

## Regulatory Circular RG13-117

**Date:** August 28, 2013

**To:** Trading Permit Holders  
**From:** Regulatory Services Division  
**RE:** Systematizing Orders and COATS

This Regulatory Circular is being issued to remind Trading Permit Holders (TPHs) of the Chicago Board Options Exchange, Incorporated (the "Exchange") rules relating to the requirement to systematize orders in connection with the Consolidated Options Audit Trail System ("COATS") pursuant to Exchange Rule 6.24, Required Order Information, and that failure to comply may result in formal disciplinary action. Pursuant to Exchange Rule 4.2, Adherence to Law, TPHs shall also supervise their associated persons to assure compliance with Rule 6.24, including the obligation to systemize non-electronic orders.

Subject to certain limited exceptions, Rule 6.24 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.

An order is systematized if:

- the order is sent electronically to CBOE; or
- 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.

It is the responsibility of the TPH 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., changes, cancel or cancel/replace). Each order must be systematized, including complex orders and contra orders related to an original order. The manner of systematizing orders will be through the Floor Broker Workstation ("FBW"), PULSe, or through proprietary systems approved by CBOE.

In addition, in accordance with Interpretation and Policy .04 of Rule 6.73, Responsibilities of Floor Brokers, a broker's responsibility to immediately and continuously represent market orders and limit orders to sell (buy) where the price is at or below (above) the current offer (bid) are subject to the requirement that each order must be systematized prior to representation pursuant to Rule 6.24.

### **Additional Information:**

Please refer to Rules 6.24 for a complete description of the COATS requirements. Any questions regarding this circular may be directed to the Regulatory Interpretations and Guidance team by telephone at (312) 786-8141 or by email at [RegInterps@cboe.com](mailto:RegInterps@cboe.com).