

Regulatory Circular RG16-077

Date: April 12, 2016

To: Trading Permit Holders
From: Business Development and Systems Divisions
RE: CBOE Test to Simulate Screen-based Trading

Overview

On Saturday, June 4, 2016 the Chicago Board Options Exchange, Incorporated ("CBOE" or the "Exchange") will conduct a screen-based trading test to simulate conditions that would be implemented if the physical trading floor is unavailable. Under CBOE Rule 6.23A (Trading Permit Holder Connectivity)¹ certain Trading Permit Holders ("TPHs") are required to participate in this test,² which is designed to simulate a scenario where CBOE converts to all-electronic screen-based trading in all products, both proprietary and multi-listed. Note that this includes symbol SPX, which normally operates on the Hybrid 3.0 platform and allows quotes only from appointed SPX LMMs. In such a scenario, the CBOE will continue to operate through its primary data center at the NY4 site, which will be re-configured to simulate all-electronic trading. Accordingly, test participants will connect to the CBOE primary data center as they normally do, not the CBOE back up data center.

Required Participants

The following types of participants are required to connect to CBOE for this test:

- All Market-Makers in option classes exclusively listed on CBOE³ who are streaming quotes in such classes;
- All Designated Primary Market-Makers (DPMs) in multiply listed option classes;
- All TPHs connected to the CBOE primary data center and transacting non-TPH customer business unless that TPH can demonstrate ready access to the back-up data center through another TPH that is a designated participant; and
- Floor Broker TPHs that use PULSe or FBW2 and are able to connect from off-floor locations.

IMPORTANT: Please note that if a Designated Participant uses a third party for connectivity, it is not sufficient for only the third party to participate in testing. The Designated TPH must participate in the testing.

Test Plan

Market-Makers will be required to connect and are further strongly encouraged to submit at least one quote and order, accept a fill on a quote and order, and cancel at least one quote and order. Market-Makers that normally stream quotes in symbol SPXW are encouraged to provide test quotes in symbol SPX as well.

Order providers will be required to connect and are further strongly encouraged to submit at least one order, accept a fill report, and cancel at least one order.

¹ See CBOE Rule 6.23A.

² See CBOE Rule 6.23A(f)(i).

³ "Exclusively listed on CBOE" means an option that is listed exclusively by CBOE because CBOE has an exclusive license to use, or has proprietary rights in, the interest underlying the option.



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Additional Information:

Please contact the CBOE Help Desk at 866-728-2263 for information regarding operational questions.

Questions regarding the rule requirement to participate in the mandatory testing may be directed to the Regulatory Interpretation and Guidance Line, (312) 786-8141 or RegInterps@cboe.com.