



Regulatory Circular RG09-105

To: Members and Member Organizations
From: Regulatory Services Division
Date: September 25, 2009
Re: Systematizing Orders & COATS Requirements

Summary of Key Issues

- On January 7, 2005, the SEC approved amendments to CBOE Rule 6.24, relating to the systematizing of orders in connection with the requirement to implement a consolidated options audit trail system (“COATS”).¹
- Rule 6.24, as amended, requires that each order, cancellation of, or change to an order in any option class transmitted to CBOE must be “systematized” in a format approved by CBOE, either before it is sent to CBOE or upon receipt on the floor of CBOE. Below is a general description of the COATS requirements as set forth in Rule 6.24.
- An order is systematized if:
 - (i) the order is sent electronically to CBOE; or
 - (ii) the order that is sent to CBOE non-electronically (*e.g.*, telephone orders) is input electronically into CBOE’s systems contemporaneously upon receipt on CBOE and prior to representation of the order.
- Customer orders that are systematized after a contra party to that order has reported a trade are considered COATS violations in contravention of Rule 6.24.

Discussion

It is the responsibility of the Member receiving a non-electronic order on the floor of the CBOE to systematize the order and record any event in the lifecycle of the order (i.e., change, cancel or cancel/replace). All orders must be systematized, including complex orders and contra orders related to an original order.

A customer order that is systematized after a contra party to that order has reported a trade, indicates that the customer order was not systematized prior to representation as required by Rule 6.24.

¹ Please refer to Regulatory Circulars RG05-05, RG06-86, and SR-CBOE-2004-77, which are available on CBOE’s website at www.cboe.org/Legal.

Exchange Contacts

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