

## Regulatory Circular RG15-072

**Date:** May 1, 2015

**To:** Trading Permit Holders

**From:** CBOE Business Development Division

**RE:** Procedures Related to Rule 6.67

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**Effective May 8, 2015, this Regulatory Circular will replace Regulatory Circular RG14-165.**

CBOE Rule 6.67 relates to the CBOE Trade Match System (“CTM”) functionality. Rule 6.67 codifies which post trade modifications via CTM are permitted and further specifies which changes will require notification to the Exchange. This circular does not supersede Regulatory Circular RG95-49.<sup>1</sup> In addition, Trading Permit Holders (“TPHs”) do not need to follow the procedures outlined in this circular if a change in CTM is due to a nullification or price adjustment pursuant to a mutually agreed nullification or price adjustment. For mutually agreed nullifications or price adjustments TPHs should follow the procedures set forth in RG14-141 until such time as the Exchange updates those procedures.<sup>2</sup>

Unless otherwise permitted by Exchange Rules,<sup>3</sup> the following are considered improper uses of CTM functionality and generally should not be performed on trade records via the CTM system: 1) changing the series (including, for example, the class symbol, expiration date, or strike price) to one other than was originally transacted on the Exchange; 2) changing the contract quantity to one other than was originally transacted on the Exchange; 3) changing the execution price on a transaction to one other than was originally transacted on the Exchange; and 4) adding a trade record for a transaction that did not occur on the Exchange.

Rule 6.67 provides that the following fields may be changed by a TPH through the use of CTM **without notice** to the Exchange:

- 1) Executing Firm and Contra Firm;
- 2) Executing Broker and Contra Broker;
- 3) Clearing Member Trade Agreement (“CMTA”);
- 4) Market-Maker Account and Sub Account;
- 5) Customer ID;
- 6) Position Effect (open/close);
- 7) Optional Data; and/or
- 8) Origin Code (provided the change is not from a customer origin code (C) to any other origin code)

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<sup>1</sup> Subject to regulatory approval, the Exchange is replacing RG95-49 with Rule 6.79 (See SR-CBOE-2015-030). The use of CTM to execute a client’s order out of a floor broker’s error account pursuant to RG95-49 or paragraphs (b)(i), (c), (d), (e)(i), and (e)(ii) of proposed Rule 6.79 is outside the scope of Rule 6.67 and this circular. However, notification to the Exchange will be required in the future in a form and manner announced in a subsequent circular.

<sup>2</sup> The Exchange plans to submit a rule change filing that will move the mutually agreed nullification and price adjustment provision from Rule 6.19 to Rule 6.25. The Exchange will announce the effectiveness of that rule filing and any changes to RG14-141 in a subsequent circular.

<sup>3</sup> For example, CTM changes made pursuant to mutually agreed nullifications or price adjustments, Rules 6.52 and 6.61, and RG95-49 contemplate the use of CTM.

Rule 6.67 also provides that the following fields may be changed by a TPH through the use of CTM but **require notification** to the Exchange and must be consistent with what was originally transacted:

- 1) Series (including, for example, the class symbol, expiration date, or strike price);
- 2) Quantity;<sup>4</sup>
- 3) Buy or Sell;
- 4) Premium Price; and/or
- 5) Origin Code (if changing from origin code "C" to any other origin code)

CTM changes made for the following reasons require the below procedures to be followed:

- **Unmatched Trades:** Unmatched trades occur when the buy side and sell side trade information do not match. They can occur for many reasons, including when one party to a transaction updates CTM while the other party to the transaction does not update CTM.
- **Input Error/Erroneous Report:** Input errors/erroneous reports include situations when a trade was executed in open outcry but the transaction was reported incorrectly. This does not include situations where a trade is executed electronically, where a broker incorrectly executes a client's order (e.g., buys calls instead of puts) or where a broker's customer mistakenly gives the broker the wrong order information.
- **Other:** Includes, but is not limited to, Exchange systems issues that necessitate a CTM change.

#### **Procedures for Notifying the Exchange of CTM Changes Pursuant to Rule 6.67**

TPHs or TPH representatives updating CTM pursuant to Rule 6.67 must update CTM with information that is consistent with what was originally transacted.

Notifications for same day or 'as of' transactions must be submitted within 15 minutes after the change has been made in CTM. Notifications may be made by:

a) For **Unmatched Trades**:

Sending an email to [CTMchanges@CBOE.com](mailto:CTMchanges@CBOE.com) with "Rule 6.67" in the subject line of the email and a completed CBOE Change Form<sup>5</sup> attached (an OMT drop copy may be used in place of section C on the form).

b) For **Input Error/Erroneous Report**, either:

1. Sending an email to [CTMchanges@CBOE.com](mailto:CTMchanges@CBOE.com) with "Rule 6.67" in the subject line of the email and a completed CBOE Change Form attached (an OMT drop copy may be used in place of section C on the form);  
or
2. Completing a CBOE Change Form (an OMT drop copy may be used in place of section C on the form) and submitting it in person at the CBOE Reporting Desk.

c) For **Other Reason**:

Sending an email to [CTMchanges@CBOE.com](mailto:CTMchanges@CBOE.com) with "Rule 6.67" in the subject line of the email and a completed CBOE Change Form attached (an OMT drop copy may be used in place of section C on the form).

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<sup>4</sup> Users must report changes which result in a difference between the original and updated cumulative trade quantity. Post-trade account/CMTA re-allocations which do not result in a change to the cumulative trade quantity do not have to be reported.

<sup>5</sup> The CBOE Change Form will be located at <https://www.cboe.org/members/generalinfo/memberforms.aspx#misc>.

Submitting the CBOE Change Form

- The only party that must ensure the required form is submitted is the party responsible for the mistake that causes a change to be made in CTM (i.e., originating broker, contra broker, or market-maker).
- Clearing TPHs may submit a required form upon the direction of a TPH that executed the transaction.
- An executing broker that executes a crossing transaction that is subject to a CTM change need only fill out one form, even though a CTM change may be necessary for both the buy side and sell side of the transaction.

OPRA

If the completed CBOE Change Form indicates that an update to Time and Sales information is necessary, the Exchange will disseminate the appropriate cancellation and adjustment information to OPRA as applicable.

**Please note that any actions taken by the Exchange pursuant to Rule 6.67 do not constitute a determination by the Exchange that the transaction was effected in conformity with the requirements of the Exchange rules. Any improper changes made through CTM shall be processed and given effect, but would be subject to appropriate disciplinary action in accordance with the Rules of the Exchange. Additionally, nothing in this Rule is intended to define or limit the ability of the Exchange to sanction or take remedial action pursuant to other Exchange rules for violations or other activity for which remedial measures may be imposed.**

**Additional Information:**

Operational questions may be directed to CBOE Market Services at [marketservices@cboe.com](mailto:marketservices@cboe.com) or (866) 728-7950. Regulatory questions regarding this circular may be directed to the Regulatory Interpretations and Guidance team at [reginterps@cboe.com](mailto:reginterps@cboe.com) or (312) 786-8141.