotspot to BATS technical infrastructure standards and make performance enhancements to Hotspot software over time.