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Expires:	March 31, 2016
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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

FEB 28 2017

SEC FILE NUMBER
8- 67043

Washington DC  
416

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Bats Trading, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

8050 Marshall Drive, Suite 120

(No. and Street)

Lenexa

KS

66214

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Derick Shupe 913-815-7189

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG, LLP

(Name - if individual, state last, first, middle name)

1000 Walnut Street, Suite 1000

Kansas City, MO 64106

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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SEC 1410 (06-02)

2017

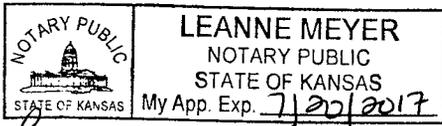
OATH OR AFFIRMATION

I, Derick Shupe, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bats Trading, Inc. of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A

Derick Shupe
Signature

FINOP
Title



Leanne Meyer
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**Bats Trading, Inc.**

**Financial Statements and Schedules**

**(With Report of Independent Registered Public Accounting Firm Thereon)**

**December 31, 2016**

## **Bats Trading, Inc.**

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KPMG LLP  
Suite 1100  
1000 Walnut Street  
Kansas City, MO 64106-2162

## Report of Independent Registered Public Accounting Firm

The Board of Directors  
Bats Trading, Inc.:

We have audited the accompanying statement of financial condition of Bats Trading, Inc. (the Company) as of December 31, 2016, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The supplemental information contained in Schedules 1, 2, and 3 has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information contained in Schedules 1, 2, and 3 is fairly stated, in all material respects, in relation to the financial statements as a whole.

**KPMG LLP**

February 22, 2017

**Bats Trading, Inc.**  
Statement of Financial Condition  
December 31, 2016

**Assets**

Cash and cash equivalents	\$ 18,193,582
Receivables from noncustomers	204,305
Securities owned, at fair value	497,111
Deferred income taxes, net	165,023
Other assets	<u>24,734</u>
Total assets	<u>\$ 19,084,755</u>

**Liabilities and Stockholder's Equity**

Liabilities:	
Accounts payable, accrued expenses and other	\$ 4,994,504
Payable to affiliates	1,136,809
Commitments and contingencies (note 7)	
Stockholder's equity:	
Common stock, \$0.01 par value. 1,000 shares authorized; 100 shares issued and outstanding	1
Additional paid-in capital	7,686,700
Retained earnings	<u>5,266,741</u>
Total stockholder's equity	<u>12,953,442</u>
Total liabilities and stockholder's equity	<u>\$ 19,084,755</u>

See accompanying notes to financial statements.

**Bats Trading, Inc.**  
Statement of Income  
Year ended December 31, 2016

Revenues:		
Transaction fees	\$	55,441,326
Interest income		<u>2,988</u>
Total revenues		55,444,314
Expenses:		
Routing charges		40,862,244
Commissions paid to other broker-dealers		2,173,317
Compensation and benefits		758,038
Regulatory fees and expenses		242,442
Other expenses		<u>3,887,837</u>
Total expenses		<u>47,923,878</u>
Income before provision for income taxes		7,520,436
Provision for income taxes		<u>2,816,164</u>
Net income	\$	<u><u>4,704,272</u></u>

See accompanying notes to financial statements.

**Bats Trading, Inc.**  
Statement of Changes in Stockholder's Equity  
Year ended December 31, 2016

	Common stock		Additional paid-in capital		Retained earnings		Total stockholder's equity	
	Shares	Amount		paid-in capital		earnings		equity
Balance at December 31, 2015	100	\$ 1	1	\$ 7,686,700	\$	562,469	\$	8,249,170
Net income	—	—	—	—	—	4,704,272	—	4,704,272
Balance at December 31, 2016	100	\$ 1	1	\$ 7,686,700	\$	5,266,741	\$	12,953,442

See accompanying notes to financial statements.

**Bats Trading, Inc.**  
Statement of Cash Flows  
Year ended December 31, 2016

Cash flows from operating activities:	
Net income	\$ 4,704,272
Adjustments to reconcile net income to net cash provided by operating activities:	
Deferred income taxes	(44,653)
Changes in assets and liabilities:	
Receivables from noncustomers	197,049
Securities owned	968
Other assets	(2,314)
Accounts payable and accrued expenses	(2,830,094)
Receivables from and payables to affiliates	<u>6,501,266</u>
Net cash provided by operating activities	<u>8,526,494</u>
Increase in cash and cash equivalents	8,526,494
Cash and cash equivalents:	
Beginning of year	<u>9,667,088</u>
End of year	<u>\$ 18,193,582</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for income taxes	\$ —

See accompanying notes to financial statements.

**Bats Trading, Inc.**  
Notes to Financial Statements  
December 31, 2016

**(1) Nature of Business**

Bats Trading, Inc. (the Company or Bats) is registered with the U.S. Securities and Exchange Commission (SEC) as a securities broker-dealer. The sole function of Bats is to route orders to other market centers on behalf of Bats BZX Exchange, Inc. (BZX), Bats BYX Exchange, Inc. (BYX), Bats EDGX Exchange, Inc. (EDGX) and Bats EDGA Exchange, Inc. (EDGA) (together, the Exchanges or Affiliates), which operate as national stock and option exchanges. Bats and the Exchanges are wholly owned by Bats Global Markets, Inc. (the Parent). The Company operates under an exemption from Rule 15c3-3 (k)(2)(ii) and clears all customer transactions through another broker-dealer on a fully disclosed basis.

In September 2016, the Parent announced that it has entered into a merger agreement with CBOE Holdings, Inc. The transaction is expected to close in the first half of 2017.

**(2) Summary of Significant Accounting Policies**

**(a) Principles of Accounting**

The financial statements are presented in conformity with generally accepted accounting principles in the United States (GAAP) as established by the Financial Accounting Standards Board (FASB). References to GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC or Codification).

**(b) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of the amounts of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

**(c) Cash and Cash Equivalents**

The Company considers all liquid investments with original or acquired maturities of three months or less to be cash equivalents. The Company maintains cash at both various financial institutions and brokerage firms that, at times, may be in excess of the federal depository insurance limit. The Company's management regularly monitors the institutions and believes that the potential for future loss is remote.

**(d) Receivables**

Receivables are carried at cost and represent amounts due from noncustomers.

**(e) Securities Owned**

Securities owned are recorded at fair value. Realized and unrealized gains and losses are included in interest income. Securities owned as of December 31, 2016 consist of U.S. Treasury securities.

**(f) Income Taxes**

The Company is included in the consolidated federal tax return filed by the Parent. The provision for income taxes is based on income reported for financial statement purposes.

**Bats Trading, Inc.**  
Notes to Financial Statements  
December 31, 2016

Current taxes and uncertain tax positions are calculated on a pro rata basis utilizing currently enacted tax laws and rates.

Deferred taxes are recorded on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based upon the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Also, interest and penalties expense are recognized on the full amount of deferred benefits for uncertain tax positions. The Company's policy is to include interest and penalties related to unrecognized tax benefits in the provision for income taxes within the statement of income.

**(g) Revenue Recognition**

Transaction fees, consisting of fees earned on any share that is routed out to another market center on behalf of the Exchanges, is recognized on a trade date basis. Transaction fees and the corresponding routing charges are recorded on a gross basis in revenues and expenses, as the Company is considered the primary obligor.

The Company is assessed regulatory transaction fees by other market centers. Regulatory transaction fees are collected from customers by the Exchanges on behalf of the Company. The Company acts as the agent versus the principal on these transactions, and therefore these transactions are reported net in the statement of income.

**(3) Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and listed derivatives.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

**Bats Trading, Inc.**  
Notes to Financial Statements  
December 31, 2016

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

Securities owned as of December 31, 2016 consist of U.S. Treasury securities. These securities are valued by obtaining feeds from a number of live data sources, including active market makers and inter-dealer brokers.

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2016:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities owned:				
U.S. Treasury securities	<u>\$ 497,111</u>	<u>\$ 497,111</u>	<u>\$ —</u>	<u>\$ —</u>

**(4) Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. The SEC's requirement also provides that equity capital may not be withdrawn or cash dividend paid if certain minimum net capital requirements are not met. The Company computes its net capital requirements under the basic method provided for in SEC Rule 15c3-1, which, as of December 31, 2016, requires the Company to maintain net capital equal to greater of 6-2/3% of aggregate indebtedness items, as defined, or \$100,000. At December 31, 2016, the Company had net capital of \$12,554,409 which was \$12,145,655 in excess of its required net capital of \$408,754. The ratio of aggregate indebtedness to net capital is 0.5 to 1.

**(5) Related Party Transactions**

The Company maintains brokerage accounts with affiliates of stockholders of the Parent. As of December 31, 2016, \$6,548 in cash and cash equivalents and \$497,111 in securities owned were held in such accounts.

Transaction fees are earned on any share that is routed out to another market center on behalf of the Exchanges. As a result, all transaction fees represent transactions with affiliates.

The Company incurred routing charges with affiliated broker dealers and the Exchanges of \$38,383,296 in the normal course of business. These affiliated broker dealers are stockholders of the Parent or are affiliated with stockholders of the Parent. The Company also incurred port fees charges from affiliated broker dealers and the Exchanges of \$1,504,695 in the normal course of business. These fees are recorded in other expenses on the statement of income. As of December 31, 2016, \$3,355,702 in accounts payable, accrued expenses and other was due to affiliated broker dealers and the Exchanges.

The Company has entered into an Administrative Services and Support Agreement with BZX, BYX, EDGX and EDGA. Pursuant to the agreements, BZX, BYX, EDGX and EDGA provide certain shared services to the Company such as accounting, payroll, and regulatory services. Costs for services provided are allocated to the Company from the Exchanges in accordance with the Administrative Services and Support Agreement. The Company settles all activity with the

**Bats Trading, Inc.**  
Notes to Financial Statements  
December 31, 2016

Exchanges through the Parent. The following table presents the Company's allocation of expenses from the Exchanges for the year ended December 31, 2016:

Compensation and benefits	\$ 758,038
Other expenses	<u>1,138,538</u>
	<u>\$ 1,896,576</u>

**(6) Income Taxes**

Net deferred tax assets consist of the following components as of December 31, 2016:

Deferred tax assets:	
Start-up costs	\$ 13,991
Intangibles	23,667
Unrecognized tax benefits	<u>130,291</u>
Total deferred tax assets	167,949
Deferred tax liabilities:	
Prepaid expenses	<u>2,926</u>
Total deferred tax liabilities	<u>2,926</u>
Net deferred tax assets	<u>\$ 165,023</u>

Management believes it is more likely than not that the deferred tax assets will be realized based upon expectations of future taxable income. A reconciliation of the unrecognized tax benefits for the year ended December 31, 2016 is as follows:

Balance at December 31, 2016	\$ 211,526
Additions for current year tax positions	155,556
Additions for prior year tax positions	13,315
Reductions related to expirations of statute of limitations	(7,816)
Reductions for prior year tax positions	<u>(7,350)</u>
Balance at December 31, 2016	<u>\$ 365,231</u>

The Company anticipates that \$90,870 of the unrecognized tax benefits will be realized in the next twelve months. At December 31, 2016, the Company had \$276,496 of unrecognized tax benefits that, if recognized, would affect the effective tax rate. The Company had accrued interest and penalties of \$41,476. Total interest and penalties increased by \$14,454 during 2016.

The Company files consolidated federal and state income tax returns with the Parent. The Company's open tax years are 2011 through 2016. The Company is under income tax examination for federal tax purposes for tax years 2011 through 2013 and in certain states for various periods. The Company believes the aggregate amount of any additional liabilities that may result from

**Bats Trading, Inc.**  
Notes to Financial Statements  
December 31, 2016

examinations, if any, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

The provision for income taxes for the year ended December 31, 2016 consists of the following:

Current tax expense:	
Federal	\$ 2,287,100
State	<u>573,717</u>
Total current income tax expense	2,860,817
Deferred income tax (benefit) expense:	
Federal	(45,405)
State	<u>752</u>
Total deferred income tax benefit	<u>(44,653)</u>
	<u><u>\$ 2,816,164</u></u>

The income tax provision differs from the amount of income tax determined by applying the U.S. federal statutory income tax rate to income before provision for income taxes for the year ended December 31, 2016 due to the following:

Provision for income taxes at statutory tax rate	\$ 2,632,152
(Decrease) increase in provision for income tax resulting from:	
Domestic production activities deduction	(178,377)
State income taxes, net of federal tax benefit	263,776
Unrecognized tax benefits, net of federal tax benefit	113,778
Other	<u>(15,165)</u>
Provision for income taxes	<u><u>\$ 2,816,164</u></u>

**(7) Commitments and Contingencies**

The Company is subject to reviews and inspections by the SEC and the Financial Industry Regulatory Authority. Additionally, from time to time the Company is also involved in various legal proceedings arising in the ordinary course of business. The Company does not believe that the outcome of any of these reviews, inspections, or other legal proceedings will have a material impact on the financial statements; however, litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance.

The Company uses Wedbush Securities and Morgan Stanley, which are affiliates of stockholders of the Parent, to clear its routed cash equities transactions. Wedbush Securities and Morgan Stanley guarantee the trade until one day after the trade date, after which time the National Securities Clearing Corporation (NSCC) provides a guarantee. In the case of a failure to perform on the part on one of its clearing firms, Wedbush Securities or Morgan Stanley, the Company provides the guarantee to the counterparty to the trade. The Options Clearing Corporation (OCC) acts as a central counterparty on all transactions in listed equity options, and as such, guarantees clearance and settlement of all of the Company's routed options transactions. The Company believes that any potential requirement for the Company to make payments under these guarantees is remote and accordingly, has not recorded any liability in the financial statements for these guarantees.

**Bats Trading, Inc.**  
Notes to Financial Statements  
December 31, 2016

**(8) Subsequent Events**

The Company performed an evaluation of events that have occurred subsequent to December 31, 2016 through February 22, 2017 which is the date the financial statements were issued. There have been no subsequent events that have occurred during such period that would require disclosure in the financial statements or would be required to be recognized in the financial statements as of and for the year ended December 31, 2016.

**Schedule 1**

**Bats Trading, Inc.**  
 Computation of Net Capital Pursuant to Rule 15c3-1  
 December 31, 2016

Total stockholder's equity	\$ 12,953,442
Less nonallowable assets:	
Receivables	204,305
Other assets	189,757
Total nonallowable assets	394,062
Net capital before haircuts on securities positions	12,559,380
Less haircuts on U.S. Treasury securities	(4,971)
Net capital	12,554,409
Computation of standard net capital requirement:	
Net capital requirement (greater of 6 2/3% of aggregate indebtedness or \$100,000)	408,754
Excess net capital	\$ 12,145,655
Aggregate indebtedness	\$ 6,131,313
Ratio of aggregate indebtedness to net capital	0.5 to 1

There were no differences between the amounts presented in the computation of net capital set forth above and the amounts as reported in the Company's Part IIA FOCUS Report as of December 31, 2016 as filed on January 24, 2017.

See accompanying report of independent registered public accounting firm.

**Bats Trading, Inc.**

Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3

December 31, 2016

The Company is exempt from Rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) of that rule.

See accompanying report of independent registered public accounting firm.

**Bats Trading, Inc.**

Information for Possession or Control Requirements under Rule 15c3-3

December 31, 2016

The Company is exempt from Rule 15c3-3 pursuant to the provisions of subparagraph (k)(2)(ii) of that rule.

See accompanying report of independent registered public accounting firm.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response.....	12.00

SEC  
Mail Processing  
Section  
**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III** FEB 28 2017

SEC FILE NUMBER
8- 67043

FACING PAGE Washington DC  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Bats Trading, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

8050 Marshall Drive, Suite 120

(No. and Street)

Lenexa

(City)

KS

(State)

66214

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Derick Shupe 913-815-7189

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG, LLP

(Name - if individual, state last, first, middle name)

1000 Walnut Street, Suite 1000

(Address)

Kansas City, MO 64106

(City)

(State)

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

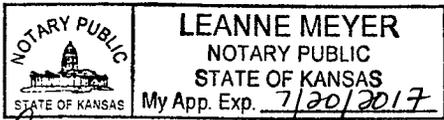
OATH OR AFFIRMATION

I, Derick Shupe, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bats Trading, Inc. of December 31, 2016, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A

Derick Shupe
Signature

FINOP
Title



Leanne Meyer
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



KPMG LLP  
Suite 1100  
1000 Walnut Street  
Kansas City, MO 64106-2162

## Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures Pursuant to SEC Rule 17a-5(e)(4)

The Board of Directors  
Bats Trading, Inc.:

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the Securities Investor Protection Corporation (SIPC) Series 600 Rules, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to SIPC for the year ended December 31, 2016, which were agreed to by Bats Trading, Inc. (the Company) and SIPC, solely to assist you and SIPC in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries and noted no differences;
2. Compared the Total Revenue amount reported on the Annual Audited Form X-17A-5 Part III for the year ended December 31, 2016, with the Total Revenue amount reported in Form SIPC-7 for the year ended December 31, 2016, and noted no difference;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers and noted no differences; and
4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related supporting schedules and working papers supporting the adjustments, and noted no differences.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties referred to in the first paragraph of this report, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

February 22, 2017

SIPC-7

(33-REV 7.10)

SECURITIES INVESTOR PROTECTION CORPORATION
P.O. Box 92185 Washington, D.C. 20090-2185
202-371-8300
General Assessment Reconciliation

SIPC-7

(33-REV 7.10)

For the fiscal year ended 12/31/2016
(Read carefully the instructions in your Working Copy before completing this Form.)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no., and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5

1919\*\*\*\*\*2596\*\*\*\*\*MIXED AADC 220
67043 FINRA DEC
BATS TRADING INC
8050 MARSHALL DR STE 120
LENEXA KS 66214-1572

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.
Name and telephone number of person to contact respecting this form.
Megan Phillips 913-015-7141

Table with 2 columns: Description (A-H) and Amount. A: General Assessment \$40,031; B: Less payment made with SIPC-6 filed (exclude interest) \$20,961; C: Less prior overpayment applied; D: Assessment balance due or (overpayment) \$19,070; E: Interest computed on late payment; F: Total assessment balance and interest due \$19,070; G: PAYMENT: Check mailed to P.O. Box \$19,070; H: Overpayment carried forward.

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Bats Trading, Inc.
Authorized Signature: [Signature]
FINOP, Treasurer
Title

Dated the 2 day of February, 2017.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER
Dates: Postmarked, Received, Reviewed
Calculations, Documentation, Forward Copy
Exceptions:
Disposition of exceptions

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 1/1/2016  
and ending 12/31/2016

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents  
\$ 55,444,313

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

\_\_\_\_\_  
\_\_\_\_\_  
39,432,036  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income. \$ \_\_\_\_\_

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960). \$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

39,432,036  
\$ 16,012,277

2d. SIPC Net Operating Revenues

2e. General Assessment @ .0025

\$ 40,031  
(to page 1, line 2.A.)



KPMG LLP  
Suite 1100  
1000 Walnut Street  
Kansas City, MO 64106-2162

SEC  
Mail Processing  
Section  
FEB 28 2017  
Washington DC  
416

## Report of Independent Registered Public Accounting Firm

The Board of Directors  
Bats Trading, Inc.:

We have reviewed management's statements, included in the accompanying Bats Trading, Inc.'s Exemption Report (the Exemption Report), in which (1) Bats Trading, Inc. (the Company) identified the following provisions of 17 C.F.R. § 15c3-3 (k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 (k)(2)(ii) (the exemption provision); and (2) the Company stated that it met the identified exemption provisions throughout the year ended December 31, 2016 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

**KPMG LLP**

February 22, 2017

### **Bats Trading Inc.'s Exemption Report**

Bats Trading, Inc. (the Company) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. § 240.17a-5, "Reports to be made by certain brokers and dealers"). The Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k): (2)(ii).

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

Bats Trading, Inc.

I, Derick Shupe, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.

A handwritten signature in black ink, appearing to read "Derick Shupe", written in a cursive style.

Title: Financial and Operations Principal

**February 22, 2017**