



Regulatory Circular RG09-29

To: Members

From: Trading Operations and Legal Division

Date: February 25, 2009

Subject: Obvious Error Rule Change

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The SEC recently approved a CBOE rule change that amends CBOE's obvious error rules (Rules 6.25 and 24.16) to allow CBOE to review transactions on its own motion as described below.

Specifically, CBOE's obvious error rules, as amended, provide that the President of CBOE or his/her designee ("CBOE officer") may, on his or her own motion or upon request, determine to review any transaction occurring on CBOE that is believed to be erroneous. A transaction reviewed pursuant to this new provision may be nullified or adjusted only if it is determined by the CBOE officer that the transaction is erroneous as provided in Rule 6.25(a)(1)-(6) or Rule 24.16(a)(1)-(6). A transaction would be adjusted or nullified in accordance with the provision under which it is deemed an erroneous transaction. The CBOE officer may be assisted by Trading Officials in reviewing a transaction (or the senior official in the control room in the case of transactions being reviewed under 6.25(a)(6) or Rule 24.16(a)(6)).

The CBOE officer shall act pursuant to this paragraph as soon as possible after receiving notification of the transaction, and ordinarily would be expected to act on the same day as the transaction occurred. However, because a transaction under review may have occurred near the close of trading or due to unusual circumstances, the rule provides that the CBOE officer shall act no later than 8:30 a.m. (CT) on the next trading day following the date of the transaction at issue.

Please note that a determination by a CBOE officer not to review a transaction, or a determination not to nullify or adjust a transaction for which a review was requested or conducted, pursuant to this new provision is not appealable.

This new provision is not intended to replace a party's obligation to request review, within the required time periods under Rule 6.25 and Rule 24.16, of any transaction that it believes meets the criteria for an obvious error. Moreover, CBOE does not anticipate exercising this new authority in every situation in which a party fails to make a timely request for review of a transaction under paragraph (b)(1) of Rule 6.25 and Rule 24.16. If a transaction is reviewed and a determination is rendered pursuant to the standard procedures for reviewing transactions under the obvious error rules, relief cannot not be granted under this new provision.

Members requesting review of a transaction by a CBOE officer under this new provision should contact Trading Officials at the Help Desk at (312) 786-7914.