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CHAPTER I. GENERAL PROVISIONS

Rule 1.1. Definitions

When used in these Rules, unless the context otherwise requires:

Adjusted Option Series

The term “adjusted option series” means a series in which, as a result of a corporate action by the issuer of the underlying security, one option contract in the series represents the delivery of other than 100 shares of underlying stock or Units.

Affiliate and Affiliated with

The terms “affiliate” of and a person “affiliated with” another person mean a person who, directly or indirectly, controls, is controlled by, or is under common control with, such other person.

Aggregate Exercise Price

The term “aggregate exercise price” means the exercise price of an option contract multiplied by (a) for equity options, the number of units of the underlying security or (b) for index options, the index multiplier for the underlying index covered by the option contract.

American-Style Option

The term “American-style option” means an option contract that, subject to the provisions of Rule 11.1 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised on any business day prior to and on its expiration date.

Application Programming Interface and API

The terms “Application Programming Interface” and “API” mean the computer interface that allows market participants with authorized access to interface electronically with the Exchange.

Associated Person and Person Associated with a Trading Permit Holder

The terms “associated person” and “person associated with a Trading Permit Holder” mean any partner, officer, director, or branch manager of a Trading Permit Holder (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a Trading Permit Holder, or any employee of a Trading Permit Holder.

BBO

The term “BBO” means the best bid or offer disseminated on the Exchange.
Bid

The term “bid” means the price of a limit order or quote to buy one or more options contracts.

Board

The term “Board” means the Board of Directors of the Exchange.

Book and Simple Book

The terms “Book” and “Simple Book” (also referred to as “book,” “electronic book,” and “EBook” in the Rules) mean the electronic book of simple orders and quotes maintained by the System. “Book” will refer to the Book used during Regular Trading Hours or Global Trading Hours, as applicable.

Broker-Dealer Order

The term “broker-dealer order” means an order for an account in which a Trading Permit Holder, a non-Trading Permit Holder broker or dealer in securities (including a foreign broker-dealer), a joint venture with a Trading Permit Holder and non-Trading Permit Holder participants, or a Voluntary Professional or Professional has an interest.

Business Day and Trading Day

The terms “business day” and “trading day” mean a day on which the Exchange is open for trading during Regular Trading Hours. A business day or trading day includes both the Regular Trading Hours and Global Trading Hours trading sessions on that day. If the Exchange is not open for Regular Trading Hours on a day, then it will not be open for Global Trading Hours on that day.

Bylaws

The term “Bylaws” means the Bylaws of the Exchange, as they may be amended from time to time.

Call

The term “call” means an option contract under which the holder of the option has the right, in accordance with the terms of the option and the Rules of the Clearing Corporation, to purchase from the Clearing Corporation (a) for equity options, the number of units of the underlying security covered by the option contract, at a price per unit equal to the exercise price, or (b) for index options, the current index value times the index multiplier upon the timely exercise of the option.

Capped-Style Option

The term “capped-style option” means an option contract that is automatically exercised when (a) for equity options, the cap price is reached or (b) for index options, the cap price is less (greater) than or equals the closing index value for calls (puts). If this does not occur prior to expiration, it may be exercised, subject to the provisions of Rule 11.1 (relating to the cutoff time for exercise
instructions) and to the Rules of the Clearing Corporation, only on its expiration date. CAPSTM refers to capped-style options traded on the Exchange.

Class and Hybrid Class

The terms “class” and “Hybrid class” mean all option contracts with the same unit of trading covering the same underlying security or index.

Clearing Corporation and OCC

The terms “Clearing Corporation” and “OCC” mean The Options Clearing Corporation.

Clearing Trading Permit Holder

The term “Clearing Trading Permit Holder” means a Trading Permit Holder that has been admitted to membership in the Clearing Corporation pursuant to the provisions of the Rules of the Clearing Corporation and is self-clearing or that clears transactions for other Trading Permit Holders.

Closing Purchase Transaction

The term “closing purchase transaction” means an Exchange transaction that reduces or eliminates a short position in an option contract.

Closing Writing Transaction

The term “closing writing transaction” means an Exchange transaction that reduces or eliminates a long position in an option contract.

Commission and SEC

The terms “Commission” and “SEC” mean the U.S. Securities and Exchange Commission.

Complex Order

The term “complex order” means an order involving the concurrent execution of two or more different series in the same class (the “legs” or “components” of the complex order), for the same account, occurring at or near the same time and for the purpose of executing a particular investment strategy with no more than the applicable number of legs (which number the Exchange determines on a class-by-class basis). The Exchange determines in which classes complex orders are eligible for processing. Unless the context otherwise requires, the term complex order includes stock-option order and security future-option order. For purposes of electronic trading, the term “complex order” has the meaning set forth in Rule 6.53C. For purposes of Rules 6.9, 6.42, 6.45(b), and 6.74, the term “complex order” means a spread order, combination order, straddle order, or ratio order (each as defined in Rule 6.53), a stock-option order, a security future-option order, or a complex order as defined in Rule 6.53C.
Continuous Electronic Quotes

A Market-Maker who is obligated to provide continuous electronic quotes is deemed to have provided “continuous electronic quotes” if the Market-Maker provides electronic two-sided quotes for 90% of the time the Market-Maker is required to provide electronic quotes in an appointed option class on a given trading day during the applicable trading session. Compliance with this quoting obligation applies to all of a Market-Maker’s appointed classes collectively (with respect to each Market-Maker type as the Market-Maker is approved to act). The Exchange will determine compliance by a Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a Market-Maker from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Market-Maker for failing to meet this obligation each trading day. Market-Maker continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization.

If a technical failure or limitation of a system of the Exchange prevents the Market-Maker from maintaining, or prevents the Market-Maker from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the Market-Maker has satisfied the 90% quoting standard with respect to that option class. The Exchange may consider other exceptions to this continuous electronic quote obligation based on demonstrated legal or regulatory requirements or other mitigating circumstances.

Control

The term “control” means the power to exercise a controlling influence over the management or policies of a person, unless that power is solely the result of an official position with the person. Any person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation, or more than 25% of the voting power in the election of directors of any other corporation that directly or through one or more affiliates owns beneficially more than 25% of the voting power in the election of directors of the corporation, is presumed to control the corporation.

Covered

The term “covered” in respect of a short position in a call option contract means that the writer’s obligation is secured by a “specific deposit” or an “escrow deposit” meeting the conditions of Rule 610(f) or 610(h), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an option contract of the same class of options where the exercise price of the option contract in the long position is equal to or less than the exercise price of the option contract in the short position. The term “covered” in respect of a short position in a put option contract means that the writer holds in the same account as the short position, on a share-for-share basis, a long position in an option contract of the same class of options where the exercise price of the option contract in the long position is equal to or greater than the exercise price of the option contract in the short position.
Customer

The term “customer” means a Public Customer or a broker-dealer.

Customer Order

The term “customer order” means an agency order for the account of a customer.

DEA

The term “DEA” means designated examining authority.

Designated Primary Market-Maker and DPM

The terms “Designated Primary Market-Maker” and “DPM” have the meaning set forth in Rule 8.80.

Discretion

The term “discretion” means the authority of a broker or dealer to determine for a Customer the type of option, class or series of options, the number of contracts, or whether options are to be bought or sold.

DPM Designee

The term “DPM Designee” has the meaning set forth in Rule 8.81.

Equity Option

The term “equity option” means an option on an equity security (including Units (or ETFs) and Index-Linked Securities (or ETNs)).

European-Style Option

The Term “European-style option” means an option contract that, subject to the provisions of Rule 11.1 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, may be exercised only on its expiration date.

Exchange or Cboe Options

The terms “Exchange” or “Cboe Options” mean Cboe Exchange, Inc.

Exchange Act

Exchange Spread Market

The term “Exchange Spread Market” means the derived net market based on the BBOs in the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg.

Executive Officer

The term “executive officer” of a TPH organization means the chairman of the board, president, executive vice president, any other vice president engaged in the management of the TPH organization’s business pertaining to options, treasurer, secretary, or any other person who performs for a TPH organization functions corresponding to those performed by the foregoing officers.

Exercise Price

The term “exercise price” means the specified price per unit at which (a) for equity options, the underlying security or (b) for index options, the current index value may be purchased or sold upon the exercise of an option contract.

Expiration Date

Unless separately defined elsewhere in the Rules, the term “expiration date” means the third Friday of the expiration month of such option contract, or if such Friday is a day on which the exchange on which such option is listed is not open for business, the preceding day on which such exchange is open for business.

Federal Reserve Board

The term “Federal Reserve Board” means the Board of Governors of the Federal Reserve System.

FINRA

The term “FINRA” means the Financial Industry Regulatory Authority, Inc.

Floor Broker

The term “Floor Broker” has the meaning set forth in Rule 6.70.

Floor Official

The term “Floor Official” means an individual appointed by the Exchange who is granted certain duties and authorities under the Rules with respect to trading issues and market actions.
Foreign Broker-Dealer

The term “foreign broker-dealer” means any person or entity that is registered, authorized, or licensed by a foreign governmental agency or foreign regulatory organization (or is required to be so registered, authorized, or licensed) to perform the function of a broker or dealer in securities, or both. For the purposes of this definition, the terms “broker” and “dealer” have the same meaning as provided in Section 3(a)(4) and 3(a)(5) of the Exchange Act, except that a “broker” or “dealer” may be a bank.

Global Trading Hours

The term “Global Trading Hours” has the meaning set forth in Rule 6.1.

Good Standing

The term “good standing” means that a Trading Permit Holder or associated person is not delinquent respecting Exchange fees or other charges and is not suspended or barred from being a Trading Permit Holder or from being associated with a Trading Permit Holder.

He, Him, or His

The terms “he,” “him,” or “his” will be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

In-Crowd Market Participant and ICMP

The terms “in-crowd market participant” and “ICMP” mean an in-crowd Market-Maker, an on-floor DPM or LMM with an allocation or appointment, respectively, in a class, or a Floor Broker or PAR Official representing orders in the trading crowd on the trading floor.

Index Option

The term “index option” means an option on a broad-based, narrow-based, micro narrow-based, or other index of equity securities prices.

Index-Linked Exchangeable Note

The term “Index-Linked Exchangeable Note” means an exchangeable debt security that is exchangeable at the option of the holder (subject to the requirement that the holder in most circumstances exchange a specified minimum amount of notes), on call by the issuer, or at maturity for a cash amount based on the reported market prices of the underlying stocks of an underlying index.
**Index-Linked Security and ETN**

The terms “Index-Linked Security” and “ETN” (exchange-traded note) means shares or other securities principally traded on a national securities exchange and defined as an NMS stock as set forth in Rule 5.3, Interpretation and Policy.13.

**Index Portfolio Receipts or IPRs**

The terms “index portfolio receipts” and “IPRs” mean securities that (a) represent an interest in a unit investment trust which holds the securities that comprise an index on which a series of IPRs is based; (b) are issued by the trust in a specified aggregate minimum number in return for a “Portfolio Deposit” consisting of specified numbers of shares of stock plus a cash amount; (c) when aggregated in the same specified minimum number, may be redeemed from the trust, which will pay to the redeeming holder the stock and cash then comprising the Portfolio Deposit; and (d) pay holders a periodic cash payment corresponding to the regular cash dividends or distributions declared and paid with respect to the component securities of the stock index on which the IPRs are based, less certain expenses and other charges as set forth in the trust prospectus. IPRs are “UIT interests” within the meaning of the Rules.

**Index Portfolio Shares or IPSs**

The terms “Index Portfolio Shares” and “IPSs” mean securities that (a) are issued by an open-end management investment company based on a portfolio of stocks or fixed income securities designed to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic stock index or fixed income securities index; (b) are issued by such an open-end management investment company in a specified aggregate minimum number in return for a deposit of specified number of shares of stock and/or a cash amount, or a specified portfolio of fixed income securities and/or a cash amount, with a value equal to the next determined net asset value; and (c) when aggregated in the same specified minimum number, may be redeemed at a holder’s request by such open-end management investment company, which will pay to the redeeming holder stock and/or cash, or a specified portfolio of fixed income securities and/or cash with a value equal to the next determined net asset value.

**Inter-Regulatory Spread Order**

The term “inter-regulatory spread” order means an order involving the simultaneous purchase and/or sale of at least one unit in contracts each of which is subject to different regulatory jurisdictions at stated limits, or at a stated differential, or at market prices on the floor of the Exchange.

**Lead Market-Maker or LMM**

The terms “Lead Market-Maker” and “LMM” have the meaning set forth in Rule 8.15.
Limit Up-Limit Down State

The term “limit up-limit down state” has the meaning set forth in Rule 6.3A.

Long Position

The term “long position” means a person’s interest as the holder of one or more option contracts.

Market-Maker

The term “Market-Maker” has the meaning set forth in Rule 8.1.

Minimum Increment

The term “minimum increment” means the minimum increment for which bids and offers generally may be expressed as established pursuant to Rule 6.42.

National Spread Market

The term “national spread market” means the derived net market based on the NBBOs in the individual series legs comprising a complex order and, if a stock-option order, the NBBO of the stock leg.

NBB, NBO, and NBBO

The term “NBB” means the national best bid, the term “NBO” means the national best offer, and the term “NBBO” means the national best bid or offer the Exchange calculates based on market information it receives from OPRA.

NMS Stock

The term “NMS stock” has the meaning set forth in Rule 600 of Regulation NMS of the Exchange Act.

Nominee

The term “nominee” means an individual who is authorized by a TPH organization, in accordance with Rule 3.8, to represent the TPH organization in all matters relating to the Exchange.

Notional Value

The term “notional value” means the value calculated by multiplying the number of contracts (contract size multiplied by the contract multiplier) in an order by the order’s limit price.
OCC Cleared OTC Option Contract

The term “OCC cleared OTC option contract” means an over-the-counter option contract that is issued and guaranteed by OCC and, except as otherwise provided in the Rules, is not an option contract.

Offer

The term “offer” means the price of a limit order or quote to sell one or more option contracts.

OLPP

The term “OLPP” means the Options Listing Procures Plan, which is available on OCC’s website.

Opening Purchase Transaction

The term “opening purchase transaction” means a transaction that creates or increases a long position in an option contract.

Opening Writing Transaction

The term “opening writing transaction” means a transaction that creates or increases a short position in an option contract.

OPRA

The term “OPRA” means the Options Price Reporting Authority.

Option Contract

The term “option contract” means a put or a call issued, or subject to issuance, by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

Options Principal

The term “Options Principal” means a person engaged in the management and supervision of the Trading Permit Holder’s business pertaining to option contracts that has responsibility for the overall oversight of the Trading Permit Holder’s options-related activities on the Exchange.

Order

The term “order” means a firm commitment to buy or sell option contracts. Order types are listed in Rule 6.53.
Order Service Firm

The term “order service firm” has the meaning set forth in Rule 6.77.

Outstanding

The term “outstanding” means an option contract that has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor reached its expiration date.

PAR Official

The term “PAR Official” has the meaning set forth in Rule 6.12B.

Person

The term “person” means an individual, partnership (general or limited), joint stock company, corporation, limited liability company, trust or unincorporated organization, or any governmental entity or agency or political subdivision thereof.

Preferred Market-Maker or PMM

The terms “Preferred Market-Maker” and “PMM” have the meaning set forth in Rule 8.13.

Primary Market

The term “primary market” means the primary exchange on which an underlying security is listed.

Principal Shareholder

The term “principal shareholder” means any person beneficially owning, directly or indirectly, equity securities representing at least 5% of the voting power in elections of directors, of the net worth, or participation in the net profits of a corporation.

Priority Customer

The term “priority customer” means a person or entity that is a public customer and is not a Professional or Voluntary Professional.

Priority Customer Order

The term “priority customer order” means an order for the account of a priority customer.

Professional

The term “Professional” means any person or entity that (a) is not a broker or dealer in securities, and (b) places more than 390 orders in listed options per day on average during a calendar month
for its own beneficial account(s). Interpretation and Policy .01 to this Rule 1.1 describes how certain orders should be counted for Professional order counting purposes. A Professional will be treated in the same manner as a broker or dealer in securities for purposes of Rules 6.2, 6.8, 6.9, 6.25, 6.45 (except for Interpretation and Policy .02), 6.47, 6.53C(d)(v) and Interpretation and Policy .06(b) and (c), 6.74 (except Professional orders may be considered Public Customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, and 24.19. All Professional orders must be marked with the appropriate origin code determined by the Exchange.

**Proprietary Trading Permit Holder**

The term “Proprietary Trading Permit Holder” means a Trading Permit Holder with electronic access to the Exchange to submit proprietary orders that are not Market-Maker orders.

**Public Customer**

The term “public customer” means a person that is not a broker or dealer in securities.

**Public Customer Order**

The term “public customer order” means an order for the account of a public customer.

**Put**

The term “put” means an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option and the Rules of the Clearing Corporation, to sell to the Clearing Corporation (a) for equity options, the number of units of the underlying security covered by the option contract, at a price per unit equal to the exercise price, or (b) for index options, the current index value times the index multiplier upon the timely exercise of the option.

**Quarterly Options Series**

The term “Quarterly Option Series” means a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter pursuant to the Quarterly Options Series Program provisions of Rule 5.5(e) or 24.9(a)(2).

**Quote and Quotation**

The terms “quote” and “quotation” mean a bid or offer entered by a Market-Maker, which is firm and updates the Market-Maker’s previous bid or offer, if any, and which the Market-Maker may update in block quantities.

**Regular Trading Hours**

The term “Regular Trading Hours” has the meaning set forth in Rule 6.1.
**Reporting Authority**

The term “reporting authority” with respect to a particular index means the institution or reporting service designated by the Exchange as the official source for calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and reporting such level.

**Restructuring Transaction**

The term “Restructuring Transaction” means the restructuring of the Exchange from a non-stock corporation to a stock corporation and wholly owned subsidiary of Cboe Global Markets, Inc.

**Rules**

The term “Rules” means the Rules of the Exchange, as they may be in effect from time to time.

**Rules of the Clearing Corporation and Rules of OCC**

The terms “Rules of the Clearing Corporation” and “Rules of OCC” mean the Certificate of Incorporation, the By-laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as they may be in effect from time to time.

**Security Future-Option Order**

A security future-option order, which shall be deemed a type of Inter-regulatory Spread Order, is an order to buy or sell a stated number of units of a security future or a related security convertible into a security future (“convertible security future”) coupled with either (a) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of the underlying for the security future or convertible security future or the number of units of the underlying for the security future or convertible security future necessary to create a delta neutral position or (b) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price and expiration date, and each representing the same number of the underlying for the security future or convertible security future, as and on the opposite side of the market from, the underlying for the security future or convertible security future portion of the order.

**Series and Series of Options**

The terms “series” and “series of options” mean all option contracts of the same class that are the same type of option and have the same exercise price and expiration date.

**Short Term Option Series**

The term “Short Term Option Series” means a series in an option class that is approved for listing and trading on the Exchange in which the series is opened for trading pursuant to the Short Term Option Series Program provisions of Rule 5.5(d) or 24.9(a)(2).
Short Position

The term “short position” means a person’s interest as the writer of one or more option contracts.

Sponsored User

The term “Sponsored User” has the meaning set forth in Rule 6.20A.

Stock-Option Order

A stock-option order is an order to buy or sell a stated number of units of an underlying or a related security coupled with either (a) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of units of the underlying or related security or the number of units of the underlying security necessary to create a delta neutral position or (b) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price and expiration date, and each representing the same number of units of stock as, and on the opposite side of the market from, the underlying or related security portion of the order. For purposes of electronic trading, the term “stock-option order” has the meaning set forth in Rule 6.53C.

System and Hybrid Trading System

The terms “System” and “Hybrid Trading System” mean (a) the Exchange’s hybrid trading platform that allows Market-Makers to submit electronic quotes in their appointed classes and (b) any connectivity to the foregoing trading platform that is administered by or on behalf of the Exchange, such as a communications hub.

TPH Department

The term “TPH Department” means the department or division of the Exchange (which may be referred to by the Exchange from time to time by a name other than TPH Department) that has the functions set forth in the Rules for the TPH Department.

Trading Permit

The term “Trading Permit” means a license issued by the Exchange that grants the holder or the holder’s nominee the right to access one or more of the facilities of the Exchange for the purpose of effecting transactions in securities traded on the Exchange without the services of another person acting as broker, and otherwise to access the facilities of the Exchange for purposes of trading or reporting transactions or transmitting orders or quotations in securities traded on the Exchange, or to engage in other activities that, under the Rules, may only be engaged in by Trading Permit Holders, provided that the holder or the holder’s nominee, as applicable, satisfies any applicable qualification requirements to exercise those rights. A Trading Permit conveys no ownership interest in the Exchange, is only be available through the Exchange, and is subject to the terms and conditions set forth in Rule 3.1.
Trading Permit Holder and TPH

The terms “Trading Permit Holder” and “TPH” have the meaning set forth in the Bylaws.

Trading Session

The term “trading session” means the hours during which the Exchange is open for trading for Regular Trading Hours or Global Trading Hours, each as set forth in Rule 6.1.

Transaction and Exchange Transaction

The terms “transaction” and “Exchange transaction” mean a transaction involving an option contract effected on or through the Exchange or its facilities or systems.

Trust Issued Receipt or TIR

The terms “Trust Issued Receipt” and “TIR” mean a security that (a) is issued by a trust that holds specific securities deposited with the trust; (b) when aggregated in some specified minimum number, may be surrendered to the trust by the beneficial owner to receive the securities; and (c) pays beneficial owners dividends and other distributions on the deposited securities, if any are declared and paid to the trustee by an issuer of the deposited securities.

Type of Option

The term “type of option” means the classification of an option contract as either a put or a call.

UIT Interest

The term “UIT interest” means any share, unit, or other interest in or relating to a unit investment trust, including any component resulting from the subdivision or separation of the interest. Interests in unit investment trusts sponsored by SuperShare Services Corporation and known as SuperShares™ and SuperUnits™ are UIT interests. There are four types of SuperShares: Appreciation SuperShares™ Priority SuperShares™ Protection SuperShares™ and Income and Residual SuperShares™. There are two types of SuperUnits: Index Trust SuperUnits™ and Money Market Trust SuperUnits™. The terms SuperShare, SuperUnit, Appreciation SuperShare, Priority SuperShare, Protection SuperShare, Income and Residual SuperShare, Index Trust SuperUnit and Money Market Trust SuperUnit are trademarks of SuperShare Services Corporation.

Uncovered

The term “uncovered” in respect of a short position in an option contract means the short position is not covered.
Underlying Security

The term “underlying security,” with respect to an equity call (put) option contract, means the security that the Clearing Corporation must sell (purchase) upon the valid exercise of the option contract.

Unit or ETF

The terms “Unit” and “ETF” (Exchange-Traded Fund) mean shares or other securities traded on a national securities exchange and defined as an NMS stock as set forth in Rule 5.3, Interpretation and Policy .06.

Unit of Trading

The term “unit of trading” is defined in Rule 6.40.

Voluntary Professional

The term “Voluntary Professional” means any person or entity that is not a broker or dealer in securities that elects, in writing, to be treated in the same manner as a broker or dealer in securities for purposes of Rules 6.2, 6.8, 6.9, 6.25, 6.45 (except for Interpretation and Policy .02), 6.47, 6.53C(c)(ii), 6.53C(d)(v) and Interpretation and Policy .06(b) and (c), 6.74 (except Voluntary Professional orders may be considered public customer orders subject to facilitation under paragraphs (b) and (d)), 6.74A, 6.74B, 8.13, 8.15(d), 8.87, and 24.19, and for cancellation fee treatment.

Web CRD

The term “Web CRD” means the Central Registration Depository operated by FINRA.

Amended January 3, 1975; June 3, 1977; April 23, 1978; October 17 and 21, 1983; September 14, 1987; October 28, 1987; November 10, 1988, June 4, 1990 (90-09); July 9, 1990 (90-22); October 19, 1990 (90-08); February 21, 1992 (90-13); April 6, 1992 (91-41); October 22, 1992 (92-32); October 12, 1994 (93-04); January 30, 1998 (97-66); October 27, 1998 (98-22); July 19, 2000, effective August 18, 2000 (99-15); August 7, 2000 (00-07); March 5, 2004 (04-14); July 12, 2004 (04-24); March 14, 2005 (04-75); July 12, 2005 (04-63); November 22, 2005 (05-69); July 12, 2006 (05-93); July 31, 2006 (05-93); June 7, 2007 (06-101); May 23, 2008 (08-02); July 14, 2008 (08-67); August 7, 2008 (08-09); August 25, 2008 (08-89); October 10, 2008 (08-101); April 2, 2009 (09-009); December 17, 2009 (09-078); April 20, 2010 (10-032); May 24, 2010, effective June 18, 2010 (08-88); November 28, 2011 (11-105); August 6, 2012 (12-064); July 19, 2013 (13-064); September 3, 2013 (13-073); November 27, 2013 (13-103); August 21, 2014 (14-059); October 31, 2014 (14-073); November 28, 2014 (14-062); December 10, 2014 (14-085); March 25, 2016 (16-005); April 7, 2016 (16-009); May 6, 2016 (16-034); August 24, 2016 (16-062); January 24, 2017 (17-009); February 23, 2017 (17-016); January 3, 2018 (18-010); March 27, 2018 (18-021); May 10, 2019 (19-017).

... Interpretations and Policies:

Except as noted below, each order of any order type counts as one order for Professional order counting purposes.

(a) Complex Orders:

(1) A complex order comprised of eight (8) legs or fewer counts as a single order;

(2) A complex order comprised of nine (9) legs or more counts as multiple orders with each option leg counting as its own separate order;

(b) “Parent”/“Child” Orders:

(1) Same Side and Same Series: A “parent” order that is placed for the beneficial account(s) of a person or entity that is not a broker or dealer in securities that is broken into multiple “child” orders on the same side (buy/sell) and series as the “parent” order by a broker or dealer, or by an algorithm housed at a broker or dealer or by an algorithm licensed from a broker or dealer, but which is housed with the customer, counts as one order even if the “child” orders are routed across multiple exchanges.

(2) Both Sides and/or Multiple Series: A “parent” order (including a strategy order) that is broken into multiple “child” orders on both sides (buy/sell) of a series and/or multiple series counts as multiple orders, with each “child” order counting as a new and separate order.

(c) Cancel/Replace:

(1) Except as provided in paragraph (c)(2) below, any order that cancels and replaces an existing order counts as a separate order (or multiple new orders in the case of a complex order comprised of nine (9) legs or more).

(2) Same Side and Same Series: An order that cancels and replaces any “child” order resulting from a “parent” order that is placed for the beneficial account(s) of a person or entity that is not a broker, or dealer in securities that is broken into multiple “child” orders on the same side (buy/sell) and series as the “parent” order by a broker or dealer, by an algorithm housed at a broker or dealer, or by an algorithm licensed from a broker or dealer, but which is housed with the customer, does not count as a new order.

(3) Both Sides and/or Multiple Series: An order that cancels and replaces any “child” order resulting from a “parent” order (including a strategy order) that generates “child” orders on both sides (buy/sell) of a series and/or in multiple series counts as a new order.

(4) Pegged Orders: Notwithstanding the provisions of paragraph (c)(2) above, an order that cancels and replaces any “child” order resulting from a “parent” order being “pegged” to the BBO or NBBO or that cancels and replaces any “child” order pursuant to an algorithm that uses BBO or NBBO in the calculation of “child” orders and attempts to move
with or follow the BBO or NBBO of a series counts as a new order each time the order cancels and replaces in order to attempt to move with or follow the BBO or NBBO.

Approved January 3, 2018 (18-010); amended May 10, 2019 (19-017).

Rule 1.2. Exchange Determinations

The Exchange announces to Trading Permit Holders all determinations it makes pursuant to the Rules via (a) specifications, Notices, or Regulatory Circulars with appropriate advanced notice, which will be posted on the Exchange’s website, (b) electronic message, or (c) other communication method as provided in the Rules. To the extent the Rules provide the Exchange will announce a determination via Regulatory Circular, the Exchange may announce such determination via Notice.

Adopted May 10, 2019 (19-017).
CHAPTER II. FEES AND OTHER CHARGES

Rule 2.1. Trading Permit Holder Fees and Charges

The Exchange fixes, from time to time, the fees and charges payable by Trading Permit Holders, which except as otherwise provided are due and payable in full on the first day of each month on a nonrefundable basis and applied to the month beginning on that day. The Exchange may, on the request of a Trading Permit Holder who is serving on active duty in the U.S. Armed Forces, waive any fees and charges during the period of such service.

Amended December 23, 1981; September 28, 2001 (01-51); May 24, 2010, effective June 18, 2010 (08-88); May 10, 2019 (19-017).

Rule 2.2. Liability for Payment

(a) With regard to a Trading Permit Holder or associated person that does not pay any fees, charges, fines or other amounts due to the Exchange within 30 days after the same has become due and payable, the Exchange may, after giving reasonable notice to the Trading Permit Holder or associated person of such arrearages, suspend the Trading Permit Holder or associated person from being a Trading Permit Holder, being associated with any Trading Permit Holder, or both until payment is made. Should payment not be made by a Trading Permit Holder within six months after payment is due, any Trading Permit held by that Trading Permit Holder may be revoked by the Exchange.

(b) With regard to a former Trading Permit Holder or associated person that does not pay any fees, charges, fines or other amounts due to the Exchange within 30 days after the same has become payable, the Exchange may, after giving reasonable notice to the former Trading Permit Holder or associated person of such arrearages, bar the former Trading Permit Holder or associated person from becoming a Trading Permit Holder, an associated person, or both until payment is made.

Amended October 20, 1978; June 2, 1980; June 12, 1987; and October 22, 1997 (97-33); October 24, 2002 (02-48); July 17, 2008 (08-40); May 24, 2010, effective June 18, 2010 (08-88); May 10, 2019 (19-017).

(c) Reasonable notice under this Rule includes, but is not limited to, service on a Trading Permit Holder’s or associated person’s address as it appears on the books and records of the Exchange either by (1) hand delivery or (2) deposit in the U.S. post office, postage prepaid via registered or certified mail.

Adopted June 12, 1987; amended May 24, 2010, effective June 18, 2010 (08-88); May 10, 2019 (19-017).

(d) The Exchange reports to Web CRD any suspension or bar imposed pursuant to this Rule.

Approved October 22, 1997 (97-33); May 10, 2019 (19-017).
Rule 2.3. Exchange’s Costs of Defending Legal Proceedings

Any Trading Permit Holder or person associated with a Trading Permit Holder who fails to prevail in a lawsuit or other legal proceeding instituted by such person against the Exchange or any of its directors, officers, committee members, other officials, employees, contractors, or agents, or any subsidiaries or affiliates of the Exchange or any of their directors, officers, committee members, other officials, employees, contractors, or agents, and related to the business of the Exchange, must pay to the Exchange all reasonable expenses, including attorneys’ fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed $50,000. This provision does not apply to disciplinary actions by the Exchange, to administrative appeals of Exchange actions, or in any specific instance where the Exchange has granted a waiver of this provision.

Approved July 11, 1996 (96-02); amended May 24, 2010, effective June 18, 2010 (08-88); amended June 4, 2015 (15-042); May 10, 2019 (19-017).

Rule 2.4. Regulatory Revenues

The Exchange may not use any revenues it receives from fees derived from its regulatory function or regulatory fines for non-regulatory purposes, but rather must use them to fund the legal and regulatory operations of the Exchange (including surveillance and enforcement activities), or, as the case may be, to pay restitution and disgorgement of funds intended for customers (except in the event of liquidation of the Exchange, in which case Cboe Global Markets, Inc. will be entitled to the distribution of the remaining assets of the Exchange).

Approved May 24, 2010, effective June 18, 2010 (08-88); May 10, 2019 (19-017).
Rule 3.1. Trading Permits

(a) General

(i) Requirement to Hold Trading Permit. Any person who wishes to perform one or more of the trading functions of a Trading Permit Holder as described in the Bylaws and Rules must hold a Trading Permit. All references in the Rules to “Trading Permit Holder” shall mean a Trading Permit Holder, or a nominee of such a person.

(ii) Rights. No rights shall be conferred upon a Trading Permit Holder except those set forth in the Bylaws or Rules as amended from time to time. Except as provided in Rule 3.1A, nothing in the Bylaws or Rules shall create a right for a person to be issued a Trading Permit by the Exchange.

(iii) Exchange Jurisdiction over Trading Permit Holders. Every Trading Permit Holder and every nominee of such a person shall be subject to the regulatory jurisdiction of the Exchange under the Act, the Bylaws and the Rules, including without limitation the Exchange’s disciplinary jurisdiction under Chapter XVII of the Rules.

(iv) Types and Terms of Trading Permits. The Exchange shall have the authority to issue different types of Trading Permits that allow holders to trade one or more products authorized for trading on the Exchange, to act in one or more trading functions authorized by the Rules, and to trade during one or more trading sessions. Trading Permits allow for trading during one trading session but not for trading during another trading session (e.g., a Regular Trading Hours Trading Permit allows the holder to trade during Regular Trading Hours but not during Global Trading Hours). Trading Permits shall be for terms as shall be determined by the Exchange from time to time. The Exchange shall announce the types and terms of the Trading Permits that the Exchange has determined to issue.

(v) Fees and Charges for Trading Permits. Trading Permits shall be subject to such fees and charges as are established by the Exchange from time to time pursuant to Rule 2.1 and the Exchange Fee Schedule. The entire fee for a Trading Permit shall be due and payable in accordance with the Exchange Fee Schedule. A TPH organization holding a Trading Permit shall be responsible for paying all fees and charges for that Trading Permit. An individual holding a Trading Permit shall be responsible for paying all fees and charges for that Trading Permit.

(vi) Limiting or Reducing the Number of Types of Trading Permits. The Exchange shall have the authority to limit or reduce the number of any type of Trading Permit it has determined to issue. The Exchange shall announce any limitation or reduction it imposes pursuant to this subparagraph. In the event the Exchange imposes such a limitation or reduction, the Exchange may not eliminate or reduce the ability to trade one or more product(s) of a person currently trading such product(s), and may not eliminate or reduce the ability to act in one or more trading function(s) of a person currently acting in such trading function(s), unless the Exchange is permitted to do so pursuant to a rule filing submitted to the Commission under Section 19(b) of the Exchange Act. In no event shall
the Exchange act in a manner under this subparagraph that does not comply with the provisions of Section 6(c)(4) of the Exchange Act.

(vii) Increasing the Number of Types of Trading Permits. The Exchange shall have the authority to increase the number of any type of Trading Permit it has determined to issue by issuing additional Trading Permits of that type. The Exchange shall announce any increase it implements pursuant to this subparagraph.

(viii) Objective Standards for Trading Permits. The Exchange shall have the authority, pursuant to a rule filing submitted to the Commission under Section 19(b) of the Act, to establish objective standards that must be met to be issued, or to have renewed, a Trading Permit.

(ix) Preservation of Exchange’s Authority. Notwithstanding any other provision in this Rule 3.1, as well as any provision in Rule 3.1A, nothing in those rules shall eliminate or restrict the Exchange’s authority to delist any product or to take any action (remedial or otherwise) under the Act, the Bylaws and the Rules, including without limitation the Exchange’s authority to take disciplinary or market performance actions against a person with respect to which the Exchange has jurisdiction under the Act, the Bylaws and the Rules.

(b) Applications for and Issuance of Trading Permits

(i) Application Requirements. Only a person approved to hold a Trading Permit (a “Qualified Person”) is eligible to submit an application for a Trading Permit. In the event a Qualified Person seeks to hold one or more of a type of Trading Permit, such person must submit an application to the Exchange for that type of Trading Permit, in a form and manner prescribed by the Exchange, that includes a selection of the number and term(s) of the Trading Permit(s) that such person would like to receive. To be eligible to be issued a type of Trading Permit, a Qualified Person must have satisfied the application requirements for that type of Trading Permit. To be eligible to use a type of Trading Permit, a Qualified Person must satisfy all requirements related to that type of Trading Permit.

(ii) Waiting List. The Exchange in its discretion either may maintain a waiting list for a type of Trading Permit, or may not accept applications for that type of Trading Permit until such time as the Exchange determines to accept applications for that type of Trading Permit pursuant to subparagraph (b)(iii) of this Rule 3.1. Such a waiting list shall be used only to issue Trading Permits pursuant to the Order in Time Process set forth in subparagraph (b) (iii)(B) of this Rule 3.1. In the event the Exchange maintains a waiting list under this subparagraph, the Exchange shall place Qualified Persons on that waiting list based on the order in time that such persons submitted applications pursuant to subparagraph (b)(i) of this Rule 3.1, and such persons may at any time voluntarily withdraw from that waiting list. A person on the waiting list may submit a notification to the Exchange to adjust the number of Trading Permits that such person would like to receive at any time prior to an announcement of an issuance of such Trading Permits.
(iii) Issuance of Trading Permits. Any issuance of Trading Permits shall be in accordance with the procedures set forth in this subparagraph. From time to time, the Exchange in its discretion may determine to make available one or more of a type of Trading Permit in accordance with one of the objective processes listed below in subparagraphs (A) or (B) (the number of such Trading Permits that the Exchange determines to make available shall be referred to as the “issuance number”). In connection with an issuance of such Trading Permits, and notwithstanding an application for a greater number of such Trading Permits, a Qualified Person and any affiliated Qualified Person shall be eligible to receive no more than the greater of 10 such Trading Permits or 20% of the issuance number of such Trading Permits. Such a limit shall not apply in the event the issuance number of such Trading Permits exceeds the demand for such Trading Permits.

(A) Random Lottery Process. The Exchange shall issue Trading Permits to Qualified Persons through a random lottery process. Prior to the issuance of such Trading Permits, the Exchange shall announce that it will use a random lottery to issue such Trading Permits, the issuance number, and the period of time during which Qualified Persons must submit completed applications for such Trading Permits to be able to participate in the random lottery.

(B) Order in Time Process. The Exchange shall issue Trading Permits to Qualified Persons based on the order in time that such Qualified Persons applied for such Trading Permits. In the event the Exchange maintains a waiting list for such Trading Permits and the issuance number is less than the demand for such Trading Permits by persons on the waiting list, the Exchange shall issue such Trading Permits to persons on the waiting list based on the order in time that such persons were placed on the waiting list. In the event the Exchange maintains a waiting list for such Trading Permits and the issuance number is greater than the demand for such Trading Permits by persons on the waiting list, or in the event the Exchange does not maintain a waiting list for such Trading Permits, the Exchange shall announce that it will use an order in time process to issue such Trading Permits, the issuance number, and the period of time during which Qualified Persons (other than persons on the waiting list, if any) must submit completed applications for such Trading Permits to be able to participate in the order in time process.

(C) Other Process. The Exchange shall have the authority to modify the processes described above in subparagraphs (A) and (B) or to establish any other objective process to issue such Trading Permits pursuant to a rule filing submitted to the Commission under Section 19(b) of the Act.

(c) Termination, Change and Renewal of Trading Permits.

(i) Termination of Trading Permits. A Trading Permit Holder seeking to terminate that holder’s Trading Permit must notify the Exchange, prior to the deadline announced by the Exchange and in a form and manner prescribed by the Exchange, that the holder is terminating that Trading Permit at the end of its term.
(ii) Replacement of Trading Permits. A Trading Permit Holder seeking to replace that holder’s Trading Permit with a different Trading Permit must file with the Exchange, prior to the deadline announced by the Exchange, an application for that different Trading Permit pursuant to paragraph (b) of this Rule 3.1.

(iii) Renewal of Trading Permits. The Exchange shall automatically renew for the same term as the expiring term a Trading Permit of a Trading Permit Holder if that holder does not take one of the actions specified in subparagraphs (c)(i) or (c)(ii) of this Rule 3.1 with respect to that Trading Permit. In renewing that holder’s Trading Permit, the Exchange shall have the authority to issue one or more Trading Permits that represent the same or more trading right(s) as the expiring permit. Notwithstanding the foregoing, nothing in this subparagraph shall limit the Exchange’s authority in subparagraph (a)(vi) of this Rule 3.1 to limit or reduce the number of any type of Trading Permit.

(iv) Additional Trading Permits. A Trading Permit Holder seeking to hold an additional Trading Permit must file with the Exchange an application for that Trading Permit pursuant to paragraph (b) of this Rule 3.1.

(v) Changing the Term of a Trading Permit. To change the term of a Trading Permit at the end of its current term to a longer or shorter term currently offered by the Exchange, a Trading Permit Holder must notify the Exchange of that holder’s desire to change the term prior to the deadline and in a form and manner prescribed by the Exchange. Such a change will be effective only at the end of the current term of the Trading Permit.

(d) Non-transferability of Trading Permits

(i) Non-transferability of Trading Permits. A Trading Permit may be issued only by the Exchange and may not be leased or transferred to any person under any circumstances, except as provided in subparagraph (d)(ii) of this Rule 3.1. A Trading Permit Holder has no ownership interest or property rights in a Trading Permit. No recognition or effect shall be given by the Exchange to any agreement or to any instrument entered into or executed by a Trading Permit Holder or his legal representatives that purports to transfer or assign any interest in a Trading Permit, or which purports to create any lien or other right with respect thereto, other than pursuant to subparagraph (d)(ii) of this Rule 3.1.

(ii) Limited Exceptions. A TPH organization may change the designation of the nominee in respect of each Trading Permit it holds in a form and manner prescribed by the Exchange. In addition, a Trading Permit Holder may, with the prior written consent of the Exchange, transfer a Trading Permit to a TPH organization or to an organization approved to be a TPH organization: (A) which is an affiliate; or (B) which continues substantially the same business without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

Approved May 24, 2010, effective June 18, 2010 (08-88); amended November 28, 2014 (14-062); amended May 10, 2019 (19-017).
Rule 3.1A. Issuance of Trading Permits in Respect of Memberships and Pre-Restructuring Transaction Trading Permits

(a) The Restructuring Transaction. Notwithstanding paragraph (b) of Rule 3.1, prior to the date of the Restructuring Transaction, a person who is, or is treated the same as, a “member” of the Exchange under Sections 1.1 and 2.1 of the Constitution of the Exchange then in effect may submit a post-Restructuring Transaction trading application to the Exchange in accordance with such procedures as shall be established by the Exchange. Provided such applicant is in good standing as of the date of the Restructuring Transaction, complies with the application procedures established by the Exchange and pays any applicable fees, the Exchange in connection with the Restructuring Transaction shall issue to such applicant, as applicable, a Trading Permit in respect of: (A) each membership not subject to an effective lease as of the date of the Restructuring Transaction that is owned by such applicant; (B) each membership that is leased as a lessee by such applicant as of the date of the Restructuring Transaction; (C) each trading permit issued by the Exchange prior to the Restructuring Transaction that is held by such applicant; and (D) each Temporary Membership that is held by such applicant. Such applicant must select the term(s) of the Trading Permit(s) to be issued to such applicant. Subject to the Exchange’s authority in subparagraphs (a)(vi) and (a)(ix) of Rule 3.1 and to the continuing satisfaction of any applicable qualification requirements, such applicant shall have the ability pursuant to those Trading Permit(s) to continue after the Restructuring Transaction trading any product, and acting in any trading function, that such applicant traded, or acted in, at the time of the Restructuring Transaction. Those Trading Permit(s) shall be subject to the terms and conditions set forth in paragraphs (a), (c) and (d) of Rule 3.1, including the processes described in paragraph (c) of that rule once the initial term(s) for those permit(s) expire. In the event such applicant seeks to hold an additional Trading Permit other than one issued pursuant to this paragraph, such applicant must submit an application for that Trading Permit pursuant to paragraph (b) of Rule 3.1.

(b) Tier Appointments. In the event a person who will be issued Trading Permit(s) pursuant to paragraph (a) of this Rule 3.1A is trading an options class with respect to which the Exchange is establishing a tier appointment pursuant to paragraph (e) of Rule 8.3, the Exchange in connection with the Restructuring Transaction shall issue to that person such a tier appointment provided that the Exchange is notified by that person of that person’s desire to hold such a tier appointment. Other than this exception from the application requirement for tier appointments, such a tier appointment shall be subject to the terms and conditions set forth paragraph (e) of Rule 8.3.

(c) Failure to Comply with Application or Other Requirements. A person who was eligible to receive Trading Permit(s) pursuant to paragraph (a) of this Rule 3.1A but who failed to comply with the application or other requirements in that subparagraph, must submit an application pursuant to paragraph (b) of Rule 3.1 and must go through the approval process to hold a Trading Permit to be eligible to receive a Trading Permit.

Approved May 24, 2010, effective June 18, 2010 (08-88); January 3, 2018 (18-010).
Rule 3.2. Qualifications of Individual Trading Permit Holders

(a) An individual must satisfy the following requirements in order to be an individual Trading Permit Holder, whether in the capacity of a holder of a Trading Permit or a nominee of a TPH organization:

(i) the individual must be at least 21 years of age;

(ii) the individual must be registered as a broker or dealer pursuant to Section 15 of the Exchange Act or be associated with a TPH organization that is registered as a broker or dealer pursuant to Section 15 of the Exchange Act; and

(iii) the person must meet the other qualification requirements for being a Trading Permit Holder under the Bylaws and Rules.

(b) The individual must be approved to engage in one or more of the following trading functions authorized for individual Trading Permit Holders under the Rules:

(i) Market-Maker;

(ii) Floor Broker;

(iii) Proprietary Trading Permit Holder;

(iv) DPM Designee;

(v) FLEX Appointed Market-Maker; and

(vi) FLEX Qualified Market-Maker.

Amended October 8, 1976; July 24, 1984; October 28, 1987 (87-23); July 19, 2000, effective August 18, 2000 (99-15); April 3, 2003 (00-55); May 18, 2004 (04-26); August 18, 2004 (04-43); March 14, 2005 (04-75); April 21, 2005 (05-10); September 11, 2006 (04-21); November 15, 2007 (06-99); April 3, 2008 (07-120); May 23, 2008 (08-02); July 17, 2008 (08-40); October 10, 2008 (08-101); May 24, 2010, effective June 18, 2010 (08-88); April 7, 2016 (16-009); January 3, 2018 (18-010); May 10, 2019 (19-017).

Rule 3.3. Qualifications of TPH Organizations

(a) An organization must satisfy the following requirements in order to be a TPH organization:

(i) the organization must be a corporation, partnership, or limited liability company;

(ii) the organization must be registered as a broker or dealer pursuant to Section 15 of the Exchange Act; and
(iii) the organization must meet the other qualification requirements under the Bylaws and Rules, including obtaining a Trading Permit.

(b) An organization also must be approved to engage in one or more of the following trading functions authorized for TPH organizations under the Rules: (i) TPH organization approved to transact business with the public; (ii) Clearing Trading Permit Holder; (iii) order service firm; (iv) Market-Maker; (v) Lead Market-Maker; (vi) Designated Primary Market-Maker; and (vii) Proprietary Trading Permit Holder.

Amended October 8, 1976; October 28, 1987 (87-23); March 21, 1988 (87-56); June 4, 1990 (90-09); September 24, 1993 (93-40); amended July 19, 2000, effective August 18, 2000 (99-15); April 3, 2003 (00-55); May 18, 2004 (04-26); July 12, 2004 (04-24); March 14, 2005 (04-75); April 21, 2005 (05-10); April 3, 2008 (07-120); May 23, 2008 (08-02); July 17, 2008 (08-40); August 22, 2008 (08-87); May 24, 2010, effective June 18, 2010 (08-88); January 2, 2014 (13-110); April 7, 2016 (16-009); May 10, 2019 (19-017).

Rule 3.4. Foreign Trading Permit Holders

A Trading Permit Holder that does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the Securities and Exchange Commission and the Exchange must:

(a) prepare all such reports, and maintain a general ledger chart of account and any description thereof, in English and U.S. dollars;

(b) reimburse the Exchange for any expense incurred in connection with examination of the Trading Permit Holder to the extent that such expenses exceed the cost of examining a Trading Permit Holder located within the continental United States; and

(c) ensure the availability of an individual fluent in English knowledgeable in securities and financial matters to assist the representatives of the Exchange during examinations.

Amended July 19, 2000, effective August 18, 2000 (99-15); August 22, 2008 (08-87); May 24, 2010, effective June 18, 2010 (08-88); amended June 26, 2015 (15-012).

Rule 3.4A. Additional Trading Permit Holder Qualifications

(a) In addition to the qualifications set forth in Rules 3.2 through 3.4, a Trading Permit Holder applicant:

(i) must be domiciled in (with respect to individuals), or organized under the laws of (with respect to organizations), a jurisdiction expressly approved by the Exchange. When determining whether to approve a jurisdiction, the Exchange will consider whether:

(A) the applicant will be able to supply the Exchange with such information with respect to its dealings with the Exchange as set forth in the Rules;
the Exchange will be able to examine the applicant’s books and records to verify the accuracy of any information so supplied;

approval of the applicant as a Trading Permit Holder will comply with all applicable laws, rules and regulations; and

other factors that the Exchange reasonably and objectively determines may impact the applicant’s ability to comply with the Rules and the Act or the Exchange’s ability to accept Trading Permit Holders from the applicable jurisdiction.

This approval may be limited to one or more specified categories of Trading Permit Holders or Trading Permit Holder activities in a jurisdiction or be contingent upon the satisfaction of specified conditions by all applicants from a jurisdiction to the extent such limits or conditions are necessary to satisfy clauses (A) through (D);

(ii) will be subject to the jurisdiction of the federal courts of the United States and the courts of the state of Illinois; and

(iii) prior to acting as agent for a customer, must be able to provide information regarding the customer and the customer’s trading activities to the Exchange in response to a regulatory request for information pursuant to the Rules. To the extent an individual or organization is required by an applicable law, rule or regulation to obtain written consent from a customer to permit the provision of this information to the Exchange, the applicant must obtain such consent.

The Exchange may at any time determine that a Trading Permit Holder can no longer comply with this Rule 3.4A. In that event, the Trading Permit Holder will have three months following the date of that determination to come into compliance with this Rule 3.4A. If a Trading Permit Holder does not come into compliance during that time period, the Exchange may terminate the Trading Permit Holder’s status as a Trading Permit Holder.

Adopted June 26, 2015 (15-012).

Rule 3.5. Denial of and Conditions to Being a Trading Permit Holder or Associated with a Trading Permit Holder

(a) The Exchange shall deny a person from becoming a Trading Permit Holder where the person has failed a required qualification exam.

(b) The Exchange may deny a person from becoming (or may condition being) a Trading Permit Holder or may prevent a person from becoming associated (or may condition an association) with a Trading Permit Holder for the same reasons that the Securities and Exchange Commission may deny or revoke a broker-dealer registration and for those reasons required or allowed under the Exchange Act.
(c) The Exchange also may deny a person from becoming (or may condition being) a Trading Permit Holder or may prevent a person from becoming associated (or may condition an association) with a Trading Permit Holder when the applicant:

(i) is a broker-dealer and (A) has a net worth (excluding personal assets) below $25,000 if the applicant is an individual, (B) has a net worth (excluding personal assets) below $50,000 if the applicant is an organization, (C) has financial difficulties involving an amount that is more than 5% of the applicant’s net worth, or (D) has a pattern of failure to pay just debts;

(ii) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Exchange, Securities and Exchange Commission, Clearing Corporation, and Federal Reserve Board policies, rules, and regulations, including those concerning record-keeping, reporting, finance, and trading procedures;

(iii) would bring the Exchange into disrepute; or

(iv) for such other cause as the Exchange reasonably may decide.

(d) The Exchange may determine not to permit a Trading Permit Holder or person associated with a Trading Permit Holder to continue being a Trading Permit Holder or associated with a Trading Permit Holder or may condition such continuance as a Trading Permit Holder or associated person, if the Trading Permit Holder or associated person:

(i) fails to meet any of the qualification requirements for being a Trading Permit Holder or associated with a Trading Permit Holder after approval as a Trading Permit Holder or associated person;

(ii) fails to meet any condition placed by the Exchange on being a Trading Permit Holder or associated with a Trading Permit Holder; or

(iii) violates any agreement with the Exchange.

(e) Any decision made by the Exchange pursuant to paragraph (a), (b), (c), or (d) of this Rule must be consistent with both the provisions of this Rule and the provisions of the Exchange Act.

(f) Any applicant who has been denied from becoming a Trading Permit Holder or associated with a Trading Permit Holder or has condition(s) imposed on becoming a Trading Permit Holder or associated with a Trading Permit Holder pursuant to paragraph (a), (b), or (c) of this Rule, and any Trading Permit Holder or person associated with a Trading Permit Holder who is not permitted to continue being a Trading Permit Holder or associated with a Trading Permit Holder or whose continuance as a Trading Permit Holder or associated person is conditioned pursuant to paragraph (d) of this Rule, may appeal the Exchange’s decision under Chapter XIX. No determination of the Exchange to discontinue or condition a person as a Trading Permit Holder or associated person pursuant to paragraph (d) of this Rule shall take effect until the review procedures under Chapter XIX have been exhausted or the time for review has expired.
Amended October 8, 1976; October 28, 1987 (87-23); April 25, 1997 (96-73); amended July 19, 2000, effective August 18, 2000 (99-15); May 23, 2008 (08-02); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.6. Persons Associated with TPH Organizations

(a) Persons associated with TPH organizations shall be bound by the Bylaws and Rules of the Exchange and of the Clearing Corporation. The Exchange may bar a person from becoming or continuing to be associated with a TPH organization if such person does not agree in writing, in a manner and form prescribed by the Exchange, to furnish the Exchange with information with respect to such person’s relationship and dealings with the TPH organization, and information reasonably related to such person’s other securities business, as may be required by the Exchange, and to permit the examination of its books and records by the Exchange to verify the accuracy of any information so supplied.

(b) Each associated person of a TPH organization that is required to be disclosed on Exchange Act Form BD as a direct owner or executive officer is required to submit to the TPH Department, pursuant to Rule 3.9, an application for approval to become associated with the TPH organization in that capacity. No person may become associated with a TPH organization in the capacity of a direct owner or executive officer that is required to be disclosed on Form BD unless and until the Exchange approves that association.

(c) A claim of any associated person required to be approved by the Exchange pursuant to paragraph (b) of this Rule against the TPH organization with which that person is associated shall be subordinate in right of payment to customers and other Trading Permit Holders.

Adopted October 8, 1976; amended October 28, 1987 (87-23); June 28, 1995 (95-21); Amended July 19, 2000, effective August 18, 2000 (99-15); May 23, 2008 (08-02); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.6A. Qualification and Registration of Trading Permit Holders and Associated Persons

(a) Registration of Individual Trading Permit Holders and Individual Associated Persons Engaged in the Securities Business.

(1) Individual Trading Permit Holders and individual associated persons engaged or to be engaged in the securities business of a Trading Permit Holder or TPH organization shall be registered with the Exchange in the category of registration appropriate to the function to be performed as prescribed by the Exchange. Before the registration can become effective, the individual Trading Permit Holder or individual associated person shall submit the appropriate application for registration, pass a qualification examination appropriate to the category of registration as prescribed by the Exchange and submit any required registration and examination fees. A Trading Permit Holder or TPH organization shall not maintain a registration with the Exchange for any person (1) who is no longer active in the Trading Permit Holder’s or TPH organization’s securities business; (2) who is no longer functioning in the registered capacity; or (3) where the sole purpose is to avoid an examination requirement. A Trading Permit Holder
or TPH organization shall not make application for the registration of any person where there is no intent to employ that person in the Trading Permit Holder’s or TPH organization’s securities business. A Trading Permit Holder or TPH organization may, however, maintain or make application for the registration of an individual who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the Trading Permit Holder or TPH organization, or a person who performs administrative support functions for registered personnel, or a person engaged in the securities business of a foreign securities affiliate or subsidiary of the Trading Permit Holder or TPH organization.

(2) Persons Exempt from Registration. The following individual Trading Permit Holders and individual associated persons of Trading Permit Holders are exempt from the registration requirements set forth in paragraph (1):

(A) individual associated persons whose functions are solely and exclusively clerical or ministerial;

(B) individual Trading Permit Holders and individual associated persons who are not actively engaged in the securities business;

(C) individual Trading Permit Holders and individual associated persons whose functions are related solely and exclusively to the Trading Permit Holder’s or TPH organization’s need for nominal corporate officers or for capital participation;

(D) individual associated persons that are restricted from accessing the Exchange (physically and electronically) and that do not engage in the securities business of the Trading Permit Holder or TPH organization relating to activity that occurs on the Exchange;

(E) individual associated persons whose functions are related solely and exclusively to:

(i) transactions in commodities;

(ii) transactions in security futures; and/or

(iii) effecting transactions on the floor of another national securities exchange and who are registered as floor members with such exchange.

(b) Financial/Operations Principal. Each Trading Permit Holder or TPH organization subject to Exchange Act Rule 15c3-1 shall designate a Financial/Operations Principal. The duties of a Financial/Operations Principal shall include taking appropriate actions to assure that the Trading Permit Holder or TPH organization complies with applicable financial and operational requirements under the Rules and the Exchange Act, including but not limited to those requirements relating to the submission of financial reports and the maintenance of books and records. Each Financial/Operations Principal is required to have successfully completed the Financial and Operations Principal
Examination (Series 27 Exam). Each Financial/Operations Principal designated by a Trading Permit Holder or TPH organization shall be registered in that capacity with the Exchange as prescribed by the Exchange. A Financial/Operations Principal of a Trading Permit Holder or TPH organization may be a full-time employee, a part-time employee or independent contractor of the Trading Permit Holder or TPH organization. Trading Permit Holders and TPH organizations for which the Exchange is the DEA must provide prompt written notice to the Exchange for each person designated as a Financial/Operations Principal reporting whether such person is a full-time employee, part-time employee, independent contractor, or has any outside business affiliations.

(c) Chief Compliance Officer. Each Trading Permit Holder and TPH organization that is a registered broker-dealer shall designate a Chief Compliance Officer on Schedule A of Form BD. An individual designated as a Chief Compliance Officer is required to register with the Exchange and pass the appropriate heightened qualification examination(s) as prescribed by the Exchange. A person who has been designated as a Chief Compliance Officer on Schedule A of Form BD for at least two years immediately prior to January 1, 2002, and who has not been subject within the last ten years to any statutory disqualification as defined in Section 3(a)(39) of the Act; a suspension; or the imposition of a fine of $5,000 or more for a violation of any provision of any securities law or regulation, or any agreement with, rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding shall be required to register in the category of registration appropriate to the function to be performed as prescribed by the Exchange, but shall be exempt from the requirement to pass the heightened qualification examination as prescribed by the Exchange.

(d) Registration Required Under Chapter IX. Individual associated persons of a TPH organization that conducts a public customer business must also comply with the registration requirements set forth in Chapter IX. These additional registration categories include: (i) Registered Options Principal; and (ii) Registered Representative.

(e) Requirement for Examination on Lapse of Registration. Any person whose registration has been revoked by the Exchange as a disciplinary sanction or whose most recent registration has been terminated for two or more years immediately preceding the date of receipt by the Exchange of a new application shall be required to pass a qualification examination appropriate to the category of registration as prescribed by the Exchange. Any person who last passed the Securities Industry Essentials Examination (“SIE”) or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration.

Approved May 12, 2000 (00-17); amended May 8, 2003 (03-02); December 14, 2007 (07-106); May 24, 2010, effective June 18, 2010 (08-88); amended November 12, 2010 (10-084); amended August 17, 2011 (11-075); amended October 1, 2018 (18-064); May 10, 2019 (19-017).

... Interpretations and Policies:
.01 Each individual required to register under this Rule shall electronically file a Uniform Application for Securities Industry Registration ("Form U-4") through Web CRD.

Approved November 12, 2010 (10-084); amended May 10, 2019 (19-017).

.02 Each individual required to register under this Rule shall electronically submit to Web CRD any required amendments to Form U-4.

Approved May 12, 2000 (00-17); amended June 11, 2002 (01-66); renumbered and amended November 12, 2010 (10-084).

.03 Any Trading Permit Holder or TPH organization that discharges or terminates the employment or retention of an individual required to register under this Rule shall comply with the termination filing requirements set forth in Rule 9.3(b) and Rule 9.3(c).

Approved May 12, 2000 (00-17); amended May 24, 2010, effective June 18, 2010 (08-88); renumbered and amended November 12, 2010 (10-084).

.04 Each individual required to register under this Rule is required to satisfy the continuing education requirements set forth in Rule 9.3A or any other applicable continuing education requirements as prescribed by the Exchange.

Approved May 12, 2000 (00-17); renumbered and amended November 12, 2010 (10-084).

.05 The Exchange may, in exceptional cases and where good cause is shown, waive the applicable qualification examination and accept other standards as evidence of an applicant’s qualifications for registration. Advanced age or physical infirmity will not individually or themselves constitute sufficient grounds to waive a qualification examination. Experience in fields ancillary to the securities business may constitute sufficient grounds to waive a qualification examination.

Approved November 12, 2010 (10-084); amended August 17, 2011 (11-075); May 3, 2012 (12-039).

.06 For purposes of paragraph (a)(1) above, the Exchange shall consider an individual Trading Permit Holder or an individual associated person to be engaged in the securities business of a Trading Permit Holder or TPH organization if:

(a) the individual Trading Permit Holder or individual associated person engages in one or more of the following activities in the capacity of a Trading Permit Holder or on behalf of the associated Trading Permit Holder or TPH organization:

(1) proprietary trading;

(2) market-making;

(3) effecting transactions on behalf of a broker-dealer;
(4) supervision or monitoring of proprietary trading, market-making, or brokerage activities;

(5) supervision or training of those engaged in proprietary trading, market-making, or brokerage activities with respect to those activities; or

(b) the individual Trading Permit Holder or individual associated person engages in the management of one or more of the activities enumerated in subparagraphs (1) through (5) above as an officer, partner or a director.

Approved November 12, 2010 (10-084).

.07 Each Trading Permit Holder and TPH organization must register with the Exchange in a heightened capacity each individual acting in any of the following capacities: (i) officer; (ii) partner; (iii) director; (iv) supervisor of proprietary trading, market-making or brokerage activities; and/or (v) supervisor of those engaged in proprietary trading, market-making or brokerage activities with respect to those activities. Each Trading Permit Holder or TPH organization must register with the Exchange at least two individuals acting in one or more of the capacities described in (i)-(v) above. The Exchange may waive this requirement if a Trading Permit Holder or TPH organization demonstrates conclusively that only one individual acting in one or more of the capacities described in (i) through (v) above should be required to register. In addition, a Trading Permit Holder or TPH organization that conducts proprietary trading only and has 25 or fewer registered persons shall instead be required to have a minimum of one officer or partner who is registered in this capacity.

For purposes of this Interpretation and Policy .07 to Rule 3.6A, a Trading Permit Holder or TPH organization shall be considered to conduct only proprietary trading if the Trading Permit Holder or TPH organization has the following characteristics:

(a) The Trading Permit Holder or TPH organization is not required by Section 15(b)(8) of the Exchange Act to become a FINRA member but is a member of another registered securities exchange not registered solely under Section 6(g) of the Exchange Act;

(b) All funds used or proposed to be used by the Trading Permit Holder or TPH organization are the Trading Permit Holder’s or TPH organization’s own capital, traded through the Trading Permit Holder’s or TPH organization’s own accounts;

(c) The Trading Permit Holder or TPH organization does not, and will not, have customers; and

(d) All persons registered on behalf of the Trading Permit Holder or TPH organization acting or to be acting in the capacity of a trader must be owners of, employees of, or contractors to the Trading Permit Holder or TPH organization.

Approved November 12, 2010 (10-084); amended May 3, 2012 (12-039).

.08
(a) An individual Trading Permit Holder or individual associated person who:

1. is engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Securities Trader (TD) in Web CRD and pass the SIE;

2. (i) supervises or monitors proprietary trading, market-making and/or brokerage activities for broker-dealers;

   (ii) supervises or trains those engaged in proprietary trading, market-making and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or

   (iii) is an officer, partner or director of a Trading Permit Holder or TPH organization is required to register and qualify as a Securities Trader Principal (TP) in Web CRD and satisfy the prerequisite registration and qualification requirements; and

3. is a Chief Compliance Officer (or performs similar functions) for a Trading Permit Holder or TPH organization that engages in proprietary trading, market-making or effecting transactions on behalf of a broker-dealer is required to register and qualify as a Securities Trader Compliance Officer (CT) in Web CRD and satisfy the prerequisite registration and qualification requirements.

(b) The following sets forth the qualification requirements for each of the required registration categories described in paragraph (a) to Interpretation and Policy .08:

<table>
<thead>
<tr>
<th>CATEGORY OF REGISTRATION</th>
<th>QUALIFICATION EXAMINATION(S)</th>
<th>ALTERNATIVE ACCEPTABLE QUALIFICATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities Trader (TD)</td>
<td>Series 57 and SIE</td>
<td></td>
</tr>
<tr>
<td>Securities Trader Principal (TP)**</td>
<td>Series 24</td>
<td>General Securities Sales Supervisor Registration and General Securities Principal - Sales Supervisor Module Registration (Series 9/10 and Series 23)*</td>
</tr>
<tr>
<td>Securities Trader Compliance Officer (CT)</td>
<td>Series 14</td>
<td>General Securities Principal Registration (GP) or Securities Trader Principal (TP) (Series 24)</td>
</tr>
</tbody>
</table>
Because the Series 23 is not available in Web CRD, each applicant must provide documentation of a valid Series 23 license to the Registration Services Department upon request for the Series 24 registration in Web CRD.

**Securities Trader Principals’ (TP) supervisory authority is limited to supervision of the securities trading functions of TPHs, as described in paragraph (a)(2) of Interpretation and Policy .08 to Rule 3.6A, and supervision of officers, partners, and directors of a TPH or TPH organization.**

Adopted May 3, 2012 (12-039); amended November 8, 2015 (15-094); September 9, 2016 (16-067); amended October 1, 2018 (18-064); May 10, 2019 (19-017).

.09 Any person who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

Adopted October 1, 2018 (18-064).

.10 An individual Trading Permit Holder or individual associated person who is required to register pursuant to Rule 3.6A must satisfy all registration and qualification requirements in Web CRD prior to acting in such registered capacity on behalf of a Trading Permit Holder or TPH organization.

Adopted May 3, 2012 (12-039); amended May 10, 2019 (19-017).

Rule 3.7. Certain Documents Required of Trading Permit Holders, Applicants, and Associated Persons

(a) Each Trading Permit Holder and Trading Permit Holder applicant shall promptly file the following documents with the TPH Department:

(i) each TPH organization and TPH organization applicant that is a corporation shall promptly file with the TPH Department a copy of the articles or certificate of incorporation of the organization, the by-laws of the organization, and all amendments to those documents;

(ii) each TPH organization and TPH organization applicant that is a partnership shall promptly file with the TPH Department a copy of any registration certificate of the organization, the partnership agreement of the organization, and all amendments to those documents;

(iii) each TPH organization and TPH organization applicant that is a limited liability company shall promptly file with the TPH Department a copy of the registration certificate of the organization, the operating agreement of the organization, and all amendments to those documents;

(iv) each TPH organization and TPH organization applicant shall promptly file with the TPH Department any other documents relating to the registration, governance, capital structure, or ownership of the organization that are requested by the Exchange; and
(v) each Trading Permit Holder and Trading Permit Holder applicant shall promptly file with the TPH Department any other documents requested by the Exchange that are reasonably related to that Trading Permit Holder’s business on the Exchange or proposed business on the Exchange.

(b) Each Trading Permit Holder and Trading Permit Holder applicant shall promptly file with the TPH Department its business and residence addresses, an address where notices may be served, and any changes to this information.

(c) Each Trading Permit Holder shall comply with the provisions of Exchange Act Section 17(f) and Exchange Act Rule 17f-2 respecting the fingerprinting of the Trading Permit Holder and its covered employees. Each Trading Permit Holder applicant and its covered employees shall also be fingerprinted in accordance with those provisions.

(d) Each Trading Permit Holder and Trading Permit Holder applicant that is a registered broker or dealer pursuant to Section 15 of the Exchange Act shall complete Exchange Act Form BD and keep its Form BD current by promptly completing any required amendments to its Form BD. Each Trading Permit Holder or applicant that is a registered broker-dealer shall also promptly file with the TPH Department, in a manner prescribed by the Exchange, its Form BD and all required amendments thereto.

(e) In a manner and form prescribed by the Exchange, each Trading Permit Holder, Trading Permit Holder applicant, and associated person required to be approved by the Exchange pursuant to Rule 3.6(b) shall pledge to abide by the Bylaws and Rules of the Exchange, as from time to time amended, and by all circulars, notices, directives, or decisions adopted pursuant to or made in accordance with the Bylaws and Rules.

(f) All documents filed with the TPH Department by Trading Permit Holders, applicants, and associated persons shall be subject to review by the Exchange; however, no action or failure to act by the Exchange shall be construed to mean that the Exchange has in any way passed on the investment merits of the Trading Permit Holder, applicant, or associated person, or the adequacy of disclosure given to investors by the Trading Permit Holder, applicant, or associated person, or that the Exchange has in any other way given approval to any such document.

Amended October 8, 1976; April 23, 1978; October 28, 1987 (87-23); October 11, 1991 (91-26); July 19, 2000, effective August 18, 2000 (99-15); May 23, 2008 (08-02); amended May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.8. Nominees

(a) Each TPH organization that is the holder of a Trading Permit or that has associated with it an individual who holds a Trading Permit in his or her name shall be subject to the following provisions:

(i) the TPH organization must designate an individual nominee to represent the organization with respect to that Trading Permit in all matters relating to the Exchange, provided that in the case of a Trading Permit held in the name of an individual, the TPH
organization shall be required to designate that individual as the nominee for that Trading Permit;

(ii) in the situation where the TPH organization is holding multiple Trading Permits in its name, the TPH organization may designate the same individual to be a nominee for those Trading Permits;

(iii) each nominee of a TPH organization designated pursuant to subparagraph (a)(i) of this Rule, except for a nominee of a TPH organization approved solely as a Clearing Trading Permit Holder and/or to transact business with the public pursuant to Rule 9.1, is required to have an authorized trading function;

(iv) each nominee of a TPH organization designated pursuant to subparagraph (a)(i) of this Rule must be approved to be a Trading Permit Holder in accordance with the Rules; and

(v) each nominee of a TPH organization designated pursuant to subparagraph (a)(i) of this Rule who is approved to be a Trading Permit Holder shall be deemed to be an individual Trading Permit Holder.

(b) A TPH organization shall, in a manner and form prescribed by the Exchange:

(i) authorize each of its nominees to represent the organization with respect to all matters relating to the Exchange;

(ii) agree to be responsible for all obligations arising out of each of its nominees’ representation of the TPH organization in all matters relating to the Exchange; and

(iii) agree to guarantee payment of all monetary disciplinary sanctions assessed against each of its nominees with respect to activity that takes place while that individual is a nominee of the organization.

The responsibility of the TPH organization pursuant to subparagraph (b)(ii) of this Rule shall include all obligations to the Exchange and all obligations to other Trading Permit Holders resulting from Exchange transactions or transactions in other securities made by such a nominee on behalf of the TPH organization. A nominee shall not, solely by virtue of being a nominee of a TPH organization, have any personal liability to the Exchange or to any other Trading Permit Holder for Exchange transactions and other securities transactions made by the nominee on behalf of the TPH organization.

(c) The following requirements shall apply to every nominee of a TPH organization:

(i) the person must be materially involved in the daily operation of the Exchange business activities of the TPH organization for which the person is a nominee;

(ii) the person may have authorized trading functions only on behalf of one TPH organization; and
(iii) the person may perform trading functions only on behalf of the TPH organization for which the person is approved by the Exchange to perform such functions and may not perform trading functions on the person’s own behalf or on behalf of another TPH organization.

(d) Notwithstanding the provisions of subparagraph (c)(iii) of this Rule, a nominee may act as an independent Market-Maker and/or an independent Floor Broker if the following 4 requirements are satisfied:

(A) the person obtains the prior written approval to do so, in a manner and form prescribed by the Exchange, from the TPH organization for which the person is approved by the Exchange to perform trading functions;

(B) the TPH organization for which the person is approved by the Exchange to perform trading functions agrees, in a manner and form prescribed by the Exchange, to guarantee all obligations arising out of that person’s activities as an independent Market-Maker and/or an independent Floor Broker;

(C) the person is registered as a broker or dealer pursuant to Section 15 of the Exchange Act; and

(D) the person obtains the prior approval to act in this capacity from the Exchange.

A person who is approved to act as an independent Market-Maker and/or an independent Floor Broker pursuant to this paragraph (d) shall be personally responsible for all obligations arising out of those activities, and the TPH organization for which the person is approved by the Exchange to perform trading functions shall guarantee these obligations.

(e) A TPH organization may designate one or more inactive nominees. An “inactive nominee” of a TPH organization is an individual who is eligible to become an effective nominee of that organization with respect to any Trading Permit which the organization holds. The following requirements shall apply to inactive nominees:

(i) to become an inactive nominee of a TPH organization, an individual must be approved to be a Trading Permit Holder and become an effective nominee of the TPH organization, with authorized trading functions, within 90 days of the approval to be a Trading Permit Holder;

(ii) an individual may be an inactive nominee of only one TPH organization;

(iii) an inactive nominee shall have no rights or privileges of a Trading Permit Holder and shall have no right of access to the trading floor of the Exchange to trade as a Trading Permit Holder, unless and until the inactive nominee becomes an effective Trading Permit Holder pursuant to Rule 3.10; and

(iv) if at any time an individual remains an inactive nominee for 9 consecutive months, the individual’s eligibility to be a Trading Permit Holder will be terminated and
the individual must reapply to be a Trading Permit Holder in order to again become eligible for inactive nominee status.

Approved June 4, 1990 (90-09); amended July 9, 1990 (90-22); May 5, 1998 (98-19); July 19, 2000, effective August 18, 2000 (99-15); December 29, 2003 (03-49); August 18, 2004 (04-43); March 14, 2005 (04-75); April 21, 2005 (05-10); April 3, 2008 (07-120); May 23, 2008 (08-02); July 17, 2008 (08-40); May 24, 2010, effective June 18, 2010 (08-88).

...Interpretations and Policies:

.01 Nothing in paragraph (b) of this Rule is intended to define or limit (i) any obligations between a nominee of a TPH organization, and the TPH organization itself, (ii) any responsibility such a person may have for obligations of a TPH organization by virtue of a contractual obligation or ownership relationship to the organization beyond merely being a nominee, or (iii) the ability of the Exchange to sanction or take other remedial action against such a person pursuant to other Exchange rules for rule violations or other activity for which remedial measures may be imposed.


Rule 3.9. Application Procedures and Approval or Disapproval

(a) Any individual or organization desiring to become a Trading Permit Holder, any applicant or Trading Permit Holder desiring to act in one or more of the trading functions set forth in Rule 3.2(b) or Rule 3.3(b), any associated person required to be approved by the Exchange pursuant to Rule 3.6(b), and any Trading Permit Holder desiring to change the Clearing Trading Permit Holder that guarantees the Trading Permit Holder’s Exchange transactions shall submit an application to the TPH Department in a form and manner prescribed by the Exchange.

(b) Any required application fees must be filed with the application and are not refundable.

(c) Each applicant shall promptly update the application materials submitted to the TPH Department if any of the information provided in these materials becomes inaccurate or incomplete after the date of submission of the application to the TPH Department and prior to any approval of the application.

(d) The TPH Department shall investigate each applicant applying to be a TPH organization, each associated person required to be approved by the Exchange pursuant to Rule 3.6(b), and each applicant applying to be an individual Trading Permit Holder (with the exception of any associated person applicant that is a current Trading Permit Holder, any Trading Permit Holder applicant that was a Trading Permit Holder within 9 months prior to the date of receipt of that applicant’s application by the TPH Department, and any Trading Permit Holder or associated person applicant that was investigated by the TPH Department within 9 months prior to the date of receipt of that applicant’s application by the TPH Department). The TPH Department may investigate any applicant that is not required to be investigated pursuant to this paragraph (d) and any other person or organization that submits an application pursuant to paragraph (a) of this Rule. In connection with an investigation conducted pursuant to this paragraph (d), the Exchange may
(i) conduct a fingerprint based criminal records check of the applicant or (ii) utilize the results of a fingerprint based criminal records check of the applicant conducted by the Exchange or another self-regulatory organization within the prior year.

(e) Any person applying pursuant to paragraph (a) of this Rule to have an authorized trading function is required to have completed the Exchange’s Trading Permit Holder Orientation Program and to have passed an Exchange Trading Permit Holder Qualification Exam. Additionally, any person who has completed the Trading Permit Holder Orientation Program and taken and passed the applicable Trading Permit Holder Qualification Exam and who then does not possess an authorized trading function or Exchange trading floor capacity for more than 1 year is required to complete the Trading Permit Holder Orientation Program and to re-pass the applicable Trading Permit Holder Qualification Exam in order to once again become eligible to have an authorized trading function. A person must score 75% or better on the applicable Trading Permit Holder Qualification Exam in order to pass the Exam. Any person who fails the applicable Trading Permit Holder Qualification Exam must wait 30 days to re-take the Exam after failing the Exam for the first time, must wait 60 days to re-take the Exam after failing the Exam for the second time, and must wait 120 days to re-take the Exam after failing the Exam for a third or subsequent time. The Exchange may not waive any of the requirements set forth in this paragraph (e).

(f) The Exchange may approve an application submitted pursuant to paragraph (a) of this Rule only if any investigation pursuant to paragraph (d) of this Rule has been completed, and any applicable orientation and exam requirements pursuant to paragraph (e) of this Rule have been satisfied.

(g) Each applicant that submits an application pursuant to paragraph (a) of this Rule and each person associated with the applicant shall submit to the TPH Department any additional information requested by the Exchange in connection with the Exchange’s review of the application and may be required to appear before the Exchange for an in-person interview or interviews.

(h) Upon completion of the application process, the Exchange shall determine whether to approve or disapprove the application within 90 days, unless there is just cause for delay. One such just cause for delay is when an applicant is the subject of an inquiry, investigation, or proceeding conducted by a self-regulatory organization or governmental authority that involves the applicant’s fitness to be a Trading Permit Holder. In such an instance, the Exchange need not act on any application submitted by that applicant until the matter has been resolved.

(i) Written notice of the action regarding an application to become a Trading Permit Holder, specifying in the case of disapproval of an application the grounds therefor, shall be provided to the applicant.

(j) If the application process is not completed within 6 months of the submission of the application and the appropriate fee(s), the application shall be deemed to be automatically withdrawn.

Formerly Rule 3.8, renumbered June 4, 1990 (90-09).
.01 The Exchange may disapprove the application of an organization if the Exchange determines that the name of the organization is confusingly similar to the name of an existing TPH organization. A TPH organization desiring to change the name of the organization shall submit an application to the TPH Department in a form and manner prescribed by the Exchange. As with TPH organization applicants, the Exchange may disapprove a name change requested by a TPH organization if the Exchange determines that the desired name is confusingly similar to the name of another TPH organization. For the purposes of this Interpretation and Policy .01, the name of an organization shall include both its official name and the name under which the organization conducts business.

Approved July 19, 2000, effective August 18, 2000 (99-15); amended May 23, 2008 (08-02); May 24, 2010, effective June 18, 2010 (08-88); August 1, 2014 (14-056).

.02 For purposes of this rule, “Exchange trading floor capacity” means any person who is acting on behalf of the Exchange in an Exchange trading floor capacity, such as a PAR Official or other similar function.

Approved May 18, 2007 (07-15); August 1, 2014 (14-056); May 10, 2019 (19-017).

Rule 3.10. Effectiveness of Trading Permit Holder or Approved Associated Person Status

(a) Each applicant to be a Trading Permit Holder, for one of the trading functions set forth in Rule 3.2(b) or Rule 3.3(c), or for an approved associated person status pursuant to Rule 3.6(b) must become effective in that status within 90 days of the date of the applicant’s approval for that status.

(b) An applicant to be a Trading Permit Holder shall become an effective Trading Permit Holder upon (i) satisfying the applicable requirements to obtain a Trading Permit and (ii) release of a Trading Permit to that Trading Permit Holder by the TPH Department.
Rule 3.12. Reserved


Rule 3.13. Reserved

Amended December 15, 1973; October 8, 1976; June 2, 1980; October 28, 1987 (87-23); July 19, 2000, effective August 18, 2000 (99-15); February 26, 2001 (00-60); February 9, 2006 (06-04); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.14. Reserved

Amended December 15, 1973; October 8, 1976; April 23, 1978; June 2, 1980; October 28, 1987 (87-23); July 19, 2000, effective August 18, 2000 (99-15); February 26, 2001 (00-60); June 1, 2001 (01-17); July 12, 2005 (05-53); February 9, 2006 (06-04); May 13, 2010 (10-042); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.15. Reserved


Rule 3.16. Reserved

Amended October 8, 1976; April 23, 1978; December 12, 1978; June 2, 1980; October 28, 1987 (87-23); June 8, 1993 (92-42); July 19, 2000, effective August 18, 2000 (99-15); July 29, 2002 (02-41); July 15, 2004 (04-16); May 24, 2005 (05-19); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.17. Reserved


Rule 3.18. Trading Permit Holders and Associated Persons Who Are or Become Subject to a Statutory Disqualification

(a) The Exchange may determine in accordance with the provisions of this Rule not to permit a Trading Permit Holder or associated person of a Trading Permit Holder to continue being a Trading Permit Holder or associated with a Trading Permit Holder, or to condition such continuance as a Trading Permit Holder or associated person, if the Trading Permit Holder or associated person is or becomes subject to a statutory disqualification under the Exchange Act.

(b) If a Trading Permit Holder or associated person of a Trading Permit Holder who is or becomes subject to a statutory disqualification under the Exchange Act wants to continue being a Trading Permit Holder or associated with a Trading Permit Holder, the Trading Permit Holder
or associated person must, within 10 days of becoming subject to a statutory disqualification, submit an application to the TPH Department, in a form and manner prescribed by the Exchange, seeking to continue being a Trading Permit Holder or associated with a Trading Permit Holder notwithstanding the statutory disqualification. The application shall be accompanied by copies of all documents that are contained in the record of the underlying proceeding that triggered the statutory disqualification.

(c) Following the receipt of an application submitted pursuant to paragraph (b) of this Rule, or in the event the Exchange becomes aware that a Trading Permit Holder or associated person of a Trading Permit Holder is subject to a statutory disqualification and has failed to submit an application pursuant to paragraph (b) of this Rule within the required time period, the Exchange shall appoint a panel composed of three Trading Permit Holders to conduct a hearing concerning the matter pursuant to paragraph (f) of this Rule.

(d) Any person who is the subject of a proceeding under this Rule is entitled to be accompanied, represented, and advised by counsel at all stages of the proceeding.

(e) Any person who is the subject of a proceeding under this Rule and any Trading Permit Holder or associated person of a Trading Permit Holder shall promptly submit any information requested by the TPH Department or hearing panel in connection with the proceeding.

(f) The hearing panel shall hold a hearing to determine whether to permit the Trading Permit Holder or associated person of a Trading Permit Holder who is the subject of a proceeding under this Rule to continue being a Trading Permit Holder or associated with a Trading Permit Holder, and if so, whether to condition such continuance as a Trading Permit Holder or associated person. The hearing shall be held 14 or more days following the receipt of an application, or the initiation of a proceeding, pursuant to paragraph (c) of this Rule. The Exchange shall notify the subject of the proceeding in writing of the date, time, and location of the hearing. Both the subject of the proceeding and Exchange staff will be afforded an opportunity to present relevant information, arguments, and witnesses during the hearing. The hearing panel shall regulate the conduct of the hearing, and formal rules of evidence shall not apply. The subject of the proceeding shall be required to attend the hearing, and the TPH Department or hearing panel may require any Trading Permit Holder or associated person of a Trading Permit Holder to testify at the hearing. A verbatim record of the hearing shall be kept.

(g) Following the hearing, the hearing panel shall present its recommended decision to an Exchange designee, which may ratify or amend the decision. Failure to timely file an application pursuant to paragraph (b) of this Rule is a factor that may be taken into consideration in rendering the decision. The decision shall be in writing and set forth the basis for the decision. The decision shall be promptly provided to the subject of the proceeding under this Rule and to the Executive Committee. The Executive Committee may determine within 7 days after the issuance of the decision to order review of the decision. If the Executive Committee does not order review of the decision, the decision shall become the final decision of the Exchange.

(h) If the Executive Committee orders review of the decision, the review shall be conducted by the Executive Committee or a panel thereof composed of at least 3 members of the Executive Committee, whose decision must be ratified by the Executive Committee. Unless the
Executive Committee shall decide to open the record for the introduction of additional information or argument, any determination to order review of the decision and any review of the decision shall be based solely on the record of the proceeding. The decision of the Executive Committee shall be in writing, shall be promptly provided to the subject of the proceeding, and shall be the final decision of the Exchange.

(i) No determination to discontinue or condition a person as a Trading Permit Holder or associated person pursuant to this Rule shall take effect until the review procedures under paragraph (h) of this Rule have been exhausted or the time for review has expired.

Approved July 19, 2000, effective August 18, 2000 (99-15); amended May 23, 2008 (08-02); May 24, 2010, effective June 18, 2010 (08-88).

. . . Interpretations and Policies:

.01 The Exchange may waive the provisions of this Rule when a proceeding is pending before another self-regulatory organization to determine whether to permit a Trading Permit Holder or associated person of a Trading Permit Holder to continue being a Trading Permit Holder or associated with the Trading Permit Holder notwithstanding a statutory disqualification. In the event the Exchange determines to waive the provisions of this Rule with respect to a Trading Permit Holder or associated person, the Exchange shall determine whether the Exchange will concur in any Exchange Act Rule 19h-1 filing made by another self-regulatory organization with respect to the Trading Permit Holder or associated person.

Approved July 19, 2000, effective August 18, 2000 (99-15); amended October 5, 2007 (07-14); July 23, 2009 (09-033); May 24, 2010, effective June 18, 2010 (08-88).

.02 If an associated person of a Trading Permit Holder is or becomes subject to a statutory disqualification under the Exchange Act, the Trading Permit Holder shall immediately provide written notice to the TPH Department of the name of the associated person, the person’s capacity with the Trading Permit Holder, and the nature of the statutory disqualification.


.03 The Exchange may waive the hearing provisions of Rule 3.18 with respect to an associated person or Trading Permit Holder if the Exchange intends to grant the associated person’s application for continued association or the Trading Permit Holder’s application to continue as a Trading Permit Holder and either:

(i) Exchange Act Rule 19h-1(a)(2) or Exchange Act Rule 19h-1(a)(3) does not require the Exchange to make a notice filing with the Commission to permit the associated person to continue in association with a Trading Permit Holder or to permit the Trading Permit Holder to continue as a Trading Permit Holder; or

(ii) the Exchange determines that it is otherwise appropriate to waive the hearing provisions of Rule 3.18 under the circumstances.
Rule 3.19. Termination from Trading Permit Holder Status

The Trading Permit Holder status of a Trading Permit Holder shall automatically terminate at such time that the Trading Permit Holder does not possess a Trading Permit. The Trading Permit Holder status of a TPH organization shall also automatically terminate at such time that the TPH organization has no nominee. Notwithstanding the foregoing, if the Exchange determines that there are extenuating circumstances, the Exchange may permit a Trading Permit Holder to retain the Trading Permit Holder’s Trading Permit Holder status for such period of time as the Exchange deems reasonably necessary to enable the Trading Permit Holder to obtain a Trading Permit or a substitute nominee.

Amended October 8, 1976; October 28, 1987 (87-23); July 19, 2000, effective August 18, 2000 (99-15); July 5, 2007 (07-77); August 3, 2007 (07-91); September 18, 2007 (07-107); July 17, 2008 (08-40); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.20. Dissolution and Liquidation of TPH Organizations

Every TPH organization shall promptly provide written notice to the Department of Financial and Sales Practice Compliance and to the TPH Department of any adoption of a plan of liquidation or dissolution of the TPH organization and of any actual liquidation or dissolution of the TPH organization. Upon receipt of such a notice, the Trading Permit Holder may be suspended in accordance with Chapter XVI of the Rules.

Amended October 8, 1976; October 28, 1987 (87-23); July 19, 2000, effective August 18, 2000 (99-15); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.21. Obligations of Terminating Trading Permit Holders

Each terminating Trading Permit Holder shall promptly (i) return to the Exchange all Exchange badges, including trading and access badges, that were issued to the Trading Permit Holder by the Exchange with respect to that Trading Permit Holder’s terminating Trading Permit Holder status, (ii) make any outstanding filings required under Exchange rules, and (iii) pay any outstanding fees, assessments, charges, fines, or other amounts due to the Exchange, the Securities and Exchange Commission, or the Securities Investor Protection Corporation.


Rule 3.22. Reserved

Approved September 17, 2001 (01-49); amended May 19, 2005 (04-59); May 24, 2010, effective June 18, 2010 (08-88).
Rule 3.23. Integrated Billing System

Every Trading Permit Holder must designate a Clearing Trading Permit Holder for the payment of the Trading Permit Holder’s Exchange invoices and vendor invoices for Exchange-related services designated by the Exchange by means of the Exchange’s integrated billing system (“IBS”). The designated Clearing Trading Permit Holder shall pay to the Exchange on a timely basis any amount that is not disputed pursuant to IBS procedures by the Trading Permit Holder who is directly involved. Such payments shall be drafted by the Exchange against the designated Clearing Trading Permit Holder’s account at the Clearing Corporation. The Clearing Corporation shall have no liability in connection with its forwarding to the Exchange each month a check representing the total amount that the Exchange advises the Clearing Corporation is owed to the Exchange.

Adopted May 15, 1984; amended July 19, 2000, effective August 18, 2000 (99-15); amended September 20, 2005 (05-67); June 29, 2007 (07-53); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.24. Reserved

Adopted October 28, 1987 (87-23); amended April 24, 1996 (96-13); July 19, 2000, effective August 18, 2000 (99-15); February 26, 2001 (00-60); July 17, 2008 (08-40); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.25. Reserved

Approved March 1, 1995 (94-48); amended July 19, 2000, effective August 18, 2000 (99-15); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.26. Reserved

Approved May 29, 1996 (96-23); amended July 19, 2000, effective August 18, 2000 (99-15); May 18, 2004 (04-26); February 21, 2007 (06-107); July 17, 2008 (08-40); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.27. Reserved

Adopted July 17, 2008 (08-40); amended September 22, 2008 (08-99); February 4, 2010 (10-012); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.28. Letters Of Guarantee and Authorization

(a) Each Trading Permit Holder with trading functions on the Exchange shall provide a letter of guarantee or authorization for the Trading Permit Holder’s trading activities on the Exchange from a Clearing Trading Permit Holder in a form and manner prescribed by the Exchange.

(b) A Trading Permit Holder may not engage in any trading activities on the Exchange if an effective letter of guarantee or authorization required to engage in those activities is not on file with the Exchange. If a Trading Permit Holder does not have an effective letter of guarantee
or authorization on file with the Exchange, the Exchange may prevent access and connectivity to the Exchange by that Trading Permit Holder.

(c) Letters of guarantee and authorization filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the TPH Department and the revocation becomes effective or until such time that the letter of guarantee or authorization otherwise becomes invalid pursuant to Exchange rules. A written notice of revocation shall become effective as soon as the Exchange is able to process the revocation. A revocation shall in no way relieve a Clearing Trading Permit Holder of responsibility for transactions guaranteed prior to the effectiveness of the revocation.

(d) If the Clearing Corporation restricts the activities of a Clearing Trading Permit Holder or suspends a Clearing Trading Permit Holder as a Clearing Member of the Clearing Corporation, the Exchange may take action as necessary to give effect to the restriction or suspension. For example, if the Clearing Corporation restricts transactions cleared by a Clearing Trading Permit Holder to “closing only” transactions, the Exchange may similarly restrict transactions on the Exchange for clearance by that Clearing Trading Permit Holder as a Clearing Member of the Clearing Corporation to “closing only” transactions. Similarly, if the Clearing Corporation suspends a Clearing Trading Permit Holder, the Exchange may prevent access and connectivity to the Exchange by the suspended Clearing Trading Permit Holder.

(e) If a Clearing Trading Permit Holder’s status as a Clearing Member of the Clearing Corporation or as an Exchange Trading Permit Holder is terminated, all letters of guarantee and authorization on file with the Exchange from that Clearing Trading Permit Holder shall no longer be valid, effective as soon as the Exchange is able to process the invalidation of these letters of guarantee and authorization.

(f) If a Clearing Trading Permit Holder has been suspended as a Clearing Member of the Clearing Corporation or as an Exchange Trading Permit Holder, all existing letters of guarantee and authorization from that Clearing Trading Permit Holder shall be invalid during the period of the suspension, effective as soon as the Exchange is able to process the invalidation of those letters of guarantee and authorization.

(g) The invalidation of a letter of guarantee or authorization shall in no way relieve the Clearing Trading Permit Holder that issued the letter of guarantee or authorization of responsibility from transactions guaranteed prior to the effectiveness of the invalidation.

(h) If a Trading Permit Holder does not have a required letter of guarantee or authorization for period of ninety consecutive days, the Trading Permit Holder’s trading permit(s) and status as a Trading Permit Holder shall automatically be terminated.

Amended October 1, 2002 (02-53); August 18, 2004 (04-43); May 24, 2010, effective June 18, 2010 (08-88); February 8, 2013 (12-124).

Rule 3.29. Membership in OneChicago, LLC

Each Trading Permit Holder with trading rights on the Exchange is a member of OneChicago, LLC, and to the extent provided in OneChicago rules, becomes bound by OneChicago rules and
subject to jurisdiction of OneChicago by accessing or entering any order into the OneChicago System.

Adopted October 1, 2002 (02-53); amended May 18, 2004 (04-26); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.30. Extension of Time Limits

Any time limit imposed on an applicant, Trading Permit Holder, or other person under this Chapter may be extended by the Exchange in the event that the Exchange determines that such an extension is warranted due to extenuating circumstances.

Approved July 19, 2000, effective August 18, 2000 (99-15); amended October 1, 2002 (02-53); May 23, 2008 (08-02); May 24, 2010, effective June 18, 2010 (08-88).

Rule 3.31. Reserved

Reserved.

Approved July 19, 2000, effective August 18, 2000 (99-15); amended October 1, 2002 (02-53); May 23, 2008 (08-02).

Rule 3.32. Ownership Concentration and Affiliation Limitation

(a) Concentration Limitation. For purposes of this paragraph (a), and unless the context otherwise requires, the terms “Affiliate”, “Share”, and “Percentage Interest” shall have the same meaning specified in the Cboe Options Stock Exchange, LLC (“CBSX LLC”) Operating Agreement. For as long as CBSX LLC operates as a facility of the Exchange, no Trading Permit Holder, either alone or together with its Affiliates, at any time, may own, directly or indirectly, of record or beneficially, an aggregate amount of Shares that would result in a greater than twenty percent (20%) Percentage Interest in CBSX LLC (the “Concentration Limitation”).

(b) Without prior Commission approval, the Exchange or any entity with which it is affiliated shall not directly acquire or maintain an ownership interest in a Trading Permit Holder. In addition, without prior Commission approval, no Trading Permit Holder shall be or become affiliated with (i) the Exchange or (ii) any affiliate of the Exchange. Nothing herein shall prohibit a Trading Permit Holder from (i) acquiring or holding an equity interest in the CBSX LLC that is permitted by the Concentration Limitation contained in paragraph (a) of this Rule or an equity interest in Cboe Global Markets, Inc. that is permitted by the Cboe Global Markets, Inc. Certificate of Incorporation; or (ii) being affiliated with OneChicago, LLC, provided that the Exchange’s proportionate share of OneChicago, LLC’s gross revenues does not exceed 5% of the Exchange’s gross revenues.

(c) Disciplinary Action. A Trading Permit Holder shall have 180 days to cure an inadvertent violation of paragraph (a) of this Rule. In the event such violation is not cured during such time, the Trading Permit Holder shall have all trading rights and privileges suspended on CBSX LLC, and shall also be subject to any appropriate disciplinary action, including action for the failure of such Trading Permit Holder to enter into the CBSX LLC Operating Agreement.
Adopted March 2, 2007 (06-110); amended May 24, 2010, effective June 18, 2010 (08-88).
CHAPTER IV. BUSINESS CONDUCT

Rule 4.1. Just and Equitable Principles of Trade

No Trading Permit Holder shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Trading Permit Holders shall have the same duties and obligations as Trading Permit Holders under the Rules of this Chapter.

Amended April 17, 1978; June 18, 2010 (10-058).

Rule 4.2. Adherence to Law

No Trading Permit Holder shall engage in conduct in violation of the Securities Exchange Act of 1934, as amended, rules or regulations thereunder, the Bylaws or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof. Every Trading Permit Holder shall so supervise persons associated with the Trading Permit Holder as to assure compliance therewith.

Amended April 17, 1978; June 18, 2010 (10-058).

Rule 4.3. Reserved

Reserved.

Amended June 15, 2006 (06-41).

Rule 4.4. Gratuities

(a) No Trading Permit Holder or associated person of a Trading Permit Holder shall give any compensation or gratuity in any one year in excess of $50.00 to any employee of the Exchange or in excess of $100.00 to any employee of any other Trading Permit Holder or of any non- Trading Permit Holder broker, dealer, bank or institution, without the prior consent of the employer and of the Exchange.

(b) No Trading Permit Holder or associated person of a Trading Permit Holder shall give any compensation or gratuity of any monetary value to any Regulatory Division employee of the Exchange.

Amended November 7, 1980; June 18, 2010 (10-058); February 10, 2014 (14-001); June 2, 2015 (15-027).

Rule 4.5. Nominal Employment

No Trading Permit Holder may employ any person in a nominal position on account of business obtained by such person.

Amended June 18, 2010 (10-058).
Rule 4.6. False Statements

No Trading Permit Holder, person associated with a Trading Permit Holder or applicant to be a Trading Permit Holder shall make any willful or material misrepresentation, including a misstatement or false statement, or omission in any application, report or other communication to the Exchange, or to the Clearing Corporation with respect to the reporting or clearance of any Exchange transaction, or willfully or materially adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or of transferring the position to another account.

Amended April 17, 1978; February 13, 2004 (03-54); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 No Trading Permit Holder, person associated with a Trading Permit Holder or applicant to be a Trading Permit Holder shall be considered to be in violation of Cboe Options Rule 4.6 due to misrepresentations or omissions resulting from causes, such as systems malfunctions, which are outside the control of the Trading Permit Holder, associated person or applicant and could not be avoided by the exercise of due care.

Approved February 13, 2004 (03-54); amended June 18, 2010 (10-058).

Rule 4.7. Manipulation

(a) No Trading Permit Holder shall effect or induce the purchase, sale or exercise of any security for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such security or in the underlying security, or for the purpose of unduly or improperly influencing the market price of such security or of the underlying security or for the purpose of making a price which does not reflect the true state of the market in such security or in the underlying security.

(b) No Trading Permit Holder or any other person or organization subject to the jurisdiction of the Exchange shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. For the purpose of this paragraph but without limitation, (i) any pool, syndicate or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any security by means of options or otherwise and for the purpose of making a profit thereby shall be deemed to be a manipulative operation; (ii) the soliciting of subscriptions to any such pool syndicate or joint account or the accepting of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation; and (iii) the carrying on margin of either a “long” or a “short” position in securities for, or the advancing of credit through loans of money or of securities to, any such pool syndicate or joint account shall be deemed to be financing a manipulative operation.

Amended October 19, 1990 (90-08); June 18, 2010 (10-058).
Rule 4.8. Rumors

No Trading Permit Holder shall circulate, in any manner, rumors of a character which might affect market conditions in any option contract or underlying security or in any other security admitted to trading or unlisted trading privileges on the Exchange; provided, however, that this Rule shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.

Amended October 19, 1990 (90-08); June 18, 2010 (10-058).

Rule 4.9. Disciplinary Action by Other Organizations

Every Trading Permit Holder shall promptly notify the Exchange in writing of any disciplinary action, including the basis therefor, taken by any national securities exchange or association, clearing corporation, commodity futures market or government regulatory body against the Trading Permit Holder or its associated persons, and shall similarly notify the Exchange of any disciplinary action taken by the Trading Permit Holder itself against any of its associated persons involving suspension, termination, the withholding of commissions or imposition of fines in excess of $2,500, or any other significant limitation on activities.

Amended January 3, 1975; March 26, 1980; June 18, 2010 (10-058).

Rule 4.10. Other Restrictions on Trading Permit Holders

(a) In General. Whenever the Chief Executive Officer or President shall find, on the basis of a report of the Department of Compliance or otherwise, that a Trading Permit Holder has failed to perform his contracts or is insolvent or is in such financial or operational condition or is otherwise conducting his business in such a manner that he cannot be permitted to continue in business with safety to his customers or creditors or the Exchange, the Chief Executive Officer or the President may summarily suspend the Trading Permit Holder in accordance with Chapter XVI or may impose such conditions and restrictions upon his being a Trading Permit Holder as he considers reasonably necessary for the protection of the Exchange and the customers of such Trading Permit Holder.

(b) Firms Clearing Market-Maker Trades.

(1) A Trading Permit Holder that clears Market-Maker trades must give fifteen (15) calendar days, prior written notice to the President of the Exchange, or his designee, concerning any proposed Significant Business Transaction (“SBT”) as enumerated in this subsection (b)(1)(i) through (iii). Notification of any SBT as enumerated in this subsection (b)(1)(iv) through (vii) shall be made in writing to the President of the Exchange, or his designee, not later than five (5) business days from the date on which the SBT becomes effective. A SBT shall mean:

(i) the combination, merger or consolidation between the Trading Permit Holder and another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products,
(ii) the transfer from another person of Market-Maker, broker dealer, or customer securities or futures accounts which are significant in size or number to the business of the Trading Permit Holder,

(iii) the assumption or guarantee by the Trading Permit Holder of liabilities, of another person engaged in the business of effecting, executing, clearing or financing transactions in securities or futures products, in connection with a direct or indirect acquisition of all or substantially all of that person’s assets,

(iv) the sale by the Trading Permit Holder of a significant part of its assets to another person,

(v) a change in the identity of any general partner or a change in the beneficial ownership of 10% of any class of the outstanding stock of any corporate general partner (if the Trading Permit Holder is a partnership),

(vi) a change in the beneficial ownership of 20% of any class of the outstanding stock of the Trading Permit Holder or the issuance of any capital stock of the Trading Permit Holder (if the Trading Permit Holder is a corporation), or

(vii) the acquisition by the Trading Permit Holder of assets of another person that would constitute a “business” that is “significant,” as those terms are defined in Section 11-01 of Regulation S-X.

(2) A proposed SBT of a Trading Permit Holder as enumerated in subsection (b)(1)(i) through (iii) is subject to the prior approval of the Chief Executive Officer or President, when the Trading Permit Holder’s Market-Maker clearance activities exceed, or would exceed as a result of the proposed SBT, any of the following parameters:

(i) 15% of cleared Exchange Market-Maker contract volume for the most recent three (3) months;

(ii) an average of 15% of the number of Exchange registered Market-Makers as of each month and for the most recent three (3) months, or

(iii) 25% of Market-Maker gross deductions (haircuts) defined by SEC Rule 15c3-1 (a)(6) or (c)(2)(x) carried by the Clearing Trading Permit Holder(s) in relation to the aggregate of such haircuts carried by all other Market-Maker clearing organizations for any month end within the most recent three (3) months. The Exchange shall notify in writing each Trading Permit Holder that clears Market-Maker trades within ten (10) business days from the close of each month of that Trading Permit Holder’s proportion of the market making clearing business, whether or not such business exceeds the parameters described in (i), (ii), and (iii) of this subsection (b)(2). Trading Permit Holders subject to this subsection (b)(2) must provide thirty (30) calendar days notice of the proposed SBT, as enumerated in subsection (b)(1)(i) through (iii), to the President or his
designee. The Chief Executive Officer or President may disapprove a Trading Permit Holder’s proposed SBT, or approve such SBT subject to certain conditions, within the thirty (30) day period. The Chief Executive Officer or President may disapprove or condition a Trading Permit Holder’s SBT within the thirty (30) day period if the Chief Executive Officer or President determines that such SBT has the potential to threaten the financial or operational integrity of Exchange Market-Maker transactions.

(3) In addition, at any time, the Chief Executive Officer or President may impose additional financial and/or operational requirements on a Trading Permit Holder that clears Market-Maker trades when the Chief Executive Officer or President determines that the Trading Permit Holder’s continuance in business without such requirements has the potential to threaten the financial or operational integrity of Exchange Market-Maker transactions.

(4) A Trading Permit Holder that clears Market-Maker trades must give fifteen (15) calendar days, written notice to the President of the Exchange, or his designee, of any proposal to terminate such business or any material part thereof.

(5) A Trading Permit Holder subject to this rule must provide promptly, in writing, all information reasonably requested by the Exchange. Until such information, and any other information provided pursuant to this subsection (b), is otherwise publicly disclosed, the information shall be kept confidential, except that such information may be disclosed to members of the staff and other agents of the Exchange who are engaged in reviewing the proposed transaction, but such employees and agents shall keep such information confidential and use it only for purposes of reviewing the proposal.

(6) In considering a proposed SBT, the Chief Executive Officer or President may consider, among other relevant matters, the following criteria:

(a) The effect of the proposed SBT on (i) the capital size and structure of the resulting clearing TPH organization(s); (ii) the potential for financial failure, and the consequences of any such failure on the Market-Maker system as a whole; and (iii) the potential for increased or decreased operational efficiencies arising from the proposed transaction.

(b) The effect of the proposed SBT upon overall concentration of options Market-Makers, including a comparison of the following measures before and after the proposed transaction:

   (i) proportion of exchange Market-Makers cleared;

   (ii) proportion of exchange Market-Maker contract volume cleared; and

   (iii) proportion of Market-Maker gross deductions (haircuts) as defined by SEC Rule 15c3-1(a)(6) or (c)(2)(x) carried by the Clearing
Trading Permit Holder(s) in relation to the aggregate of such deductions carried by other Market-Maker clearing organizations.

(c) The regulatory history of the affected TPH organization(s), specifically as it may indicate a tendency to financial/operational weakness.

(d) The history of the affected TPH organization(s) with respect to late trade match input or other operational deficiencies as determined by the Exchange.

(7) In the event the Chief Executive Officer or President determines, prior to the expiration of the thirty (30) day period set forth in subsection (1) hereof, that a proposed SBT may be approved without conditions, the Chief Executive Officer or President shall promptly so advise the Trading Permit Holder. All Chief Executive Officer or President decisions to disapprove or condition a proposed SBT pursuant to subsection (b)(2) hereof or to impose extraordinary requirements pursuant to subsection (b)(3) hereof shall be in writing, shall include a statement setting forth the grounds for the Chief Executive Officer or President’s decision, and shall be served on the Trading Permit Holder. Notwithstanding any other provisions of the Rules of the Exchange, the Trading Permit Holder may appeal such decision directly to the Board of Directors of the Exchange by filing an application for review with the Secretary of the Exchange within fifteen (15) days of the date of service of the decision. The application for review shall be in the form prescribed by Rule 19.5(a), and the Board’s review shall be conducted in the manner prescribed by Rule 19.5(b), except that the Trading Permit Holder may waive the making of a record. Review by the Board shall be the exclusive method of reviewing a decision of the Chief Executive Officer or President pursuant to this subsection (b). The appeal to the Board of a decision of the Chief Executive Officer or President shall not operate as a stay of that decision during the pendency of the appeal. The Exchange shall file notice with the SEC in accordance with the provisions of Section 19(d)(1) of the Securities Exchange Act of all final decisions to disapprove or condition a proposed SBT pursuant to subsection (b)(2) hereof, or to impose extraordinary requirements pursuant to subsection (b)(3) hereof.

(8) The provisions of subsection (b) of this rule do not preclude (i) summary Exchange action under subsection (a) above or under Chapter XVI of the Rules or (ii) other Exchange action pursuant to the Rules of the Exchange.

(9) The Chief Executive Officer or President may exempt a Trading Permit Holder from the requirements of subsection (b)(1) hereof, either generally or in respect of specific types of transactions, based on the limited proportion of Market-Maker trades on the Exchange that are cleared by the Trading Permit Holder or on the limited importance that the clearing of Market-Maker trades bears to the total business of the Trading Permit Holder.

Amended April 17, 1978; October 8, 1991 (88-24); March 21, 2006 (06-15); June 18, 2010 (10-058); July 12, 2016 (16-047).
Rule 4.11. Position Limits

Except with the prior permission of the President or his designee, to be confirmed in writing, no Trading Permit Holder shall make, for any account in which it has an interest or for the account of any customer, an opening transaction on any exchange if the Trading Permit Holder has reason to believe that as a result of such transaction the Trading Permit Holder or its customer would, acting alone or in concert with others, directly or indirectly,

(a) control an aggregate position in an option contract dealt in on the Exchange in excess of 25,000 or 50,000 or 75,000 or 200,000 or 250,000 option contracts (whether long or short) of the put type and the call type on the same side of the market respecting the same underlying security, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other number of option contracts as may be fixed from time to time by the Exchange as the position limit for one or more classes or series of options, or

(b) exceed the applicable position limit fixed from time to time by another exchange for an option contract not dealt in on the Exchange, when the Trading Permit Holder is not a member of the other exchange on which the transaction was effected. In addition, should a Trading Permit Holder have reason to believe that a position in any account in which it has an interest or for the account of any customer is in excess of the applicable limit, such Trading Permit Holder shall promptly take the action necessary to bring the position into compliance. Reasonable notice shall be given of each new position limit fixed by the Exchange, by publicly posting notice thereof. Limits shall be determined in the manner described in Interpretations.02 and .04 below.

Amended December 15, 1973; January 3, 1975; June 3, 1977; October 31, 1980; July 18, 1983; April 4, 1985; December 9, 1985; May 24, 1988; September 12, 1989 (89-13); December 3, 1993, effective December 20, 1993 (93-43); September 18, 1995 (95-22); October 13, 1995, effective October 16 and 24, 1995 (95-42); March 13, 1996 (95-68); December 31, 1998 (98-25); February 23, 2005 (03-30); August 17, 2005 (05-61); February 22, 2006 (06-11); August 18, 2006 (06-69); February 9, 2007 (07-12); August 15, 2007 (07-97); February 19, 2008 (08-07); June 18, 2010 (10-058).

... Interpretations and Policies:

.01 The following examples, using the 25,000 option contract limit, illustrate the operation of position limits established by Rule 4.11:

(a) Customer A, who is long 25,000 XYZ calls, may at the same time be short 25,000 XYZ calls, since long call and short call positions in the same class of options are on opposite sides of the market and are not aggregated for purposes of Rule 4.11.

(b) Customer B, who is long 25,000 XYZ calls, may at the same time be long 25,000 XYZ puts. Rule 4.11 does not require the aggregation of long call and long put (or short call and short put) positions, since they are on opposite sides of the market.

(c) Customer C, who is long 20,000 XYZ calls, may not at the same time be short more than 5,000 XYZ puts, since the 25,000 contract limit applies to the aggregation of long call and
short put positions in options covering the same underlying security. Similarly, if Customer C is also short 20,000 XYZ calls, he may not at the same time be long more than 5,000 XYZ puts, since the 25,000 contract limit applies separately to the aggregation of short call and long put positions in options covering the same underlying security.


.02

(a) The 25,000 option contract limit applies to those options having an underlying security that does not meet the requirements for a higher option contract limit.

(b) To be eligible for the 50,000 option contract limit, either the most recent six-month trading volume of the underlying security must have totaled at least 20,000,000 shares; or the most recent six-month trading volume of the underlying security must have totaled at least 15,000,000 shares and the underlying security must have at least 40,000,000 shares currently outstanding.

(c) To be eligible for the 75,000 option contract limit, either the most recent six-month trading volume of the underlying security must have totaled at least 40,000,000 shares; or the most recent six-month trading volume of the underlying security must have totaled at least 30,000,000 shares and the underlying security must have at least 120,000,000 shares currently outstanding.

(d) To be eligible for the 200,000 option contract limit, either the most recent six-month trading volume of the underlying security must have totaled at least 80,000,000 shares; or the most recent six-month trading volume of the underlying security must have totaled at least 60,000,000 shares and the underlying security must have at least 240,000,000 shares currently outstanding.

(e) To be eligible for the 250,000 option contract limit, either the most recent six-month trading volume of the underlying security must have totaled at least 100,000,000 shares; or the most recent six-month trading volume of the underlying security must have totaled at least 75,000,000 shares and the underlying security must have at least 300,000,000 shares currently outstanding.

(f) Every six months, the Exchange will review the status of underlying securities to determine which limit should apply. A higher limit will be effective on the date set by the Exchange, while any change to a lower limit will take effect after the last expiration then trading, unless the requirement for the same or a higher limit is met at the time of the intervening six-month review. However, if subsequent to a six-month review, an increase in volume and/or outstanding shares would make a stock eligible for a higher position limit prior to the next review, the Exchange in its discretion may immediately increase such position limit.

Issued July 18, 1983; amended April 4, 1985; October 31, 1988; December 3, 1993, effective December 20, 1993 (93-43); October 13, 1995, effective October 16 and 24, 1995 (95-42); December 31, 1998 (98-25); February 23, 2005 (03-30); February 19, 2008 (08-07); March 13, 2008 (08-28).
(a) Control exists, under Rules 4.11 and 4.12, when it is determined that an individual or entity (1) makes investment decisions for an account or accounts, or (2) materially influences directly or indirectly the actions of any person who makes investment decisions.

(b) In addition, control will be presumed in the following circumstances:

(1) among all parties to a joint account who have authority to act on behalf of the account;
(2) among all general partners to a partnership account;
(3) when an individual or entity (1) holds an ownership interest of 10 percent or more in an entity (ownership interest of less than 10 percent will not preclude aggregation), or (2) shares in 10 percent or more of profits and/or losses of an account;
(4) when accounts have common directors or management;
(5) where a person or entity has the authority to execute transactions in an account.

(c) Control, presumed by one or more of the above findings or circumstances, can be rebutted by proving the factor does not exist or by showing other factors which negate the presumption of control. The rebuttal proof must be submitted by affidavit and/or such other documentary evidence as may be appropriate in the circumstances. The Exchange will also consider the following factors in determining if aggregation of accounts is required:

(1) similar patterns of trading activity among separate entities;
(2) the sharing of kindred business purposes and interests;
(3) whether there is common supervision of the entities which extends beyond assuring adherence to each entity’s investment objectives and/or restrictions;
(4) the degree of contact and communication between directors and/or managers of separate accounts.

(d) Initial determinations under this Interpretation shall be made by the Market Regulation Department of the Exchange. The initial determination may be reviewed by the President of the Exchange or his designee, based upon a report by the Market Regulation Department of the Exchange. A Trading Permit Holder or customer directly affected by such a determination may ask the President of the Exchange or his designee to reconsider but may not request any other review or appeal, except in the context of a disciplinary proceeding. The decision to grant non-aggregation under this Interpretation shall not be retroactive. The presumption of control shall exist until determined, as provided above, to not exist.
Amended December 5, 1989 (89-25); March 13, 1996 (95-68); June 18, 2010 (10-058).

Issued December 9, 1985.

.04 Equity Hedge Exemptions

(a) The following qualified hedging transactions and positions described in paragraphs (1) through (5) below shall be exempt from established position limits as prescribed under Interpretation .02 above. Hedge transactions and positions established pursuant to paragraphs six (6) and seven (7) below are subject to a position limit equal to five (5) times the standard limit established under Interpretation .02 above.

(1) Where each option contract is “hedged” or “covered” by 100 shares of the underlying security or securities convertible into such underlying security, or, in the case of an adjusted option contract, the same number of shares represented by the adjusted contract;

   (i) long call and short stock;

   (ii) short call and long stock;

   (iii) long put and long stock;

   (iv) short put and short stock.

(2) A long call position accompanied by a short put position, where the long call expires with the short put, and the strike price of the long call and short put is equal, and where each long call and short put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock (“reverse conversion”).

(3) A short call position accompanied by a long put position where the short call expires with the long put, and the strike price of the short call and the long put is equal, and where each short call and long put position is hedged with 100 shares (or other adjusted number of shares) of the underlying security or securities convertible into such stock (“conversion”).

(4) A short call position accompanied by a long put position, where the short call expires with the long put, and the strike price of the short call equals or exceeds the long put, and where each short call and long put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither side of the short call, long put position can be in-the-money at the time the position is established (“collar”).

(5) A long call position accompanied by a short put position where the long call expires with the short put and the strike price of the long call equals or exceeds the short put and where each long call and short put position is hedged with 100 shares of the underlying security (or other adjusted number of shares). Neither
side of the long call, short put position can be in-the-money at the time the position is established (“reverse collar”).

(6) A long call position accompanied by a short put position with the same strike price and a short call position accompanied by a long put position with different strike price (“box spread”).

(7) A listed option position hedged on a one-for-one basis with an over-the-counter (“OTC”) option position on the same underlying security. The strike price of the listed option position and corresponding OTC option position must be within one strike of each other and no more than one expiration month apart.

(8) For those strategies described under (2), (3), (4), and (5) above, one component of the option strategy can be an OTC option contract guaranteed or endorsed by the firm maintaining the proprietary position or carrying the customer account.

(9) An OTC option contract is defined as an option contract that is not listed on a National Securities Exchange or cleared at the Options Clearing Corporation.

(b) The equity hedge exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies.

(c) Delta-Based Equity Hedge Exemption

* Note: The Delta-Based Equity Hedge Exemption for customers is not currently available and customers may not seek to rely on the Delta-Based Equity Hedge Exemption. The Exchange will issue a Regulatory Circular to announce when the Delta-Based Equity Hedge Exemption is available to customers.

The Delta-Based Equity Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies. An equity option position of a Trading Permit Holder, non-Trading Permit Holder affiliate of a Trading Permit Holder or customer that is delta neutral shall be exempt from established position limits as prescribed under Interpretation .02 above, subject to the following:

(A) The term “delta neutral” refers to an equity option position that is hedged, in accordance with a permitted pricing model, by a position in the underlying security or one or more instruments relating to the underlying security, for the purpose of offsetting the risk that the value of the option position will change with incremental changes in the price of the security underlying the option position. Customers seeking to use the delta-based equity hedge exemption may only hedge their positions in accordance with a pricing model maintained and operated by the Clearing Corporation (“OCC Model”).

In the case of an equity option position for which the underlying security is an ETF that is based on the same index as an index option, the equity option position and any position in the underlying ETF may be combined with such an index option position and/or
correlated instruments, as defined in Rule 24.4.05(A), in accordance with Rule 24.4.05 - Delta-Based Index Hedge Exemption, for calculation of the delta-based equity hedge exemption.

(B) An equity option position that is not delta neutral shall be subject to position limits in accordance with this Rule 4.11 (subject to the availability of other position limit exemptions). Only the option contract equivalent of the net delta of such position shall be subject to the appropriate position limit. The “options contract equivalent of the net delta” is the net delta divided by the number of shares that equate to one option contract on a delta basis. The term “net delta” means, at any time, the number of shares and/or other units of trade (either long or short) required to offset the risk that the value of an equity option position will change with incremental changes in the price of the security underlying the option position, as determined in accordance with a permitted pricing model.

(C) A “permitted pricing model” means -

(1) OCC Model;

(2) A pricing model maintained and used by a Trading Permit Holder subject to consolidated supervision by the Commission pursuant to Appendix E of Commission Rule 15c3-1, or by an affiliate that is part of such Trading Permit Holder’s consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with the requirements of Appendices E or G, as applicable, to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital or capital allowances for market risk thereunder, provided that the Trading Permit Holder or affiliate of a Trading Permit Holder relying on this exemption in connection with the use of such model is an entity that is part of such Trading Permit Holder’s consolidated supervised holding company group;

(3) A pricing model maintained and used by a financial holding company or a company treated as a financial holding company under the Bank Holding Company Act of 1956, or by an affiliate that is part of either such company’s consolidated supervised holding company group, in accordance with its internal risk management control system and consistent with:

   (i) the requirements of the Board of Governors of the Federal Reserve System, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Board of Governors of the Federal Reserve System, provided that the Trading Permit Holder or affiliate of a Trading Permit Holder relying on this exemption in connection with the use of such model is an entity that is part of such company’s consolidated supervised holding company group; or
(ii) the standards published by the Basel Committee on Banking Supervision, as amended from time to time and as implemented by such company’s principal regulator, in connection with the calculation of risk-based deductions or adjustments to or allowances for the market risk capital requirements of such principal regulator applicable to such company - where “principal regulator” means a member of the Basel Committee on Banking Supervision that is the home country consolidated supervisor of such company - provided that the Trading Permit Holder or affiliate of a Trading Permit Holder relying on this exemption in connection with the use of such model is an entity that is part of such company’s consolidated supervised holding company group;

(4) A pricing model maintained and used by an OTC derivatives dealer registered with the SEC pursuant to SEC Rule 15c3-1(a)(5) in accordance with its internal risk management control system and consistent with the requirements of Appendix F to SEC Rule 15c3-1 and SEC Rule 15c3-4 under the Act, as amended from time to time, in connection with the calculation of risk-based deductions from capital for market risk thereunder, provided that only such OTC derivatives dealer and no other affiliated entity (including a Trading Permit Holder) may rely on this subparagraph (C)(4); or

(5) A pricing model used by a national bank under the National Bank Act maintained and used in accordance with its internal risk management control system and consistent with the requirements of the Office of the Comptroller of the Currency, as amended from time to time, in connection with the calculation of risk-based adjustments to capital for market risk under capital requirements of the Office of the Comptroller of the Currency, provided that only such national bank and no other affiliated entity (including a Trading Permit Holder) may rely on this subparagraph (C)(5).

(D) Effect on Aggregation of Accounts

(1) Trading Permit Holders, non-Trading Permit Holder affiliates and customers who rely on this exemption must ensure that the permitted pricing model is applied to all positions in or relating to the security underlying the relevant option position that are owned or controlled by such Trading Permit Holder, non-Trading Permit Holder affiliate or customers.

(2) Notwithstanding subparagraph (D)(1), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in or relating to the security underlying the option position held by an affiliated entity or by another trading unit within the same entity, provided that:

(i) the entity demonstrates to the Exchange’s satisfaction that no control relationship, as defined in Interpretation .03 above, exists between such affiliates or trading units*; and
(ii) the entity has provided (by the Trading Permit Holder carrying the account as applicable) the Exchange written notice in advance that it intends to be considered separate and distinct from any affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

* Note: The Exchange has set forth in Regulatory Circular RG08-12 the conditions under which it will deem no control relationship to exist between affiliates and between separate and distinct trading units within the same entity.

(3) Notwithstanding subparagraph (D)(1) or (D)(2), a Trading Permit Holder, non-Trading Permit Holder affiliate or customer who relies on this exemption shall designate, by prior written notice to the Exchange (to be obtained and provided by the Trading Permit Holder carrying the account as applicable), each trading unit or entity whose option positions are required under Exchange Rules to be aggregated with the option positions of such Trading Permit Holder, non-Trading Permit Holder affiliate or customer that is relying on this exemption for purposes of compliance with Exchange position limits or exercise limits. In any such case:

(i) the permitted pricing model shall be applied, for purposes of calculating such Trading Permit Holder’s, affiliate’s or customer’s net delta, only to the positions in or relating to the security underlying any relevant option position owned and controlled by those entities and trading units who are relying on this exemption; and

(ii) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the non-exempt option positions of all other entities and trading units whose options positions are required under Exchange Rules to be aggregated with the option positions of such Trading Permit Holder, affiliate or customer.

(E) Obligations of Trading Permit Holders

(1) A Trading Permit Holder that relies on this exemption for a proprietary equity options position:

(i) must provide a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (C) above; and

(ii) by such reliance authorizes any other person carrying for such Trading Permit Holder an account including, or with whom such Trading Permit Holder has entered into, a position in or relating to a security underlying the relevant option position to provide to the Exchange or the Clearing Corporation such information regarding such account or position as the Exchange or Clearing Corporation may request as part of the
Exchange’s confirmation or verification of the accuracy of any net delta
calculation under this exemption.

(2) The equity option positions of a non-Trading Permit Holder relying
on this exemption must be carried by a Trading Permit Holder with which it is
affiliated.

(3) A Trading Permit Holder carrying an account that includes an equity
option position for a non-Trading Permit Holder affiliate that intends to rely on this
exemption must obtain from such non-Trading Permit Holder affiliate and must
provide to the Exchange:

(i) a written certification to the Exchange that the non-Trading
Permit Holder affiliate is using a permitted pricing model pursuant to
subparagraph (C) above; and

(ii) a written statement confirming that such non-Trading Permit
Holder affiliate:

(a) is relying on this exemption;

(b) will use only a permitted pricing model for purposes
of calculating the net delta of its option positions for purposes of this
exemption;

(c) will promptly notify the Trading Permit Holder if it
ceases to rely on this exemption;

(d) authorizes the Trading Permit Holder to provide to
the Exchange or the Clearing Corporation such information
regarding positions of the non-Trading Permit Holder affiliate as the
Exchange or Clearing Corporation may request as part of the
Exchange’s confirmation or verification of the accuracy of any net
delta calculation under this exemption; and

(e) if the non-Trading Permit Holder affiliate is using the
OCC Model, has duly executed and delivered to the Trading Permit
Holder such documents as the Exchange may require to be executed
and delivered to the Exchange as a condition to reliance on this
exemption.

(4) A Trading Permit Holder carrying an account that includes an equity
option position for a customer who intends to rely on this exemption must obtain
from such customer and provide to the Exchange:

(i) a written certification to the Exchange that the customer is
using the OCC Model pursuant to paragraph (C)(1) above; and
(ii) a written statement confirming that such customer:

(a) is relying on this exemption;

(b) will use only the OCC Model for purposes of calculating the net delta of the customer’s option positions for purposes of this exemption;

(c) will promptly notify the Trading Permit Holder if the customer ceases to rely on this exemption;

(d) in connection with using the OCC Model, has duly executed and delivered to the Trading Permit Holder such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(F) Reporting.

Each Trading Permit Holder (other than an Exchange market-maker or DPM using the OCC Model) that holds or carries an account that relies on this exemption shall report, in accordance with Rule 4.13, all equity option positions (including those that are delta neutral) that are reportable thereunder. Each such Trading Permit Holder on its own behalf or on behalf of a designated aggregation unit pursuant to Rule 4.11.04(c)(D) shall also report, in accordance with Rule 4.13, for each such account that holds an equity option position subject to this exemption in excess of the levels specified in this Rule 4.11, the net delta and the options contract equivalent of the net delta of such position.

(G) Records.

Each Trading Permit Holder relying on this exemption shall: (i) retain, and undertake reasonable efforts to ensure that any non-Trading Permit Holder affiliate of the Trading Permit Holder or customer relying on this exemption retains, a list of the options, securities and other instruments underlying each option position net delta calculation reported to the Exchange hereunder, and (ii) produce such information to the Exchange upon request.

Adopted May 24, 1988 (87-27); amended September 14, 1993 (91-43); November 17, 1993 (93-52); November 18, 1994 (94-41); May 18, 1995 (95-13); October 13, 1995, effective October 16 and 24, 1995 (95-42); March 13, 1996 (95-68); March 20, 2002 (00-12); February 23, 2005 (03-30); December 14, 2007 (07-99); August 21, 2009 (09-039); April 7, 2010 (10-030); May 27, 2010 (10-021); June 18, 2010 (10-058).

.05

(a) The provisions set forth below apply only to Market-Makers seeking an exemption to the standard position limits in all options traded on the Exchange for the purpose of assuring that there is sufficient depth and liquidity in the marketplace, and not to confer a right upon the
Market-Maker applying for an exemption. In light of the procedural safeguards, the purpose of this exemption process, and the prohibition against the granting of retroactive exemptions, decisions granting or denying exemptions are not subject to review under Chapter XIX of the Exchange Rules regarding Hearings and Review. The general provisions of the policy are as follows:

(1) An exemption may be granted for the purpose of maintaining a fair and orderly market in the options on a given underlying security.

(2) Generally, an exemption will be granted only to a Market-Maker who has requested an exemption, who holds an appointment to the option class in which the exemption is requested, whose positions are near the current position limit and who is significant in terms of in-person daily volume. The interpretation of this point is that the positions must generally be within 10% of the applicable limits in equity options and 20% of the applicable limits in broad-based index options, bond or note options.

(3) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

(4) The size and length of an exemption will be determined on a case by case basis. (An exemption will usually be granted until the nearest expiration.) The exemption may specify the extent to which the resulting position may be carried in options in one or more expiration cycles.

(b) The following procedures have been established for Market-Makers nearing the limits due to general market conditions.

(1) A request for an exemption from the established position and exercise limits must be in writing and must state the specific reasons why an exemption should be granted.

(2) The request should be submitted to the Department of Market Regulation.

(3) The Exchange will review, among other factors, such matters as Market-Maker positions, trading activity, and comments by trading crowd members concerning market conditions. The Exchange will determine whether or not an exemption will be granted.

(4) To ensure same day review by the Exchange, exemption requests must be submitted to the Department of Market Regulation no later than 1:00 p.m. The Exchange’s review will be conducted informally, and it may receive information in such manner as is most effective, in its discretion, to ascertain whether an exemption is necessary to maintain depth and liquidity in the market.
The Market Regulation staff will communicate the exemption decision to the requesting Market-Maker and his clearing firm as soon as possible, generally on the day following Exchange review.

Ordinarily, a first application will be considered by the Exchange without the presence of the applicant. If a Market-Maker’s request for an exemption is denied and he wishes to reapply for an exemption, he may make a brief scheduled personal appearance before the Exchange.

Granted exemptions may be reviewed by the Exchange, which can revoke or modify the exemption. Such reviews may be considered by the Exchange without the presence of the Market-Maker that originally received the exemption. If a granted exemption that is reviewed by the Exchange without the presence of the Market-Maker is revoked or modified and the Market-Maker wishes to reapply for the exemption or a modified exemption, the Market-Maker may make a brief scheduled personal appearance before the Exchange.

Requests for instant exemptions should be made by contacting the Department of Market Regulation. Instant exemption requests will be considered in extraordinary situations, such as an order imbalance, an off-floor executable order in the crowd or position limit restrictions of Market-Makers who are near the limits intraday. Following its immediate review of the situation, the Exchange will make a decision whether an exemption is warranted, in accordance with criteria established by the Exchange. Following its decision, the Exchange will prepare the proper form and provide a copy to the Market-Maker. Granted instant exemptions may be reviewed by the Exchange, which can revoke or modify the exemption.

A list of current exemptions will be posted in a generally accessible area and will include, but may not be limited to, the following information: the exemption recipient’s name and the class, size, and duration of each exemption.

Approved December 5, 1989 (89-25); amended March 13, 1996 (95-68); January 22, 1999 (98-23); March 21, 2006 (06-15).

.06 Firm Facilitation Exemption

To the extent that the following procedures and criteria are satisfied, a TPH organization may receive and maintain for its proprietary account an exemption (“facilitation exemption”) from the applicable standard position limit in non-multiply-listed Exchange options for the purpose of facilitating, pursuant to the provisions of Rule 6.74(b), (a) orders for its own customer (one that will have the resulting position carried with the firm) or (b) orders received from or on behalf of a customer for execution only against the TPH firm’s proprietary account.

The TPH organization must receive approval from the Exchange prior to executing facilitating trades. The facilitation exemption shall be granted to the TPH organization owning or controlling the account in which the exempt option positions are held. For purposes of this Interpretation .06, control shall be determined in accordance with the provision of Interpretation .03 to Rule 4.11. Exchange approval may be given on the basis of verbal representations, in which event the TPH organization shall, within a period of time to be designated by the Exchange, furnish
the Department of Market Regulation with appropriate forms and documentation substantiating
the basis for the exemption. The approval for the facilitation exemption will specify the maximum
number of contracts that may be exempt under this Interpretation. In no event may the aggregate
exempted position under this Interpretation and Policy .06 exceed the number of contracts
specified in the table as follows:

<table>
<thead>
<tr>
<th>OPTION TYPE</th>
<th>FIRM FACILITATION EXEMPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Cell: Equity]</td>
<td>[Cell: 2 × applicable standard limit]</td>
</tr>
<tr>
<td>Broad-based index (other than DJX, OEX or SPX)</td>
<td>2 × standard overall limit</td>
</tr>
<tr>
<td>Narrow-based (industry or sector) index</td>
<td>2 × applicable standard limit</td>
</tr>
<tr>
<td>Flexible Exchange (FLEX)</td>
<td>2 × FLEX standard limit</td>
</tr>
<tr>
<td>Interest rate</td>
<td>3 × standard limit</td>
</tr>
<tr>
<td>Government securities</td>
<td>2 × standard limit value</td>
</tr>
</tbody>
</table>

EXAMPLE: If a firm desires to facilitate customer order(s) in the XYZ option class, which is
assumed to be a in a non-multiply listed class of options with a 50,000 contract standard position
limit, the firm may qualify for a firm facilitation exemption of up to twice the standard limit or
100,000 contracts.

The facilitation exemption is in addition to the standard limit and other exemptions available under
Exchange rules, interpretations and policies. A TPH organization so approved is hereinafter
referred to as a “facilitation firm”.

(b) The facilitation firm must provide all information required by the Exchange on
approved forms and keep such information current. The facilitation firm shall promptly provide to
the Exchange any information or documents requested concerning the exempted options positions
and the positions hedging them. A copy of all applicable order tickets must be provided to the
Department of Market Regulation on the day of execution.

(c) In addition, the facilitation firm shall comply with the following provisions
regarding the execution of its customer’s order and its own facilitating order:

(1) neither order may be contingent on “all or none” or “fill or kill”
instructions;
(2) the orders may not be executed until Rule 6.74(b) procedures have been satisfied and crowd members have been given a reasonable time to participate pursuant thereto.

(d) To remain qualified, a facilitation firm must, within five (5) business days after the execution of a facilitation exemption order, hedge all exempt options positions that have not previously been liquidated, and furnish the Department of Market Regulation with documentation reflecting the resulting hedging positions.

(e) The facilitation firm shall:

(1) liquidate and establish its customer’s and its own options and stock positions or their equivalent in an orderly fashion, and not in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate its customer’s or its own stock position or its equivalent with an equivalent index option position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option;

(2) promptly notify the Exchange of any material change in the exempted options position or the hedge; and

(3) not increase the exempted option position once it is closed unless approval is received again pursuant to a reapplication under this Interpretation.

(f) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the facilitation exemption and may form the basis for subsequent denial of an application for a facilitation exemption hereunder.

Approved March 13, 1996 (95-68); amended September 13, 1996 (96-01); October 10, 1996 (96-35); December 31, 1998 (98-25); January 22, 1999 (98-23); February 23, 2005 (03-30); March 21, 2006 (06-15); June 18, 2010 (10-058).

.07 The position limits under Rule 4.11 applicable to options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Interpretation and Policy .06 under Rule 5.3 shall be the same as the position limits applicable to equity options under Rule 4.11 and Interpretations and Policies thereunder; except that the position limits under Rule 4.11 applicable to option contracts on the securities listed in the below chart are as follows:

<table>
<thead>
<tr>
<th>Security Underlying Option</th>
<th>Position Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The DIAMONDS Trust (DIA)</td>
<td>300,000 contracts</td>
</tr>
<tr>
<td>The Standard and Poor’s Depositary Receipts Trust (SPY)</td>
<td>1,800,000 contracts</td>
</tr>
<tr>
<td>ETF Description</td>
<td>Contract Quantity</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>iShares Russell 2000 ETF (IWM)</td>
<td>1,000,000</td>
</tr>
<tr>
<td>PowerShares QQQ Trust (QQQ)</td>
<td>1,800,000</td>
</tr>
<tr>
<td>iShares MSCI Emerging Markets ETF (EEM)</td>
<td>1,000,000</td>
</tr>
<tr>
<td>iShares China Large-Cap ETF (&quot;FXI&quot;)</td>
<td>500,000</td>
</tr>
<tr>
<td>iShares MSCI EAFE ETF (&quot;EFA&quot;)</td>
<td>500,000</td>
</tr>
<tr>
<td>iShares MSCI Brazil Capped ETF (&quot;EWZ&quot;)</td>
<td>500,000</td>
</tr>
<tr>
<td>iShares 20+ Year Treasury Bond Fund ETF (&quot;TLT&quot;)</td>
<td>500,000</td>
</tr>
<tr>
<td>iShares MSCI Japan ETF (&quot;EWJ&quot;)</td>
<td>500,000</td>
</tr>
</tbody>
</table>

Approved July 2, 1998 (97-03); amended January 18, 2002 (01-44); February 11, 2003 (02-26); January 14, 2005 (05-06); February 23, 2005 (03-30); January 25, 2007 (07-08); June 20, 2007 (07-61); January 14, 2008 (07-147); February 19, 2008 (08-07); July 20, 2011 (11-065); September 27, 2012 (12-091); October 23, 2012 (12-066); October 17, 2012 (12-099); November 5, 2013 (13-106); January 21, 2015 (15-008); July 1, 2015 (15-065); June 20, 2016 (16-052); July 23, 2017 (17-050); February 23, 2018 (17-057); July 4, 2018 (18-042).

.08 For purposes of determining compliance with the position limits under this Rule 4.11, ten mini-option contracts (as permitted under Rule 5.5.22) shall equal one standard contract overlying 100 shares.

Approved January 4, 2013 (13-001).

Rule 4.12. Exercise Limits

Except with the prior permission of the President or his designee, to be confirmed in writing, no Trading Permit Holder shall exercise, for any account in which it has an interest or for the account of any customer, a long position in any option contract where such Trading Permit Holder or customer, acting alone or in concert with others, directly or indirectly, (a) has or will have exercised within any five consecutive business days aggregate long positions in any class of options dealt in on the Exchange in excess of 25,000 or 50,000 or 75,000 or 200,000, or 250,000 option contracts or such other number of options contracts as may be fixed from time to time by the Exchange as the exercise limit for that class of options, or (b) has or will have exceeded the applicable exercise limit fixed from time to time by another exchange for an option class not dealt in on the Exchange, when the Trading Permit Holder is not a member of the other exchange which lists the option class. (c) Reasonable notice shall be given of each new exercise limit fixed by the Exchange by publicly posting notice thereof. Limits shall be determined in the manner described in Interpretation .02 or in the case of a hedged position Interpretation .04 to Rule 4.11 or in the case of facilitation exempted position in accordance with Interpretation .06 to Rule 4.11. Whether
option positions should be aggregated under this rule shall be determined in the manner described in Interpretation .03 to Exchange Rule 4.11.

Amended January 3, 1975; October 31, 1980; July 18, 1983; April 4, 1985; December 9, 1985; February 6, 1989; September 18, 1995 (95-22); October 13, 1995, effective October 16 and 24, 1995 (95-42); March 13, 1996 (95-68); December 31, 1998 (98-25); February 23, 2005 (03-30); February 19, 2008 (08-07); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 For a Market-Maker granted an exemption to position limits pursuant to Rule 4.11, Interpretation .05, the number of contracts which can be exercised over a five (5) business day period shall equal the Market-Maker’s exempted position.

Approved December 5, 1989 (89-25).

.02 The exercise limits established under Rule 4.12 in respect of options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Interpretation and Policy .06 under Rule 5.3 shall be equivalent to the position limits prescribed for such options in Interpretation and Policy .07 under Rule 4.11, subject to any exemptions granted in respect of such position limits.

Approved July 2, 1998 (97-03); amended January 18, 2002 (01-44); February 11, 2003 (02-26).

Rule 4.13. Reports Related to Position Limits

(a) In a manner and form prescribed by the Exchange, each Trading Permit Holder shall report to the Exchange, the name, address, and social security or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of option contracts dealt in on the Exchange. The report shall indicate for each such class of options, the number of option contracts comprising each such position and, in the case of short positions, whether covered or uncovered.

(b) In addition to the reporting requirement described in paragraph (a) of this Rule, each Trading Permit Holder (other than an Exchange market-maker or DPM) that maintains a position in excess of 10,000 non-FLEX equity option contracts on the same side of the market on behalf of its own account or for the account of a customer, shall report information as to whether such positions are hedged, and provide documentation to as to how such contracts are hedged, in a manner and form prescribed by the Exchange. In addition, whenever the Exchange determines based on a report to the Department of Market Regulation or otherwise, that a higher margin requirement is necessary in light of the risks associated with an under- hedged Non-FLEX equity option position in excess of 10,000 contracts on the same side of the market, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.
(c) In addition to the reports required by paragraph (a) of this Rule, each Trading Permit Holder shall report promptly to the Department of Market Regulation any instance in which the Trading Permit Holder has reason to believe that a customer, acting alone or in concert with others, has exceeded or is attempting to exceed the position limits established pursuant to Rule 4.11.

(d) For purposes of this rule, the term “customer” in respect of any Trading Permit Holder shall include the Trading Permit Holder, any general or special partner of the Trading Permit Holder, any officer or director of the Trading Permit Holder, or any participant, as such, in any joint, group or syndicate account with the Trading Permit Holder or with any partner, officer or director thereof.

Amended December 15, 1973; January 10, 1975; June 24, 1980; February 6, 1989; March 13, 1996 (95-68); December 31, 1998 (98-25); January 18, 2002 (01-44); June 18, 2010 (10-058).

Rule 4.14. Liquidation of Positions

Whenever the President or his designee shall find, on the basis of a report of the Department of Market Regulation or otherwise, that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position (whether long or short) in all option contracts of one or more classes or series dealt in on the Exchange in excess of the applicable position limit established pursuant to Rule 4.11, he or his designee may order all Trading Permit Holders carrying a position in option contracts of such classes or series for such person or persons to liquidate such position as expeditiously as possible consistent with the maintenance of an orderly market. Whenever such an order is given by the President or his designee, no Trading Permit Holder shall accept any order to purchase, sell or exercise any option contract for the account of the person or persons named in the order, unless and until the President or his designee expressly approves such person or persons for options transactions.

Amended December 15, 1973; January 3, 1975; February 6, 1989; March 13, 1996 (95-68); June 18, 2010 (10-058); July 12, 2016 (16-047).

Rule 4.15. Limit on Outstanding Uncovered Short Positions

Whenever it is determined from the reports of uncovered short positions submitted pursuant to Rule 15.3, viewed in light of current market conditions in options and in underlying securities, that there are outstanding an excessive number of uncovered short positions in option contracts of a given class dealt in on the Exchange or that an excessively high percentage of outstanding short positions in option contracts of a given class dealt in on the Exchange are uncovered, the Board may prohibit any further opening writing transactions on any exchange in option contracts of that class unless the resulting short position will be covered, and it may prohibit the uncovering of any existing covered short positions in one or more series of options of that class, as it deems appropriate in the interest of maintaining a fair and orderly market in option contracts or in underlying securities. The Board may exempt transactions of Market-Makers from restrictions imposed under this rule and it shall rescind such restrictions upon its determination that they are no longer appropriate.

Amended January 3, 1975.
Rule 4.16. Other Restrictions on Options Transactions and Exercises

(a) The Board shall be empowered to impose such restrictions on transactions or exercises in one or more series of options of any class dealt in on the Exchange as the Board in its judgment deems advisable in the interests of maintaining a fair and orderly market in option contracts or in underlying securities, or otherwise deems advisable in the public interest or for the protection of investors. During the effectiveness of any such restriction, no Trading Permit Holder shall, for any account in which it has an interest or for the account of any customer, engage in any transaction or exercise in contravention of such restriction. Notwithstanding the foregoing, during the ten business days prior to the expiration date of a given series of options, other than index options, no restriction on exercise may be in effect with respect to that series of options. With respect to index options, restrictions on exercise may be in effect until the opening of business on the last business day before the expiration date.

(b) Exercises of American-style, cash-settled index options shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:

(i) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to the rules of the Clearing Corporation while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by the Exchange, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension.

(ii) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration.

(iii) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 3:00 p.m. (CT). In the event of such a trading halt, exercises may occur through 3:20 p.m. (CT). In addition, if trading resumes following such a trading halt (such as by closing rotation), exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading. The provisions of this subparagraph (b)(iii) are subject to the authority of the Board to impose restrictions on transactions and exercises pursuant to paragraph (a) of this Rule.

(iv) The President or his designee may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

In the case of an American-style, cash-settled FLEX Index Option, the references in this paragraph (b) to a trading delay, halt, suspension, resumption, or closing rotation shall mean the occurrence of the applicable condition in the standardized option on the index underlying the FLEX Index Option (rather than the occurrence of the applicable condition in the FLEX Index Option itself).

Amended December 15, 1973; January 3, 1975; March 10, 1983; January 31, 1995 (95-03); January 15, 1999 (98-33); April 17, 2000 (99-03); June 18, 2010 (10-058).
. . . *Interpretations and Policies:*

.01 Whenever the issuer of a security underlying a call option traded on the Exchange is engaged or proposes to engage in a public underwritten distribution (“public distribution”) of such underlying security or securities exchangeable for or convertible into such underlying security, the underwriters may request that the Exchange impose restrictions upon all opening writing transactions in such options at a “discount” (as defined below in .02) where the resulting short position will be uncovered (“uncovered opening writing transactions”). Upon receipt of such a request, the Exchange shall impose the requested restrictions as promptly as possible but no earlier than 15 minutes after it has been announced on the floor of the Exchange and shall terminate such restrictions upon request of the underwriters or when the Exchange otherwise discovers that the stabilizing transaction by the underwriters has been terminated. In addition to a request, the following conditions are necessary for the imposition of restrictions:

(1) less than a majority of the securities to be publicly distributed in such distribution are being sold by existing security holders;

(2) the underwriters agree to notify the Exchange upon the termination of their stabilization activities and

(3) the underwriters initiate stabilization activities in such underlying security on a national securities exchange when the price of such security is either at a “minus” or “zero minus” tick.


.02 For purposes of .01 above, an uncovered opening writing transaction in a call option will be deemed to be effected at a “discount” when the premium in such transaction is either:

(i) in the case of a distribution of the underlying security not involving the issuance of rights and in the case of a distribution of securities exchangeable for or convertible into the underlying security, less than the amount by which the underwriters’ stabilization bid for the underlying security exceeds the exercise price of such option; or

(ii) in the case of a distribution being offered pursuant to rights, less than the amount by which the underwriters’ stabilization bid in the underlying security at the Subscription Price exceeds the exercise price of such option.

Issued June 7, 1978.

Rule 4.17. Restriction of Out-of-the-Money Options

Deleted October 31, 1980.

. . . *Interpretations and Policies:*

.01 Deleted October 31, 1980.
Rule 4.18. Prevention of the Misuse of Material, Nonpublic Information

Every Trading Permit Holder shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of such Trading Permit Holder’s business, to prevent the misuse, in violation of the Exchange Act and Exchange Rules, of material, nonpublic information by such Trading Permit Holder or persons associated with such Trading Permit Holder. Trading Permit Holders that are required, pursuant to Exchange Rule 15.5, to file SEC Form X-17A-5 with the Exchange on an annual basis only, shall, contemporaneously with those submissions, file attestations signed by such Trading Permit Holders stating that the procedures mandated by this Rule have been established, enforced and maintained. Any Trading Permit Holder or associated person who becomes aware of a possible misuse of material, nonpublic information must promptly notify the Exchange’s Department of Market Surveillance.

Approved April 6, 1992 (91-41); amended April 20, 1994 (93-58); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 For purposes of this Rule, conduct constituting the misuse of material, nonpublic information in violation of the Exchange Act and Exchange Rules includes, but is not limited to, the following:

(A) trading in any securities issued by a corporation, partnership, Trust Issued Receipts, or Units, as defined in Rule 5.3 Interpretations and Policies .06, .07, or .10 thereunder or a trust or similar entities, or in any related securities or related options or other derivative securities, or in any related non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, or in any related commodity, related commodity futures or options on commodity futures or in any related commodity derivatives, while in possession of material, nonpublic information concerning that corporation, partnership, Trust Issued Receipts, or those Units or that trust or similar entities;

(B) trading in an underlying security or related options or other derivative securities, or in any related non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or in any related commodity, related commodity futures or options on commodity futures or any other related commodities derivatives, or any other derivatives based on such currency while in possession of material nonpublic information concerning imminent transactions in the above; and

(C) disclosing to another person or entity any material, nonpublic information involving a corporation, partnership, Trust Issued Receipts, or Units or a trust or similar entities whose shares are publicly traded or an imminent transaction in an underlying security or related securities or in the underlying non-U.S. currency or any related non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, or in any related commodity, related commodity futures or options on commodity futures or any other related commodity derivatives, for the purpose of facilitating the possible misuse of such material, nonpublic information.
Rule 4.18 requires that each Trading Permit Holder establish, maintain, and enforce the following policies and procedures:

1. All associated persons must be advised in writing of the prohibition against the misuse of material, nonpublic information;

2. Signed attestations from the Trading Permit Holder and all associated persons affirming their awareness of, and agreement to abide by, the aforementioned prohibitions must be maintained for at least 3 years, the first 2 years in an easily accessible place;

3. Records of all brokerage accounts maintained by the Trading Permit Holder and all associated persons must be acquired and maintained for at least 3 years, the first 2 years in an easily accessible place;

4. Such brokerage accounts must be reviewed periodically by the Trading Permit Holder for the purpose of detecting the possible misuse of material, nonpublic information; and

5. Any business dealings the Trading Permit Holder may have with any corporation whose securities are publicly traded, or any other circumstances that may result in the Trading Permit Holder receiving, in the ordinary course of business, material, nonpublic information concerning any such corporation, must be identified and documented.

Maintenance of the foregoing policies and procedures will not, in all cases, satisfy the requirements of Rule 4.18; the adequacy of each Trading Permit Holder’s policies and procedures will depend upon the nature of such Trading Permit Holder’s business. The Exchange may determine that policies and procedures less burdensome than those set forth herein would be appropriate for certain Trading Permit Holders, given the nature of such Trading Permit Holder’s business.

Approved April 6, 1992 (91-41); June 18, 2010 (10-058).

The Exchange has developed a form, denominated OE-418, that may be used by certain individual Trading Permit Holders and small TPH organizations to satisfy the filing and record-keeping requirements of Rule 4.18. Qualified Trading Permit Holders that file the form in an accurate and timely manner and comply with the policies and procedures mandated by that form will be deemed to be in compliance with the filing and record-keeping requirements of the Rule. The Exchange will issue regulatory circulars from time to time setting forth the criteria that must be met by individual Trading Permit Holders and small TPH organizations seeking to rely on the form, and describing the policies and procedures mandated by that form.

Approved April 6, 1992 (91-41); June 18, 2010 (10-058).

Rule 4.19. Prohibition Against Harassment

Practices involving harassment, threats, intimidation, collusion, refusals to deal, or retaliation that have the intended purpose or effect of discouraging a Trading Permit Holder or other market
participant from acting, or seeking to act, competitively are prohibited under this Rule and shall be deemed conduct inconsistent with just and equitable principles of trade under Rule 4.1.

Adopted August 10, 2000 (00-36); June 18, 2010 (10-058).

... Interpretations and Policies:

.01 Among the specific types of conduct that are prohibited by this Rule and which shall be deemed conduct inconsistent with just and equitable principles of trade are harassment, threats, intimidation, collusion, refusals to deal, or retaliation against any person or entity in connection with (i) a listing proposal made by such person or entity to any exchange or other market; (ii) such person’s or entity’s advocacy or proposal concerning listing or trading on any exchange or market; and (iii) such person or entity making markets in or trading any option on any exchange or other market, that have the intended purpose or effect of discouraging such person or entity from acting, or seeking to act, competitively.

Adopted August 10, 2000 (00-36).

Rule 4.20. Anti-Money Laundering Compliance Program

Each TPH organization and each Trading Permit Holder not associated with a TPH organization shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each TPH organization’s anti-money laundering program must be approved, in writing, by a member of senior management.

The anti-money laundering programs required by this Rule shall, at a minimum:

(1) Establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;

(2) Establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;

(3) Provide for annual (on a calendar-year basis) independent testing for compliance to be conducted by Trading Permit Holder or TPH organization personnel or by a qualified outside party, unless the Trading Permit Holder or TPH organization does not execute transactions for customers or otherwise hold customer accounts or act as an introducing broker with respect to customer accounts (e.g., engages solely in proprietary trading or conducts business only with other broker-dealers), in which case such “independent testing” is required every two years (on a calendar-year basis); provided however, all Trading Permit Holder or TPH organizations must conduct independent testing during the first calendar year of becoming a Trading Permit Holder or TPH organization;
(4) Designate, and identify to the Exchange (by name, title, mailing address, e-mail address, telephone number, and facsimile number) a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program (such individual or individuals must be an associated person of the Trading Permit Holder) and provide prompt notification to the Exchange regarding any change in such designation(s); and

(5) Provide ongoing training for appropriate persons.

Approved September 17, 2002 (02-45); amended December 27, 2007 (07-130); June 18, 2010 (10-058); January 25, 2011 (10-109).

... Interpretations and Policies:

01 Independent Testing Requirements

(a) All Trading Permit Holders should undertake more frequent testing than required by this rule if circumstances warrant.

(b) Independent testing pursuant to this rule must be conducted by a designated person with a working knowledge of applicable requirements under the Bank Secrecy Act and its implementing regulations.

(c) Independent testing may not be conducted by:

(1) a person who performs the functions being tested, or

(2) the designated anti-money laundering compliance person, or

(3) a person who reports to a person described in either (1) or (2) above.

Adopted December 27, 2007 (07-130); amended June 18, 2010 (10-058).

Rule 4.21. Third Party Deposits Prohibited

TPH organizations engaged in the business of clearing and carrying the accounts of options Market-Makers (“Clearing Firms”) registered to conduct business on the Exchange are subject to the following prohibitions:

(1) The acceptance of a check or funds transfer for deposit into any broker-dealer account cleared or carried by a Clearing Firm is prohibited if the name on the account from which the check or transfer is drawn is not the same as that on the account cleared or carried by the Clearing Firm.

(2) The acceptance of securities, either directly or via transfer, for deposit into any broker-dealer account cleared or carried by a Clearing Firm is prohibited if the name on the securities, or the name on the account from which the
securities are drawn, is not the same as that on the account cleared or carried by the Clearing Firm.

Adopted April 30, 2003 (03-05); amended June 18, 2010 (10-058).

... Interpretations and Policies:

.01 The foregoing prohibitions do not apply to checks, funds or securities for deposit to a Market-Maker’s account that are drawn on a joint account of which the Market-Maker is one of the joint owners, and the title of the Market-Maker’s account with the Clearing Firm coincides with the Market-Maker’s designation on the joint account.

.02 The foregoing prohibitions do not apply to checks, funds or securities for deposit into the account of a U.S. broker-dealer business entity if the depositor (i) has an ownership interest disclosed on Schedule A of the broker-dealer’s Uniform Application for Broker-Dealer Registration (“Form BD”), or (ii) is a U.S. broker-dealer and has an ownership interest disclosed on Schedule B of Form BD.

.03 The foregoing prohibitions do not apply to checks or funds transfers for deposit to a broker-dealers account: (i) that constitute an award or settlement paid as the result of the resolution of litigation or arbitration which arose in connection with the broker-dealer’s securities or futures business; (ii) that are drawn on an account of the government of the United States; or (iii) that are drawn on the account of another broker-dealer for satisfaction of the resolution of transaction disputes.

.04 If immediate action is required in order for an account of a broker-dealer cleared and carried by a Clearing Firm to (i) establish a positive net liquidating equity or supplement equity when required based upon internal risk control procedures of the Clearing Firm, or (ii) achieve compliance with SEC Rule 15c3-1 (the Net Capital Rule), an officer or partner of a Clearing Firm may grant an exception, which must be in writing, with respect to any transaction prohibited by this Rule 4.21.

.05 Transfers of funds or securities between two accounts cleared and carried by the same Clearing Firm are permitted provided that, if both accounts are not owned by the same person(s) or entity, the transfer must be authorized in writing by the owner of the account from which funds and/or securities would be withdrawn.

.06 Documentation evidencing any exceptions granted pursuant to Interpretation and Policy .04 above, and documents evidencing that deposits qualify for acceptance pursuant to Interpretation and Policy .03 above, as well as documents authorizing transfers of funds or securities between accounts pursuant to Interpretation and Policy .05 above, shall be retained by the Clearing Firm for at least three years, the first two years in an easily accessible place for examination by the Exchange. In lieu of having the documents easily accessible, a Clearing Firm may make and keep current a separate central log, index or other file through which the documents can be identified and retrieved.

Adopted April 30, 2003 (03-05); amended January 27, 2009 (08-117); May 1, 2014 (14-035).
Rule 4.22. Communications to the Exchange or the Clearing Corporation

No Trading Permit Holder, person associated with a Trading Permit Holder or applicant to be a Trading Permit Holder shall make any misrepresentation or omission in any application, report or other communication to the Exchange, or to the Clearing Corporation with respect to the reporting or clearance of any Exchange transaction, or adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or of transferring the position to another account. Violations of this Rule may be subject to summary fine under Exchange Rule 17.50(g)(11).

Approved February 13, 2004 (03-54); amended June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 The Exchange will distinguish misrepresentations and omissions from willful or material misrepresentations and omissions. Willful or material misrepresentations and omissions may be considered a violation of Exchange Rule 4.6.

Approved February 13, 2004 (03-54).

Rule 4.23. Unbundling of Orders to Maximize Rebates of Fees

No Trading Permit Holder shall divide an order into multiple smaller orders for the primary purpose of maximizing rebates of fees resulting from the execution of such orders, or any other similar payment of value to the Trading Permit Holder.

Approved January 10, 2006 (05-92); amended June 18, 2010 (10-058).

Rule 4.24. Supervision

(a) General

Each office, location, department, business activity, trading system, and internal surveillance system of a Trading Permit Holder shall be under the supervision and control of the Trading Permit Holder establishing it and of an appropriately qualified supervisor, as described in paragraph (c) below.

Each Trading Permit Holder and associated persons of a Trading Permit Holder shall be under the supervision and control of an appropriately qualified supervisor, as described in paragraph (c) below.

(b) Designation of Supervisor by Trading Permit Holder

The general partners or directors of each Trading Permit Holder shall provide for appropriate supervisory control and shall designate a general partner or principal executive officer to assume overall authority and responsibility for internal supervision and control of the organization and compliance with applicable securities laws and regulations, and with applicable Exchange rules. The person designated shall:
(1) Delegate to qualified principals responsibility and authority for supervision and control of each office, location, department, business activity, trading system, and internal surveillance system and provide for appropriate written procedures of supervision and control; and

(2) Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

(c) Qualification of Supervisor

Each Trading Permit Holder must make reasonable efforts to determine that each person with supervisory control, as described in paragraphs (a) and (b) above, is qualified by virtue of experience or training to carry out his or her assigned responsibilities. Persons with supervisory control must meet the Exchange’s qualification requirements for supervisors, including completion of the appropriate examination(s).

(d) Standards of Supervision

Each person with supervisory control as described in paragraphs (a) and (b) above, shall reasonably discharge his or her duties and obligations in connection with such supervision and control in order to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules.

(e) Written Supervisory Procedures

Each Trading Permit Holder shall establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business in which the Trading Permit Holder engages and to supervise the activities of all associated persons. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules.

The written supervisory procedures shall set forth the supervisory system established by the Trading Permit Holder pursuant to this rule. Each Trading Permit Holder shall keep a record of the name, title, registration status, and location of all supervisory personnel required by this rule, the dates for which supervisory designations were or are effective, and the responsibilities of the supervisory personnel as these relate to the types of business the Trading Permit Holder engages in, and applicable securities laws and regulations, including applicable Exchange rules. This record must be preserved for a period of not less than three years, the first two in an easily accessible place.

A copy of the written supervisory procedures shall be kept and maintained at each location where supervisory activities are conducted on behalf of the Trading Permit Holder. Each Trading Permit Holder shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in applicable securities laws and regulations, Exchange rules, and as any changes occur in supervisory personnel or supervisory procedures. Each Trading Permit Holder shall be responsible for communicating such changes through its organization within a reasonable time.
(f) Office Inspections

Each Trading Permit Holder shall inspect every office or location of the Trading Permit Holder at least once every three calendar years. An inspection may not be conducted by any person within that office or location who has supervisory responsibilities or by any individual who is directly or indirectly supervised by such person(s). In establishing the inspection cycle, the Trading Permit Holder shall give consideration to the nature and complexity of the securities activities for which the office or location is responsible, the volume of business done, and the number of associated persons at each office or location. The examination schedule and an explanation of the factors considered in determining the frequency of the examinations in the cycle shall be set forth in the Trading Permit Holder’s written supervisory procedures.

Such inspection shall be reasonably designed to assist in preventing and detecting violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable Exchange rules.

Each Trading Permit Holder shall retain a written record of the dates upon which each inspection is conducted, the participants in the inspection, and the results thereof.

(g) Annual Review and Written Report

(1) At least annually, each Trading Permit Holder shall conduct an interview or meeting with all associated persons, at which compliance matters relevant to the activities of the associated person are discussed. Each Trading Permit Holder shall retain a written record of the dates upon which each interview or meeting occurred, the participants in the interview or meeting, and the results thereof; and

(2) By April 1 of each year, each Trading Permit Holder shall submit to the Exchange a written report on the Trading Permit Holder’s supervision and compliance effort during the preceding year and on the adequacy of the Trading Permit Holder’s ongoing compliance processes and procedures. The report shall include, but not be limited to, the following:

(A) A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations, if any.

(B) Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the proceeding year’s efforts of this nature.

(C) Discussion of the preceding year’s compliance efforts, new procedures, educational programs, etc. in each of the following areas: (1) antifraud and trading practices; (2) books and records; (3) finance and operations; (4) supervision; (5) internal controls; and (6) anti-money laundering. If any of these do not apply to the Trading Permit Holder, the report shall so state.
(D) A certification signed by the Trading Permit Holder’s Chief Executive Officer (or equivalent officer) that:

(i) The Trading Permit Holder has in place processes to:

(1) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,

(2) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and

(3) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

(ii) The Chief Executive Officer (or equivalent officer) conducted one or more meetings with the Trading Permit Holder’s Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the Trading Permit Holder’s prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

(iii) The processes described in paragraph (g)(2)(D)(i) of this Rule are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the Trading Permit Holder may deem necessary to make this certification, and submitted to the Trading Permit Holder’s board of directors or audit committee (or equivalent bodies) on or before April 1st of each year.

(iv) The Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(2)(D)(iii) of this Rule and other such employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

(3) A Trading Permit Holder that specifically includes its options compliance program within an annual compliance review and written report that complies with substantially similar requirements of the Financial Industry Regulatory Authority or any other self-regulatory organization will be deemed to have met the requirements of this Rule 4.24(g), however the Trading Permit Holder must submit a copy of such written report to the Exchange by April 1 of each year.

Approved March 4, 2014 (13-126).
Rule 4.25. Proxy Voting

(a) No Trading Permit Holder may give a proxy to vote stock that is registered in its name, unless:

1. such Trading Permit Holder is the beneficial owner of such stock;
2. pursuant to the written instructions of the beneficial owner; or
3. pursuant to the rules of any national securities exchange or association of which it is a member provided that the records of the Trading Permit Holder clearly indicate the procedure it is following

(b) Notwithstanding the foregoing, a Trading Permit Holder that is not the beneficial owner of a security registered under Section 12 of the Exchange Act is prohibited from granting a proxy to vote the security in connection with a shareholder vote on the election of a member of the board of directors of an issuer (except for a vote with respect to uncontested election of a member of the board of directors of any investment company registered under the Investment Company Act of 1940), executive compensation, or any other significant matter, as determined by the Commission, by rule, unless the beneficial owner of the security has instructed the Trading Permit Holder to vote the proxy in accordance with the voting instructions of the beneficial owner.

Approved January 3, 2018 (18-010).
CHAPTER V. SECURITIES DEALT IN

Rule 5.1. Designation of Securities

Securities dealt in on the Exchange are option contracts, each of which is designated by reference to the issuer of the underlying security, expiration month or expiration date, exercise price and type (put or call).

Amended July 12, 2005 (04-63).

Rule 5.2. Rights and Obligations of Holders and Writers

The rights and obligations of holders and writers shall be as set forth in the Rules of the Clearing Corporation.


Rule 5.3. Criteria for Underlying Securities

(a) Underlying securities in respect of which put or call option contracts are approved for listing and trading on the Exchange must meet the following criteria:

(1) the security must be duly registered and be an NMS stock; and

(2) the security shall be characterized by a substantial number of outstanding shares which are widely held and actively traded.

(b) In addition, the Exchange shall from time to time establish guidelines to be considered by the Exchange in evaluating potential underlying securities for Exchange option transactions. There are, however, many relevant factors which must be considered in arriving at such a determination. The fact that a particular security may meet the guidelines established by the Exchange does not necessarily mean that it will be approved as an underlying security. Further, in exceptional circumstances an underlying security may be approved by the Exchange even though it does not meet all of the guidelines. The Exchange may also give consideration to maintaining diversity among various industries and issuers in selecting underlying securities.

Amended January 3, 1975; December 9, 1976 (76-18); November 24, 1981; May 31, 1985; February 5, 1986 (86-03); August 29, 1991, effective October 21, 1991 (86-15); November 16, 2005 (04-37); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 The Board of Directors has established guidelines to be considered by the Exchange in evaluating potential underlying securities for Exchange option transactions. Absent exceptional circumstances with respect to Paragraphs (a)(1) or (2), or (b)(1) or (2) listed below, at the time the Exchange selects an underlying security for Exchange option transactions, the following guidelines with respect to the issuer shall be met.
Guidelines applicable to the issuer of the security are:

1. There are a minimum of 7,000,000 shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.

2. There are a minimum of 2,000 holders of the underlying security.

3. The issuer is in compliance with any applicable requirements of the Exchange Act.

Guidelines applicable to the market for the security are:

1. Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve months.

2. If the underlying security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least $3.00 for the previous three consecutive business days preceding the date on which the Exchange submits a certificate to the OCC for listing and trading. For purposes of this Interpretation .01(b)(2)(A), the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

   (B) If the underlying security is not a “covered security”, the market price per share of the underlying security has been at least $7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

Notwithstanding the requirements set forth in Paragraphs (a)(1), (a)(2), (b)(1), and (b)(2) listed above, the Exchange may list and trade an options contract if (1) the underlying security meets the guidelines for continued listing in Rule 5.4, and (2) options on such underlying security are listed and traded on at least one other registered national securities exchange.

Issued December 1, 1975; amended December 9, 1976 (76-18); November 24, 1981; February 5, 1986 (86-03); August 29, 1991, effective October 21, 1991 (86-15); November 8, 2007 (07-114); June 6, 2018 (18-040); May 10, 2019 (19-017).

In considering underlying securities, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which the security is traded.


The word “security” shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1, promulgated under the Securities Exchange Act of 1934, which is appropriate for
option trading. The word “shares” shall mean the unit of trading of such security. Securities deemed appropriate for options trading shall include non-convertible preferred stock issues and American Depositary Receipts (“ADRs”) if they meet the criteria and guidelines set forth in Rule 5.3 and the Interpretations thereunder and if, in the case of ADRs: (i) the Exchange has in place an effective surveillance agreement with the primary exchange in the home country where the security underlying the ADR is traded; (ii) the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least 50% of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together, “other related ADRs and securities”) over the three month period preceding the date of selection of the ADR for options trading; (iii) (a) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where the Exchange has in place an effective surveillance agreement, represents (on a share equivalent basis) at least 20% of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading, (b) the average daily trading volume for the security in the U.S. markets over the three months preceding the selection of the ADR for options trading is 100,000 or more shares, and (c) the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three months preceding the date of selection of the ADR for options trading (“Daily Trading Volume Standard”) or (iv) the Securities and Exchange Commission otherwise authorizes the listing.

Approved August 29, 1991, effective October 21, 1991 (86-15); amended November 27, 1992, effective December 1, 1992 (91-34); amended January 31, 1994 (91-34); May 13, 1994 (91-34); October 30, 1995 (95-32).

.04 Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries (“International Funds”) if they meet the criteria and guidelines set forth in Rule 5.3 and the Interpretations thereunder and either: (i) the Exchange has a market information sharing agreement with the primary home exchange for each of the securities held by the fund, or (ii) the International Fund is classified as a diversified fund as that term is defined by section 5(b) of the Investment Company Act of 1940 and the securities held by the fund are issued by issuers based in five or more countries. A “market information sharing agreement” for purposes of this Rule is an agreement that would permit the Exchange to obtain trading information relating to the securities held by the fund including the identity of the member of the foreign exchange executing a trade. International Fund shares not meeting criteria (i) or (ii) shall be deemed appropriate for options trading if the Commission specifically authorizes the listing.

Approved October 19, 1993 (93-08).

.05

(a) In determining whether an equity security (the “Restructure Security”) issued or anticipated to be issued in a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction (a “Restructuring Transaction”) satisfies the guidelines set forth in
paragraphs (b)(1) and (b)(2) of Interpretation and Policy .01 above, the Exchange may rely on the trading volume and market price history of the related equity security in respect of which the Restructure Security was or is to be issued (the “Original Security”) determined prior to the ex-date for the Restructuring Transaction, but only if (i) both the trading volume and the market price history of the Original Security are used for this purpose for any trading days when either is so used, (ii) once the Exchange commences to rely on the trading volume and market price history of the Restructure Security for any trading day, the Exchange may not rely on the trading volume and market price history of the Original Security for any trading day thereafter, and (iii) at least one of the following conditions is met:

1. At least one of (A) the aggregate market value of the Restructure Security, (B) the aggregate book value of the assets attributed to the business represented by the Restructure Security, or (C) the revenues attributed to the business represented by the Restructure Security is no less than the Relevant Percentage of the same measure determined with respect to the Original Security or the business represented by the Original Security, as applicable, calculated in a comparable manner, provided that in the case of the qualification of a Restructure Security under clause (B), the aggregate book value of the assets attributed to the business represented by the Restructure Security is not less than $50 million, and in the case of the qualification of a Restructure Security under clause (C), the revenues attributed to the business represented by the Restructure Security are not less than $50 million. For purposes of the foregoing sentence, the Relevant Percentage is 25% when the applicable measure determined with respect to the Original Security or the business it represents reflects the inclusion of the business represented by the Restructure Security, and the Relevant Percentage is 33 1/3% when the applicable measure determined with respect to the Original Security or the business it represents reflects the exclusion of the business represented by the Restructure Security.

2. The aggregate market value represented by the Restructure Security is at least five hundred million dollars ($500,000,000).

For purposes of the foregoing, (i) the aggregate market value represented by the Restructure Security may be determined from “when issued” prices, if available; (ii) comparative aggregate market value calculations shall be based upon share prices that are either all closing prices in the primary market on the last business day preceding the selection date of the Restructure Security as an underlying security, or are all opening prices in the primary market on the selection date of the Restructure Security as an underlying security; and (iii) comparative asset values and revenues shall be derived from the later of the most recent annual or most recently available comparable interim (not less than three months) financial statements of each of the respective issuers, which may be audited or unaudited, and pro forma.

(b) Option contracts may not initially be listed for trading in respect of a Restructure Security until such time as shares of the Restructure Security are issued and outstanding and are the subject of trading that is not on a “when issued” basis or in any other way contingent on the issuance or distribution of the shares.
(c) In certifying a Restructure Security for options trading, the Exchange may
determine that the requirements of paragraphs (a)(1) and (a)(2) of Interpretation and Policy .01
above are satisfied based on the facts and circumstances that will exist on the intended date for
listing the option rather than at the time the Restructure Security is so selected. In the case of a
transaction within the scope of this Interpretation and Policy .05 in which shares of a Restructure
Security are issued or distributed to the holders of shares of an Original Security, this determination
may either be based on the public ownership and number of shareholders of the Original Security,
or the Exchange may assume that one or both of these requirements will be satisfied if either of
the following conditions is met on the date the Restructure Security is selected for options trading:
(i) the Restructure Security will be listed on an exchange or automatic quotation system subject to
initial listing requirements in respect of public ownership of shares or number of shareholders or
both that are no less stringent than the requirements assumed to be satisfied, or (ii) at least
40,000,000 shares of the Restructure Security will be issued and outstanding on the intended date
for listing the option, unless in the case of (i) or (ii) above the Exchange, after reasonable
investigation, has determined that such requirements will in fact not be satisfied on that date. Any
determination by the Exchange that such requirements will be satisfied based on an assumption
made pursuant to this paragraph is subject to the right of any objecting exchange to demonstrate
that such requirements will in fact not be satisfied.

(d) In the case of a Restructuring Transaction that satisfies either or both of the
conditions of subparagraphs (a)(1) or (a)(2) above in which shares of a Restructure Security are
sold in a public offering or pursuant to a rights distribution:

(i) the Exchange may assume the satisfaction of one or both of the
requirements of paragraphs (a)(1) and (a)(2) of Interpretation and Policy .01 above on the
date the Restructure Security is selected for options trading only if (A) the applicable
conditions set forth in clause (i) of paragraph (c) above are met with respect to whichever
of these requirements is assumed to be satisfied, or (B) the condition set forth in clause (ii)
of paragraph (c) above is met, in either case subject to the limitations stated in said
paragraph (c);

(ii) the Exchange may certify that the market price of the Restructure Security
satisfies the requirement of paragraph (b)(2) of Interpretation and Policy .01 above by
relying on the market price history of the Original Security prior to the ex-date for the
Restructuring Transaction in the manner described in paragraph (a) above, but only if the
Restructure Security has traded “regular way” on an exchange or automatic quotation
system for at least five trading days immediately preceding the date of selection, and at the
close of trading on each trading day preceding the date of selection, as well as at the
opening of trading on the date of selection the market price of the Restructure Security was
at least $7.50, or, if the Restructure Security is a Covered Security, as defined in paragraph
(b)(2) of Interpretation and Policy .01 above, the market price of the Restructure Security
was at least $3.00.

(iii) the Exchange may certify that the trading volume of the Restructure
Security satisfies the requirement of paragraph (b)(1) of Interpretation and Policy .01 above
only if the trading volume in the Restructure Security has been at least 2,400,000 shares
during a period of twelve months or less ending on the date the Restructure Security is selected for options trading.

Approved July 24, 1995 (95-11); amended March 22, 1996 (95-58).

.06

(A) Securities deemed appropriate for options trading include Units that:

(B)

(i) represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that hold portfolios of securities and/or financial instruments including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse purchase agreements (the “Financial Instruments”), and money market instruments, including, but no limited to, U.S. government securities and repurchase agreements (the “Money Market Instruments”) comprising or otherwise based on or representing investments in indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments); or

(ii) represent interests in a trust or similar entity that holds a specified non-U.S. currency deposited with the trust or similar entity when aggregated in some specified minimum number may be surrendered to the trust by the beneficial owner to receive the specified non-U.S. currency and pays the beneficial owner interest and other distributions on deposited non-U.S. currency, if any, declared and paid by the trust (“Currency Trust Shares”); or

(iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency (“Commodity Pool Units”), or

(iv) represent interests in the SPDR Gold Trust or the iShares COMEX Gold Trust or the iShares Silver Trust or the ETFS Silver Trust or the ETFS Gold Trust or the ETFS Palladium Trust or the ETFS Platinum Trust or the Sprott Physical Gold Trust; or

(v) represents an interest in a registered investment company (“Investment Company”) organized as an open-end management investment company or similar entity, that invests in a portfolio of securities selected by the Investment Company’s investment adviser consistent with the Investment Company’s investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value (“NAV”), and when aggregated in the same specified minimum number, may be redeemed at a holder’s request, which holder will be paid a specified
portfolio of securities and/or cash with a value equal to the next determined NAV (“Managed Fund Share”).

(C) The Units must either:

(i) meet the criteria and guidelines set forth in Rule 5.3 and Interpretation and Policy .01 thereunder, or

(ii) be available for creation or redemption each business day from or through the issuing trust, investment company, commodity pools or other issuer in cash or in kind at a price related to net asset value, and the issuing trust, investment company, commodity pools or other issuer is obligated to issue Units in a specified aggregate number even if some or all of the investment assets and/or cash required to be deposited have not been received by the, the issuing trust, investment company, commodity pools or other issuer, subject to the condition that the person obligated to deposit the investment assets has undertaken to deliver the investment assets and/or cash as soon as possible and such undertaking is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of Units which underlie the option as described in the Units’ prospectus.

(D) The Units must also meet the following criteria:

(i) are listed pursuant to generic listing standards for series of portfolio depositary receipts and index fund shares based on international or global indexes under which a comprehensive surveillance agreement is not required; or

(ii)

(a) any non-U.S. component securities of an index or portfolio of securities on which the Units are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;

(b) component securities of an index or portfolio of securities on which the Units are based for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index;

(c) component securities of an index or portfolio of securities on which the Units are based for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index;

(d) for Currency Trust Shares, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are
utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded; and

(e) for Commodity Pool Units, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool Units are listed and traded.

Approved July 2, 1998 (97-03); amended August 3, 2000 (00-31); August 29, 2002 (02-47); November 2, 2006 (06-74); April 13, 2007 (07-21); October 29, 2007 (07-119); July 22, 2008 (08-64); May 30, 2008 (05-11); November 24, 2008 (08-113); December 4, 2008 (08-72); February 3, 2010 (10-007); April 13, 2010 (10-015); July 7, 2010 (10-043); June 15, 2015 (15-052); May 10, 2019 (19-017).

.07 Securities deemed appropriate for options trading include Trust Issued Receipts, provided:

(a)

(i) the Trust Issued Receipts meet the criteria and guidelines for underlying securities set forth in Interpretation and Policy .01 to this Rule 5.3; or

(ii) the Trust Issued Receipts must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and

(b) not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on securities for which the primary market is not subject to a comprehensive surveillance agreement.

Approved July 17, 2000 (00-25).

.08 A Trading Permit Holder may submit to the Secretary of the Exchange a written request that the Exchange list a particular option class whether or not the option class is traded on any other exchange or market. The request shall specify the reasons why the Trading Permit Holder believes the Exchange should list the option class. The Exchange shall make every reasonable effort to consider and make a decision regarding the request and in any event shall consider and make a decision regarding the request within 35 days of its receipt. If the Exchange denies the request or approves the request subject to conditions or limitations, the Exchange shall provide the Trading Permit Holder that submitted the request with a written response setting forth the rationale for its decision within 10 days of making the decision. If, in denying a request or approving a request subject to conditions or limitations, the Exchange relies upon a factor of other bona fide business considerations, the Exchange shall, in addition to providing the Trading Permit Holder with a written response specifying that the Exchange has relied upon other bona fide business considerations, maintain a record of the bona fide business considerations supporting its decision.
In the event the Exchange determines to list an option class requested to be listed pursuant to this paragraph, the allocation of the option class shall be governed by Rule 8.95.

Approved June 27, 2001 (01-10); amended March 21, 2006 (06-15); June 18, 2010 (10-058).

.09 In deciding whether or not to list an option class, or to place any conditions or limitations on such listing, the Exchange will consider one or more of the following factors: (i) whether the proposed option class satisfies applicable listing criteria; (ii) processing capacity; (iii) cost to the Exchange of listing the option class; (iv) legal or regulatory impediments to listing the option class; (v) the anticipated level of Exchange contract volume and market share in the option class; (vi) Trading Permit Holder and customer interest in trading the option class; (vii) operational factors; and (viii) other bona fide business considerations. These criteria shall apply to all option classes considered by the Exchange for listing, whether based on a Trading Permit Holder request or otherwise.

Approved June 27, 2001 (01-10); amended January 22, 2003 (02-62); June 18, 2010 (10-058).

.10 (i) The term “Partnership Units” means a security (a) that is issued by a partnership that invests in any combination of futures contracts, options on futures contracts, forward contracts, commodities (as defined in Section 1(a)(4) of the Commodity Exchange Act) and/or securities; and (b) that is issued and redeemed daily in specified aggregate amounts at net asset value.

Amended April 13, 2007 (07-21).

.11 Securities deemed appropriate for options trading shall include a Credit Option for which the Reference Entity, as defined under Rule 29.1, satisfies all of the following criteria:

(a) The Reference Entity or the Reference Entity’s parent, if the Reference Entity is a wholly- owned subsidiary, has at least one class of securities that is duly registered and is an NMS stock.

(b) The equity securities issued by the Reference Entity pursuant to paragraph (a) above satisfy the requirements for options trading on the Exchange pursuant to Rule 5.4.

Adopted June 6, 2007 (06-84); amended August 17, 2007 (07-26); amended May 10, 2019 (19-017).

.12 Securities deemed appropriate for initial listing shall include a Corporate Debt Security, as defined under Rule 28.1, that satisfies all of the following criteria:

(a) The original public sale of a Corporate Debt Security shall be at least a $250,000,000 principal amount.

(b) Trading volume (in all markets in which the underlying Corporate Debt Security is traded) has been at least $100,000,000 in notional value over the preceding six months.

(c) There is a minimum aggregate par value or “float” of $200,000,000 of the Corporate Debt Security outstanding.
(d) There is a minimum number of 320 holders of the Corporate Debt Security.

(e) The issuer of the Corporate Debt Security or the issuer’s parent, if the issuer is a wholly-owned subsidiary, has at least one class of common or preferred equity securities registered under Section 12(b) of the Securities Exchange Act of 1934.

(f) The equity securities issued by the issuer of the Corporate Debt Security are “covered securities” as defined under Section 18(b)(1)(A) of the Securities Act of 1933.

(g) The equity securities issued by the issuer of the Corporate Debt Security satisfy the requirements for options trading on the Exchange pursuant to Exchange Rule 5.4.

(h) The Corporate Debt Security on which options transactions will be effected on the Exchange has a credit rating issued by Moody’s Investors Service that is Caa or higher and a credit rating issued by Standard and Poor’s that is CC or higher.

(i) The issuer of the Corporate Debt Security has registered the offer and sale of such securities under the Securities Act of 1933.


(k) The trust indenture for the Corporate Debt Security is qualified under the Trust Indenture Act of 1939.

Adopted June 28, 2007 (03-41).

.13 Index-Linked Securities

(1) Securities deemed appropriate for options trading shall include shares or other securities (“Equity Index-Linked Securities,” “Commodity-Linked Securities,” “Currency-Linked Securities,” “Fixed Income Index-Linked Securities,” “Futures-Linked Securities,” and “Multifactor Index-Linked Securities,” collectively known as “Index-Linked Securities” or ETNs) that are principally traded on a national securities exchange and an NMS Stock, and represent ownership of a security that provides for the payment at maturity, as described below:

(A) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an underlying index or indexes of equity securities (“Equity Reference Asset”);

(B) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing (“Commodity Reference Asset”);
(C) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as defined in Interpretation and Policy .06 to this Rule 5.3), or a basket or index of any of the foregoing (“Currency Reference Asset”);

(D) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities (“Treasury Securities”), government-sponsored entity securities (“GSE Securities”), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing (“Fixed Income Reference Asset”);

(E) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts (“Futures Reference Asset”); and

(F) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets (“Multifactor Reference Asset”).

(2) For purposes of Interpretation and Policy .13 to this Rule 5.3, Equity Reference Assets, Commodity Reference Asset, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as “Reference Assets.”

(3)

(A) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in Interpretation and Policy .01 to this Rule 5.3; or

(B) the Index-Linked securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

(4) The Exchange will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.
Adopted July 22, 2008 (08-64); amended October 21, 2009 (09-074); October 28, 2010 (10-080); amended May 10, 2019 (19-017).

Rule 5.4. Withdrawal of Approval of Underlying Securities

Whenever the Exchange determines that an underlying security previously approved for Exchange option transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange will not open for trading any additional series of options of the class covering that underlying security and therefore two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may prohibit any opening purchase or sale transactions in series of options of that class previously opened (except that (i) opening transactions by Market-Makers executed to accommodate closing transactions of other market participants and (ii) opening transactions by TPH organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with Cboe Options Rule 6.74(b) or (d) may be permitted), to the extent it deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange’s current approval maintenance requirements, regarding number of publicly held shares or publicly held principal amount, number of shareholders, trading volume or market price the Exchange, in the interest of maintaining a fair and orderly market or for the protection of investors, may determine to continue to open additional series of option contracts of the class covering that underlying security. When all option contracts in respect of any underlying security that is no longer approved have expired, the Exchange may make application to the Commission to strike from trading and listing all such option contracts.

Amended September 15, 1976; December 9, 1976 (76-18); November 24, 1981; February 5, 1986 (86-03); May 14, 1991 (91-20); August 29, 1991, effective October 21, 1991 (86-15); November 30, 1993 (91-01); June 17, 1997 (97-23); July 9, 2003 (02-36); May 23, 2008 (08-02); October 14, 2008 (08-90); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 The Exchange has established guidelines to be considered when determining whether an underlying security previously approved for Exchange option transactions no longer meets its requirements for the continuance of such approval. Absent exceptional circumstances, with respect to Paragraphs (a), (b), or (c) listed below, an underlying security will not be deemed to meet the Exchange’s requirements for continued approval whenever any of the following occur:

(a) There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.

(b) There are fewer than 1,600 holders of the underlying security.

(c) The trading volume (in all markets in which the underlying security is traded) was less than 1,800,000 shares in the preceding twelve months.

(d) Reserved.
(e) Reserved.

(f) The underlying security ceases to be an NMS stock.

(g) If an underlying security is approved for options listing and trading under the provisions of Interpretation and Policy .05 of Rule 5.3, the trading volume of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including “when-issued” trading, may be taken into account in determining whether the trading volume requirement of paragraph (c) of this Interpretation and Policy .01 are satisfied, provided, however, that in the case of a Restructure Security approved for options listing and trading under paragraph (d) of Interpretation and Policy .05 of Rule 5.3, such trading volume requirements must be satisfied based on the trading volume history of the Restructure Security.

Issued September 15, 1976; amended December 9, 1976 (76-18); November 24, 1981; February 5, 1986; August 3, 1988 (86-15); August 29, 1991, effective October 21, 1991 (86-15); November 30, 1993 (91-01); July 24, 1995 (95-11); March 22, 1996 (95-58); October 19, 2001 (01-29); November 16, 2005 (04-37); February 2, 2009 (08-127); May 10, 2019 (19-017).

.02 Reserved

Issued December 9, 1976 (76-18); amended November 24, 1981; April 10, 1985; February 5, 1986; August 3, 1988 (86-15); August 29, 1991, effective October 21, 1991 (86-15); November 30, 1993 (91-01); October 19, 2001 (01-29); September 16, 2002 (02-52); February 2, 2009 (08-127).

.03 In considering whether any of the events specified in Interpretation and Policy .01 have occurred with respect to an underlying security, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.


.04 [Reserved]

Approved November 30, 1993 (91-01); deleted October 19, 2001 (01-29).

.05 If prior to the delisting of a class of option contracts covering an underlying security which has been found not to meet the Exchange’s requirements for continued approval, the Exchange shall determine that the underlying security again meets the Exchange’s requirements for such underlying security, the Exchange may open for trading additional series of options of that class and two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may lift any restriction on opening purchase or sale transactions imposed under this Rule.

Issued December 9, 1976 (76-18); amended August 29, 1991, effective October 21, 1991 (86-15); amended and renumbered November 30, 1993 (91-01); amended May 23, 2008 (08-02); October 14, 2008 (08-90).

.06 Whenever the Exchange shall announce that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Trading Permit
Holder and TPH organization shall, prior to effecting any transaction in option contracts in respect of such underlying security for a customer, inform such customer of such fact and of the fact that the Exchange may prohibit further transactions in such option contracts to the extent it shall deem such action necessary and appropriate.


.07 If an ADR was initially deemed appropriate for options trading on the grounds that 50% or more of the worldwide trading volume (on a share-equivalent basis) in the ADR and other related ADRs and securities takes place in U.S. markets or in markets with which the Exchange has in place an effective surveillance sharing agreement, or if an ADR was initially deemed appropriate for options trading based on the Daily Trading Volume Standard described in Interpretation .03 to Rule 5.3, the Exchange may not open for trading additional series of options on that ADR unless

(A) the percentage of worldwide trading volume in the ADR and other related securities that takes place in the U.S. and in markets with which the Exchange has in place surveillance sharing agreements for any consecutive three month period is either

   (i) at least 30% without regard to the average daily trading volume in the ADR, or

   (ii) (at least 15% when the average U.S. daily trading volume in the ADR for the previous three months is at least 70,000 shares, or

   (B) the Exchange then has in place an effective surveillance agreement with the primary exchange in the home country where the security underlying the ADR is traded or

   (C) the Securities and Exchange Commission has otherwise authorized the listing.

Approved January 31, 1994 (93-38); amended October 30, 1995 (95-32); renumbered June 17, 1997 (97-23).

.08 Units that represent interests in registered investment companies (or series thereof) organized as open-end management investment companies, unit investment trusts or similar entities that were initially approved for options trading pursuant to Interpretation and Policy .06 under Rule 5.3 shall be deemed not to meet the Exchange’s requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Units, if the Units cease to be an NMS stock as provided in paragraph (f) of Interpretation and Policy .01 of this Rule 5.4 or the Units are halted from trading in their primary market. In addition, two Floor Officials, in consultation with a designated senior executive officer of the Exchange, shall consider the suspension of opening transactions in any series of options of the class covering Units in any of the following circumstances:

(a) In the case of options covering Units approved for trading under Rule 5.3 and Interpretation and Policy .06(B)(i) thereunder, in accordance with the terms of paragraphs (a), (b), (c) and (d) of Interpretation and Policy .01 of this Rule 5.4; or
(b) In the case of options covering Units approved for trading under Rule 5.3 and Interpretation and Policy .06(B)(ii) thereunder, following the initial twelve-month period beginning upon the commencement of trading in the Units on a national securities exchange and are defined as an NMS stock, there are fewer than 50 record and/or beneficial holders of such Units for 30 or more consecutive trading days; or

(c) The value of the index or portfolio of securities, non-U.S. currency, or portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or Financial Instruments and Money Market Instruments on which the Units are based is no longer calculated or available; or

(d) Such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

Approved July 2, 1998 (97-03); amended November 2, 2006 (06-74); April 13, 2007 (07-21); October 29, 2007 (07-119); May 23, 2008 (08-02); June 15, 2015 (15-052); May 10, 2019 (19-017).

.09 Absent exceptional circumstances, Trust Issued Receipts shall not be deemed to meet the Exchange’s requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, two Floor Officials, in consultation with a designated senior executive officer of the Exchange, shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

(1) In accordance with the terms of paragraphs (a) through (g) of Interpretation and Policy .01 of this Rule 5.4 in the case of options covering Trust Issued Receipts when such options were approved pursuant to paragraph (a)(i) of Interpretation and Policy .07 under Rule 5.3;

(2) The Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;

(3) The trust has fewer than 50,000 receipts issued and outstanding;

(4) The market value of all receipts issued and outstanding is less than $1,000,000; or

(5) Such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

Approved July 17, 2000 (00-25); amended May 23, 2008 (08-02); amended May 10, 2019 (19-017).
.10 For HOLDing Company Depositary Receipts (HOLDRS), the Exchange will not open additional series of options overlying HOLDRS (without prior Commission approval) if: (1) the proportion of securities underlying standardized equity options to all securities held in a HOLDRS trust is less than 80% (as measured by their relative weightings in the HOLDRS trust); or (2) less than 80% of the total number of securities held in a HOLDRS trust underlie standardized equity options.

Approved July 17, 2000 (00-25); amended May 23, 2008 (08-02).

.11 In determining whether any of the events specified in Interpretation and Policy .01(a) or (b) of this Rule have occurred, the Exchange will monitor on a daily basis news sources for information of corporate actions, including stock splits, mergers and acquisitions, distribution of special cash dividends, recapitalizations, and stock buy backs. If a corporate action indicates that an underlying security no longer meets the Exchange’s requirements for continued approval under Interpretation .01 (a) or (b) of this Rule, the Exchange will not open additional series of option contracts of the class covering the underlying security. If, however, information of a corporate action does not indicate that any of the events specified in Interpretation .01(a) or (b) have occurred, the Exchange shall consider the events specified in Interpretation .01(a) and (b) to have been satisfied.

Amended February 8, 2003 (03-03).

.12

(a) When there is no open interest in a series the Exchange may delist such series. Delisting shall be preceded by a notice to TPH organizations concerning the delisting.

(b) If an option series is listed but restricted to closing transactions on another national securities exchange, the Exchange may list such series (even if such series would not otherwise be eligible for listing under the Exchange’s Rules), which shall also be restricted to closing transactions on the Exchange.

Amended February 26, 2003 (03-04); September 4, 2009 (09-066); June 18, 2010 (10-058).

.13 If an option class is open for trading on another national securities exchange, the Exchange may delist such option class immediately. If an option class is open for trading solely on the Exchange, the Exchange may determine to not open for trading any additional series in that option class; may restrict series with open interest to closing transactions, provided that, opening transactions by Market-Makers executed to accommodate closing transactions of other market participants and opening transactions by TPH organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with Rule 6.74(b) or (d) may be permitted; and may delist the option class when all series within that class have expired. In all instances, delisting shall be preceded by a notice to TPH organizations concerning the delisting.

Amended February 26, 2003 (03-04); July 9, 2003 (02-36); June 18, 2010 (10-058); January 3, 2018 (17-076).
A Corporate Debt Security, as defined in Rule 28.1, that was initially approved for options trading pursuant to Interpretation and Policy .12 under Rule 5.3 shall be deemed not to meet the Exchange’s requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Corporate Debt Security and therefore the Exchange may prohibit any opening purchase or sale transactions in series of options of that class previously opened as provided in Rule 5.4 above at any time the Exchange determines on the basis of information made publicly available that the following circumstances may have occurred:

(a) Trading volume (in all markets in which the Corporate Debt Security is traded) is less than $75,000,000 in notional value over the preceding six months.

(b) Any of the requirements set forth in subparagraphs (c) - (k) of Exchange Rule 5.3.10 are not satisfied.

Adopted June 28, 2007 (03-41); amended October 14, 2008 (08-90).

A Reference Entity, as defined in Rule 29.1, for which options trading pursuant to Interpretation and Policy .11 under Rule 5.3 was initially approved, shall be deemed not to meet the Exchange’s requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the Credit Option class based on that Reference Entity and therefore the Exchange may prohibit any opening purchase or sale transactions in series of options of that class previously opened as provided in Rule 5.4 above at any time the Exchange determines on the basis of information made publicly available that any of the requirements set forth in subparagraphs (a) - (b) of Interpretation and Policy .11 under Exchange Rule 5.3 are not satisfied.

Adopted June 6, 2007 (06-84); amended August 17, 2007 (07-26); October 14, 2008 (08-90).

Absent exceptional circumstances, Index-Linked Securities (“Securities”) initially approved for options trading pursuant to Interpretation and Policy .13 to Rule 5.3 shall not be deemed to meet the Exchange’s requirements for continued approval, and the Exchange shall not open for trading any additional series or option contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an NMS Stock. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the following circumstances:

(1) The underlying Index-Linked Security fails to comply with the terms of Interpretation and Policy .13 to Rule 5.3;

(2) In accordance with the terms of Interpretation and Policy .01 to this Rule 5.4, in the case of options covering Index-Linked Securities when such options were approved pursuant to Interpretation and Policy .13 to Rule 5.3, except that, in the case of options covering Index-Linked Securities approved pursuant to Interpretation and Policy .13(3)(B) to Rule 5.3 that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering
such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are NMS stocks;

(3) In the case of any Index-Linked Security trading pursuant to Interpretation and Policy .13 to Rule 5.3, the value of the Reference Asset is no longer calculated; or

(4) Such other event shall occur or condition exist that in the opinion of the Exchange make further dealing in such options on the Exchange inadvisable.

Adopted July 22, 2008 (08-64); amended May 10, 2019 (19-017).

Rule 5.5. Series of Option Contracts Open for Trading

(a) After a particular class of options (call option contracts or put option contracts relating to a specific underlying security or calculated index) has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. Only options contracts of series currently open for trading may be purchased or written on the Exchange. Prior to the opening of trading in a given series, the Exchange will fix the expiration month, year and exercise price of that series. Exercise price setting parameters are part of the OLPP as reflected in Rule 5.5A. For Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in paragraph (d). For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in paragraph (e). For Delayed Start Option Series, the Exchange will fix a specific expiration date and exercise price as provided under Rule 24.9(d).

(b) Except for Short Term Option Series, Quarterly Options Series, and Delayed Start Option Series, at the commencement of trading on the Exchange of a particular class of options, the Exchange shall open a minimum of one expiration month and series for each class of options open for trading on the Exchange. The exercise price of each series will be fixed at a price per share which is reasonably close to the price per share at which the underlying stock is traded in the primary market at about the time that class of options is first opened for trading on the Exchange. Paragraph (d) will govern the procedures for opening Short Term Options Series. Paragraph (e) will govern the procedures for opening Quarterly Options Series. Rule 24.9(d) will govern the procedures for setting the exercise price for Delayed Start Option Series.

(c) Additional series of options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options on the Exchange will not affect any other series of options of the same class previously opened.

(d) Short Term Option Series Program. After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays on which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange may have no more than a total of five Short Term Option
Expiration Dates. Monday and Wednesday SPY Expirations (described in the paragraph below) are not included as part of this count. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday.

Monday and Wednesday SPY Expirations. The Exchange may open for trading on any Friday or Monday that is a business day (“Monday SPY Expiration Opening Date”) series of options on the SPDR S&P 500 ETF Trust (“SPY”) that expire at the close of business each of the next five Mondays that are business days and are no Mondays on which Quarterly Options Series expire (“Monday SPY Expirations”), provided that any Monday SPY Expiration Opening Date that is a Friday is one business week and one business day prior to expiration. The Exchange may also open for trading on any Tuesday or Wednesday that is a business day (“Wednesday SPY Expiration Opening Date”) series of SPY options that expire at the close of business on each of the next five Wednesdays that are business days and are not Wednesdays on which Quarterly Options Series expire (“Wednesday SPY Expirations”). The Exchange may have no more than a total of five Monday SPY Expirations and no more than a total of five Wednesday SPY Expirations. Non-Monday and non-Wednesday SPY Expirations (described in the paragraph above) are not included as part of this count. If the Exchange is not open for business on the respective Friday or Monday, the Monday SPY Expiration Opening Date will be the first business day immediately prior to that respective Friday or Monday. If the Exchange is not open for business on a Monday, the expiration date for a Monday SPY Expiration will be the first business day immediately following that Monday. If the Exchange is not open for business on the respective Tuesday or Wednesday, the Wednesday SPY Expiration Opening Date will be the first business day immediately prior to that respective Tuesday or Wednesday. Similarly, if the Exchange is not open for business on a Wednesday, the expiration date for a Wednesday SPY Expiration will be the first business day immediately prior to that Wednesday.

References to “Short Term Option Series” below shall be read to include “Monday and Wednesday SPY Expirations,” except where indicated otherwise.

Regarding Short Term Option Series:

(1) Classes. The Exchange may select up to fifty currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to 30 Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(2) Expiration. No Short Term Option Series (excluding Monday and Wednesday SPY Expirations) may expire in the same week in which monthly option series on the same class expire and, in the case of Quarterly Options Series,
no Short Term Option Series may expire on an expiration that coincides with an expiration of Quarterly Option Series on the same class.

(3) Initial Series. The Exchange may open up to 20 initial series for each option class that participates in the Short Term Option Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven series are initially opened, there will be at least three strike prices above and three strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security (which underlying security price shall be determined in accordance with the OLPP as reflected in Rule 5.5A) and within the following parameters: (i) if the price of the underlying is less than or equal to $20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(4) Additional Series. The Exchange may open up to 10 additional series for each option class that participates in the Short Term Option Series Program when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security (which underlying security price shall be determined in accordance with the OLPP as reflected in Rule 5.5A) and within the following parameters: (i) if the price of the underlying is less than or equal to $20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than $20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security. The Exchange may also open additional strike prices of Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than $20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security and all existing series have open interest, the Exchange may list additional series, in excess of the thirty series per class limit set forth in Rule 5.5(d)(1), that are between 10% and 30% above or below the price of the underlying security. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened. Notwithstanding any other provisions in this Rule 5.5, Short Term Option Series may be added up to and including on the Short Term Option Expiration Date for that options series.
(5) Strike Interval. The interval between strike prices on Short Term Option Series may be:

(i) $0.50 or greater where the strike price is less than $100, and $1 or greater where the strike price is between $100 and $150 for all classes that participate in the Short Term Option Series Program;

(ii) $0.50 or greater for classes that trade in one dollar increments in non-Short Term Options and that participate in the Short Term Option Series Program; or

(iii) $2.50 or greater where the strike price is above $150. A non-Short Term Option that is on a class that has been selected to participate in the Short Term Option Series Program is referred to as a “Related non-Short Term Option.”

(6) Delisting. In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week.

Related non-Short Term Option series shall be opened during the month prior to expiration in the same manner as permitted in Rule 5.5(d) and in the same strike price intervals that are permitted in this Rule 5.5(d)(5).

(e) Quarterly Option Series Program. The Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter (“Quarterly Options Series”).

(1) Classes. The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on ETFs. In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(2) Expiration. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year. For example, if the Exchange is trading Quarterly Options Series in the month of May 2009, it may list series that expire at the end of the second, third, and fourth quarters of 2009, as well as the first and fourth quarters of 2010. Following the second quarter 2009 expiration, the Exchange could add series that expire at the end of the second quarter of 2010.

(3) Settlement. Quarterly Options Series will be P.M. settled.
(4) Initial Series. The strike price for each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the approximate value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within $5 from the closing price of the underlying on the preceding day.

(5) Additional Series. Additional Quarterly Options Series of the same class may be open for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF on the preceding day. The Exchange may also open additional strike prices of Quarterly Option Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of the new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(6) Strike Interval. The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(7) Delisting Policy.

(A) With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(B) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.

(C) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be
delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

(8) Additional ETF Series. During the last quarter of 2008 (and for the new expiration month being added after December Quarterly Option Series expiration), the Exchange may list up to one hundred (100) additional series per expiration month for each Quarterly Options Series in ETF options.

Amended November 1, 1973; January 3, 1975; January 28, 1980; June 21, 1983; March 21, 1984; November 19, 1984; December 31, 1984; February 5, 1986; June 17, 1997 (97-23); July 12, 2005 (04-63); June 14, 2006 (06-48); July 12, 2006 (06-65); August 21, 2006 (06-49); July 10, 2007 (07-70); July 11, 2007 (07-76); November 28, 2007 (06-90); March 3, 2008 (07-96); June 25, 2008 (08-62); July 3, 2008 (08-70); October 30, 2008 (08-111); April 27, 2009 (09-018); June 23, 2009 (09-029); November 13, 2009 (09-084); May 25, 2010 (10-048); February 9, 2011 (11-012); August 31, 2011 (11-080); November 17, 2011 (11-086); November 17, 2011 (11-108); December 15, 2011 (11-125); March 9, 2012 (12-026); October 12, 2012 (12-092); November 9, 2012 (12-110); December 6, 2013 (13-096); December 11, 2013 (13-121); December 13, 2013 (13-125); July 2, 2014 (14-052); January 21, 2015 (15-009); August 24, 2016 (16-062); February 15, 2018 (18-018); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 The interval between strike prices of series of options on individual stocks may be:

a. The $1 Strike Price Interval Program.

(1) Program Description. $1.00 or greater strike price intervals where the strike price is $50.00 or less, but not less than $1. Except as provided in subparagraph 3 below, the listing of $1 strike price intervals shall be limited to options classes overlying no more than 150 individual stocks as specifically designated by the Exchange. The Exchange may list $1 strike price intervals on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $1 Strike Price Interval Program under their respective rules. If a class participates in the $1 Strike Price Interval Program, $2.50 strike price intervals are not permitted between $1 and $50 for non-LEAPS and LEAPs.

(2) Initial and Additional Series. To be eligible for inclusion into the $1 Strike Price Interval Program, an underlying stock must close below $50 in its primary market on the previous trading day. After a stock is added to the $1 Strike Price Interval Program, the Exchange may list $1 strike price intervals from $1 to $50 according to the following parameters:

(i) If the price of the underlying stock is equal to or less than $20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price
of the underlying stock is $2, the Exchange would be permitted to list the following series: $1, $2, $3, $4, $5, $6 and $7.

(ii) (If the price of the underlying stock is greater than $20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to $50.

(iii) For the purpose of adding strikes under the $1 Strike Price Interval Program, the “price of the underlying stock” shall be measured in the same way as “the price of the underlying security” is as set forth in the OLPP as reflected in Rule 5.5A.

(iv) No additional series in $1 strike price intervals may be listed if the underlying stock closes at or above $50 in its primary market. Additional series in $1 strike price intervals may not be added until the underlying stock closes again below $50.

(v) LEAPS. For stocks in the $1 Strike Price Interval Program, the Exchange may list one $1 strike price interval between each standard $5 strike interval, with the $1 strike price interval being $2 above the standard strike for each interval above the price of the underlying stock, and $2 below the standard strike for each interval below the price of the underlying stock (“$2 wings”). For example, if the price of the underlying stock is $24.50, the Exchange may list the following standard strikes in $5 intervals: $15, $20, $25, $30 and $35. Between these standard $5 strikes, the Exchange may list the following $2 wings: $18, $27 and $32.

In addition, the Exchange may list the $1 strike price interval which is $2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price ($24.50) is $20, the Exchange may list a $22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP.

Additional long-term option strikes may not be listed within $1 of an existing strike until less than nine months to expiration.

(3) The Exchange may list $1 strike prices up to $5 in LEAPS in up to 200 option classes on individual stocks. The Exchange may not list $1 strike price intervals within $0.50 of an existing $2.50 strike in the same expiration.

(4) Delisting Policy. For options classes selected to participate in the $1 Strike Price Interval Program, the Exchange will on a monthly basis review series that were originally listed under the $1 Strike Price Interval Program with strike prices that are more than $5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and (ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.
If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify the other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, the Exchange may grant member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to this Program that are eligible for delisting.

A stock shall remain in the $1 Strike Price Interval Program until otherwise designated by the Exchange.

(b) $0.50 or greater beginning at $0.50 where the strike price is $5.50 or less, but only for options classes whose underlying security closed at or below $5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by OCC during the preceding three calendar months. The listing of $0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the “$0.50 Strike Program”) as specifically designated by the Exchange. The Exchange may list $0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar $0.50 Strike Program under their respective rules. A stock shall remain in the $0.50 Strike Program until otherwise designated by the Exchange.

(c) $2.50 or greater where the strike price is $25.00 or less; provided, however, that the Exchange may not list $2.50 intervals (e.g., $12.50, $17.50) for any class included within the $1 Strike Program if the addition of $2.50 intervals would cause the class to have strike price intervals that are $0.50 apart.

(d) $5.00 or greater where the strike price is greater than $25.00.

(e) $10.00 or greater where the strike price is greater than $200, except as provided in subparagraph (f) below.

(f) The Exchange may list series in intervals of $5 or greater where the strike price is more than $200 in up to five (5) option classes on individual stocks. The Exchange may list $5 strike prices on any other option classes designated by other securities exchange that employ a $5 Strike Program.

(g) Notwithstanding any other provision regarding strike prices in this rule, Related non-Short Term Option series shall be opened during the week prior to the week that such Related non- Short Term Option series expire in the same manner as permitted in Rule 5.5(d) and in the same strike price intervals that are permitted in Rule 5.5(d)(5).

Issued April 10, 1985; amended July 2, 1998 (97-03); June 5, 2003 (01-60); May 27, 2004 (04-34); October 18, 2005 (05-81); May 15, 2006 (06-31); December 27, 2007 (07-125); March 17, 2009 (09-001); September 18, 2009 (09-069); November 10, 2009 (09-068); January 12, 2010 (10-002); July 2, 2010 (10-064); October 20, 2010 (10-092); January 6, 2011 (11-002); January 6,
When put option contracts or put and call option contracts are first opened for trading on an underlying security, the Exchange may open a series of put options contracts corresponding to each series of call option contracts open or to be opened for trading on the same underlying security.

Issued April 10, 1985; amended June 17, 1997 (97-23).

New series of options on an individual stock may be added until the beginning of the month in which the option contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add new series of options on an individual stock until the close of trading on the business day prior to expiration.

Issued April 10, 1985; amended June 19, 1996 (96-20); renumbered June 17, 1997 (97-23); amended November 15, 2007 (06-99); October 31, 2011 (11-098); December 28, 2012 (12-131); amended February 21, 2019 (19-013).

(a) $2.50 Strike Price Program. Pursuant to a program initially approved by the SEC in 1995, the Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be $2.50 where the strike price is greater than $25 but less than $50. In addition to those options selected by the Exchange, the strike price interval may be $2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program.

(b) In addition, on any option class that has been selected as part of the $2.50 Strike Price Program pursuant to paragraph (a) above, the Exchange may list $2.50 strike prices between $50 and $100, provided the $2.50 strike prices between $50 and $100 are no more than $10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an option class has been selected as part of $2.50 Strike Price Program, and the underlying stock closes at $48.50 in its primary market, the Exchange may list the $52.50 strike price and the $57.50 strike price on the next business day. If an underlying security closes at $54, the Exchange may list the $52.50 strike price, the $57.50 strike price, and the $62.50 strike price on the next business day.

(c) An option class shall remain in the $2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.
.06 Notwithstanding Interpretation and Policy .01 above, the interval between strike prices may be $0.50 or greater for options based on IPSs that correspond generally to the price and yield performance of 1/10th the value of the S&P 100 Index, and for options based on a security that represents an interest in a registered investment company that corresponds generally to the price and yield performance of 1/100th the value of the Dow Jones Industrial Average.

Adopted January 31, 2001 (01-02); amended May 15, 2002 (02-25).

.07 Notwithstanding Interpretation and Policy .01 above, the interval between strike prices may be $1.00 or greater for options based on a security that represents an interest in a registered investment company that corresponds generally to the price and yield performance of the Nasdaq-100 Index.

Adopted April 3, 2001 (01-11).

.08

(a) Notwithstanding Interpretation and Policy .01 above, and except for options on Units covered under Interpretation and Policies .06 and .07 above, the interval between strike prices of series of options on Units, as defined under Interpretation and Policy .06 to Rule 5.3, will be $1 or greater where the strike price is $200 or less and $5.00 or greater where the strike price is greater than $200. For options on Units that are used to calculate a volatility index, the Exchange may open for trading $0.50 strike price intervals as provided for in Interpretation and Policy .19 to this Rule 5.5.

(b) Notwithstanding Interpretation and Policy .01 and Interpretation and Policy .08(a) above, the interval between strike prices of series of options on Units of the Standard & Poor’s Depository Receipts Trust (“SPY”), iShares S&P 500 Index ETF (“IVV”), PowerShares QQQ Trust (“QQQ”), iShares Russell 2000 Index Fund (“IWM”), and The DIAMONDS Trust (“DIA”) will be $1 or greater.

Adopted September 25, 2002 (02-54); amended September 18, 2009 (09-069); April 5, 2011(11-008); August 28, 2014 (14-068); July 9, 2017 (17-048); April 30, 2019 (19-015).

.09 Notwithstanding Interpretation and Policy .01 above, the interval between strike prices of series of options on Index Linked Securities, as defined under Interpretation and Policy .13 to Rule 5.3, will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

Amended April 27, 2009 (09-018); March 12, 2010 (10-005).

.10 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices of Mini-SPX option series shall be determined in accordance with Interpretation and Policy .11 to Rule 24.9.
Adopted October 18, 2005 (05-81); amended September 25, 2002 (02-54); June 5, 2003 (01-60); May 31, 2005 (05-37); July 12, 2005 (04-63); October 18, 2005 (05-81); July 31, 2013 (13-055).

.11 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for BXM option series shall be determined in accordance with Interpretation and Policy .01(f) to Rule 24.9.

Adopted July 22, 2008 (08-26).

.12 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for Cboe S&P 500 Realized Volatility option series shall be determined in accordance with Interpretation and Policy .01(g) to Rule 24.9.

Adopted July 16, 2008 (08-31).

.13 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for S&P 500 Dividend Index option series shall be determined in accordance with Interpretation and Policy .01(h) to Rule 24.9.

Adopted December 10, 2009 (09-022).

.14 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for GVZ option series shall be determined in accordance with Interpretation and Policy .01(i) to Rule 24.9.

Adopted May 19, 2010 (10-018).

.15 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for Mini-NDX option series shall be determined in accordance with Interpretation and Policy .01(a) and (j) to Rule 24.9.

Adopted November 10, 2008 (08-96); amended November 10, 2009 (09-086); December 31, 2009 (09-099).

.16 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for Mini-RUT option series shall be determined in accordance with Interpretation and Policy .01(k) to Rule 24.9.

Adopted November 10, 2009 (09-086).

.17 Notwithstanding Interpretation and Policy .01 above, the interval between strike prices of series of options on Trust Issued Receipts, including HOLding Company Depository ReceiptS (HOLDRS), as defined under Interpretation and Policy .07 to Rule 5.3, will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

Adopted May 20, 2010 (10-036).

.18 Reserved.
Adopted October 27, 2010 (10-097); amended August 31, 2011 (11-080).

.19 $0.50 and $1 Strike Price Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding Interpretation and Policy .01 above, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for options that are used to calculate a volatility index.

Adopted April 5, 2011 (11-008).

.20 Notwithstanding the requirements set forth in this Rule 5.5 and the Interpretations and Policies thereunder, the Exchange may list additional expiration months on options classes opened for trading on the Exchange if such expiration months are opened for trading on at least one other registered national securities exchange.

Adopted June 7, 2011 (11-053); amended February 23, 2012 (12-018).

.21 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for Cboe S&P 500 AM/PM Basis option series shall be determined in accordance with Interpretation and Policy .01(e) to Rule 24.9.

Adopted July 20, 2012 (12-042).

.22 Mini Option Contracts

(a) After an option class on a stock, ETF, TIR, ETN, and other Index-Linked Security with a 100 share deliverable has been approved for listing and trading on the Exchange, series of option contracts with a 10 share deliverable on that stock, ETF share, TIR, ETN and other Index-Linked Security may be listed for all expirations opened for trading on the Exchange. Mini-option contracts may currently be listed on SPDR S&P 500 (SPY), Apple, Inc. (AAPL), SPDR Gold Trust (GLD), Alphabet, Inc. (GOOGL) and Amazon.com Inc. (AMZN).

(b) Strike prices for mini-options shall be set at the same level as for standard options. For example, a call series strike price to deliver 10 shares of stock at $125 per share has a total deliverable value of $1250, and the strike price will be set at 125.

(c) No additional series of mini-options may be added if the underlying security is trading at $90 or less. The underlying security must trade above $90 for five consecutive days prior to listing mini-option contracts in an additional expiration month.

(d) The minimum price variation for bids and offers for mini-options shall be the same as permitted for standard options on the same security. For example, if a security participates in the Penny Pilot Program, mini-options on the same underlying security may be quoted in the same minimum increments, e.g., $0.01 for all quotations in series that are quoted at less than $3 per contract and $0.05 for all quotations in series that are quoted at $3 per contract or greater, $0.01 for all SPY option series, and mini-options do not separately need to qualify for the Penny Pilot Program.
Adopted January 4, 2013 (13-001); amended March 12, 2013 (13-016); April 27, 2014 (14-030); May 10, 2019 (19-017).

.23 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for Cboe Short-Term Volatility Index (VXST) option series shall be determined in accordance with Interpretation and Policy .01(i) to Rule 24.9.

Approved March 21, 2014 (14-003); amended November 22, 2015 (15-098).

Rule 5.5A. Select Provisions of Options Listing Procedures Plan

(a) The select provisions set forth in this Rule 5.5A were adopted by the Exchange and the other Sponsor Exchanges as a quote mitigation strategy and are codified in the Options Listing Procedures Plan (“OLPP”). A complete copy of the current OLPP may be accessed at: http://www.optionsclearing.com/clearing/industry-services/olpp.jsp.

(b) The exercise price of each option series listed by the Exchange shall be fixed at a price per share which is reasonably close to the price of the underlying equity security, Exchange Traded Fund (“ETF” and referred to as a “Unit” in Rule 5.3) or Trust Issued Receipt (“TIR”) at or about the time the Exchange determines to list such series. Additionally,

(i) Exercise Price Range Limitations - Except as provided in subparagraphs (ii) through (iv) below, if the price of the underlying security is less than or equal to $20, the Exchange shall not list new option series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three exercise prices per expiration month in an option class. Except as provided in Rule 5.5(d) (4), if the price of the underlying security is greater than $20, the Exchange shall not list new option series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by:

(1) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges;

(2) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day the Exchange determines its preliminary notification of new series;

(3) for option series to be added as a result of pre-market trading, the most recent share price reported by all national securities exchanges between 7:45 a.m. and 8:30 a.m. (Chicago time); and

(4) for option series to be added based on trading following regular trading hours, the most recent share price reported by all national securities exchanges between 3:15 p.m. and 5:00 p.m. (Chicago time).
(ii) The series exercise price range limitations contained in subparagraph (i) above do not apply with regard to: (1) the listing of $1 strike prices in option classes participating in the $1 Strike Program. Instead, the Exchange shall be permitted to list $1 strike prices to the fullest extent as permitted under its rules for the $1 Strike Program; or (2) the listing of series of Flexible Exchange Options.

(iii) The Exchange may designate up to five option classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the option class is delisted by the Exchange, in which case the Exchange may designate another option class to replace the delisted class. If a designated option class is delisted by the Exchange but continues to trade on at least one options exchange, the option class shall be subject to the limitations on listing new series set forth in subparagraph (i) above unless designated by another exchange.

(iv) If the Exchange has designated five option classes pursuant to subparagraph (iii) above, and requests that one or more additional option classes be excepted from the limitations on listing new series set forth in subparagraph (i) above, the additional option class(es) shall be so designated upon the unanimous consent of all exchanges that trade the option class(es). Additionally pursuant to the Exchange’s request, the percentage range for the listing of new series may be increased to more than 100% above and below the price of the underlying security for an option class, by the unanimous consent of all exchanges that trade the designated option class.

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the vote, plus the next standard expiration month to be added, and also to any non-standard expirations that occur prior to the next standard monthly expiration.

(v) The provisions of this subparagraph (b) shall not permit the listing of series that are otherwise prohibited by the rules of the Exchange or the OLPP. To the extent the rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP shall govern.

(vi) The Exchange may list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

Adopted November 13, 2009 (09-084); amended April 5, 2012 (12-034); December 11, 2013 (13-121); amended August 20, 2018 (18-061).

Rule 5.6. Reserved

[Reserved]

Deleted June 17, 1997 (97-23).
Rule 5.7. Adjustments

Options contracts are subject to adjustments in accordance with the Rules of the Options Clearing Corporation.

Amended January 3, 1975; June 17, 1997 (97-23); April 12, 2017 (17-034).

Rule 5.8. Long-Term Equity Option Series (LEAPS)

(a) Notwithstanding conflicting language in Exchange Rule 5.5, the Exchange may list long-term equity option series (LEAPS) that expire from 12 to 180 months from the time they are listed. There may be up to ten additional expiration months for options on SPY and up to six additional expiration months for all other option classes.

(b) With regard to the listing of new January LEAPS series on equity option classes, options on ETFs, or options on TIRs, the Exchange shall not add new LEAP series on a currently listed and traded option class earlier than the Monday prior to the September expiration (which is 28 months before the expiration).

Pursuant to the OLPP, exchanges that list and trade the same equity option class, ETF option class, or TIR option class are authorized to jointly determine and coordinate with the Clearing Corporation on the date of introduction of new LEAP series for that option class consistent with this paragraph (b).

(c) The Exchange shall not list new LEAP series on equity option classes, options on ETFs, or options on TIRs in a new expiration year if the national average daily contract volume, excluding LEAP and FLEX series, for that option class during the preceding three calendar months is less than 1,000 contracts, unless the new LEAP series has an expiration year that has already been listed on another exchange for that option class. The preceding volume threshold does not apply during the first six months an equity option class, option on an ETF, or option on a TIR is listed on any exchange.

Adopted August 27, 1987; amended December 10, 1990 (90-30); February 25, 1991 (90-32); September 28, 1992 (91-51); November 13, 2009 (09-084); November 6, 2012 (12-071); April 7, 2016 (16-009); amended August 20, 2018 (18-061); amended November 23, 2018 (18-073); May 10, 2019 (19-017).

Editorial correction June 1990.

Rule 5.9. Single Stock Dividend Options

(a) The Exchange may list single stock dividend options (SSDO) series that overlie the ordinary cash dividends paid by an issuer underlying a stock which is eligible for options trading on the Exchange. An SSDO will reflect ten (10) times the ordinary cash dividends paid by an issuer accumulated over a one-year period (accrual period). The accrual period runs from the business day after the third Friday of December through the third Friday of the following December. The Exchange may list an SSDO with an accrual period of less than a year (e.g., six months or one quarter), but in no event will an SSDO have an accrual period of less than a quarter of a year. For
an SSDO with an accrual period of less than a year, the accrual period runs from the business day after the third Friday of the month beginning the accrual period through the third Friday of the month ending the accrual period.

(b) Exercise Style. SSDO options will have European-style exercise and be P.M.-settled. Writers of SSDOs are subject to assignment only at expiration. The last trading day of an SSDO will be the business day prior to Expiration of the specific SSDO series.

(c) Strike Price Intervals. The interval between strike prices may be 1 point or greater where the strike price is $200 or less and 2.5 points or greater where the strike price is greater than $200.

(d) Initial and Additional Series. In-the-money, at-the-money, and out-of-the-money strike prices will be listed initially for an SSDO for a specific accrual period. The Exchange may add new strike prices as the expected value of the accrued dividends for the underlying issuer moves or upon request by an Exchange Trading Permit Holder.

(e) Premium Quotation. SSDOs will be quoted and traded in decimals. Each point of an SSDO price equals $100. The minimum price variation for bids and offers shall be established on a class-by-class basis by the Exchange and shall not be less than $0.01 ($1.00).

(f) Expiration Months. The Exchange may list up to five annual contract months that expire in December in different years for any single stock underlying an SSDO and up to ten contract months for accrual periods of less than a year. Near-term SSDO options reflect dividends accumulating in the then-current accrual period. All other SSDO options (i.e., contracts listed for trading that are not in the then-current accrual period) reflect dividends expected in comparable accrual periods beyond the current accrual period.

(g) Position and Exercise Limits. Position and exercise limits for SSDOs shall be the same as those for standard options overlying the same underlying stock. Near-term positions in SSDOs will be aggregated with longer-dated positions in SSDOs with the same underlying stock for position and exercise limit purposes. Exemptions may be available for certain qualified hedging strategies. Positions in SSDOs will not be aggregated with positions in the ordinary options overlying the stock of the issuer underlying the SSDOs. FLEX options positions on an SSDO will be aggregated with the non-FLEX positions for that SSDO.

(h) Settlement. The exercise-settlement value of an SSDO is ten (10) times the ordinary cash dividends paid by the issuer accumulated over the accrual period ending on the last business day before the Expiration Date. The exercise-settlement amount is equal to the difference between the exercise settlement value and the exercise price of the option, multiplied by $100. Exercise will result in delivery of cash on the business day following expiration.

(i) FLEX Eligibility. The Exchange designates SSDOs as eligible for trading as Flexible Exchange Options as provided for in Chapter XXIVA (FLEX Hybrid Trading System).

Adopted July 29, 2011 (11-039); January 3, 2018 (18-010).
CHAPTER VI. DOING BUSINESS ON THE EXCHANGE FLOOR

Section A: General

Rule 6.1. Days and Hours of Business

(a) Regular Trading Hours.

(1) Options on Securities. Except as otherwise set forth in the Rules or under unusual conditions as may be determined by the Exchange, Regular Trading Hours during which transactions in options on individual stocks, ETFs, ETNs, and other securities may be made on the Exchange correspond to the normal business days and hours [for business established by the exchanges] set forth in the rules of the primary market currently trading the securities underlying Exchange options, except for options on ETFs, ETNs, Index Portfolio Shares, Index Portfolio Receipts, and Trust Issued Receipts the Exchange designates to remain open for trading beyond 3:00 p.m. (Central time (“CT”)) but in no case later than 3:15 p.m. (CT).

(2) Options on Indexes. Except as otherwise set forth in the Rules or under unusual conditions as may be determined by the Exchange, Regular Trading Hours during which transactions in options on indexes may be made on the Exchange are set forth in Rule 24.6.

(3) Other Options. Except as otherwise set forth in the Rules or under unusual conditions as may be determined by the Exchange, transactions in the following options may be made on the Exchange in accordance with the following Rules:

<table>
<thead>
<tr>
<th>Option</th>
<th>Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Range Options</td>
<td>20.2</td>
</tr>
<tr>
<td>Government Securities Options</td>
<td>21.10.01</td>
</tr>
<tr>
<td>Binary Options</td>
<td>22.2</td>
</tr>
<tr>
<td>FLEX Options</td>
<td>24A.2</td>
</tr>
<tr>
<td>Corporate Debt Security Options</td>
<td>28.9</td>
</tr>
<tr>
<td>Credit Options</td>
<td>29.11</td>
</tr>
</tbody>
</table>

(b) Global Trading Hours. Except under unusual conditions as may be determined by the Exchange, Global Trading Hours are from 2:00 a.m. (CT) to 8:15 a.m. (CT) on Monday through Friday. The Exchange may determine whether to operate during Global Trading Hours.
and may designate which options are eligible for trading during that trading session (as set forth in Rule 6.1A).

Issued October 1, 1974; amended January 20, 1978; February 28, 1979; May 7, 1979; February 27, 1986; May 14, 1997, effective June 23, 1997 (96-71); February 7, 2006 (05-104); May 10, 2013 (13-035); November 28, 2014 (14-062); May 10, 2019 (19-017).

(c) Holidays. The Exchange is not open for business on New Year’s Day, Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, or Christmas Day. When any holiday observed by the Exchange falls on a Saturday, the Exchange is not open for business on the preceding Friday, and when any holiday observed by the Exchange falls on a Sunday, the Exchange is not open for business on the following Monday, unless unusual business conditions exist at the time.

Issued February 27, 1986; amended September 2, 1988; October 19, 1990 (90-08); October 2, 1997 (97-52); December 17, 2004 (04-79); May 10, 2019 (19-017).

Rule 6.1A. Global Trading Hours

(a) Applicability of Rules. All Rules of the Exchange apply to trading during Global Trading Hours except as set forth in this Rule and except for Rules that by their terms are inapplicable during Global Trading Hours or where the context otherwise requires.

(b) Electronic Trading Only. Trading during Global Trading Hours is electronic only on the Hybrid Trading System. There is no open outcry trading on the floor during Global Trading Hours. If in accordance with the Rules an order would route to PAR, the order entry firm’s booth or otherwise for manual handling, the System will return the order to the Trading Permit Holder during Global Trading Hours.

(c) Eligibility. The Exchange may designate as eligible for trading during Global Trading Hours any exclusively listed index option designated for trading under Rules 24.2 and 24.9. The following options are approved for trading on the Exchange during Global Trading Hours:

(i) Standard & Poor’s 500 Stock Index (SPX)

(ii) Cboe Volatility Index® (VIX®)

(iii) (Mini-SPX Index (XSP)

Any series in these classes that are expected to be open for trading during Regular Trading Hours will be open for trading during Global Trading Hours on that same trading day (subject to Rules 6.2 and 24.13, Interpretation and Policy .03). FLEX options (pursuant to Chapter XXIVA) will not be eligible for trading during Global Trading Hours.

(d) Participants. Trading Permit Holders must obtain an Global Trading Hours Trading Permit to trade during Global Trading Hours pursuant to Rule 3.1.
(e) Market-Makers.

(i) Appointments. A Market-Maker’s appointment to a class during Regular Trading Hours does not apply during Global Trading Hours. Market-Makers may request appointments for Global Trading Hours in accordance with Rule 8.3 and this subparagraph (i). Notwithstanding Rule 8.3(c), a Market-Maker can create a Virtual Trading Crowd (“VTC”) appointment, which confers the right to quote electronically during Global Trading Hours in the appropriate number of classes selected from the Global Trading Hours tier and related appointment costs as follows:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Classes</th>
<th>Appointment Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Trading Hours</td>
<td>• Options on the Cboe Volatility Index (VIX)</td>
<td>.4</td>
</tr>
<tr>
<td></td>
<td>• Options on the Standard &amp; Poor’s 500 (SPX)</td>
<td>.4</td>
</tr>
<tr>
<td></td>
<td>• Options on the Mini-SPX Index (XSP)</td>
<td>.1</td>
</tr>
</tbody>
</table>

Each Global Trading Hours Trading Permit held by a Market-Maker has an appointment credit of 1.0. A Market-Maker may select for each Global Trading Hours Trading Permit the Market-Maker holds any combination of Global Trading Hours classes, whose aggregate appointment cost does not exceed 1.0.

(ii) Obligations. Notwithstanding the 20% contract volume requirement in Rule 8.7(d)(ii), Market-Makers with appointments during Global Trading Hours must comply with the quoting obligations set forth in Rule 8.7(d)(ii) (except during Global Trading Hours the Exchange may determine to have no bid/ask differential requirements as set forth in subparagraph (A) and there will be no open outcry quoting obligation as set forth in subparagraph (C)) and all other obligations set forth in Rule 8.7 during that trading session. Additionally, notwithstanding the 90-day and next calendar quarter delay requirements in Rule 8.7(d), a Market-Maker with an Global Trading Hours appointment in a class must immediately comply with the quoting obligations in Rule 8.7(d)(ii) during Global Trading Hours.

(iii) Lead Market-Makers.

(A) The Exchange may approve one or more Market-Makers to act as LMMs in each class during Global Trading Hours in accordance with Rule 8.15 for terms of at least one month.
During Global Trading Hours, LMMs must comply with the continuous quoting obligation and other obligations of Market-Makers set forth in subparagraph (ii) above but not with the obligations in Rule 8.15. LMMs do not receive a participation entitlement as set forth in Rules 6.45 and 8.15 during Global Trading Hours.

Market-Maker Orders. An order submitted during Global Trading Hours by a Trading Permit Holder that is a Market-Maker in the class for Regular Trading Hours but not Global Trading Hours may be eligible for Market-Maker treatment. If the Rules impose any percentage limit on “off-floor orders” of Market-Makers in a class, then such an order will be considered an “off-floor order” that counts toward that percentage limit.

Orders. All order types that are available for electronic processing during Regular Trading Hours and as otherwise determined by the Exchange will be available for trading during Global Trading Hours except market orders, market-on-close orders, stop orders and good-till-cancelled orders.

The Regular Trading Hours Book is not connected to the Global Trading Hours Book. Orders and quotes in the Regular Trading Hours Book are not displayed in the Global Trading Hours Book, and vice versa. Orders and quotes submitted during Regular Trading Hours do not trade against orders and quotes submitted during Global Trading Hours, and vice versa. A separate Complex Order Book (COB) is used during Global Trading Hours in accordance with Rule 6.53C(c) and not connected to the COB used during Regular Trading Hours. The System cancels all orders and quotes remaining on the Global Trading Hours Book and COB at the end of an Global Trading Hours session.

Compliance with Rules. The business conduct rules set forth in Chapter IV of these Rules apply during Global Trading Hours.

Exchange Determinations. To the extent the Rules allow the Exchange to make a determination, including on a class-by-class or series-by-series basis, the Exchange may make a determination for Global Trading Hours that differs from that made for Regular Trading Hours. The Exchange will announce all determinations under this Rule 6.1A via Regulatory Circular.

Disclosure. No Trading Permit Holder may accept an order from a customer for execution during Global Trading Hours without disclosing to that customer that trading during Global Trading Hours involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, an exaggerated effect from news announcements, wider spreads, the absence of an updated underlying index or portfolio value or intraday indicative value and lack of regular trading in the securities underlying the index or portfolio and any other relevant risk. The disclosures required pursuant to this Rule may take the following form or such other form as provides substantially similar information:

Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders and quotes that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more
likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity during Global Trading Hours as compared to Regular Trading Hours, including fewer Market-Makers quoting during Global Trading Hours. As a result, your order may only be partially executed, or not at all.

(ii) Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility during Global Trading Hours as compared to Regular Trading Hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price during Global Trading Hours as compared to Regular Trading Hours.

(iii) Risk of Changing Prices. The prices of securities traded during Global Trading Hours may not reflect the prices either at the end of Regular Trading Hours, or upon the opening of Regular Trading Hours the next business day. As a result, you may receive an inferior price during Global Trading Hours as compared to Regular Trading Hours.

(iv) Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities after Regular Trading Hours. Similarly, important financial information is frequently announced outside of Regular Trading Hours. These announcements may occur during Global Trading Hours, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

(v) Risk of Wider Spreads. The spread refers to the difference between the price for which you can buy a security and the price for which you can sell it. Lower liquidity and higher volatility during Global Trading Hours may result in wider than normal spreads for a particular security.

(vi) Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (“IIV”) and Lack of Regular Trading in Securities Underlying Indexes. For certain products, an updated underlying index or portfolio value or IIV will not be calculated or publicly disseminated during Global Trading Hours. Since the underlying index or portfolio value and IIV are not calculated or widely disseminated during Global Trading Hours, an investor who is unable to calculate implied values for certain products during Global Trading Hours may be at a disadvantage to market professionals. Additionally, securities underlying the indexes or portfolios will not be regularly trading as they are during Regular Trading Hours, or may not be trading at all. This may cause prices during Global Trading Hours to not reflect the prices of those securities when they open for trading.

(k) Index Values. While it may not be calculated and disseminated at all times during Global Trading Hours, current values of VIX will be widely disseminated at least once every fifteen (15) seconds by the Options Price Reporting Authority or one or more major market vendors during that trading session. No current index value underlying any other index option
trading during Global Trading Hours will be disseminated during or at the close of that trading
day.

Approved November 28, 2014 (14-062); amended September 14, 2015 (15-079); April 4, 2016
(16-028); April 7, 2016 (16-009); December 9, 2016 (16-071); January 24, 2017 (17-009);
February 17, 2017 (16-091); January 7 2018 (17-077) January 3, 2018 (18-010); May 10, 2019
(19-017).

Rule 6.2. Hybrid Opening (and Sometimes Closing) System (“HOSS”)

(a) Pre-Opening Period. For each trading session, the System begins accepting orders
and quotes (subject to subparagraph (i) below) in all classes no earlier than 2:00 a.m. (all times are
Central time) for Regular Trading Hours or 4:00 p.m. on the previous day for Global Trading
Hours, but no later than 15 minutes prior to the expected initiation of an opening rotation at the
times set forth in paragraph (b) below (the Exchange determines the specific time at which the pre-
opening period begins for all classes).

(i) During the pre-opening period, the System accepts all quotes and all order
types except immediate-or-cancel, fill-or-kill, intermarket sweep orders, and Market-
Maker trade prevention orders. If an order entered during the pre-opening period for
Regular Trading Hours is not eligible for book entry (including minimum volume, not held
and market-if-touched orders), the System routes the order via the order handling system
pursuant to Rule 6.12.

(ii) Beginning at a time (determined by the Exchange) no earlier than three
hours prior to the expected initiation of an opening rotation for a series, the System
disseminates expected opening information messages (“EOIs”) to all market participants
that have elected to receive them at regular intervals of time (the length of which is
determined by the Exchange) or less frequently if there are no updates to the opening
information since the previously disseminated EOI. EOIs contain information based on
resting orders and quotes in the Book, which may include the expected opening price
(“EOP”), the expected opening size (“EOS”), any reason why a series may not open
pursuant to paragraph (d) below, and any imbalance information, including the size and
side of the imbalance. The EOP is the price at which any opening trade is expected to
execute, and the EOS is the size of any expected opening trade. Notwithstanding the
foregoing, the System only disseminates EOP and EOS messages: (A) if the width between
the highest quote bid and lowest quote offer on the Exchange is no wider than the OEPW
range (as defined below), in classes in which HAL is not activated for openings; or (B) if
the width between the highest quote bid and lowest quote offer on the Exchange or
disseminated by other exchanges is no wider than the OEPW range, in classes in which
HAL is activated for openings (“HALO”).

(b) Opening Rotation Initiation and Notice.

(i) Unless unusual circumstances exist, the System initiates the opening
rotation procedure on a class-by-class basis:

(A) for Regular Trading Hours:
(1) with respect to equity and ETP options, after the opening trade or the opening quote is disseminated in the market for the underlying security, or at 8:30 for classes determined by the Exchange (including over-the-counter equity classes); or

(2) with respect to index options, at 8:30 a.m., or at the later of 8:30 a.m. and the time the Exchange receives a disseminated index value for classes determined by the Exchange; and

(B) for Global Trading Hours, at 2:00 a.m.

For purposes of this subparagraph (i), the “market for the underlying security” is either the primary listing exchange or the first exchange to open the underlying security (as determined by the Exchange on a class-by-class basis).

(ii) Upon initiating the opening rotation procedure, the System notifies market participants of such opening rotation initiation (“Rotation Notice”).

(c) Opening Rotation Period. After the System initiates the opening rotation procedure and sends the Rotation Notice, the System begins the opening rotation period. During the opening rotation period for a series:

(i) The System matches and executes resting orders and quotes against each other in order to establish an opening BBO and trade price, if any, for the series.

(A) The opening trade price of a series is the “market-clearing” price, which is the single price at which the largest number of contracts in the Book can execute, leaving bids and offers that cannot trade with each other. If there are multiple prices at which the same number of contracts would clear, the System uses: (1) the price at or nearest to the midpoint of the opening BBO, or the widest offer (bid) point of the OEPW range if the midpoint is higher (lower) than that price point, in classes in which the Exchange has not activated HALO; or (2) the price at or nearest to the midpoint of the range consisting of the higher of the opening NBB and widest bid point of the OEPW range, and the lower of the opening NBO and widest offer point of the OEPW range, in classes in which the Exchange has activated HALO.

(B) All orders (except complex orders and, in classes in which the Exchange has not activated HALO, all-or-none orders and orders with a stop contingency) and quotes in a series in the Book prior to the opening rotation period participate in the opening rotation for that series. Contingency orders that participate in the opening rotation may execute during the opening rotation period only if their contingencies are triggered.

(C) The System prioritizes orders and quotes in the following order: (I) market orders, (II) limit orders and quotes whose prices are better than the opening price, and (III) resting orders and quotes at the opening price. Contingency orders are prioritized as set forth in Rules 6.45.
(ii) The System continues to disseminate EOIs (the Exchange may determine a shorter interval length for the dissemination of EOIs during the Rotation Period than during the pre-opening period).

(iii) After a period of time determined by the Exchange for all classes (which period of time may be no longer than five seconds), the System opens series of a class in the following order:

(A) ATM and OTM Series with Expirations of 29 to 31 Days. During the initial interval (the Exchange determines the length of this interval for all classes, the length of which may be no longer than three seconds), the System opens:

(I) at-the-money (“ATM”) puts and a group of out-of-the-money (“OTM”) puts with strike prices closest to the ATM strike price, in a random order;

(II) ATM calls and a group of OTM calls with strike prices closest to the ATM strike price, in a random order; and

(III) alternating groups of further OTM puts and further OTM calls, each in a random order.

During this interval, the System attempts to open any ATM or OTM series that could not open on its first attempt.

(B) All Other Series. After the initial interval, the System opens all other series, and any series that did not open pursuant to subparagraph (A), in a random order, staggered over regular intervals of time (the Exchange determines the length and number of these intervals for all classes, the length of which intervals may be no longer than two seconds).

(C) Definition of ATM. For purposes of subparagraph (A), a put (call) is ATM if its strike price equals or is the first strike above (below) the last disseminated transaction price in the underlying security or index value on the same trading day. If the System begins an opening rotation for a class prior to receiving a disseminated transaction price in the underlying security or index value, the System will open all series in the class pursuant to subparagraph (B).

Subject to paragraph (d) below, the opening rotation period (including these intervals) may not exceed 30 seconds.

(d) Opening Conditions. Notwithstanding paragraph (c) above:

(i) In classes in which the Exchange has not activated HALO:

(A) if there are no quotes in the series on the Exchange, the System does not open the series;
(B) if the width between the Exchange’s best quote bid and best quote offer (for purposes of this subparagraph (d)(i), the “opening quote”) is wider than an acceptable opening price range (as determined by the Exchange on a class-by-class and premium basis) (the “Opening Exchange Prescribed Width range” or “OEPW range”) and there are orders or quotes marketable against each other, the System does not open the series. However, if the opening quote width is no wider than the intraday acceptable price range as set forth in Rule 6.13(b)(v) (the “Intraday Exchange Prescribed Width range” or “IEPW range”) and there are no orders or quotes marketable against each other, the System opens the series. If the opening quote width is wider than the IEPW range, the System does not open the series;

(C) if the opening trade price would be outside of the OEPW range, the System does not open the series; or

(D) if the opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the orders and quotes on the opposite side), the System does not open the series. However, if a sell market order imbalance exists, there is no bid in the series and the best offer is $0.50 or less, the System opens the series (see Rule 6.13(b)(vi)). If a sell market order imbalance exists, there is no bid in the series and the best offer is greater than $0.50, the System does not open the series.

(ii) In classes in which the Exchange has activated HALO

(A) if there are no quotes on the Exchange or disseminated from at least one away exchange present in the series, the System does not open the series;

(B) if the width between the best quote bid and best quote offer, which quotes may consist of Market-Maker quotes or bids and offers disseminated from an away exchange(s) (for purposes of this subparagraph (d)(ii), the “opening quote”) is wider than the OEPW range and there are orders or quotes marketable against each other or that lock or cross the OEPW range, the System does not open the series. However, if the opening quote width is no wider than the IEPW range and there are no orders or quotes marketable against each other or that lock or cross the OEPW range, the System opens the series. If the opening quote width is wider than the IEPW range, the System does not open the series. If the opening quote for a series consists solely of bids and offers disseminated from an away exchange(s), the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price. The System then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher);

(C) if the opening trade price would be outside of the OEPW range or NBBO, the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at an opening trade price not outside either the OEPW range or NBBO. The System then exposes any remaining
marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher);

(D) if the opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the orders and quotes on the opposite side), the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price. The System then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher); or

(E) if the opening quote bid (offer) or NBB (NBO) crosses the opening quote offer (bid) or NBO (NBB) by more than a specified amount determined by the Exchange on a class-by-class and premium basis, the System does not open the series. If the opening quote bid (offer) or NBB (NBO) crosses the opening quote offer (bid) or NBO (NBB) by no more than the specified amount, the System opens the series by matching orders and quotes to the extent they can trade and reports the opening trade, if any, at the opening trade price, then exposes any remaining marketable buy (sell) orders at the widest offer (bid) point of the OEPW range or NBO (NBB), whichever is lower (higher). If the best away market bid and offer are inverted by no more than the specified amount, there is a marketable order on each side of the series, and the System opens the series, the System exposes the order on the side with the larger size and routes for execution the order on the side with the smaller size to an away exchange that is at the NBBO.

The exposure of any orders pursuant to this subparagraph (ii) will be conducted via HAL pursuant to Rule 6.14A for an exposure period designated by the Exchange for a class (which period of time will not exceed 1.5 seconds). Any remaining balances of orders not executed after the exposure period enter the book at their limit prices (to the extent consistent with Rule 6.53) or route via the order handling system pursuant to Rule 6.12 in accordance with their routing instructions.

Any orders exposed under this subparagraph (d)(ii) that are priced or would be executed at a price not within an acceptable tick distance from the initial HAL price will route via the order handling system pursuant to Rule 6.12 (except any remaining balances of opening contingency orders will be cancelled). The Exchange determines an “acceptable tick distance” on a class-by-class and premium basis, which may be no less than two minimum increment ticks and, in classes in which HAL is also activated intraday, will be the same as the acceptable tick distance established under Rule 6.13(b)(v).

(iii) If the System does not open a series pursuant to subparagraphs (i) or (ii), notwithstanding paragraph (c) above, the opening rotation period continues (including dissemination of EOI) until the condition causing the delay is satisfied or if the Exchange otherwise determines it is necessary to open a series in accordance with paragraph (e).
(e) Help Desk. Senior Help Desk personnel may deviate from the standard manner of the opening procedure in this Rule 6.2, including delay or compel the opening of any series in any option class, modify timers or settings described in this rule, and not use the modified opening procedure set forth in Interpretation and Policy .01 below, when necessary in the interests of commencing or maintaining a fair and orderly market, in the event of unusual market conditions or in the public interest. The Exchange will make and maintain records to document all determinations to deviate from the standard manner of the opening procedure, and periodically review these determinations for consistency with the interests of a fair and orderly market.

(f) Trading Halts. The procedure described in this Rule may be used to reopen a class or series after a trading halt; however, based on then-existing facts and circumstances, there may be no pre-opening period or a shorter pre-opening period than the regular pre-opening period. The Exchange will announce the reopening of a class or series after a trading halt as soon as practicable via verbal message to the trading floor and electronic message to Trading Permit Holders that request to receive such messages. The Exchange may also reopen a class after a trading halt as otherwise set forth in the Rules, including Rules 6.3, 6.3B, and 6.3C.

(g) Closing Rotation Procedure. For any series that opens pursuant to the procedure described in this Rule, senior Help Desk personnel and senior management may decide to conduct a closing rotation pursuant to the procedure described in this Rule after the end of the normal close of any trading session whenever the Exchange concludes that such action is appropriate in the interests of a fair and orderly market. The factors that may be considered in holding a closing rotation procedure include, but are not limited to, whether there has been a recent opening or reopening of trading in the underlying security, a declaration of a fast market, or a need for a closing procedure in connection with expiring individual security options, an end of the year procedure, or the restart of a procedure which is already in progress. The Exchange will notify Trading Permit Holders of the decision to conduct a closing rotation procedure as soon as practicable via verbal message to the trading floor and electronic message to Trading Permit Holders that request to receive such messages.

Amended September 28, 2009 (09-067); June 18, 2010 (10-058); December 20, 2010 (10-114); February 18, 2013 (13-006); November 28, 2014 (14-062); December 9, 2016 (16-071); January 24, 2017 (17-009); January 3, 2018 (18-010); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Modified Opening Procedure for Series Used to Calculate the Exercise or Final Settlement Value of Expiring Volatility Index Derivatives.

(a) Definitions. For purposes of this Interpretation and Policy .01, the following terms have the meanings below:

Volatility Index Derivatives

The term “volatility index derivatives” means volatility index options listed for trading on the Exchange (as determined under Rule 24.9(a)(5) and (6)), (security) futures listed for trading on an affiliated designated contract market, or over-the-counter derivatives overlying a volatility index
whose exercise or final settlement values, as applicable, are calculated pursuant to, or by reference to, as applicable, the modified opening procedure described in this Interpretation and Policy .01.

Exercise Settlement Value Determination Day

The term “exercise settlement value determination day” means a day on which the Exchange determines the exercise or final settlement value, as applicable, of expiring volatility index derivatives.

Constituent Option Series

The term “constituent option series” means all option series listed on the Exchange that are used to calculate the exercise or final settlement value, as applicable, of expiring volatility index derivatives.

Strategy Order

The Exchange deems individual orders (considered collectively) a market participant submits for participation in the modified opening procedure to be a “strategy order,” based on related facts and circumstances considered by the Exchange, only if the orders:

(1) relate to the market participant’s positions in expiring volatility index derivatives;

(2) are for option series with the expiration that the Exchange will use to calculate the exercise or final settlement value, as applicable, of the applicable volatility index derivative;

(3) are for option series with strike prices approximating the range of series that are later determined to constitute the constituent option series for the applicable expiration;

(4) are for put (call) options with strike prices equal to or less (greater) than the “at-the-money” strike price; and

(5) have quantities approximating the weighting formula used to determine the exercise or final settlement value, as applicable, in accordance with the applicable volatility index methodology.

Non-Strategy Order

The term “non-strategy order” means any order (including an order in a constituent option series) a market participant submits for participation in the modified opening procedure that is not a strategy order (or a change to or cancellation of a strategy order). Examples of non-strategy orders include, but are not limited to:

(1) a buy (sell) order in a constituent options series if an EOI disseminated no more than two minutes prior to the time a market participant submitted the order included a sell (buy) imbalance and the size of the order is no larger than the size of the imbalance
in the EOI, regardless of whether the market participant previously submitted a strategy order or has positions in expiring volatility index derivatives; or

(2) a Market-Maker bid or offer in a constituent option series, as set forth in paragraph (e) below.

(b) **Use of Modified Opening Procedure.** On exercise settlement value determination days, the Exchange uses the opening procedure described in Rule 6.2, as modified by this Interpretation and Policy .01, for constituent option series.

(c) **Strategy Order Cut-Off Time.** Market participants must submit strategy orders (which orders must be entered into the Exchange by a Trading Permit Holder), and change to or cancellations of strategy orders, prior to the strategy order cut-off time. Market participants may not change or cancel strategy orders after the strategy order cut-off time, unless the market participant submits the change or cancellation:

(1) after the series is open for trading; or

(2) prior to the non-strategy order cut-off time in order to correct a legitimate error, in which case the market participant submitting the change or cancellation must prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and submit a copy of the memorandum to the Exchange no later than the next business day in a form and manner prescribed by the Exchange.

The Exchange determines the strategy order cut-off time on a class-by-class basis, which may be no earlier than 8:00 a.m. Chicago time and no later than the opening of trading in a series. The Exchange will announce any changes to the strategy order cut-off time at least one day prior to implementation.

(d) **Non-Strategy Order Cut-Off Time.** Market participants must submit non-strategy orders (which orders must be entered into the Exchange by a Trading Permit Holder) prior to the non-strategy order cut-off time. The Exchange determines the non-strategy order cut-off time on a class-by-class basis, which may be no earlier than 8:25 a.m. and no later than the opening of trading in a series. The Exchange will announce any changes to the non-strategy order cut-off time at least one day prior to implementation.

(e) **Market-Makers.** A Market-Maker with an appointment in a class with constituent option series may submit bids and offers in those series for bona fide market-making purposes in accordance with Rule 8.7 and the Exchange Act for its market-maker account prior to the open of trading for participation in the modified opening procedure. The Exchange will deem these bids and offers to be non-strategy orders, and will not deem them to be changes to or cancellations of previously submitted strategy orders, if:

(i) the Trading Permit Holder with which the Market-Maker is affiliated has established, maintains, and enforces reasonably designed written policies and procedures (including information barriers, as applicable), taking into consideration the nature of the Trading Permit Holder’s business and other facts and circumstances, to prevent the misuse of material nonpublic information (including the submission of strategy orders); and
(ii) when submitting these bids and offers, the Market-Maker has no actual knowledge of any previously submitted strategy orders.

Adopted May 30, 2003 (02-05); amended May 9, 2005 (05-27); June 10, 2005 (04-87); August 10, 2005 (05-40); March 21, 2006 (06-15); December 21, 2006 (06-35); June 7, 2007 (06-101); June 7, 2007 (06-101); October 2, 2007 (07-88); December 31, 2007 (07-87); May 23, 2008 (08-02); March 13, 2008 (08-21); September 28, 2009 (09-067); June 18, 2010 (10-058); December 20, 2010 (10-114); December 13, 2013 (13-102); March 21, 2014 (14-003); November 28, 2014 (14-062); December 9, 2016 (16-071); January 3, 2018 (18-010); June 15, 2018 (18-045); July 15, 2018 (18-046); October 16, 2018 (18-062).

.02 Market-Maker Quotes. The Exchange determines on a class-by-class basis

(a) Minimum Size. The Exchange determines on a class-by-class basis the minimum number of contracts for the initial size of a Market-Maker’s opening quote, which minimum must be at least one contract. For SPX, the Exchange may also determine minimum initial quote size on a premium basis and an expiration basis for series with expirations (1) no more than one week, (2) between one week and three months, (3) between three months and six months, (4) between six months and 15 months, and (5) 15 months or more.

(b) Bid/Ask Differentials. The Exchange determines on a class-by-class and premium basis the bid/ask differential requirements with which Market-Makers’ opening quotes must comply, which minimum and differential requirements may be different for the opening than those applicable intraday. For SPX, the Exchange may determine bid/ask differential requirements for series with expirations of (1) less than 15 months and (2) 15 months or more, and for all other classes, the Exchange may determine bid/ask differential requirements for series with expiration of (1) less than nine months and (2) nine months or more.

Adopted November 29, 2007 (07-59); amended October 21, 2008 (08-107); December 20, 2010 (10-114); January 2, 2014 (13-110); December 9, 2016 (16-071); April 12, 2018 (18-029).

.03 Reserved.

Adopted August 4, 2008 (08-30); amended August 20, 2009 (09-040); June 18, 2010 (10-058); December 20, 2010 (10-114); September 9, 2011 (11-082); July 31, 2012 (12-048); November 28, 2014 (14-062); March 20, 2015 (15-021); November 4, 2016 (16-053); December 9, 2016 (16-071).

.04 Allocation Algorithm. The electronic allocation algorithm from Rule 6.45 that applies to a class intraday also applies to the class during rotations, unless the Exchange determines to apply a different algorithm from Rule 6.45 to a class during rotations if the Exchange deems necessary or appropriate. The Exchange may determine to apply a separate electronic allocation algorithm for series that open at a minimum price increment due to a sell market order imbalance.

Adopted December 20, 2010 (10-114); amended December 9, 2016 (16-071); January 24, 2017 (17-009).
Exchange Determinations. The Exchange will announce to Trading Permit Holders all determinations it makes pursuant to Rule 6.2 and its Interpretations and Policies via Regulatory Circular with appropriate advanced notice or as otherwise provided. To the extent the Exchange authorizes a class to trade on a group basis pursuant to Rule 8.14, Interpretation and Policy .01, the Exchange may make determinations pursuant to this Rule 6.2 and its Interpretations and Policies on a group-by-group basis that would otherwise be made on a class-by-class basis.

Adopted December 20, 2010 (10-114); amended December 9, 2016 (16-071); amended May 10, 2019 (19-017).

Aftermarket Valuation Processes:

(a) End-of-Month Theoretical Fair Value: Following the close of trading on the last business day of each calendar month, the Exchange will conduct special non-trading closing rotations for each series of S&P 500 Index (“SPX”) options in order to determine the theoretical “fair value” of such series as of time of the close of trading in the underlying cash market. During such special non-trading closing rotations, LMMs or Select Market Makers (“SMMs”) in the SPX options in each series of SPX options, may provide bid and offer quotations, the midpoint of which will reflect the theoretical fair value of the series of SPX options, as determined by the LMM(s) or SMM(s) pursuant to the LMMs’ or SMMs’ algorithmic analysis of relevant and available data. Notwithstanding that trading in SPX options on the Exchange continues until fifteen minutes after the close of trading in the underlying cash market, on the last business day of each month, after the close of trading, the Exchange shall disseminate the fair value quotations as of the close of trading in the underlying cash market provided by the LMM(s) or SMM(s) as the quotations used to calculate the theoretical fair value for each series of SPX options, provided, however, that the Exchange may determine, in the interest of fair and orderly markets, not to disseminate such quotations.

(b) End-of-Day Indicative Value: Following the close of trading of Regular Trading Hours on any trading day that is not the last business day of a calendar month, in addition to the Exchange’s regular end-of-day quotations, the Exchange may determine, on a series-by-series basis, to disseminate two-sided indicative values in non-expiring series of SPX options in the interests of fair and orderly markets. The Exchange will derive end-of-day indicative values for series of SPX options using an algorithm based on quotations and orders displayed in series of SPX options prior to the close of trading or, in the absence of sufficient quote and order data in a series, using generally accepted volatility and options pricing models as determined by the Exchange. End-of-day indicative values shall be clearly identified and disseminated via the Options Price Reporting Authority in an appropriate manner as determined by the Exchange and announced via Regulatory Circular.

Adopted October 28, 2012 (12-095); amended June 29, 2014 (14-043); November 24, 2014 (14-088); December 9, 2016 (16-071); October 18, 2017 (17-062); amended April 15, 2019 (19-016).

Limit Up-Limit Down States. If the underlying security for an option class is in a limit up-limit down state as defined in Rule 6.3A when the class moves to opening rotation, then all market
orders in the system will be cancelled except market orders that are considered limit orders pursuant to Rule 6.13(b)(vi) and entered the previous trading day. In addition, if the opening rotation has already begun for an options class when a limit up-limit down state initiates for the underlying security of that class, market and limit orders will continue through the end of the opening rotation.

Approved December 13, 2013 (13-102); amended March 21, 2014 (14-003); November 28, 2014 (14-062); December 9, 2016 (16-071).

Rule 6.3. Trading Halts

(a) Halts. Any two Floor Officials may halt trading in any security in the interests of a fair and orderly market for a period not in excess of two consecutive business days. Any two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may halt trading in any security in the interests of a fair and orderly market for a period exceeding two consecutive business days. Any trading halt that lasts more than two consecutive business days shall be reviewed on a regular basis by the Exchange, which may determine whether, in the interests of a fair and orderly market, to terminate or modify any such trading halt that is then still in effect. Among the factors that may be considered in making the foregoing determinations are whether:

(i) in the case of an option on a security, trading in the underlying security has been halted or suspended in the one or more of the markets trading the underlying security,

(ii) in the case of an option on a security, the opening of such underlying security has been delayed because of unusual circumstances,

(iii) in the case of any security other than an option, (A) the opening of such security has been delayed due to order imbalances, (B) the Exchange has been advised that the issuer of the security is about to make an important announcement affecting such issue, or (C) trading in such security has been halted or suspended in one or more of the markets trading such security.

(iv) in the case of an option on a security other than a stock option, trading in related index options has been halted pursuant to the provisions of Rule 24.7,

(v) the extent to which the rotation has been completed or other factors regarding the status of the rotation, or

(vi) other unusual conditions or circumstances are present.

(b) Resumptions. Trading in a security that has been the subject of a halt under paragraph (a) above may be resumed upon a determination by two Floor Officials that the interests of a fair and orderly market are best served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt are no longer present.
. . . Interpretations and Policies:

.01 No Trading Permit Holder or person associated with a Trading Permit Holder shall effect a trade in any option class in which trading has been suspended or halted under the provisions of this Rule and its Interpretation and Policies during the time in which the suspension or halt remains in effect.

Approved May 27, 1994 (93-47); amended June 18, 2010 (10-058).

.02 Generally, in the case of an option on a security, trading will be halted when a regulatory halt in the underlying security has occurred in the primary market for that security.

Approved May 31, 1995 (95-05); amended March 28, 2006 (06-28).

.03 If a primary listing market issues an individual stock trading pause in an underlying eligible NMS stock, as defined in this Rule, the Exchange will halt trading in options on that stock until trading has resumed on the primary listing market for the stock, which generally will occur after a period of five minutes. If, however, trading has not resumed on the primary listing market for the stock after ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in the options if at least one market has resumed trading in the stock.

(a) Upon receipt of a trading pause message from the single plan processor responsible for consolidation of information for the stock, the Exchange will automatically implement a trading halt in the overlying options traded on the Exchange.

(b) During the halt, the Exchange will maintain existing orders in the Book, accept orders, and process cancels.

(c) Upon reopening, a rotation shall be held in the options in accordance with Rule 6.2, unless the Exchange concludes that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation or any other variation in the manner of the rotation.

(d) Nothing in this Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any security or securities traded on the Exchange pursuant to any other Exchange rule or policy.

(e) The provisions of this Rule shall be in effect for options on eligible NMS stocks. The term “eligible NMS stocks” shall mean NMS stocks, other than rights and warrants.

Approved June 10, 2010 (10-055); amended June 23, 2011 (11-049); November 23, 2011 (11-111); January 3, 2018 (18-010).
The Exchange shall nullify any transaction that occurs: (a) during a trading halt in the affected option on the Exchange; or (b) with respect to equity options (including options overlying ETFs), during a regulatory halt as declared by the primary listing market for the underlying security.

Amended May 7, 2015 (15-039); January 3, 2018 (18-010).

Rule 6.3A. Equity Market Plan to Address Extraordinary Market Volatility

This Rule shall be in effect during a pilot period that expires at the close of business on October 18, 2019.

The Exchange shall modify option order processing during a limit up-limit down state. For purposes of this rule, a “limit up-limit down state” shall mean the period of time when the underlying security of an option enters a limit or straddle state as defined in the Regulation NMS Plan to Address Extraordinary Market Volatility (the “Limit Up-Limit Down Plan” or the “Plan”).

(a) Exchange Order Types. The following order types will be handled specially during a limit up-limit down state: market orders, market-on-close orders, stop orders, and stock-option orders. Refer to Rule 6.45 and Rule 6.53C for descriptions of how such orders will be handled during a limit up-limit down state.

(b) Order Handling. The following electronic order handling features shall operate differently during a limit up-limit down state:

   (1) HOSS. Refer to Rule 6.2 for a description of how HOSS will behave during a limit up-limit down state.

   (2) Hybrid Agency Liaison. Refer to Rule 6.14A for a description of how HAL will operate during a limit up-limit down state.

   (3) Complex Order Request for Responses Auction. Refer to Rule 6.53C for a description of how a complex order request for responses auction (referred to as “COA”) will operate during a limit up-limit down state.

   (4) Canceling/Replacing Orders. If a request to replace a limit order with a market order is received while the underlying security is in a limit up-limit down state, then the market order and the original limit order will be returned.

(c) Obvious Error. Refer to Rule 6.25 for a description of how the Exchange will handle potential obvious error executions during a limit up-limit down state.

(d) Market-Maker Quoting Obligations. Subject to certain limitations specified in the rules identified below, the Exchange will not require Market-Makers to quote in series of options when the underlying security is in a limit up-limit down state. Market-Maker participation entitlements will continue to apply during a limit up-limit down state. For the particular limitations, refer to the specific Market-Maker category, and corresponding obligations.
Rule 6.3B. Market-wide Trading Halts Due to Extraordinary Market Volatility

The Exchange shall halt trading in all stocks and stock options whenever a market-wide trading halt commonly known as a circuit breaker is initiated in response to extraordinary market conditions.


. . . Interpretations and Policies:

.01 This Rule shall be in effect during a pilot period that expires at the close of business on October 18, 2019. If the pilot is not either extended or approved permanently at the end of the pilot period, the prior version of Rule 6.3B shall be in effect.

The Exchange will halt trading in all stocks and stock options and shall not reopen for the time periods specified in this Rule if there is a Level 1, 2, or 3 Market Decline.

(a) For proposes of this Rule:

(i) A “Market Decline” means a decline in price of the S&P 500 Index between 8:30 a.m. and 3:00 p.m. (all times are CT) on a trading day as compared to the closing price of the S&P 500 Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 8:30 a.m.

(ii) A “Level 1 Market Decline” means a Market Decline of 7%.

(iii) A “Level 2 Market Decline” means a Market Decline of 13%.

(iv) A “Level 3 Market Decline” means a Market Decline of 20%.

(b) Halts in Trading:

(i) If a Level 1 or Level 2 Market Decline occurs after 8:30 a.m. and up to and including 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m., the Exchange shall halt trading in all stocks and stock options for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 or Level 2 Market Decline occurs after 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m.
(ii) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all stocks and stock options until the next trading day.

(c) Reopening of Stock Options Trading:

(i) Upon reopening, a rotation shall be held in each class of options unless two Floor Officials conclude that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation or any other variation in the manner of the rotation.

(ii) If a circuit breaker is initiated in all stocks due to a Level 1 or Level 2 Market Decline:

1. The Exchange will halt trading in each class of options on those stocks until trading has resumed on the primary listing market for the stocks or notice has been received from the primary listing market that trading may resume. If, however, trading has not resumed on the primary listing market for a stock within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in the options if at least one market has resumed trading in the stock.

2. The Exchange will halt trading in all other stock options not specified in subparagraph (1) above. The Exchange may resume trading in such other stock options anytime after the 15-minute halt period.

(d) Reopening of Stock Trading:

(i) Upon reopening, a rotation shall be held in each stock unless the Exchange concludes that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation or any other variation in the manner of the rotation.

(ii) If a circuit breaker is initiated in all stocks due to a Level 1 or Level 2 Market Decline, the Exchange will halt trading in those stocks until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If, however, trading has not resumed on the primary listing market for a stock within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in the stock.

Approved October 19, 1990 (90-08); amended May 31, 1995 (95-05); renumbered January 31, 1997 (96-78); amended May 31, 2012 (11-087); amended April 9, 2019 (19-020); amended May 10, 2019 (19-017).

.02 Nothing in this Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any security or securities traded on the Exchange pursuant to any other Exchange rule or policy.
Rule 6.3C. Individual Stock Trading Pause Due to Extraordinary Market Volatility

If a primary listing market issues an individual stock trading pause in an eligible NMS stock, as defined in Interpretation and Policy .03 of this Rule, the Exchange will halt trading in that stock until trading has resumed on the primary listing market, which generally will occur after a period of five minutes. If, however, trading has not resumed on the primary listing market after ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in such stock.

Interpretations and Policies:

.01 Upon reopening, a rotation shall be held in the individual stock unless the Exchange concludes that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation or any other variation in the manner of the rotation.

.02 Nothing in this Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any security or securities traded on the Exchange pursuant to any other Exchange rule or policy.

.03 The provisions of this Rule shall be in effect for eligible NMS stocks during a pilot period ending on the earlier of the initial date of operations of the Regulation NMS Plan to Address Extraordinary Market Volatility or February 4, 2014. The term “eligible NMS stocks” shall mean NMS stocks, other than rights and warrants. Trading in an eligible NMS stock will pause between the hours of 8:45 a.m. and 2:35 p.m. (all times are CT), or in the case of an early scheduled close, 25 minutes before the close of trading, if the price of the stock moved by a percentage specified below within a five-minute period (“Threshold Move”), as calculated by the primary listing market as follows:

(a) the Threshold Move shall be 10% or more with respect to stocks included in the S&P 500 Index, Russell 1000 Index, and a pilot list of Exchange Traded Products;

(b) the Threshold Move shall be 30% or more with respect to all NMS stocks not subject to paragraph (a) above with a price equal to or greater than $1; and

(c) the Threshold Move shall be 50% or more with respect to all NMS stocks not subject to paragraph (a) above with a price less than $1.
The determination that the price of a stock is equal to or greater than $1 under paragraph (b) above or less than $1 under paragraph (c) above shall be based on the closing price on the previous trading day or, if no closing price exists, the last sale reported to the Consolidated Tape on the previous trading day.

Approved June 10, 2010 (10-047); amended September 10, 2010 (10-065); December 9, 2010 (10-112); April 5, 2011 (11-031); amended June 23, 2011 (11-049); amended August 9, 2011 (11-076); November 23, 2011 (11-111); January 17, 2012 (12-001); July 20, 2012 (12-069); January 28, 2013 (13-010).

Rule 6.4. Suspension of Trading


Amended October 19, 1990 (90-08); May 31, 1995 (95-05).

Rule 6.5. Limitation on Dealings

No regular Trading Permit Holder shall bid, offer, purchase or write (sell) on the Exchange any security other than an option contract that is currently open for trading in accordance with the provisions of Chapter V.

Amended June 2, 1980; July 19, 2000, effective August 18, 2000 (99-15); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 Deleted August 18, 2000 (99-15).

Rule 6.6. Unusual Market Conditions

(a) Whenever in the judgment of any two Floor Officials, because of an influx of orders or other unusual conditions or circumstances, the interest of maintaining a fair and orderly market so require, those Floor Officials may declare the market in one or more classes of option contracts to be “fast.”

(b) If a market is declared fast, any two Floor Officials shall have the power to do one or more of the following with respect to the class or classes involved. (i) Direct that one or more trading rotations be employed pursuant to Rule 6.2. (ii) Suspend the firm quote requirement as permitted under Rule 8.51. (iii) Take such other actions as are deemed necessary in the interest of maintaining a fair and orderly market.

(c) Regular trading procedures shall be resumed when two Floor Officials determine that the conditions supporting that declaration no longer exist. If the conditions supporting that declaration cannot be managed utilizing one or more of the procedures contained in paragraph (b) of this Rule, those Floor Officials shall halt trading in the class or classes affected.

(d) Whenever market conditions warrant such special action, the Exchange may restrict the entry of stop, stop-limit, or market-if-touched orders in one or more classes or series of options
for a period not in excess of two consecutive days. A designated senior executive officer of the Exchange must approve any such restriction which is to be effective for more than two consecutive business days.

Amended February 15, 1975; December 8, 1976; January 11, 1979; November 16, 1987; December 22, 1995 (95-52); September 4, 1996 (96-36); December 2, 1997 (97-61); April 2, 2001 (01-15); March 21, 2006 (06-15); December 21, 2006 (06-35); March 13, 2008 (08-28); May 23, 2008 (08-02); January 3, 2018 (18-010); May 10, 2019 (19-017).

Rule 6.6A. Order Cancellation/Release

(a) The Exchange may cancel orders as it deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, a routing broker in connection with the routing service provided under Rule 6.14B, or another exchange to which an Exchange order has been routed. A routing broker may only cancel orders being routed to another exchange based on the Exchange’s standing or specific instructions or as otherwise provided in the Exchange Rules. The Exchange shall provide notice of the cancellation to affected Trading Permit Holders as soon as practicable.

(b) The Exchange may release orders being held on the Exchange awaiting an away exchange execution as it deems necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, a routing broker, or another exchange to which an Exchange order has been routed.

(c) For purposes of this Rule, technical or system issues shall include, without limitation, instances where the Exchange has not received confirmation of an execution (or cancellation) on another exchange from a routing broker within a response time interval designated by the Exchange, which interval may not be less than three (3) seconds.


Rule 6.7. Exchange Liability Disclaimers and Limitations

(a) Neither the Exchange nor any of its directors, officers, committee members, other officials, employees, contractors, or agents, nor any subsidiaries or affiliates of the Exchange or any of their directors, officers, committee members, other officials, employees, contractors, or agents (“Covered Persons”) shall be liable to the Trading Permit Holders or to persons associated therewith for any loss, expense, damages or claims that arise out of the use or enjoyment of the facilities afforded by the Exchange, any interruption in or failure or unavailability of any such facilities, or any action taken or omitted to be taken in respect to the business of the Exchange except to the extent such loss, expense, damages or claims are attributable to the willful misconduct, gross negligence, bad faith or fraudulent or criminal acts of the Exchange or its officers, employees or agents acting within the scope of their authority. Without limiting the generality of the foregoing, and subject to the same exception, no Covered Person shall have any liability to any person or entity for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value, any current or closing value of interest rate options, or any reports of transactions in or quotations for options or other securities, including underlying securities. The Exchange makes no warranty, express or
implied, as to results to be obtained by any person or entity from the use or enjoyment of the facilities afforded by the Exchange, including without limitation, of any data transmitted or disseminated by or on behalf of the Exchange or any reporting authority designated by the Exchange, including but not limited to any data described in the preceding sentence, and the Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data. The foregoing limitations of liability and disclaimers shall be in addition to, and not in limitation of, the provisions of Article Eighth of the Exchange’s Certificate of Incorporation or any limitations otherwise available under law.

(b) Whenever custody of an unexecuted order or quote is transmitted by a Trading Permit Holder to or through the Exchange’s Hybrid System, or to any other facility of the Exchange whereby the Exchange assumes responsibility for the transmission or execution of the order or quote, provided that the Exchange has acknowledged receipt of such order or quote, the Exchange may, in its sole discretion, compensate one or more Trading Permit Holders for their losses alleged to have resulted from the failure to process an order or quote correctly due to the acts or omissions of the Exchange or due to the failure of its systems or facilities (each, a “Loss Event”), subject to the following limits:

(i) As to any one or more requests for compensation made by a single Trading Permit Holder that arose out of one or more Loss Events occurring on a single trading day, the Exchange may compensate the Trading Permit Holder up to but not exceeding the larger of $100,000 or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;

(ii) As to the aggregate of all requests for compensation made by all Trading Permit Holders that arose out of one or more Loss Events occurring on a single trading day, the Exchange may compensate the Trading Permit Holders, in the aggregate, up to but not exceeding the larger of $250,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;

(iii) As to the aggregate of all requests for compensation made by all Trading Permit Holders that arose out of one or more Loss Events occurring during a single calendar month, the Exchange may compensate the Trading Permit Holders, in the aggregate, up to but not exceeding the larger of $500,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

A Trading Permit Holder may not make a request for compensation under this Rule for less than $100. Losses incurred on the same trading day and arising out of the same underlying act or omission of the Exchange or failure of the Exchange’s systems or facilities may be aggregated to meet the $100 minimum. Nothing in this Rule shall obligate the Exchange to seek recovery under any applicable insurance policy.

(c) Notice of all requests for compensation pursuant to this Rule shall be in writing and must be submitted no later than 12:00 p.m. CT on the next business day following the Loss Event giving rise to such requests. All requests shall be in writing and must be submitted along with supporting documentation by 5:00 p.m. CT on the third business day following the Loss Event giving rise to each such request. Additional information related to the request as demanded by the
Exchange is also required to be provided. The Exchange shall not consider requests for which timely notice and submission have not been provided as required under this paragraph (c).

(d) If all of the timely requests submitted pursuant to paragraph (c) above that are granted cannot be fully satisfied because in the aggregate they exceed the applicable maximum amount of payments authorized in paragraph (b) above, then such maximum amount shall be allocated among all such requests arising on a single trading day or during a single calendar month, as applicable, based upon the proportion that each such request bears to the sum of all such requests.

(e) In determining whether to make payment of a request pursuant to paragraph (b) above, the Exchange may determine whether the amount requested should be reduced based on the actions or inactions of the requesting Trading Permit Holder, including, without limitation, whether the actions or inactions of the Trading Permit Holder contributed to the Loss Event; whether the Trading Permit Holder made appropriate efforts to mitigate its loss; whether the Trading Permit Holder realized any gains as a result of a Loss Event; whether the losses of the Trading Permit Holder, if any, were offset by hedges of positions either on the Exchange or on another affiliated or unaffiliated market; and whether the Trading Permit Holder provided sufficient information to document the request and as demanded by the Exchange.

(f) All determinations made pursuant to this Rule by the Exchange shall be final and not subject to appeal under Chapter XIX of the Rules or otherwise. Nothing in this Rule, nor any payment pursuant to this Rule, shall in any way limit, waive or proscribe any defenses a Covered Person may have to any claim, demand, liability, action or cause of action, whether such defense arises in law or equity, or whether such defense is asserted in a judicial, administrative, or other proceeding.

(g) This Rule shall be effective as of July 1, 2015 (the “Effective Date”). No claim for liability under any previous version of this Rule shall be valid if brought with respect to any acts, omissions or transactions occurring more than one year prior to the Effective Date of this Rule, or if brought more than one month after the Effective Date of this Rule.


Rule 6.7A. Legal Proceedings Against the Exchange

No Trading Permit Holder or person associated with a Trading Permit Holder shall institute a lawsuit or other legal proceeding against the Exchange or any of its directors, officers, committee members, other officials, employees, contractors, or agents, or any subsidiaries or affiliates of the Exchange or any of their directors, officers, committee members, other officials, employees, contractors, or agents, for actions taken or omitted to be taken in connection with the official business of the Exchange or any subsidiary or affiliate, except to the extent such actions or omissions constitute violations of the federal securities laws for which a private right of action exists. This provision shall not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.
Rule 6.8. Prohibition Against Customers Functioning as Market-Makers

(a) TPH organizations may neither enter nor permit the entry of priority customer orders into the Hybrid System if (1) the orders are limit orders for the account or accounts of the same beneficial owner(s) and (2) the limit orders are entered in such a manner that the beneficial owner(s) effectively is operating as a market maker by holding itself out as willing to buy and sell such securities on a regular or continuous basis.

(b) In determining whether a beneficial owner effectively is operating as a market maker, the Exchange will consider, among other things, the simultaneous or near simultaneous entry of limit orders to buy and sell the same security and the entry of multiple limit orders at different prices in the same security.

Rule 6.8A. Reserved

Approved September 12, 2000 (00-01); amended October 3, 2002 (02-56); January 12, 2005 (04-91).

Rule 6.9. Solicited Transactions

A Trading Permit Holder or TPH organization representing an order respecting an option traded on the Exchange (an “original order”), including a complex order, may solicit a Trading Permit Holder or TPH organization or a public customer or broker-dealer (the “solicited person”) to transact in-person or by order (a “solicited order”) with the original order. In addition, whenever a floor broker who is aware of, but does not represent, an original order solicits one or more persons or orders in response to an original order, the persons solicited and any resulting orders are solicited persons or solicited orders subject to this Rule. Original orders and solicited orders are subject to the following conditions.

(a) Disclosed original order and matching solicited order that improves the market. If the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process without any change in the terms and conditions of the order, and if the solicited person or the solicited order matches the original order’s limit and improves the best bid or offer in the trading crowd, then the solicited person or the solicited order will have priority over non-solicited market makers and floor brokers representing non-solicited discretionary orders in the trading crowd and may trade with the original order at the improved bid or offered price subject to customer limit order book priorities set forth in Rule 6.45.

(b) Disclosed original order that is later modified to meet a solicited order improving the market. If the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process, and if the solicited person or the solicited order improves the best bid or offer in the crowd but does not match the original order’s limit, and if thereafter the original order is modified to match the solicited order’s bid or offer, then the following principles apply:
prior to executing the modified original order with the solicited person or solicited order or crossing the modified original order with the solicited order, the Trading Permit Holder initiating the original order must announce to the trading crowd all the terms and conditions of the original order as modified, and

bids or offers thereafter made in the crowd will have priority pursuant to Cboe Options Rule 6.45 and may trade with the original order as modified, in the sequence in which they are made.

disclosed original order that is later modified to meet a solicited order not improving the market. If all the terms and conditions of the original order are disclosed to the trading crowd prior to the solicitation and the original order is continuously represented in the crowd throughout the solicitation process, and if the solicited person or the solicited order’s bid or offer matches but does not improve the best bid or offer in the trading crowd and does not meet the original order’s limit, and if thereafter the original order is modified to match the best bid or offer, then non-solicited market-makers and floor brokers with non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order and may trade with the modified original order at the best bid or offered price subject to customer limit order book priorities set forth in Rule 6.45.

Undisclosed original order. If the terms and conditions of the original order are not disclosed to the trading crowd prior to the solicitation, then, prior to crossing the original order with the solicited order or executing the original order with the solicited person or his agent, the Trading Permit Holder initiating the original order or his agent must disclose all the terms and conditions of the original order to the trading crowd. Non-solicited market-makers and floor brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order to trade with the original order at the best bid or offered price subject to customer limit order book priorities set forth in Rule 6.45.

Trading based on knowledge of imminent undisclosed solicited transaction. It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 for any Trading Permit Holder or person associated with a Trading Permit Holder, who has knowledge of all material terms and conditions of an original order and a solicited order, including a facilitation order, that matches the original order’s limit, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option of the same class as an option that is the subject of the original order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until either (i) all the terms and conditions of the original order and any changes in the terms and conditions of the original order of which that Trading Permit Holder or associated person has knowledge are disclosed to the trading crowd or (ii) the solicited trade can no longer reasonably be considered imminent in view of the passage of time since the solicitation. For purposes of this paragraph (e), an order to buy or sell a “related instrument,” means, in reference to an index option, an order to buy or sell securities comprising ten percent or more of the component securities in the index or an order to buy or sell a futures contract on any economically equivalent index. With respect to an SPX option, an OEX option is a related instrument, and vice versa.
(f) All orders initiated as a result of a solicitation must be marked in a manner and form prescribed by the Exchange and announced via Regulatory Circular.

Approved November 9, 1994 (94-15); amended August 25, 1995 (95-07); April 21, 1998 (97-40); March 5, 2004 (04-14); July 12, 2006 (05-65); June 18, 2010 (10-058); June 16, 2016 (16-050); January 24, 2017 (17-009); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 This Rule applies to all solicited orders, including, but not limited to, facilitation orders and orders resulting from solicitations of public customers, non-Trading Permit Holder broker-dealers, Trading Permit Holders and TPH organizations, and market-makers.

Approved November 9, 1994 (94-15); amended June 18, 2010 (10-058); January 24, 2017 (17-009).

.02 A Trading Permit Holder initiating an original order is not required to announce to the trading crowd that another person has been solicited to participate in the order. The initiating Trading Permit Holder, however, must disclose to the trading crowd all the terms and conditions of the original order, and any modifications, as prescribed in this Rule.

Approved November 9, 1994 (94-15); amended June 18, 2010 (10-058).

.03 In respect of any solicited order that is a complex order, the terms “bid” and “offer” as used in subparagraphs (a)-(d) of this Rule 6.9 mean “total net debit” and “total net credit,” respectively.

Approved November 9, 1994 (94-15); amended July 12, 2006 (05-65); amended May 10, 2019 (19-017).

.04 Except as provided in Rule 6.9(a), the procedures set forth in Rule 6.74 (Crossing Orders) govern the crossing of original orders with facilitation orders or solicited orders as determined by the Exchange pursuant to Rule 6.74(d).

Approved November 9, 1994 (94-15); amended March 23, 2006 (06-21); May 23, 2008 (08-02).

.05 The provisions of Rule 6.45 govern the priority of bids and offers, including the priority of a bid or an offer in relation to an original order on the same side of the market. For example, an original order to buy an option contract will take priority over other bids at the same price only as provided in Rule 6.45.

Approved November 9, 1994 (94-15); amended January 24, 2017 (17-009).

.06 Disclosing all the terms of the original order and any changes in the terms and conditions of the original order to the crowd prior to effecting a trade does not provide a safe harbor from possible violations of front-running prohibitions. Front-running is considered to be a violation of Exchange Rule 4.1, Just and Equitable Principles of Trade, as described in Exchange Regulatory Circular RG94-76.
Approved August 25, 1995 (95-07).

.07 The phrase “terms and conditions,” as used in this rule with respect to an order that is subject to facilitation, refers to class; series; volume; option price; any contingencies; and any components related to the order (e.g., stock, options, futures or other related instruments or interests). However, the class will be deemed to be disclosed to the trading crowd if it is apparent that the crowd is aware of which class is being traded, (e.g., if the pit in which the transaction occurs is designated for one option class only, or if the class is the only one in the trading post trading at the disclosed strike price, then it would be apparent which option class is being traded).

Approved April 21, 1998 (97-40).

Rule 6.10. Reserved

Rule 6.11. Origins Eligible for Book Entry

After a class opens for trading, the System accepts for entry into the Book quotes of Market-Makers (including DPMs and LMMs) and orders of any origin in Hybrid classes.

Amended May 10, 2019 (19-017).

Rule 6.12. Cboe Options Hybrid Order Handling System

This rule describes the process for routing orders through the Exchange’s order handling system in classes designated for trading on the Cboe Options Hybrid System. The order handling system is a feature within the Hybrid System to route orders for automatic execution, book entry, open outcry, or further handling by a broker, agent, or PAR Official, in a manner consistent with Exchange Rules and the Act (e.g., resubmit the order to the Hybrid System for automatic execution, route the order from a booth to a PAR workstation, cancel the order, contact the customer for further instructions, and/or otherwise handle the order in accordance with Exchange Rules and the order’s terms).

(a) Orders may route through the order handling system for electronic processing in the Hybrid System or to a designated order management terminal or PAR Workstation in any of the circumstances described below. Routing designations may be established based on various parameters defined by the Exchange, order entry firm or Trading Permit Holder, as applicable.

(1) AutoEx and Book Kick-Outs: Under Rules 6.2, 6.13 and 6.53C, orders or the remaining balance of orders initially routed from an order entry firm for electronic processing that are not eligible for automatic execution or book entry will by default route to a PAR workstation designated by the order entry firm. If an order entry firm has not designated a PAR workstation or if a PAR workstation is unavailable, the remaining balance will route to an order management terminal designated by the order entry firm. If it is not eligible to route to a PAR workstation or order management terminal designated by the order entry firm, the remaining balance will be returned to the order entry firm.
(2) OMT/PAR Workstation Routing: Orders may be routed back and forth between an order management terminal and a PAR workstation by Trading Permit Holders. Orders may be routed from a PAR workstation to an order management terminal by a PAR Official based on instructions from the Trading Permit Holder or if the PAR Official is unable to book or execute the order from, or maintain the order on, the PAR workstation.

(3) Limit Order Price Parameter for Simple Orders: The System rejects back to a Trading Permit Holder an order to buy (sell) at more than an acceptable tick distance above (below) if:

(i) prior to the opening of a series (including during any pre-opening period and opening rotation), (A) the last disseminated NBO (NBB), if a series is open on another exchange(s), or (B) the Exchange’s previous day’s closing price, if a series is not yet open on any other exchange; if the NBBO is locked, crossed or unavailable; or if there is no NBO (NBB) and the previous day’s closing price is greater (less) than or equal to the NBB (NBO). However, this does not apply to orders of Exchange Market-Makers or away Market-Makers; if there is no NBO (NBB) and the Exchange’s previous day’s closing price is less (greater) than the NBB (NBO); or if there is no NBBO and no Exchange previous day’s closing price;

(ii) intraday, (A) the last disseminated NBO (NBB) or (B) the Exchange’s best offer (bid), if the NBBO is locked, crossed or unavailable. However, this does not apply if there is no NBBO and no BBO; or

(iii) during a halt (including during any pre-opening period or opening rotation prior to re-opening following the halt), the last disseminated NBO (NBB). However, this does not apply to a buy (sell) order if the NBBO is locked, crossed or unavailable or if there is no NBO (NBB).

For purposes of this subparagraph (a)(3): An “acceptable tick distance” (which is referred to as an “ATD”), as determined by the Exchange on a class-by-class and premium basis and announced to the Trading Permit Holders via Regulatory Circular, shall be no less than 2 minimum increment ticks for simple orders. The Exchange may determine to apply a different ATD to orders entered during the pre-opening, a trading rotation, or a trading halt. The checks in subparagraphs (i) through (iii) do not apply to orders with a stop contingency or to orders routed from a PAR workstation or order management terminal. The limit order price parameter will take precedence over another routing parameter to the extent that both are applicable to an incoming limit order.

(4) Limit Order Price Parameter for Complex Orders: The System rejects back to a Trading Permit Holder a complex limit order with a net debit (credit) price more than a specified amount above (below):

(i) prior to the opening (including during any pre-opening period and opening rotation) the derived net market using the Exchange’s previous day’s closing prices in the individual series legs comprising the complex order.
this does not apply to stock-option orders, to orders for the account of Exchange Market-Makers or away Market-Makers, or if there is no Exchange previous day’s closing price in any leg; or

(ii) intraday, the opposite side of the national spread market. This applies to stock-option orders, but does not apply if the NBBO in any leg is locked, crossed or unavailable or if there is no Exchange spread market.

For purposes of this subparagraph (a)(4), the Exchange determines the amount, which may be no less than $0.02, on a class-by-class and net premium basis and announces the amount to Trading Permit Holders via Regulatory Circular. The Exchange may determine to apply a different amount to orders entered during the pre-opening or a trading rotation. No limit order price parameter applies to complex orders submitted during a halt (including during any pre-opening period and opening rotation prior to re-opening following the halt) or to pairs of orders submitted to AIM and SAM. The checks in subparagraphs (i) and (ii) do not apply to complex orders routed from a PAR workstation or order management terminal, or to multi-class spreads. The limit order price parameter will take precedence over another routing parameter to the extent that both are applicable to an incoming limit order.

(5) Reserved.

(6) Direct Routing: Orders may route directly from an order entry firm for electronic processing or to an order management terminal or a PAR workstation based on parameters prescribed by the order entry firm.

(7) System Disruptions or Malfunctions: Orders will route to an order management terminal designated by the order entry firm or Trading Permit Holder, or a terminal designated and maintained by the Exchange as a back-up to order entry firms’ and Trading Permit Holders’ designated order management terminals, in the event of certain system disruptions or malfunctions that affect the ability of orders to reach or be processed at their intended designation.

(b) Order management terminals are located in the booths on the Exchange floor. Each order entry firm must designate an order management terminal(s) for receiving routed orders via the order handling system. An order entry firm may elect to have its orders routed to an order management terminal(s) operated by the firm and/or an order management terminal(s) operated by another Trading Permit Holder(s).

... Interpretations and Policies:

.01 For purposes of subparagraphs (a)(3) and (4), the senior official on the Exchange Help Desk or two Floor Officials may grant relief on any trading day (including prior to opening) by widening or inactivating one or more of the applicable amount parameter settings in the interest of a fair and orderly market.

(a) Notification of this relief will be announced as soon as reasonably practical via verbal message to the trading floor, order management terminal message to TPH organizations on
the trading floor, and electronic message to Trading Permit Holders that request to receive such messages. Such relief will not extend beyond the trade day on which it is granted, unless a determination to extend such relief is announced to Trading Permit Holders via Regulatory Circular. The Exchange will make and keep records to document all determinations to grant this relief under this Rule, and shall maintain those records in accordance with Rule 17a-1 under the Exchange Act.

(b) The Exchange will periodically review determinations to grant relief on any trading day for consistency with the interest of a fair and orderly market.

Approved March 20, 2015 (15-021); amended January 5, 2016 (16-003); November 4, 2016 (16-053); February 23, 2017 (17-016); January 3, 2018 (18-010).

Rule 6.12A. Public Automated Routing System (PAR)

The PAR workstation (PAR) is an Exchange-provided order management tool for use on the Exchange’s trading floor by Trading Permit Holders or Exchange PAR Officials (see Rule 6.12B for a description of the responsibilities of PAR Officials). The Exchange’s Order Handling System allows for orders to be routed to and from PAR in accordance with TPH and Exchange order routing parameters and the Rules including, but not limited to, this Rule 6.12A and Chapters VI and VIII of the Rules and Rules 6.2, 6.12B, 6.13, 6.14B, 6.53, 6.53C, 6.74, and 8.51 thereunder.

(a) Order Routing. Eligible orders will be routed to PAR in accordance with TPH and Exchange order routing parameters and the order’s terms.

(b) Order Handling. Once an order is on PAR, the order shall be processed in accordance with the manual or automatic settings established by the user and the order’s terms. Subject to the forgoing, once an order is on PAR, the user may:

(i) Submit the order into the Hybrid Trading System (including for execution against quotes and orders resting in the electronic book and exposure to appropriate electronic auctions pursuant to Rules 6.14A, 6.53C, 6.74B, and 24B.5B);

(ii) Execute the order in open outcry, including against other orders on PAR and with other TPHs or PAR Officials in accordance with Rules 6.74 and 7.12;

(iii) Route the order to an Order Management Terminal (OMT) designated by the TPH or otherwise return the order to the order entry firm or originating TPH;

(iv) Route the order or a portion thereof to an away exchange in accordance with Rules 6.14B and 6.81;

(v) Cancel the unexecuted order, including upon receipt of a cancel request from the order entry firm or originating TPH or as prescribed by Exchange or TPH order routing parameters.

(c) Orders Eligible for PAR. Unless otherwise specified in the Rules or the context indicates otherwise, all order types specified in Rule 6.53 are eligible to route to PAR, except
attributable orders, ISOs, AIM sweep orders, sweep and AIM orders, reserve orders, QCC orders, and Market-Maker Trade Prevention Orders may not be routed to PAR.

(d) Preemption. To the extent that any provision(s) of this Rule 6.12A conflicts with any provision(s) of any Regulatory Circular previously issued by the Exchange regarding the operation or functionality of PAR, this Rule supersedes and supplants the limited conflicting provision(s) of any such Regulatory Circular.

Adopted November 14, 2014 (14-081); January 3, 2018 (18-010); May 10, 2019 (19-017).

Rule 6.12B. PAR Officials

(a) Designation. A PAR Official is an Exchange employee or independent contractor whom the Exchange may designate as being responsible for (i) operating a PAR workstation; and (ii) effecting proper executions of orders placed with him/her. The PAR Official may not be affiliated with any Trading Permit Holder that is approved to act as a Market-Maker.

(b) Obligations. A PAR Official is responsible for the following obligations:

(i) Display Obligation: Each PAR Official must display immediately the full price and size of any customer limit order that improves the price or increases the size of the best disseminated Cboe Options quote. For purposes of this Rule 6.12B(b), “immediately” means, under normal market conditions, as soon as practicable but no later than 30 seconds after receipt (“30-second standard”) by the PAR Official.

The following are exempt from the Display Obligation as set forth under this Rule:

(A) An order executed upon receipt;

(B) An order where the customer who placed it requests that it not be displayed, and upon receipt of the order, the PAR Official announces in public outcry the information concerning the order that would be displayed if the order were subject to being displayed;

(C) market-if-touched orders; market-on-close orders; stop orders; stop-limit orders; all or none orders; fill or kill orders; immediate or cancel orders; and complex orders;

(D) Orders received before or during a trading rotation (as defined in Rule 6.2), including Opening Rotation orders, are exempt from the 30-second standard, but they must be displayed promptly following conclusion of the applicable rotation; and

(E) Orders for more than 100 contracts, unless the customer placing such order requests that the order be displayed.
(ii) **Execution.** A PAR Official must use due diligence to execute the orders placed in the PAR Official’s custody at the best prices available to him or her under the Rules.

(iii) **Autobook:** A PAR Official must maintain and keep active on the PAR workstation at all times the automated limit order display facility (“Autobook”) provided by the Exchange. Only senior Help Desk personnel may determine the length of the Autobook timer for PAR Officials, and a PAR Official may deactivate Autobook only with the approval of senior Help Desk personnel.

(iv) **Representation:** A PAR Official must electronically record the time an order is initially represented in the trading crowd via Exchange-approved functionality.

(v) **Duty to Report:** When, in the opinion of a PAR Official, there is any unusual activity, transaction, or price change, or there are other unusual market conditions or circumstances that are detrimental to the maintenance of a fair and orderly market, the PAR Official must promptly report this unusual activity to a Floor Official. To the extent unusual activity is apparent only through the inspection of trade tickets, a PAR Official is not responsible for reporting this activity unless the trade tickets are brought to the PAR Official’s attention.

(c) **Compensation.** A PAR Official is compensated exclusively by the Exchange, which determines the amount and form of compensation. No DPM, LMM or Market-Maker may directly or indirectly compensate or provide any other form of consideration to a PAR Official.

(d) **Liability of Exchange for Actions of PAR Officials.** The Exchange’s liability to Trading Permit Holders or persons associated therewith for any loss, expense, damages or claims arising out of any errors or omissions of a PAR Official or any persons providing assistance to a PAR Official will be subject to the Rules, including the limitations set forth in Rules 6.7 and 6.7A.

Approved January 3, 2018 (18-010); amended May 10, 2019 (19-017).

**Rule 6.13, Hybrid Trading System Automatic Execution Feature**

(a) **Applicability:** This rule applies to all classes authorized for trading on the Hybrid Trading System. On the Hybrid Trading System, automatic executions may occur electronically and open outcry trades may occur on the floor of the Exchange pursuant to the priority and allocation principles contained in Rule 6.45.

(b) **Automatic Execution:** Orders eligible for automatic execution through the Hybrid Trading System may be automatically executed in accordance with the provisions of this Rule or Rule 6.14A, as applicable. This section governs automatic executions and split-price automatic executions. The allocation of orders or quotes that automatically execute through the Hybrid Trading System is governed by Rule 6.45.

(i) **Eligibility:** The Exchange shall designate the eligible order size, eligible order type, eligible order origin code (i.e., public customer orders, non-
broker-dealer orders, and Market-Maker broker-dealer orders), and classes in which the automatic execution feature shall be activated, subject to the following:

(A) Eligible Order Size: The Exchange shall establish on a class-by-class basis the maximum size of orders entitled to receive automatic execution through the Hybrid Trading System. If the eligible order size exceeds the disseminated size, incoming eligible orders shall be entitled to receive an automatic execution up to the disseminated size.

(B) Orders Not Eligible for Automatic Execution: Orders not eligible for automatic execution will route via the order handling system pursuant to Rule 6.12.

(C) Access:

(1) Orders of public customers and broker-dealers that are not Market-Makers or specialists on an exchange who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Exchange Act (“non-Market-Maker or non-Specialist broker-dealers”) are eligible for automatic execution. The eligible order size for these classifications must be the same.

(2)

(a) Options Exchange Market-Makers: The Exchange may also determine, on a class-by-class basis, to allow orders for the accounts of Market-Makers or specialists on an options exchange (collectively “options Market-Makers”) who are exempt from the provisions of Regulation T of the Federal Reserve Board pursuant to Section 7(c)(2) of the Securities Exchange Act of 1934 to be eligible for automatic execution. The Exchange may establish the maximum order size eligibility for such options Market-Maker orders at a level lower than the maximum order size eligibility available to non-broker-dealer public customers and non-Market-Maker or non-specialist broker-dealers. Pronouncements pursuant to this provision regarding options Market-Maker access shall be made by the Exchange and announced via Regulatory Circular.

(b) Stock Exchange Specialists: The Exchange may determine, on a class-by-class basis, to allow orders for the account of a stock exchange specialist, with respect to a security in which it acts as a specialist, to be eligible for automatic execution in the overlying option class. The Exchange may establish the maximum order size eligibility for such specialist orders at a level lower than the maximum order size eligibility available to options exchange
Market-Makers. Stock exchange specialists, with respect to orders
in securities in which they do not act as specialist, will be treated as
broker-dealers that are not Market-Makers or specialists on an
options exchange and will be eligible to submit orders for automatic
execution in accordance with subparagraph (1) above.

(3) 15-Second Limitation: With respect to orders eligible for
submission pursuant to paragraph (b)(i)(C)(2), Trading Permit Holders shall neither
enter nor permit the entry of multiple orders on the same side of the market in an
option class within any 15-second period for an account or accounts of the same
beneficial owner. The Exchange may shorten the duration of this 15-second period
by providing notice to the Trading Permit Holders via a Regulatory Circular that is
issued at least one day prior to implementation.

For purposes of this rule, orders will be presumed to be for the
account(s) of the same beneficial owner if they are not independently
originated by separate Market-Makers (or stock exchange specialists) and
such orders clear into the same account or accounts with common
ownership. The term “independently originated” means that a Market-
Maker (or stock exchange specialist) makes an individual determination to
trade and directly communicates its trading determination (i.e. order) to the
Exchange.

(ii) Process: For Hybrid classes, eligible orders of a size equal to or less than
the size of the disseminated Cboe Options BBO shall be executed in the manner described
in paragraph 6.13(b). Inbound eligible orders of a size greater than the disseminated size
will automatically execute in part, as described below in paragraph 6.13(b)(iii) (Split Price
Executions). Orders executed automatically shall be allocated to contra side trading interest
pursuant to Rule 6.45.

(iii) Split Price Executions: For Hybrid classes, incoming eligible orders of a
size greater than the disseminated size shall receive an automatic execution for a size up to
the disseminated size. The remaining balance of the order if marketable, will automatically
execute at the revised disseminated price provided the revised disseminated price
represents the NBBO (if the revised price is inferior to NBBO the remaining balance of the
order will route via the order handling system pursuant to Rule 6.12, or for processing
pursuant to 6.14A). If not marketable, the remaining balance of the order will be
automatically represented in the electronic book provided such order is eligible for book
entry pursuant to Rule 6.11. If the order is not eligible for book entry, it will route via the
order handling system pursuant to Rule 6.12. Pronouncements pursuant to this provision
shall be made by the Exchange and announced via Regulatory Circular.

(iv) Executions at NBBO: Eligible orders in classes that are multiply traded will
not be automatically executed on Cboe Options at prices that are inferior to the NBBO and
instead shall route to HAL pursuant to Rule 6.14A or via the order handling system
pursuant to Rule 6.12. Eligible orders received while the Cboe Options market is locked
(e.g., $1.00 bid - $1.00 offered) shall be eligible for automatic execution at Cboe Options’s
disseminated quote, provided that the disseminated quote is not inferior to the NBBO. Eligible orders received while the Cboe Options market is crossed with the disseminated market of another exchange (e.g. Cboe Options $1.20 bid while another exchange is disseminating a $1.15 offer) shall be eligible for automatic execution at Cboe Options’s disseminated quote, provided that the disseminated quote is not inferior to the NBBO.

(v) Market-Width and Drill Through Price Check Parameters:

(A) Market-Width Price Check Parameter. The Hybrid Trading System will route via the order handling system pursuant to Rule 6.12 an eligible market order if the width between the NBBO is not within an acceptable price range (“APR”). The Exchange will determine the APR on a class-by-class basis, which the Exchange will announce by Regulatory Circular and will be no less than: $0.375 between the bid and offer for each option contract for which the bid is less than $2, $0.60 where the bid is at least $2 but does not exceed $5, $0.75 where the bid is more than $5 but does not exceed $10, $1.20 where the bid is more than $10 but does not exceed $20, and $1.50 where the bid is more than $20.

(B) Drill Through Price Check Parameter.

(I) If a buy (sell) order not exposed via HAL (pursuant to Rule 6.14A) partially executes, and the System determines the unexecuted portion of the order would execute at a subsequent price higher (lower) than the price that is an acceptable tick distance (“ATD”) above (below) the NBO (NBB) (“drill through price”), the System will not automatically execute that portion and will expose that portion via HAL at the better of the NBBO and the drill through price (if eligible for HAL). The Exchange will determine the ATD on a class and premium basis (which may be no less than two minimum increment ticks), which the Exchange will announce via Regulatory Circular.

(II) If a buy (sell) order is exposed via HAL (other than pursuant to subparagraph (I)) and, following the exposure period pursuant to Rule 6.14A, the System determines the order (or any unexecuted portion) would execute at a price higher (lower) than the drill through price, the System will not automatically execute that order (or unexecuted portion).

(III) Any order (or portion) not executed pursuant to subparagraphs (I) or (II) above will rest in the book (based on the time at which it enters the book for priority purposes) for a time period in milliseconds (which the Exchange will determine and announce via Regulatory Circular and will not exceed three seconds) with a price equal to the drill through price (except orders (or any unexecuted portions) that by their terms cancel if they do not execute immediately (such as immediate-or-cancel, fill-or-kill, intermarket sweep, and market-maker trade prevention orders) will be cancelled). If any order (or any unexecuted portion) does not execute during that time period, the System cancels it.
(IV) Notwithstanding subparagraphs (I) to (III), if the System determines a buy (sell) order (or any unexecuted portion) not eligible for HAL pursuant to Rule 6.14A would execute at a subsequent price higher (lower) than the drill through price, the System will not automatically execute that order (or unexecuted portion) and will route it via the order handling system pursuant to Rule 6.12 (except orders (or any unexecuted portions) that by their terms cancel if they do not execute immediately (such as immediate-or-cancel, fill- or-kill, intermarket sweep, and market-maker trade prevention orders) will be cancelled).

(V) This subparagraph (B) does not apply to executions of orders following an exposure via HAL at the open, which are subject to the drill through protection in Rule 6.2(d)(ii).

(C) A senior Help Desk official or two Floor Officials may grant intra-day relief by widening or inactivating one or more of the applicable APR and/or ATD parameter settings for subparagraphs (A) and (B) in the interest of a fair and orderly market, which the Exchange will announce as soon as reasonably practical via verbal message to the trading floor, order management terminal message to TPH organizations on the trading floor, and electronic message to Trading Permit Holders that request to receive such messages. Such intra-day relief may not extend beyond the trade day on which it is granted, unless a determination to extend such relief is announced to Trading Permit Holders via Regulatory Circular. The Exchange will make and keep records to document all determinations to grant intra-day relief under this Rule, and maintain those records in accordance with Rule 17a-1 under the Exchange Act. The Exchange will periodically review determinations to grant intra-day relief for consistency with the interest of a fair and orderly market.

(vi) No-Bid Series: Notwithstanding Rule 6.13(b)(v), if the System receives during a trading session or has resting in the electronic book after the opening of a trading session a market order to sell in an option series when the NBB in such series is zero:

(A) if the Exchange best offer in such series is less than or equal to $0.50, then the Cboe Options Hybrid System will consider, for the remainder of the trading day, the market order as a limit order to sell with a limit price equal to the minimum trading increment applicable to such series and enter the order into the electronic book behind limit orders to sell at the minimum increment that are already resting in the book; or

(B) if the Exchange best offer in such series is greater than $0.50, then the order entry firm has the discretion to have the market order to sell via the order handling system pursuant to Rule 6.12.

(vii) Stop and Stop-Limit Orders. The System cancels a buy (sell) stop or stop-limit order if the Exchange best bid (offer) at the time the System receives the order is equal to or above (below) the stop price.
(c) Users, Order Entry Firms, and Prohibited Practices

For purposes of this rule, the term “User” means any person or firm that obtains electronic access to the automatic execution feature of the Cboe Options Hybrid System through an Order Entry Firm. The term “Order Entry Firm” means a TPH organization that is able to route orders to the Exchange’s Order Handling System.

(i) Order Entry Firms shall:

(A) Comply with all applicable Cboe Options options trading rules and procedures;

(B) Provide written notice to all Users regarding the proper use of the Cboe Options Hybrid System, including any automated execution features; and

(C) Maintain adequate procedures and controls that will permit the Order Entry Firm to effectively monitor and supervise the entry of electronic orders by all Users. Order Entry Firms must monitor and supervise the entry of orders by Users to prevent the prohibited practices set forth below.

(ii) Prohibited Practices:

Prohibited practices include but are not limited to the following:

(A) Dividing an order into multiple smaller orders for the purpose of meeting the eligible order size requirements for automatic execution (“unbundling”).

(B) Effecting transactions that constitute manipulation as provided in Rule 4.7 and Exchange Act Rule 10b-5.

Adopted May 30, 2003 (02-05); amended June 17, 2004 (04-15); July 12, 2004 (04-33); January 10, 2005 (05-01); January 12, 2005 (04-91); May 25, 2005 (05-21); September 22, 2005 (05-70); November 18, 2005 (05-46); January 23, 2006 (05-89); March 21, 2006 (06-15); April 5, 2006 (05-112); July 27, 2006 (05-90); June 7, 2007 (06-101); September 26, 2007 (06-104); May 23, 2008 (08-02); July 14, 2008 (08-67); August 20, 2009 (09-040); September 28, 2009 (09-067); June 18, 2010 (10-058); amended October 27, 2010 (10-094); January 20, 2012 (12-004); July 31, 2012 (12-048); September 4, 2012 (12-076); September 25, 2014 (14-066); November 21, 2014 (14-067); November 28, 2014 (14-062); March 20, 2015 (15-021); November 4, 2016 (16-053); December 9, 2016 (16-071); January 24, 2017 (17-009); January 3, 2018 (18-010); January 26, 2018 (17-084); May 10, 2019 (19-017).

Rule 6.14. Price Protections and Risk Controls

The System’s acceptance and execution of orders and quotes are subject to the price protection mechanisms and risk controls in this Rule 6.14 and otherwise set forth in the Rules. The Exchange may share any Trading Permit Holder-designated risk settings in the Hybrid Trading System with
a Clearing Trading Permit Holder that clears Exchange transactions on behalf of the Trading Permit Holder.

(a) Put Strike Price and Call Underlying Value Checks.

(i) The System rejects back to the Trading Permit Holder a quote or buy order for:

(A) a put if the price of the quote bid or a buy limit order, or the price at which a buy market order (or any remaining size after partial execution), is greater than or equal to the strike price of the option; or

(B) a call if the price of the quote bid or a buy limit order, or the price at which a buy market order (or any remaining size after partial execution) would execute, is greater than or equal to the consolidated last sale price of the underlying security, with respect to equity and ETF options, or the last disseminated value of the underlying index, with respect to index options.

If the System rejects a Market-Maker’s quote pursuant to either check in the above subparagraphs, the System cancels any resting quote of the Market-Maker in the same series.

(ii) The Exchange may determine not to apply to a class either the put check in subparagraph (i)(A) or the call check in subparagraph (i)(B) above if a senior official at the Exchange’s Help Desk determines the applicable check should not apply in the interest of maintaining a fair and orderly market, which the Exchange will announce by electronic message to Trading Permit Holders that request to receive such messages. The Exchange does not apply the call check in subparagraph (i)(B) to a class during Global Trading Hours, to adjusted classes or if market data for the underlying is unavailable. The checks in subparagraphs (i)(A) and (B) do not apply to market orders executed during an opening rotation.

(iii) These checks apply to buy auction responses in the same manner as it does to orders and quotes.

(iv) The checks in subparagraph (i) above apply to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair pursuant to the applicable check, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM order that instructs the System to process the agency order as an unpaired order if an AIM auction cannot be initiated, if the System rejects the agency order pursuant to the applicable check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to the applicable check, the System still accepts the agency order if it satisfies the applicable check.

(b) Quote Inverting NBBO Check. If Cboe Options is at the NBO (NBB), the System rejects a quote back to a Market-Maker if the quote bid (offer) crosses the NBO (NBB) by more than a number of ticks specified by the Exchange (which will be no less than three minimum increment ticks and announced to Trading Permit Holders by Regulatory Circular). If Cboe
Options is not at the NBO (NBB), the System rejects a quote back to a Market-Maker if the quote bid (offer) locks or crosses the NBO (NBB). If the System rejects a Market-Maker’s quote pursuant to this check, the System also cancels any resting quote of the Market-Maker in the same series.

(i) When a series is open for trading, if the NBBO is unavailable, locked or crossed, then this check compares the quote to the BBO (if available). If the BBO is also unavailable, then the System does not apply this check to incoming quotes.

(ii) Prior to the opening of a series (including during any pre-opening period and opening rotation), the System does not apply this check to incoming quotes if the series is not open on another exchange.

(iii) During a trading halt, the System does not apply this check to incoming quotes.

(iv) A senior official at the Exchange’s Help Desk may determine not to apply this check in the interest of maintaining a fair and orderly market.

(c) Execution of Quotes That Lock or Cross NBBO. If the System accepts a quote that locks or crosses the NBBO, the System executes the quote bid (offer) against quotes and orders in the Book at a price(s) that is the same or better than the best price disseminated by an away exchange(s) up to the size available on the Exchange and either (i) cancels any remaining size of the quote, if the price of the quote locks or crosses the price disseminated by the away exchange(s) or (ii) books any remaining size of the quote, if the price of the quote does not lock or cross the price of the away exchange(s).

(1) If the NBBO is locked, crossed or unavailable, then the System does not apply this check to incoming quotes. Additionally, a senior official at the Exchange’s Help Desk may determine not to apply this check in the interest of maintaining a fair and orderly market.

(2) If the Exchange has established a counting period for a class pursuant to Rule 6.45(c)(i), then notwithstanding Rule 6.45(c), if Cboe Options (represented by a Market-Maker quote offer (bid)) and an away exchange(s) are each at the NBO (NBB), the System rejects an incoming Market-Maker quote bid (offer) (or unexecuted portion after the quote trades against any orders resting in the Book at the NBO (NBB)) that locks or crosses the resting Market-Maker quote offer (bid) at the NBO (NBB).

(d) Order Entry, Execution and Price Parameter Rate Checks.

(i) Each Trading Permit Holder must provide to the Exchange parameters for an acronym or, if the Trading Permit Holder requests, a login, for each of the following rate checks. The System counts each of the following over rolling time intervals, which the Exchange will set and announce via Regulatory Circular:

(A) the total number of orders (of all order types) and auction responses entered and accepted by the Hybrid Trading System (“orders entered”);
(B) the total number of contracts (from orders and auction responses) executed on the Hybrid Trading System, which does not count executed contracts from orders submitted from a PAR workstation or an order management terminal or stock contracts executed as part of stock-option orders (“contracts executed”);

(C) the total number of orders the Hybrid Trading System books or routes via the order handling system pursuant to the drill through price check parameter in Rule 6.13(b)(v)(B) (“drill through events”); and

(D) the total number of orders the Hybrid Trading System cancels or routes via the order handling system due to the limit order price parameter in Rule 6.12(a)(3) through (5) (“price reasonability events”).

(ii) When the System determines the orders entered, contracts executed, drill through order events or price reasonability events within the applicable time interval exceeds a Trading Permit Holder’s parameter, the System (A) rejects all subsequent incoming orders and quotes, (B) cancels all resting quotes (if the acronym or login is for a Market-Maker), and (C) for the orders entered and contracts executed checks, if the Trading Permit Holder requests, cancels resting orders (either all orders, orders with time-in-force of day, or orders entered on that trading day) for the acronym or login, as applicable.

(iii) The System will not accept new orders or quotes from a restricted acronym or login, as applicable, until the Exchange receives the Trading Permit Holder’s manual notification (in a form and manner determined by the Exchange, which will be announced by Regulatory Circular) to reactivate its ability to send orders and quotes for the acronym or login. While an acronym or login is restricted, a Trading Permit Holder may continue to interact with orders entered prior to its acronym or login becoming restricted, including receiving trade execution reports and canceling resting orders.

(e) Maximum Contract Size. The System rejects a Trading Permit Holder’s incoming order or quote (including both sides of a two-sided quote) if its size exceeds the maximum contract size designated by the Trading Permit Holder. Each Trading Permit Holder must provide a maximum contract size for each of simple orders, complex orders (the contract size for which equals the contract size of the largest option leg of the order) and quotes applicable to an acronym or, if the Trading Permit Holder requests, a login.

(i) If a Trading Permit Holder enters an order or quote to replace a resting order or update a resting quote, respectively, and the System rejects the incoming order or quote because it exceeds the applicable maximum contract size, the System also cancels the resting order or any resting quote in the same series.

(ii) This check also applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair, then the System also rejects the paired order. Notwithstanding the foregoing, with respect to an A:AIR order, if the System rejects the Agency Order, then the System rejects the contra-side order; however, if the System rejects the contra-side order, the System still accepts the Agency Order.
(f) Kill Switch.

(i) A Trading Permit Holder may send a message to the Hybrid Trading System to, or contact the Exchange Help Desk to request that the Exchange, cancel all its resting quotes (if the acronym or login is for a Market-Maker), resting orders (either all orders, orders with time-in-force of day, or orders entered on that trading day), or both, for an acronym or login. The System will send a Trading Permit Holder an automated message when it has processed a kill switch request for an acronym or login.

(ii) Once a Trading Permit Holder initiates the kill switch for an acronym or login, the System rejects all subsequent incoming orders and quotes for the acronym or login, as applicable. The System will not accept new orders or quotes from a restricted acronym or login until the Exchange receives the Trading Permit Holder’s manual notification (in a form and manner determined by the Exchange, which will be announced by Regulatory Circular) to reactivate its ability to send orders and quotes for the acronym or login. While an acronym or login is restricted, a Trading Permit Holder may continue to interact with orders entered prior to its acronym or login becoming restricted, including receiving trade execution reports and canceling resting orders.

Approved January 23, 2006 (05-89); amended June 7, 2007 (06-101); January 2, 2008 (07-153); May 20, 2008 (08-46); May 23, 2008 (08-02); June 6, 2008 (08-58); August 7, 2008 (08-82); June 18, 2010 (10-058); deleted July 31, 2012 (12-048); amended January 21, 2016 (15-107); November 4, 2016 (16-053); January 24, 2017 (17-009).

Rule 6.14A. Hybrid Agency Liaison (HAL)

This Rule governs the operation of the Hybrid Agency Liaison (“HAL”) system. HAL is a feature within the Hybrid Trading System that provides automated order handling in designated classes for qualifying electronic orders that are not automatically executed.

(a) HAL Eligibility. The Exchange shall designate eligible order size, eligible order type, eligible order origin code (i.e., public customer orders, non-Market Maker broker-dealer orders, and Market Maker broker-dealer orders), and classes in which HAL shall be activated. ISOs will not be processed pursuant to Rule 6.14A. HAL shall automatically process upon receipt:

(i) an eligible order that is marketable against the Exchange’s disseminated quotation while that quotation is not the NBBO, unless the Exchange’s quotation contains resting orders and does not contain sufficient Market-Maker quotation interest to satisfy the entire order;

(ii) an eligible order that would improve the Exchange’s disseminated quotation and that is marketable against quotations disseminated by other exchanges that are participants in the Options Order Protection and Locked/Crossed Plan and;

(iii) an order (or any unexecuted portion) submitted to HAL pursuant to Rule 6.13(b)(v)(B)(I).
(b) Order Handling and Responses. Upon receipt by HAL, the System will immediately expose electronically orders at the NBBO price, if received pursuant to subparagraphs (a)(i) through (iii), or at the better of the NBBO and the drill through price (as defined in Rule 6.13(b)(v)(B)), if received pursuant to subparagraph (a)(iv). The exposure shall be for a period of time determined by the Exchange on a class-by-class basis, which period of time shall not exceed 1 second.

Market-Makers with an appointment in the relevant option class and Trading Permit Holders acting as agent for orders resting at the top of the Exchange’s book in the relevant option series opposite the order submitted to HAL may submit responses to the exposure message during the exposure period, unless the Exchange determines, on a class-by-class basis, to allow all Trading Permit Holders to submit responses to the exposure message.

Responses (i) must be priced equal to or better than the Exchange’s best bid/offer; (ii) must be limited to the size of the order being exposed; and (iii) may be cancelled and/or replaced any time during the exposure period.

(c) Allocation of Exposed Orders. Any responses priced at the prevailing NBBO or better shall immediately trade against the order (on a first come, first served basis). At the conclusion of the exposure period, the Exchange will evaluate all remaining responses as well as the disseminated best bid/offer on other exchanges and execute any remaining portion of the exposed order to the fullest extent possible at the best price(s) by first executing against responses (pursuant to the matching algorithm in effect for the class except that the participation entitlement and market turner status shall not apply to responses), and, second, routing IOC ISOs to other exchanges. Any portion of a routed IOC ISOs that returns unfilled shall trade against the Exchange’s best bid/offer unless another exchange is quoting at a better price in which case new IOC ISOs shall be generated and routed to trade against such better prices. Any executions at the Exchange’s best bid/offer will first trade against interest that was resting at the price at the time the exposed order was received, and any remaining balance will trade against all new interest at that price (in both cases pursuant to the matching algorithm for that class). All executions on the Exchange pursuant to this paragraph shall comply with Rule 6.81. Executions will be subject to the price check parameter set forth in Rule 6.13(b)(v)(B) when such price check functionality is enabled, and any unexecuted portion of an order that does not execute following the exposure period will be handled as set forth in Rule 6.13(b)(v)(B)(III).

(d) Early Termination of Exposure Period. In addition to the receipt of a response to trade the entire exposed order at the NBBO or better, the exposure period will also terminate early under the following circumstances:

(i) If during the exposure period the Exchange receives an unrelated order (or quote) on the opposite side of the market from the exposed order that could trade against the exposed order at the prevailing NBBO price or better, then the orders will trade at the prevailing NBBO price unless the unrelated order is a customer order in which case the orders will trade at the midpoint of the unrelated order’s limit price and the prevailing NBBO. The exposure period shall not terminate if a quantity remains on the exposed order after such trade;
If during the exposure period the Exchange receives an unrelated order on the same side of the market as the exposed order that is priced equal to or better than the exposed order, then the exposure period shall terminate and the exposed order shall be processed in accordance with paragraph (c);

If during the exposure of an order that is marketable against the Exchange’s best bid/offer at the time the order was exposed (“Exchange Initial BBO”), Market-Maker interest at the Exchange Initial BBO decrements to a contract size equal to the size of the exposed order, then the exposure period shall terminate and the exposed order shall be processed in accordance with paragraph (c).

If during the exposure period of a market order the underlying security enters a limit up-limit down state, as defined in Rule 6.3A, then the exposure period shall terminate and any unexecuted portion of the exposed order shall be cancelled.

Adopted August 20, 2009 (09-040); amended June 18, 2010 (10-058); July 31, 2012 (12-048); April 5, 2013 (13-030); November 4, 2016 (16-053); May 10, 2019 (19-017).

.01 Redistributing the exposure messages provided by the Exchange to persons not eligible to respond to such messages pursuant to paragraph (b) above is prohibited, except in classes in which the Exchange allows all Trading Permit Holders to respond to such messages.

Adopted August 20, 2009 (09-040); amended July 31, 2012 (12-048).

.02 The Exchange may determine, on a class-by-class basis, to not route ISOs to other exchanges on behalf of non-public customer orders that are exposed pursuant to this Rule. In such cases, any unexecuted balance of such non-public customer orders shall be cancelled at the conclusion of the exposure period.

Adopted August 20, 2009 (09-040).

.03 All pronouncements regarding determinations by the Exchange pursuant to Rule 6.14A and the Interpretations and Policies thereunder will be announced to Trading Permit Holders via Regulatory Circular.

Adopted July 31, 2012 (12-048).

Rule 6.14B. Order Routing to Other Exchanges

The Exchange may automatically route intermarket sweep orders to other exchanges under certain circumstances, including pursuant to Rule 6.14A (“Routing Services”). In connection with such services, the following shall apply:

(a) Routing Services will be provided in conjunction with one or more routing brokers that are not affiliated with the Exchange. For each routing broker used by the Exchange, an agreement will be in place between the Exchange and the routing broker that will, among other
things, restrict the use of any confidential and proprietary information that the routing broker receives to legitimate business purposes necessary for routing orders at the direction of the Exchange.

(b) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the routing broker, and any other entity, including any affiliate of the routing broker, and, if the routing broker or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the routing broker or affiliate that provides the other business activities and the segment of the routing broker that provides the routing services.

(c) The Exchange may not use a routing broker for which the Exchange or any affiliate of the Exchange is the DEA.

(d) The Exchange will provide its Routing Services in compliance with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Exchange Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and issuers and other persons using its facilities, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

(e) For all Routing Services, the Exchange will determine the logic that provides when, how, and where orders are routed away to other exchanges.

(f) The routing broker will receive routing instructions from the Exchange, to route orders to other exchanges and report such executions back to the Exchange. The routing broker cannot change the terms of an order or the routing instructions, nor does the routing broker have any discretion about where to route an order.

(g) Any bid or offer entered on the Exchange routed to another exchange via a routing broker that results in an execution shall be binding on the Trading Permit Holder that entered such bid/offer.

(h) Each routing broker is required to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks of providing Trading Permit Holders and their customers access to other exchanges, pursuant to Rule 15c3-5 under the Exchange Act. Pursuant to the policies and procedures developed by the routing broker to comply with Rule 15c3-5, if an order or series of orders are deemed by the routing broker to violate the applicable pre-trade requirements of Rule 15c3-5, the routing broker will reject the order(s) prior to routing and may seek to cancel any orders that have been routed.

Adopted August 20, 2009 (09-040); amended June 18, 2010 (10-058); June 27, 2015 (15-053); May 10, 2019 (19-017).

... Interpretations and Policies:
.01 Rule 6.14B does not prohibit a routing broker from designating a preferred market-maker at
the other exchange to which the order is being routed pursuant to Rule 6.14B.

Adopted November 5, 2012 (12-096).

Rule 6.14C. Routing Service Error Accounts

Each routing broker shall maintain, in the name of the routing broker, one or more accounts for
the purpose of liquidating unmatched trade positions that may occur in connection with the routing
service provided under Rule 6.14B (“error positions”). The Exchange may also maintain, in the
name of the Exchange, one or more accounts (each an “Exchange Error Account”) for the purpose
of liquidating error positions in the circumstances described below.

For purposes of this Rule:

(a) Errors to which this Rule applies include any action or omission by the Exchange,
a routing broker, or another exchange to which an Exchange order has been routed, that result in
an unmatched trade position due to the execution of an order that is subject to the away market
routing service and for which there is no corresponding order to pair with the execution (each a
“routing error”). Such routing errors would include, without limitation, positions resulting from
determinations by the Exchange to cancel or release an order pursuant to Rule 6.6A.

(b) An error position will generally be liquidated in a routing broker’s error account. An Exchange Error Account may (but is not required to) be utilized in instances where a routing broker is unable to utilize its own error account or when the routing error is due to a technical or systems issue at the Exchange.

(c) The Exchange shall not accept any positions in an Exchange Error Account from
an account of a Trading Permit Holder or permit any Trading Permit Holder to transfer any
positions from the Trading Permit Holder’s account to an Exchange Error Account.

(d) To the extent a routing broker utilizes its own account to liquidate error positions,
the routing broker shall liquidate the error positions as soon as practicable. The routing broker
shall:

(i) establish and enforce policies and procedures reasonably designed to (1)
adequately restrict the flow of confidential and proprietary information associated with the
liquidation of the error positions in accordance with Rule 6.14B, and (2) prevent the use of
information associated with other orders subject to the routing services when making
determinations regarding the liquidation of error positions; and

(ii) make and keep records associated with the liquidation of such routing
broker error positions and shall maintain such records in accordance with Rule 17a-4 under
the Exchange Act.

(e) To the extent the Exchange utilizes an Exchange Error Account to liquidate error
positions, the Exchange shall liquidate error positions as soon as practicable. The Exchange shall:
(i) provide complete time and price discretion for the trading to liquidate error positions in an Exchange Error Account to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading. Such a third-party broker-dealer may include a routing broker not affiliated with the Exchange;

(ii) establish and enforce policies and procedures reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the third-party broker-dealer associated with the liquidation of the error positions; and

(iii) make and keep records to document all determinations to treat positions as error positions under this Rule (whether or not an Exchange Error Account is utilized to liquidate such error positions), as well as records associated with the liquidation of Exchange Error Account error positions through a third-party broker-dealer, and shall maintain such records in accordance with Rule 17a-1 under the Exchange Act.


Rule 6.15. Limitation on the Liability of Index Licensors for Options on Units

(a) The term “index licensor” as used in this rule refers to any entity that grants the Exchange a license to use one or more indexes or portfolios in connection with the trading of options on Units (as defined in Interpretation .06 to Rule 5.3).

(b) No index licensor with respect to any index pertaining to Units underlying an option traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Units based thereon or for any other purpose. The index licensor shall obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the index licensor does not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The index licensor hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any such index, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Units based thereon. The index licensor shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person’s use of such index, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Units based thereon, or arising out of any errors or delays in calculating or disseminating such index.

Approved April 24, 2002 (2001-19).

Rule 6.16. Back-up Trading Arrangements

(a) Cboe Options is Disabled Exchange.
(1) Cboe Options Exclusively Listed Options.

A. For purposes of this Rule 6.16, the term “exclusively listed option” means an option that is listed exclusively by an exchange (because the exchange has an exclusive license to use, or has proprietary rights in, the interest underlying the option).

B. Cboe Options may enter into arrangements with one or more other exchanges (each a “Back-up Exchange”) to permit Cboe Options and its Trading Permit Holders to use a portion of the Back-up Exchange’s facilities to conduct the trading of some or all of Cboe Options’ exclusively listed options in the event that the functions of Cboe Options are severely and adversely affected by an emergency or extraordinary circumstances (a “Disabling Event”). Such option classes shall trade as listings of Cboe Options. The facility of the Back-up Exchange used by Cboe Options for this purpose will be deemed to be a facility of Cboe Options.

C. Trading of Cboe Options exclusively listed options on Cboe Options’s facility at the Back-up Exchange shall be conducted in accordance with the rules of the Back-up Exchange, except that (i) such trading shall be subject to Cboe Options rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, (ii) Cboe Options Trading Permit Holders that are trading on Cboe Options’s facility at the Back-up Exchange (not including members of the Back-up Exchange who become temporary Trading Permit Holders of Cboe Options pursuant to paragraph (a)(1)(F)) will be subject to Cboe Options rules governing or applying to the maintenance of a person’s or a firm’s status as a Trading Permit Holder of Cboe Options, and (iii) Cboe Options Rule 8.87.01 may be utilized to establish a lower DPM participation rate applicable to trading on Cboe Options’s facility on the Back-up Exchange than the rate that is applicable under the rules of the Back-up Exchange if agreed to by Cboe Options and the Back-up Exchange. In addition, Cboe Options and the Back-up Exchange may agree that other Cboe Options rules will apply to such trading. Cboe Options and the Back-up Exchange have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of Cboe Options exclusively listed options on Cboe Options’s facility at the Back-up Exchange. Cboe Options shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to Cboe Options’s facility at the Back-up Exchange.
E. Cboe Options shall have the right to designate its Trading Permit Holders that will be authorized to trade Cboe Options exclusively listed options on Cboe Options’s facility at the Back-up Exchange and, if applicable, its Trading Permit Holder(s) that will be an LMM or DPM in those options. If the Back-up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade on Cboe Options’s facility at the Back-up Exchange, Cboe Options may determine which Trading Permit Holders shall be eligible to trade at that facility. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder’s contribution to the market in the applicable product(s).

F. Members of the Back-up Exchange shall not be authorized to trade in any Cboe Options exclusively listed options, except that (i) Cboe Options may deputize willing floor brokers of the Back-up Exchange as temporary Cboe Options Trading Permit Holders to permit them to execute orders as brokers in Cboe Options exclusively listed options traded on Cboe Options’s facility at the Back-up Exchange, and (ii) the Back-up Exchange has agreed that it will, at the instruction of Cboe Options, select members of the Back-up Exchange that are willing to be deputized by Cboe Options as temporary Cboe Options Trading Permit Holders authorized to trade Cboe Options exclusively listed options on Cboe Options’s facility at the Back-up Exchange for such period of time following a Disabling Event as Cboe Options determines to be appropriate, and Cboe Options may deputize such members of the Back-up Exchange as temporary Cboe Options Trading Permit Holders for that purpose.

(2) Cboe Options Singly Listed Options.

A. For purposes of this Rule 6.16, the term “singly listed option” means an option that is not an “exclusively listed option” but that is listed by an exchange and not by any other national securities exchange.

B. Cboe Options may enter into arrangements with a Back-up Exchange under which the Back-up Exchange will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by Cboe Options and not by the Back-up Exchange. Any such option classes listed by the Back-up Exchange shall trade on the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such option classes shall be traded by members of the Back-up Exchange and by Cboe Options Trading Permit Holders selected by Cboe Options to the extent the Back-up Exchange can accommodate Cboe Options Trading Permit Holders in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade singly listed options at the Back-up Exchange, Cboe Options may determine which Trading Permit Holders shall be eligible to trade such options at the Back-up Exchange. Factors to be
considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder’s contribution to the market in the applicable product(s).

C. Any options class listed by the Back-up Exchange pursuant to paragraph (a)(2)(B) that does not satisfy the standard listing and maintenance criteria of the Back-up Exchange will be subject, upon listing by the Back-up Exchange, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in the rules of the Back-up Exchange).

(3) Multiply Listed Options.

Cboe Options may enter into arrangements with a Back-up Exchange to permit Cboe Options Trading Permit Holders to conduct trading on a Back-up Exchange of some or all of Cboe Options’s multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such options shall be traded by members of the Back-up Exchange and by Cboe Options Trading Permit Holders selected by Cboe Options to the extent the Back-up Exchange can accommodate Cboe Options Trading Permit Holders in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Cboe Options Trading Permit Holders that desire to trade multiply listed options at the Back-up Exchange, Cboe Options may determine which Trading Permit Holders shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the Trading Permit Holder is a DPM or LMM in the applicable product(s), the number of contracts traded by the Trading Permit Holder in the applicable product(s), market performance, and other factors relating to a Trading Permit Holder’s contribution to the market in the applicable product(s).

(b) Cboe Options is Back-up Exchange.

(1) Disabled Exchange Exclusively Listed Options.

A. Cboe Options may enter into arrangements with one or more other exchanges (each a “Disabled Exchange”) to permit the Disabled Exchange and its members to use a portion of Cboe Options’s facilities to conduct the trading of some or all of the Disabled Exchange’s exclusively listed options in the event of a Disabling Event. Such option classes shall trade as listings of the Disabled Exchange. The facility of Cboe Options used by the Disabled Exchange for this purpose will be deemed to be a facility of the Disabled Exchange.
B. Trading of the Disabled Exchange’s exclusively listed options on the Disabled Exchange’s facility at Cboe Options shall be conducted in accordance with Cboe Options rules, except that (i) such trading shall be subject to the Disabled Exchange’s rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements and position limits, and (ii) members of the Disabled Exchange that are trading on the Disabled Exchange’s facility at Cboe Options (not including Cboe Options Trading Permit Holders who become temporary members of the Disabled Exchange pursuant to paragraph (b)(1)(D)) will be subject to the rules of the Disabled Exchange governing or applying to the maintenance of a person’s or a firm’s status as a member of the Disabled Exchange. In addition, the Disabled Exchange and Cboe Options may agree that other Disabled Exchange rules will apply to such trading. The Disabled Exchange and Cboe Options have agreed to communicate to their members Trading Permit Holders, respectively, which rules apply in advance of trading.

C. Cboe Options will perform the related regulatory functions with respect to trading of the Disabled Exchange’s exclusively listed options on the Disabled Exchange’s facility at Cboe Options, in each case except as the Disabled Exchange and Cboe Options may specifically agree otherwise. Cboe Options and the Disabled Exchange have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of the Disabled Exchange’s exclusively listed options on the Disabled Exchange’s facility at Cboe Options. The Disabled Exchange has agreed that it shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to the Disabled Exchange’s facility at Cboe Options.

D. Cboe Options Trading Permit Holders shall not be authorized to trade in any exclusively listed options of the Disabled Exchange, except (i) that the Disabled Exchange may deputize willing Cboe Options floor brokers as temporary members of the Disabled Exchange to permit them to execute orders as brokers in exclusively listed options of the Disabled Exchange traded on the facility of the Disabled Exchange at Cboe Options, and (ii) at the instruction of the Disabled Exchange, Cboe Options shall select Cboe Options Trading Permit Holders that are willing to be deputized by the Disabled Exchange as temporary members of the Disabled Exchange authorized to trade the Disabled Exchange’s exclusively listed options on the facility of the Disabled Exchange at Cboe Options for such period of time following a Disabling Event as the Disabled Exchange determines to be appropriate, and the Disabled Exchange may deputize such Cboe Options Trading Permit Holders as temporary members of the Disabled Exchange for that purpose.

(2) Disabled Exchange Singly Listed Options.

A. Cboe Options may enter into arrangements with a Disabled Exchange under which Cboe Options will agree, in the event of a Disabling Event, to list for trading singly listed option classes that are then singly listed only by the Disabled Exchange and not by Cboe Options. Any such option classes listed by Cboe Options shall trade on Cboe Options and in accordance with Cboe Options
rules. Such option classes shall be traded by Cboe Options Trading Permit Holders and by members of the Disabled Exchange selected by the Disabled Exchange to the extent Cboe Options can accommodate members of the Disabled Exchange in the capacity of temporary Trading Permit Holders of Cboe Options. Cboe Options may allocate such option classes to a Cboe Options DPM in advance of a Disabling Event, without utilizing the allocation process under Cboe Options Rule 8.95, to enable Cboe Options to quickly list such option classes upon the occurrence of a Disabling Event.

B. Any options class listed by Cboe Options pursuant to paragraph (b)(2)(A) that does not satisfy the listing and maintenance criteria under Cboe Options rules will be subject, upon listing by Cboe Options, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in Cboe Options rules).

(3) Multiply Listed Options.

Cboe Options may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange’s members to conduct trading on Cboe Options of some or all of the Disabled Exchange’s multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of Cboe Options and in accordance with Cboe Options rules. Such options shall be traded by Cboe Options Trading Permit Holders and by members of the Disabled Exchange to the extent Cboe Options can accommodate members of the Disabled Exchange in the capacity of temporary Trading Permit Holders of Cboe Options.

(c) Member Obligations.

(1) Temporary Members of the Disabled Exchange

A. A Cboe Options Trading Permit Holder acting in the capacity of a temporary member of the Disabled Exchange pursuant to paragraph (b)(1)(D) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of the Disabled Exchange at Cboe Options, including the rules of the Disabled Exchange to the extent applicable during the period of such trading. Additionally, (i) such Cboe Options Trading Permit Holder shall be deemed to have satisfied, and the Disabled Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person’s or a firm’s status as a member of the Disabled Exchange, including all dues, fees and charges imposed generally upon members of the Disabled Exchange based on their status as such, (ii) such Cboe Options Trading Permit Holder shall have none of the rights of a member of the Disabled Exchange except the right to conduct business on the facility of the Disabled Exchange at Cboe Options to the extent described in this Rule, (iii) the TPH organization associated with such Cboe Options Trading Permit Holder, if any, shall be responsible for all obligations arising out of that Cboe Options Trading Permit Holder’s activities on or relating to the Disabled Exchange, and (iv) the Clearing Trading Permit Holder of such Cboe Options Trading Permit
Holder shall guarantee and clear the transactions of such Cboe Options Trading Permit Holder on the Disabled Exchange.

B. A member of a Back-up Exchange acting in the capacity of a temporary Trading Permit Holder of Cboe Options pursuant to paragraph (a)(1)(F) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of Cboe Options at the Back-up Exchange, including Cboe Options rules to the extent applicable during the period of such trading. Additionally, (i) such temporary Trading Permit Holder shall be deemed to have satisfied, and Cboe Options will waive specific compliance with, rules governing or applying to the maintenance of a person’s or a firm’s status as a Trading Permit Holder of Cboe Options, including all dues, fees and charges imposed generally upon Cboe Options Trading Permit Holders based on their status as such, (ii) such temporary Trading Permit Holder shall have none of the rights of a Cboe Options Trading Permit Holder except the right to conduct business on the facility of Cboe Options at the Back-up Exchange to the extent described in this Rule, (iii) the member organization associated with such temporary Trading Permit Holder, if any, shall be responsible for all obligations arising out of that temporary Trading Permit Holder’s activities on or relating to Cboe Options, and (iv) the Clearing Trading Permit Holder of such temporary Trading Permit Holder shall guarantee and clear the transactions on Cboe Options of such temporary Trading Permit Holder.

(2) Temporary Members of the Back-up Exchange

A. A Cboe Options Trading Permit Holder acting in the capacity of a temporary member of the Back-up Exchange pursuant to paragraphs (a)(2)(B) or (a)(3) shall be subject to, and obligated to comply with, the rules of the Back-up Exchange that are applicable to the Back-up Exchange’s own members. Additionally, (i) such Cboe Options Trading Permit Holder shall be deemed to have satisfied, and the Back-up Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person’s or a firm’s status as a member of the Back-up Exchange, including all dues, fees and charges imposed generally upon members of the Back-up Exchange based on their status as such, (ii) such Cboe Options Trading Permit Holder shall have none of the rights of a member of the Back-up Exchange except the right to conduct business on the Back-up Exchange to the extent described in this Rule, (iii) the TPH organization associated with such Cboe Options Trading Permit Holder, if any, shall be responsible for all obligations arising out of that Cboe Options Trading Permit Holder’s activities on or relating to the Back-up Exchange, (iv) the Clearing Trading Permit Holder of such Cboe Options Trading Permit Holder shall guarantee and clear the transactions of such Cboe Options Trading Permit Holder on the Back-up Exchange, and (v) such Cboe Options Trading Permit Holder shall only be permitted (x) to act in those capacities on the Back-up Exchange that are authorized by the Back-up Exchange and that are comparable to capacities in which the Cboe Options Trading Permit Holder has been authorized to act on Cboe Options, and (y) to trade in those option classes in which the Cboe Options Trading Permit Holder is authorized to trade on Cboe Options.
B. A member of a Disabled Exchange acting in the capacity of a temporary Trading Permit Holder of Cboe Options pursuant to paragraphs (b)(2)(A) or (b)(3) shall be subject to, and obligated to comply with, Cboe Options rules that are applicable to Cboe Options’s own Trading Permit Holders. Additionally, (i) such temporary Trading Permit Holder shall be deemed to have satisfied, and Cboe Options will waive specific compliance with, rules governing or applying to the maintenance of a person’s or a firm’s status as a Trading Permit Holder of Cboe Options, including all dues, fees and charges imposed generally upon Cboe Options Trading Permit Holders based on their status as such, (ii) such temporary Trading Permit Holder shall have none of the rights of a Cboe Options Trading Permit Holder except the right to conduct business on Cboe Options to the extent described in this Rule, (iii) the member organization associated with such temporary Trading Permit Holder, if any, shall be responsible for all obligations arising out of that temporary Trading Permit Holder’s activities on or relating to Cboe Options, (iv) the Clearing Trading Permit Holder of such temporary Trading Permit Holder shall guarantee and clear the transactions of such temporary Trading Permit Holder on the Cboe Options, and (v) such temporary Trading Permit Holder shall only be permitted (x) to act in those Cboe Options capacities that are authorized by Cboe Options and that are comparable to capacities in which the temporary Trading Permit Holder has been authorized to act on the Disabled Exchange, and (y) to trade in those option classes in which the temporary Trading Permit Holder is authorized to trade on the Disabled Exchange.

(d) Member Proceedings.

(1) If Cboe Options initiates an enforcement proceeding with respect to the trading during a back-up period of the singly or multiply listed options of the Disabled Exchange by a temporary Trading Permit Holder of Cboe Options or the exclusively listed options of the Disabled Exchange by a member of the Disabled Exchange (other than a Cboe Options Trading Permit Holder who is a temporary member of the Disabled Exchange), and such proceeding is in process upon the conclusion of the back-up period, Cboe Options may transfer responsibility for such proceeding to the Disabled Exchange following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of singly or multiply listed options of the Disabled Exchange or of exclusively listed options of the Disabled Exchange on the Disabled Exchange’s facility at Cboe Options will be conducted in accordance with Cboe Options rules, unless the parties to an arbitration agree that it shall be conducted in accordance with the rules of the Disabled Exchange.

(2) If the Back-up Exchange initiates an enforcement proceeding with respect to the trading during a back-up period of Cboe Options singly or multiply listed options by a temporary member of the Back-up Exchange or Cboe Options exclusively listed options by a Cboe Options Trading Permit Holder (other than a member of the Back-up Exchange who is a temporary Trading Permit Holder of Cboe Options), and such proceeding is in process upon the conclusion of the back-up period, the Back-up Exchange may transfer responsibility for such proceeding
to Cboe Options following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of Cboe Options singly or multiply listed options on the Back-up Exchange or of Cboe Options exclusively listed options on the facility of Cboe Options at the Back-up Exchange will be conducted in accordance with the rules of the Back-up Exchange, unless the parties to an arbitration agree that it shall be conducted in accordance with Cboe Options rules.

(e) Trading Permit Holder Preparations.

Cboe Options Trading Permit Holders are required to take appropriate actions as instructed by Cboe Options to accommodate Cboe Options’s back-up trading arrangements with other exchanges and Cboe Options’s own back-up trading arrangements.

Approved May 19, 2005 (04-59); amended June 18, 2010 (10-058); amended May 10, 2019 (19-017).

... Interpretations and Policies:

.01 This Rule 6.16 reflects back-up trading arrangements that Cboe Options has entered into or may enter into with one or more other exchanges. To the extent that this Rule provides that another exchange will take certain action, the Rule is reflecting what that exchange has agreed to do by contractual agreement with Cboe Options, but the Rule itself is not binding upon the other exchange.

Approved May 19, 2005 (04-59).

Rule 6.17. Authority to Take Action Under Emergency Conditions

The Chief Executive Officer or the President (or his or her senior-level designee) shall have the power to halt or suspend trading in some or all securities traded on the Exchange, to close some or all Exchange facilities, to determine the duration of any such halt, suspension or closing, to take one or more of the actions permitted to be taken by any person or body of the Exchange under Exchange rules, or to take any other action deemed to be necessary or appropriate for the maintenance of a fair and orderly market or the protection of investors, or otherwise in the public interest, due to emergency conditions or extraordinary circumstances, such as (1) actual or threatened physical danger, severe climatic conditions, natural disaster, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by the Exchange, or (2) a request by a governmental agency or official, or (3) a period of mourning or recognition for a person or event.

Approved May 19, 2005 (04-59); amended July 12, 2016 (16-047); amended May 10, 2019 (19-017).

Rule 6.18. Disaster Recovery

(a) General. The Exchange maintains business continuity and disaster recovery plans that may be effected in the interests of the continued operation of fair and orderly markets in the
event of a systems failure, disaster, or other unusual circumstances that might threaten the ability
to conduct business on the Exchange.

(b) Back-up Data Center. The Exchange maintains a back-up data center in order to
preserve the Exchange’s ability to conduct business in the event the Exchange’s primary data
center becomes inoperable or otherwise unavailable for use due to a significant systems failure,
disaster or other unusual circumstances. The purpose of this back-up data center is to allow the
Exchange to operate if the primary data center becomes inoperable.

(i) Back-up Data Center Functionality. The Exchange’s back-up data center
shall be reasonably designed, as determined by the Exchange, to achieve prompt
resumption of systems consistent with Regulation Systems Compliance and Integrity.
Nothing in paragraph (b) of this Rule shall be interpreted to require the Exchange to
develop or maintain a back-up data center designed to fully replicate the capacity, latency,
and other features of the primary data center.

(ii) Notice. Prior to commencing trading on the back-up data center, the
Exchange shall announce publicly the classes that will be available for trading.

(iii) Applicable Rules. In the event the primary data center becomes inoperable,
trading will continue using the back-up data center and all trading rules will remain in
effect. Only conduct permissible pursuant to trading rules that are in force shall be allowed
via the back-up data center. All non-trading rules of the Exchange shall continue to apply.

(iv) Trading Permit Holder Participation. Trading Permit Holders are required
to take appropriate actions as instructed by the Exchange to accommodate the Exchange’s
ability to conduct business via the back-up data center.

(A) Designated BCP/DR Participants. The Exchange shall designate
those Trading Permit Holders that the Exchange determines are, as a whole,
necessary for the maintenance of fair and orderly markets in the event of the
activation of the Exchange’s business continuity and disaster recovery plans
(“Designated BCP/DR Participants”).

(1) Designated BCP/DR Participants will be identified based on
criteria determined by the Exchange and announced via Regulatory
Circular, which may include whether the TPH is an appointed DPM, LMM,
or Market-Maker in a class and the quality of markets provided by the DPM,
LMM, or Market-Maker, the amount of volume transacted by the market
participant in a class or on the Exchange in general, operational capacity,
trading experience, and historical contribution to fair and orderly markets
on the Exchange.

(2) Designated BCP/DR Participants shall include, at a
minimum, all Market-Makers in option classes exclusively listed on the
Exchange that stream quotes in such classes and all DPMs in multiply listed
option classes.
(B) Alternative BCP/DR Participant Obligations. During the use of the back-up data center, the Exchange may, if necessary for the maintenance of fair and orderly markets, establish heightened quoting obligations for Designated BCP/DR Participants in a class in which the Designated BCP/DR Participant is already an appointed LMM or Market-Maker up to the standards specified for DPMs in Rule 8.85(a) and/or disallow the ability to deselect an appointment intraday in a class in which the Designated BCP/DR Participant is already an appointed Market-Maker. The Exchange will notify market participants of any of these additional temporary requirements prior to implementation in a reasonable manner as determined by the Exchange.

(C) Fair and Orderly Market Conditions. Nothing in paragraph (b)(iv) of this Rule shall be interpreted to require the Exchange to assume that average levels of liquidity, depth, or other characteristics of a usual trading session must be present in order to achieve a fair and orderly market.

(D) Business Continuity and Disaster Recovery Plans Testing. The Exchange shall require Designated BCP/DR Participants and may require other market participants to participate in scheduled business continuity and disaster recovery plans tests in the manner and frequency prescribed by the Exchange.

1. Documentation and Reports. The Exchange may require Designated BCP/DR Participants and/or other market participants to provide documentation and reports regarding tests conducted pursuant to this Rule, including related data and information, as may be requested by the Exchange and in the manner and frequency prescribed by the Exchange.

2. Notice. The Exchange will provide reasonable prior notice of scheduled business continuity and disaster recovery plans tests to Trading Permit Holders, which notice shall describe the general nature of the test(s) and identify the Trading Permit Holders required to participate and shall be announced via Regulatory Circular.

(c) Operation via Open Outcry. If the Exchange’s primary and back-up data centers become inoperable or otherwise unavailable for use due to a significant systems failure, disaster, or other unusual circumstances, in the interests of maintaining fair and orderly markets or for the protection of investors, the Exchange may determine, on a class-by-class basis, to temporarily allow trading in its exclusively-licensed and/or proprietary products in an exclusively floor-based environment via open outcry in order to preserve the Exchange’s ability to conduct business in those option classes.

(d) Loss of Trading Floor. If the Exchange trading floor becomes inoperable, the Exchange will continue to operate in a screen-based only environment using a floorless configuration of the Hybrid Trading System located in the primary data center that is operational while the trading floor facility is inoperable. The Exchange will operate using this configuration only until the Exchange’s trading floor facility is operational. Open outcry trading will not be
available in the event the trading floor becomes inoperable, except in accordance with paragraph (ii) below and pursuant to Rule 6.16 (Back-up Trading Arrangements), as applicable.

(i) Applicable Rules. In the event that the trading floor becomes inoperable, trading will be conducted pursuant to all applicable Hybrid System rules, except that open-outcry rules shall not be in force. In these circumstances, a non-exclusive list of trading rules that will not apply include either all or some portion of Rules 6.2, 6.9, 6.12A, 6.12B, 6.20, 6.22, 6.23, 6.45, 6.47, 6.54, 6.74, 8.15, and 8.17. All non-trading rules of the Exchange shall continue to apply.

(ii) Other Back-up Trading Arrangements. This Rule does not preclude the Exchange from conducting business, in the event the trading floor is rendered inoperable, pursuant to Rule 6.16 (Back-up Trading Arrangements).

(e) Deactivation of Certain Systems. In the event of a systems disruption or malfunction, security intrusion, systems compliance issue, or other unusual circumstances, the Exchange may, in accordance with the Rules or, if necessary, to maintain fair and orderly markets or to protect investors, temporarily deactivate certain systems or systems functionalities that are not essential to conducting business on the Exchange. The Exchange will notify market participants of any such deactivation, and any subsequent reactivation, promptly and in a reasonable manner determined by the Exchange.

(f) Connectivity Restriction. The Exchange may temporarily restrict a Trading Permit Holder’s or associated person’s access to the Hybrid Trading System or other electronic trading systems if it is determined by the President (or senior-level designee) of the Exchange, that because of a systems issue, such access threatens the Exchange’s ability to operate systems essential to the maintenance of fair and orderly markets. Such access would remain restricted until the end of the trading session or an earlier time if the President (or senior-level designee) of the Exchange, in consultation with the affected Trading Permit Holder(s), determines that lifting the restriction no longer poses a threat to the Exchange’s ability to operate systems essential to conducting business or continuing to maintain a fair and orderly market on the Exchange or to investors.

Approved July 24, 2006 (06-01); amended June 18, 2010 (10-058); November 27, 2012 (12-111); October 8, 2015 (15-088); amended June 23, 2017 (17-044); January 3, 2018 (18-010); May 10, 2019 (19-017).

Rule 6.19. Reserved

 Adopted September 25, 2014 (14-066); amended May 7, 2015 (15-039).

Section B: Trading Permit Holder Activities on the Floor

 Rule 6.20. Admission to and Conduct on the Trading Floor; Trading Permit Holder Education

(a) Admission to Trading Floor. Unless otherwise provided in the Rules, no one but a Trading Permit Holder or PAR Official designated by the Exchange pursuant to Rule 6.12B shall make any transaction on the floor of the Exchange. Admission to the floor shall be limited to
Trading Permit Holders, employees of the Exchange, clerks employed by Trading Permit Holders and registered with the Exchange, service personnel and Exchange visitors authorized admission to the floor pursuant to Exchange policy, and such other persons permitted admission to the floor by the President of the Exchange or his designee.

(b) Conduct on the Exchange. Trading Permit Holders and persons employed by or associated with any Trading Permit Holder, while on any premises of the Exchange, including the trading floor of the Exchange, shall not engage in conduct (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; (iii) inconsistent with the ordinary and efficient conduct of business; or (iv) detrimental to the safety or welfare of any other person.

(c) Fines Imposed by Floor Officials. The Exchange shall periodically issue fine schedules setting forth which violations of the Exchange’s trading conduct and decorum policies are subject to fines pursuant to Rule 17.50 and the specific dollar amounts of such fines. Floor Officials may (i) fine Trading Permit Holders and persons employed by or associated with Trading Permit Holders pursuant to Rule 17.50 for trading conduct and decorum violations which are subject to fine under such fine schedules, (ii) direct Trading Permit Holders and persons employed by or associated with Trading Permit Holders to act or cease to act in a manner to ensure compliance with Exchange Rules and accepted and established standards of trading conduct and decorum and/or (iii) refer violations of the foregoing for disciplinary action pursuant to Chapter XVII of the Rules. In addition, two Floor Officials in consultation with a designated senior executive officer of the Exchange, may summarily exclude a Trading Permit Holder or person associated with a Trading Permit Holder from the Exchange premises for not longer than the remainder of the trading day for any violation of the Exchange’s trading conduct and decorum policies that is classified as a Class A offense, except for those Class A offenses specified by Exchange Regulatory Circulars as not qualifying the offender for summary exclusion. Any action taken by Floor Officials under this paragraph (c) shall not preclude additional disciplinary action under Chapter XVII of the Rules. Any application or interpretation of Rules, and any decision to impose a fine under this paragraph (c), shall be agreed upon by at least two Floor Officials. Floor Officials shall file with the Exchange a written report of any action taken pursuant to authority specifically granted them by the Rules and of any interpretation of the Rules.

(d) Clerks of Trading Permit Holders. While on the trading floor, clerks shall display at all times the badge(s) supplied to them by the Exchange. Any Market-Maker clerk who writes up an option or stock order must give his employer a copy of that order before it is delivered; the employer must retain the copy on his person until it is executed. A clerk receiving a phone order must initial, must mark as opening or closing, and must time-stamp the order. A clerk shall remain at a booth assigned to his employer or assigned to his employer’s clearing firm unless he is (i) entering or leaving the trading floor, (ii) transmitting or checking the status of an order or reporting a fill, (iii) standing in the same crowd as his employer who is a Market-Maker or Floor Broker, (iv) supervising his firm’s clerks if he is a floor manager or (v) acting as a clerk for an order service firm. Only order service firm clerks and Market-Maker or Floor-Broker clerks may stand in or near a trading crowd; in the latter case, the Market-Maker or Floor Broker must be present in the same trading crowd. Quote terminals on the trading floor (except those located in booths) may not be used by a clerk unless his employer is a Market-Maker or Floor Broker who is standing near the quote terminal.
(e) Educational Classes. Trading Permit Holders and persons associated with Trading Permit Holders are required to attend such educational classes as the Exchange may require from time to time. Failure to attend Exchange mandated continuing educational classes may subject Trading Permit Holders and persons associated with Trading Permit Holders to sanctions pursuant to the Exchange’s Minor Rule Violation Plan provided in Exchange Rule 17.50. Any action taken by Floor Officials hereunder shall not preclude further disciplinary action under Chapter XVII of the Rules.

Amended December 1, 1974; January 11, 1979; January 19, 1982; May 5, 1983; February 5, 1986; February 13, 1992, effective March 2, 1992 (91-25); October 14, 1994 (94-16); May 21, 1998 (98-12); October 27, 1998 (98-22); November 13, 2002 (02-39); November 18, 2005 (05-46); May 23, 2008 (08-02); June 18, 2010 (10-058); July 12, 2016 (16-047); January 3, 2018 (18-010).

... Interpretations and Policies:

.01 Only those Trading Permit Holders who have been approved to perform a floor function are authorized to enter into transactions on the floor. Such Trading Permit Holders include Floor Brokers who are registered pursuant to Rule 6.71 and Market-Makers registered pursuant to Rules 8.2 and 8.3. While on the floor such floor Trading Permit Holders shall at all times display a floor Trading Permit Holder’s badge.

Issued April 15, 1973; amended January 11, 1979; June 18, 2010 (10-058); June 27, 2015 (15-053).

.02 Reserved

Amended January 3, 2018 (18-010).

Issued January 11, 1979; amended November 18, 2005 (05-46).

.03 Deleted August 18, 2000 (99-15).

.04 Activities which may violate the provisions of Rule 6.20(b) include, but are not limited to, the following:

(i) Effecting or attempting to effect a transaction with no public outcry in violation of Rule 6.74;

(ii) Reserved

(iii) Failure of a Market-Maker to bid or offer within the ranges specified by Rule 8.7(b);

(iv) Failure of a Trading Permit Holder or an associated person of a Trading Permit Holder in a supervisory capacity to adequately supervise a person employed by or associated with such Trading Permit Holder to ensure that person’s compliance with the provisions of Exchange Rules 6.20(a), (b), (c), and (d);

(v) Failure to abide by a determination of Floor Officials;
(vi) Refusal to provide information requested by a Floor Official acting in his official capacity; and

(vii) Failure to abide by the provisions of Rule 8.51.


.05 Two Floor Officials may nullify a transaction or adjust its terms if they determine the transaction to have been in violation of Rules 6.43, 6.45, 6.46, 6.47, or 8.51. Trades subject to adjustment or nullification pursuant to Rule 6.25 shall be subject to the procedures set forth in Rule 6.25.

Issued January 19, 1982; amended June 13, 1989, effective July 24, 1989 (89-04); November 24, 2003 (01-04); January 24, 2017 (17-009).

.06 Deleted February 5, 1986.

.07 Reserved


.08 Deleted December 2, 1997.

Approved April 9, 1990 (90-03); amended February 13, 1992, effective March 2, 1992 (91-25); October 6, 1997 (97-44); deleted December 2, 1997 (97-61).

.09 Reserved.

Amended May 23, 2008 (08-02).

.10 Where a Trading Permit Holder or person associated with a Trading Permit Holder is summarily excluded from the trading floor pursuant to Rule 6.20(c), that Trading Permit Holder or associated person shall have the right to request reinstatement from Floor Officials after a sufficient “cooling-off” period has elapsed. If, in the judgment of two Floor Officials, the Trading Permit Holder or associated person no longer poses an immediate threat to the safety of persons or property, the Trading Permit Holder or associated person shall be permitted to return to the trading floor.

Approved February 13, 1992, effective March 2, 1992 (91-25); amended December 22, 1995 (95-52); December 2, 1997 (97-61); April 2, 2001 (01-15); November 13, 2002 (02-39); May 30, 2003 (02-05); June 18, 2010 (10-058).

Rule 6.20A. Sponsored Users

(a) General. This Rule governs electronic access for the entry and execution of orders by Sponsored Users with authorized access to the facilities and products specified below (referred
to herein as the “Exchange System(s)” and the applicable requirements that Sponsored Users and
Sponsoring Trading Permit Holders are required to satisfy in order to engage in a Sponsoring
Trading Permit Holder/Sponsored User relationship. For purposes of this Rule, a “Sponsored
User” is a person or entity that has entered into a sponsorship arrangement with a Sponsoring
Trading Permit Holder for purposes of receiving electronic access to the Exchange System(s).

(b) Sponsored User. A Sponsored User may obtain and maintain authorized electronic
access to the Exchange System(s), only if such access is authorized in advance by one or more
Sponsoring Trading Permit Holders as follows:

(1) A Sponsored User must enter into a sponsorship arrangement with
a “Sponsoring Trading Permit Holder,” which is defined as a TPH organization that
agrees to sponsor the Sponsored User’s access to the Exchange System(s). The
sponsorship arrangement consists of three separate components:

(i) The Sponsored User must enter into and maintain a customer
agreement(s) with its Sponsoring Trading Permit Holder(s), estab-
ish a proper
relationship(s) and account(s) through which the Sponsored User will be permitted
to trade on the Exchange System(s).

(ii) For a Sponsored User to obtain and maintain authorized access to
the Exchange System(s), the Sponsored User and its Sponsoring Trading Permit
Holder must enter into a written agreement that incorporates the following
sponsorship provisions:

(A) The Sponsored User and its Sponsoring Trading Permit
Holder must have entered into and maintained a Sponsored User Agreement
with the Exchange.

(B) The Sponsoring Trading Permit Holder acknowledges and
agrees that:

(I) all orders entered by its Sponsored User, any person
acting on behalf of such Sponsored User (e.g., employees or agents
of the Sponsored User), or any person acting in the name of such
Sponsored User (e.g., customers of the Sponsored User) and any
executions occurring as a result of such orders are binding in all
respects on the Sponsoring Trading Permit Holder; and

(II) the Sponsoring Trading Permit Holder is responsible
for any and all actions taken by such Sponsored User and any person
acting on behalf of or in the name of such Sponsored User.

(C) The Sponsoring Trading Permit Holder agrees that it will be
bound by and comply with the Exchange’s Certificate of Incorporation,
Bylaws, Rules and procedures, as well as any other equivalent documents
pertaining to the Exchange System(s) (the “Exchange Rules”), and the
Sponsored User agrees that it will be bound by and comply with the Exchange Rules as if the Sponsored User were a Trading Permit Holder.

(D) The Sponsored User agrees that it will maintain, keep current and provide to the Sponsoring Trading Permit Holder a list of persons who have been granted access to the Exchange System(s) on behalf of the Sponsored User (“Authorized Traders”).

(E) The Sponsored User agrees that it will familiarize its Authorized Traders with all of the Sponsored User’s obligations under this Rule and will assure that they receive appropriate training prior to any use of or access to the Exchange System(s).

(F) The Sponsored User agrees that it will not permit anyone other than Authorized Traders to use or obtain access to the Exchange System(s).

(G) The Sponsored User agrees that it will take reasonable security precautions to prevent unauthorized use of or access to the Exchange System(s), including unauthorized entry of information into the Exchange System(s), or the information and data made available by the Exchange. The Sponsored User understands and agrees that it is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of the Sponsored User and any person acting on behalf of or in the name of such Sponsored User, and for the trading and other consequences thereof.

(H) The Sponsored User acknowledges its responsibility for establishing adequate procedures and controls that permit it to effectively monitor use of and access to the Exchange System(s) by any person acting on behalf of or in the name of the Sponsored User for compliance with the terms of these sponsorship provisions.

(I) The Sponsored User agrees that it will pay when due all amounts, if any, payable to the Sponsoring Trading Permit Holder, the Exchange or any other third parties that arise from the Sponsored User’s use of or access to the Exchange System(s). Such amounts include, but are not limited to, applicable Exchange and regulatory fees.

(iii) The Sponsored User and Sponsoring Trading Permit Holder must provide the Exchange with a Sponsored User Agreement acknowledging and agreeing to the requirements of this Rule, including an acknowledgement by the Sponsoring Trading Permit Holder of its responsibility for the orders, executions and actions of its Sponsored User. To the extent the Sponsoring Trading Permit Holder is not a clearing firm, the Sponsoring Trading Permit Holder’s clearing firm, which must be a TPH organization, must provide the Exchange with a Letter of Authorization, which specifically accepts responsibility for the clearance of the
Sponsored User’s transactions. Upon approval by the Clearing Corporation, if applicable, and filing with the Exchange, an existing Letter of Authorization may be amended to include the Sponsoring Trading Permit Holder/Sponsored User relationship. Sponsored User Agreements and Letters of Authorization filed with the Exchange will remain in effect until a written notice of revocation has been filed with the TPH Department. If such a written notice of revocation has not been filed with the TPH Department at least one hour prior to the opening of trading on the particular business day, such revocation shall not become effective until the close of trading on such day. A revocation shall in no way relieve the Sponsoring Trading Permit Holder or, if applicable, the Sponsoring Trading Permit Holder’s clearing firm of responsibility for transactions guaranteed prior to the effective date of the revocation.

(2) Each Sponsoring Trading Permit Holder must maintain an up-to-date list of persons who may obtain access to the Exchange System(s) on behalf of its Sponsored Users (i.e., Authorized Traders) and must provide that list to the Exchange upon request. In addition, each Sponsoring Trading Permit Holder must have reasonable procedures to ensure that Sponsored User and all of its Sponsored Users’ Authorized Traders: (i) maintain the physical security of the Exchange and the System, which includes, but is not limited to, the equipment for accessing the facilities of the Exchange and the Exchange System(s), to prevent the unauthorized use or access to the Exchange or the Exchange System(s), including the unauthorized entry of information into the Exchange or the Exchange System(s), or the information and data made available therein; and (ii) otherwise comply with the Exchange Rules. If the Exchange determines that a Sponsored User or an Authorized Trader has caused a Sponsoring Trading Permit Holder to violate the Exchange Rules, the Exchange may direct the Sponsoring Trading Permit Holder to suspend or withdraw the Sponsored User’s status as a Sponsored User or the person’s status as an Authorized Trader and, if so directed, the Sponsoring Trading Permit Holder must suspend or withdraw such status.

(c) A Sponsoring Trading Permit Holder must ensure that a Sponsored User satisfies the requirements set forth in Rule 3.4A(a) and only directly accesses the System from an approved jurisdiction as set forth in Rule 6.23A(d).

Adopted November 15, 2007 (06-99); amended April 10, 2008 (08-37); June 27, 2008 (08-54); June 18, 2010 (10-058); June 26, 2015 (15-012).

... Interpretations and Policies:

.01 Sponsored Users shall be permitted for the following Exchange Systems: the FLEX Hybrid Trading System (“FLEX”) and Cboe Options. For FLEX, the number of Sponsored Users shall be unlimited. Except for FLEX, the number of Sponsored Users having electronic access to Cboe Options shall be limited to a total of 15 persons/entities (“Sponsored User Slots”). Sponsored User applications for the Cboe Options Sponsored User Slots shall be submitted to the Exchange’s TPH Department in a manner acceptable to the Exchange and will be processed in the order they are received on a time-stamped basis. For applications received via facsimile or email the time-stamp
shall be the time the email/facsimile is received by the TPH Department. If there are more Sponsored User applications than Sponsored User Slots, the Exchange will maintain a waitlist and use a First In, First Out (“FIFO”) method for filling the 15 Sponsored User Slots. In the event a Sponsored User application is determined by the TPH Department to be incomplete, the application will not be considered to have been submitted under the FIFO method until a completed application is submitted.

Adopted June 27, 2008 (08-54); June 18, 2010 (10-058); January 3, 2018 (18-010).

Rule 6.21. Give Up of a Clearing Trading Permit Holder

(a) General. For each transaction in which a Trading Permit Holder participates, the Trading Permit Holder must immediately give up the name of the Clearing Trading Permit Holder through which the transaction will be cleared (“give up”). The Clearing Trading Permit Holder that is named as the give up for a transaction must hold a Trading Permit for the trading session in which the transaction occurred. The Clearing Trading Permit Holder that is given up must be a Designated Give Up or a Guarantor of the Trading Permit Holder as set forth in paragraph (b) below. If a Designated Give Up determines to reject a trade in accordance with this Rule, the Guarantor for the executing Trading Permit Holder shall become the give up on the trade, unless another Clearing Trading Permit Holder agrees to accept the trade, in accordance with paragraph (f) below.

(b) Designated Give Ups.

(i) Definition of Designated Give Up. For purposes of this Rule, a “Designated Give Up” of a Trading Permit Holder shall refer to a Clearing Trading Permit Holder which has been identified to the Exchange by that Trading Permit Holder as a Clearing Trading Permit Holder that the Trading Permit Holder would like the ability to give up and which has been processed by the Exchange as a Designated Give Up.

(ii) Definition of Guarantor. For purposes of this Rule, a “Guarantor” of an executing Trading Permit Holder shall refer to a Clearing Trading Permit Holder that has issued a Letter of Guarantee or Letter of Authorization for the executing Trading Permit Holder under the Rules of the Exchange that is in effect at the time of the execution of the applicable trade.

(iii) Identification of Designated Give Up. Every Trading Permit Holder (other than a Market-Maker) must identify, in a form and manner prescribed by the Exchange and in advance of giving up any Clearing Trading Permit Holder that is not a Guarantor for the Trading Permit Holder, any Designated Give Ups. A Trading Permit Holder shall only give up a Clearing Trading Permit Holder that has previously been identified and processed by the Exchange as a Designated Give Up for that Trading Permit Holder, a Guarantor for that Trading Permit Holder, or another Clearing Trading Permit Holder that agrees to accept a trade in accordance with paragraph (f) below.

(iv) Non Market-Makers. Any Trading Permit Holder (other than a Market-Maker) may designate, pursuant to subparagraph (b)(iii) above, any Clearing Trading Permit Holder other than its Guarantor, as a Designated Give Up. The Exchange will not
accept any instructions, and not give effect to any previous instructions, from a Clearing Trading Permit Holder not to permit a Trading Permit Holder to designate the Clearing Trading Permit Holder as a Designated Give Up.

(v) Market-Makers. For each transaction in which a Market-Maker participates, a Guarantor of the Market-Maker shall be the Clearing Trading Permit Holder through which the transaction will be cleared.

(vi) Guarantors. A Guarantor for a Trading Permit Holder will be enabled to be given up for that Trading Permit Holder without any further action by the Trading Permit Holder.

(vii) Removal of Designated Give Up. If a Trading Permit Holder (other than a Market-Maker) no longer wants the ability to give up a particular Designated Give Up, the Trading Permit Holder must notify the Exchange, in a form and manner prescribed by the Exchange.

(c) System. The Exchange’s trading systems shall only accept orders which identify an effective Designated Give Up or a Guarantor. The Exchange’s trading systems shall reject any order entered by a Trading Permit Holder which designates a give up that is not at the time a Designated Give Up or Guarantor of the Trading Permit Holder.

(d) Notice to Clearing Trading Permit Holders. The Exchange shall notify a Clearing Trading Permit Holder, in writing and as soon as practicable, of each Trading Permit Holder that has identified the Clearing Trading Permit Holder as a Designated Give Up pursuant to subparagraph (b)(iii) above.

(e) Acceptance of a Trade.

(i) Designated Give Ups. A Designated Give Up may determine in accordance with the provisions of this Rule not to accept a trade for which its name was given up if it believes in good faith that it has a valid reason not to accept the trade and follows the procedures set forth in paragraph (f) below.

(ii) Guarantors. A Guarantor must accept a trade for which its name was given up in relation to a Trading Permit Holder (other than a Market-Maker) for which it is a Guarantor unless (i) another Clearing Trading Permit Holder agrees to be the give up on the subject trade, (ii) the Clearing Trading Permit Holder has first notified the Exchange and the executing Trading Permit Holder in writing of its intent to accept the trade, and (iii) the give up is changed to the Clearing Trading Permit Holder that has agreed to accept the trade in accordance with the procedures in paragraph (f) below. A Guarantor for a Trading Permit Holder that is a Market-Maker must accept a trade for which its name was given up in relation to a Market-Maker trade by that Trading Permit Holder.

(f) Procedures to Reject a Trade: In the event a Designated Give Up determines to reject a trade, the following procedures shall apply:
(i) Notification to Trading Permit Holder. If a Designated Give Up decides to reject a trade, it must notify the executing Trading Permit Holder or its designated agent as soon as possible and should attempt to resolve the disputed give up. The notification must be in writing. A Designated Give Up may contact the Exchange and request the identity and contact information of the executing Trading Permit Holder or its designated agent for any trade it intends to reject.

(ii) Change of Give Up Made On Trade Date. A Designated Give Up may, following notification to the Trading Permit Holder pursuant to subparagraph (f)(i), contact the Exchange and request the ability to change the give up on the trade. Upon such a request and so long as the Exchange is able to process the request prior to the trade input cutoff time established by the Clearing Corporation (or fifteen minutes thereafter if the Exchange receives and is able to process a request to extend its time of final trade submission to the Clearing Corporation) (“Trade Date Cutoff Time”), the Exchange shall provide the Designated Give Up the ability to change the give up on the trade. The Designated Give Up can only change the give up to either (1) another Clearing Trading Permit Holder that has agreed to be the give up on the subject trade, so long as that Clearing Trading Permit Holder has first notified the Exchange and the executing Trading Permit Holder in writing of its intent to accept the trade or (2) a Guarantor for the executing Trading Permit Holder, so long as the Designated Give Up has first notified the Guarantor in writing that the Designated Give Up is changing the give up on the trade to the Guarantor. The ability to make such a change shall end at the Trade Date Cutoff Time.

(iii) Change of Give Up Made On T+1. A Designated Give Up may, following notification to the Trading Permit Holder pursuant to subparagraph (f)(i), contact the Exchange and request the ability to reject the trade on the next trading day (“T+1”). Upon such a request and so long as the Exchange is able to process the request prior to 12:00 p.m. (CT) on T+1 (“T+1 Cutoff Time”), the Exchange shall provide the Designated Give Up the ability to enter trade records into the Exchange’s systems that would effect a transfer of the trade to another Clearing Trading Permit Holder. The Designated Give Up can only transfer the trade to either (1) another Clearing Trading Permit Holder that has agreed to be the give up on the subject trade so long as that Clearing Trading Permit Holder has first notified the Exchange and the executing Trading Permit Holder in writing of its intent to accept the trade or (2) a Guarantor for the executing Trading Permit Holder, so long as the Designated Give Up has first notified the Guarantor in writing that the Designated Give Up is transferring the give up on the trade to the Guarantor. The ability to make such a change shall end at the T+1 Cutoff Time.

(iv) Expiring Options Series. For transactions in an expiring options series that take place on the last trading day prior to its expiration, no changes can be made to the give up on T+1. A Designated Give Up may only reject these transactions on the trade date until the Trade Date Cutoff Time in accordance with subparagraph (f)(ii) above.

(v) Notification of Change. A Designated Give Up which changes the give up on a trade shall immediately thereafter notify, in writing, the Exchange, the Clearing Trading Permit Holder given up and all parties to the trade of the change.
(g) Other Give Up Changes.

(i) Give Up Changes Made by Executing Trading Permit Holders: If the executing Trading Permit Holder has the ability through an Exchange system to do so, the Trading Permit Holder may change the give up on the trade to another Designated Give Up or to its Guarantor. The ability of an executing Trading Permit Holder to make any give up change shall end at the Trade Date Cutoff Time.

(ii) Give Up Changes Made by Designated Give Ups to Affiliates and Back Office Agents: If a Designated Give Up has the ability through an Exchange system to do so, the Designated Give Up may change the give up on a trade to (i) another Clearing Trading Permit Holder affiliated with the Designated Give Up or (ii) a Clearing Trading Permit Holder that is a back office agent for the Designated Give Up. The ability to make such a change shall end at the Trade Date Cutoff Time. The procedures in paragraph (f) above shall not apply to give up changes made pursuant to this subparagraph (g)(ii).

(iii) Give Up Changes Made by Designated Give Ups or Guarantors and Clearing Trading Permit Holders on T+1. If a Designated Give Up (or Guarantor) and a Clearing Trading Permit Holder have the ability through an Exchange system to do so, the Designated Give Up (or Guarantor) and Clearing Trading Permit Holder may each enter trade records into the Exchange’s systems on T+1 that would effect a transfer of the trade in a non-expired option series from that Designated Give Up (or Guarantor) to that Clearing Trading Permit Holder. The ability to make such a change shall end at the T+1 Cutoff Time. The Designated Give Up (or Guarantor) shall notify the Exchange and all the parties to the trade, in writing, of any such change. The procedures in paragraph (f) above shall not apply to give up changes made pursuant to this subparagraph (g)(iii).

(h) Responsibility: For purposes of the Rules of the Exchange, a Clearing Trading Permit Holder shall be financially responsible for all trades for which it is the give up at the Applicable Cutoff Time. Nothing in this Rule shall preclude a different party from being responsible for the trade outside of the Rules of the Exchange pursuant to the Rules of the Clearing Corporation, any agreement between the applicable parties, other applicable rules and regulations, arbitration, court proceedings or otherwise. In processing the request to provide a Designated Give Up the ability to change the give up or to reject a trade pursuant to this Rule, the Exchange will not, and has no obligation to, consider whether the Designated Give Up or any other party has satisfied the requirements of this Rule or any other Rule, including in relation to having a good faith belief that the Designated Give Up has a valid reason not to accept a trade or having notified the executing Trading Permit Holder and attempted to resolve the disputed give up prior to changing the give up or rejecting the trade. This Rule does not preclude these factors from being considered in a different forum such as is noted in the preceding sentence or by the Exchange for regulatory and disciplinary purposes. The Exchange’s action to process a request to provide a Designated Give Up or Guarantor the ability to change the give up pursuant to this Rule shall not be subject to review, but a Clearing Trading Permit Holder that violates the provisions of this Rule in taking such an action will be subject to discipline in accordance with the Rules. For purposes of this Rule, the “Applicable Cutoff Time” shall refer to the T+1 Cutoff Time for non-expiring option series and to the Trade Date Cutoff Time for expiring option series.
.01 Nothing herein shall be deemed to preclude the clearance of Exchange transactions by a non-Trading Permit Holder pursuant to the By-Laws of the Clearing Corporation so long as a Clearing Trading Permit Holder who is a Trading Permit Holder is also designated as having responsibility under these Rules for the clearance and comparison of such transactions.

Issued April 17, 1978; amended June 18, 2010 (10-058).

Rule 6.22. Trading by Trading Permit Holders on the Floor

No Trading Permit Holder shall initiate a transaction, while on the floor, for an account in which he has an interest unless such Trading Permit Holder is registered with the Exchange as a Market-Maker and is acting in accordance with Chapter VIII of these Rules; however, a Trading Permit Holder may take into his own account, and subsequently liquidate, any position that results from an error made while attempting to execute, as Floor Broker, an order for a customer.

Amended June 18, 2010 (10-058).

Rule 6.23. Equipment and Communications on the Trading Floor

(a) Subject to the requirements of this Rule Trading Permit Holders may use any communication device (e.g., any hardware or software related to a phone, system or other device, including an instant messaging system, e-mail system or similar device) on the floor of the Exchange and in any trading crowd of the Exchange. Prior to using a communications device for business purposes on the floor of the Exchange, Trading Permit Holders must register the communications device by identifying (in a form and manner prescribed by the Exchange) the hardware (i.e., headset; cellular telephone; tablet; or other similar hardware). The Exchange reserves the right to designate certain portions of this rule (except for the registration requirement of paragraph (a) or paragraphs (f) and (g)) as not applicable to certain classes on a class by class basis.

(b) The Exchange may deny, limit or revoke the use of any communication device whenever it determines that use of such communication device: (1) interferes with the normal operation of the Exchange’s own systems or facilities or with the Exchange’s regulatory duties, (2) is inconsistent with the public interest, the protection of investors or just and equitable principles of trade, or (3) interferes with the obligations of a Trading Permit Holder to fulfill its duties under, or is used to facilitate any violation of, the Securities Exchange Act or rules thereunder, or Exchange rules.

(c) Any communication device may be used on the floor of the Exchange and in any trading crowd of the Exchange to receive orders, provided that audit trail and record retention requirements of the Exchange are met; however, no person in a trading crowd or on the floor of the Exchange may use any communication device for the purpose of recording activities in the trading crowd or maintaining an open line of continuous communication whereby a non-associated person not located in the trading crowd may continuously monitor the activities in the
trading crowd. This prohibition covers digital recorders, intercoms, walkie-talkies and any similar devices.

(d) After providing notice to an affected Trading Permit Holder and complying with applicable laws, the Exchange may provide for the recording of any telephone line on the floor of the Exchange or may require Trading Permit Holders at any time to provide for the recording of a fixed phone line on the floor of the Exchange. Trading Permit Holders, and their clerks, using the telephones consent to the Exchange recording any telephone or line.

(e) Trading Permit Holders may not use communication devices to disseminate quotes and/or last sale reports originating on the floor of the Exchange in any manner that would serve to provide a continuous or running state of the market for any particular series or class of options over any period of time; provided, however, that an associated person of a Trading Permit Holder on the floor of the Exchange may use a communication device to communicate quotes that have been disseminated pursuant to Rule 6.43 and/or last sale reports to other associated persons of the same Trading Permit Holder business unit. An associated person of a Trading Permit Holder may also use a communications device to communicate an occasional, specific quote that has been disseminated pursuant to Rule 6.43 or last sale report to a person who is not an associated person of the same Trading Permit Holder.

(f) Use of any communications device for order routing or handling must comply with all applicable laws, rules, policies and procedures of the Securities and Exchange Commission and the Exchange including related to record retention and audit trail requirements. Orders must be systemized using Exchange systems or proprietary systems approved by the Exchange in accordance with Rule 6.24.

(g) Trading Permit Holders must maintain records of the use of communication devices, including, but not limited to, logs of calls placed; emails; and chats, for a period of not less than three years, the first two years in an easily accessible place. The Exchange reserves the right to inspect such records pursuant to Rule 17.2.

(h) The Exchange may designate, via circular, specific communication devices that will not be permitted on the floor of the Exchange or Exchange trading crowds. In addition, the Exchange may designate other operational requirements regarding the installation of any communication devices via circular.

Amended October 30, 2000 (00-04); March 21, 2006 (06-15); May 23, 2008 (08-02); June 18, 2010 (10-058); July 23, 2015 (15-061).

Rule 6.23A. Trading Permit Holder Connectivity

(a) Market participants with authorized access may access the Exchange electronically to facilitate quote and order entry as well as auction processing via an API such as a Cboe Market Interface (“CMi”) API and/or the industry-standard Financial Information eXchange (“FIX”) Protocol. Multiple versions of an API may exist and be made available to all authorized market participants. Market participants may select which of these available APIs they would like to use to connect to the System.
(b) The Exchange may limit the number of messages sent by Trading Permit Holders accessing the Exchange electronically in order to protect the integrity of the Hybrid trading system. In addition, the Exchange may impose restrictions on the use of a computer connected through an API if it believes such restrictions are necessary to ensure the proper performance of the system. Any such restrictions shall be objectively determined and submitted to the Commission for approval pursuant to a rule change filing under Section 19(b) of the Exchange Act.

(c) In order to control the number of quotations the Exchange disseminates, the Exchange may utilize a mechanism so that newly-received quotations and other changes to the Exchange’s best bid and offer are not disseminated for a period of up to, but not more than one second.

(d) The Hybrid Trading System shall be available for entry and execution of orders only to Trading Permit Holders, persons associated with Trading Permit Holders, and Sponsored Users (pursuant to Rule 6.20A) with authorized access. Such persons may only directly access the System from a jurisdiction expressly approved by the Exchange pursuant to Rule 3.4A(a). The Exchange will require a Trading Permit Holder to enter into a software user or license agreement with the Exchange in such form or forms as the Exchange may prescribe in order to obtain authorized access to the Hybrid Trading System, if the Trading Permit Holder elects to use an API for which the Exchange has determined such an agreement is necessary.

(e) The Exchange may prescribe technical specifications pursuant to which all Trading Permit Holders, or categories of similarly situated Trading Permit Holders (e.g., Floor Brokers, DPMs, Market-Makers), may establish an electronic connection to the Hybrid Trading System and its facilities. The Exchange will announce to Trading Permit Holders via Regulatory Circular any such prescription.

(f) Mandatory Systems Testing

(i) Each Trading Permit Holder that the Exchange designates as required to participate in a system test must conduct or participate in the testing of its computer systems to ascertain the compatibility of such systems with the Hybrid Trading System in the manner and frequency prescribed by the Exchange. The Exchange will designate Trading Permit Holders as required to participate in a system test based on: (A) the category of the Trading Permit Holder (e.g. Floor Broker, DPM, Market-Maker); (B) the computer system(s) the Trading Permit Holder uses; and (C) the manner in which the Trading Permit Holder connects to the Hybrid Trading System. The Exchange will give Trading Permit Holders reasonable notice of any mandatory systems test, which notice will specify the nature of the test and Trading Permit Holders’ obligations in participation in the test.

(ii) Every Trading Permit Holder required by the Exchange to conduct or participate in testing of computer systems shall provide to the Exchange such reports relating to the testing as the Exchange may prescribe. Trading Permit Holders shall maintain adequate documentation of tests required by this Rule and results of such testing for examination by the Exchange.
A Trading Permit Holder that is subject to this Rule, and that fails to conduct or participate in the tests, fails to file the required reports, or fails to maintain the required documentation, may be subject to summary suspension or other action taken pursuant to Chapter XVI (Summary Suspension) and/or disciplinary action pursuant to Chapter XVII (Discipline).

Approved July 12, 2004 (04-24); amended May 16, 2007 (07-45); June 18, 2010 (10-058); November 23, 2012 (12-100); July 19, 2013 (13-064); June 26, 2015 (15-012); May 10, 2019 (19-017).

Rule 6.23B. Bandwidth Packets

Each Trading Permit shall entitle the holder to a maximum number of orders and quotes per second(s) as determined by the Exchange. Quote cancel messages, for a series or group of series, will be subject to bandwidth limitations and are counted towards the maximum number of quotes allowed per second. Paired order messages will not be subject to any bandwidth limitations and are not counted towards the maximum number of orders allowed per second(s). Only Market-Makers may submit quotes. Trading Permit Holders seeking to exceed that number of messages per second(s) may purchase additional bandwidth packets for a trading session at prices set forth in the Exchange’s Fees Schedule. The Exchange shall, upon request and where good cause is shown, temporarily increase a Trading Permit Holder’s order entry bandwidth allowance at no additional cost. All determinations to temporarily expand bandwidth allowance shall be made in a non-discriminatory manner and on a fair and equal basis. No bandwidth limits shall be in effect during pre-opening prior to five minutes before the beginning of a trading session, which shall apply to all Trading Permit Holders. The Exchange may also determine time periods for which there shall temporarily be no bandwidth limits in effect for all Trading Permit Holders. Any such determination shall be made in the interest of maintaining a fair and orderly market. The Exchange shall notify all Trading Permit Holders of any such determination.

Adopted July 19, 2013 (13-064); amended August 9, 2014 (14-058); November 28, 2014 (14-062); October 25, 2015 (15-080).

Rule 6.23C. Technical Disconnect

(a) When a Cboe Options Application Server (“CAS”) loses communication with a Client Application such that a CAS does not receive an appropriate response to a Heartbeat Request within “x” period of time, the Technical Disconnect Mechanism will automatically logoff the Trading Permit Holder’s affected Client Application and automatically cancel all the Trading Permit Holder’s Market-Maker quotes, if applicable, and open orders with a time-in-force of “day” resting in the Book (which excludes orders resting on a PAR workstation or order management terminal) (“day orders”), if the Trading Permit Holder enables that optional service, posted through the affected Client Application. The following describes how the Technical Disconnect Mechanism works for each of the Exchange’s APIs:

(i) Cboe Market Interface 2.0 (“CMi 2”) API. A CAS shall generate a Heartbeat Request to a Client Application (i) after the CAS does not receive any messages from a particular Client Application for “n” period of time or (ii) after every “n” period of
time. A Trading Permit Holder shall determine the value of “n.” In no event shall “n” be less than three (3) seconds or exceed twenty (20) seconds. If a CAS generates a Heartbeat Request only after it does not receive any messages from a particular Client Application for “n” period of time, the value of “x” shall be set at a half (.5) second. If a CAS generates a Heartbeat Request every “n” period of time, the value of “x” shall be equal to the value of “n.”

(ii) Financial Information eXchange (“FIX”) Protocol API. A CAS shall generate a Heartbeat Message to a Client Application after the CAS does not receive any messages from a particular Client Application for “n” period of time. If the CAS does not receive a response to the Heartbeat Message from the Client Application for “n” period of time, the CAS shall generate a Heartbeat Request to the Client Application. A Trading Permit Holder shall determine the value of “n” at logon. In no event shall “n” be less than five (5) seconds. The value of “x” shall be equal to the value of “n.”

(b) The Technical Disconnect Mechanism is enabled for all Trading Permit Holders and may not be disabled by Trading Permit Holders, except the automatic cancellation of a Trading Permit Holder’s day orders is an optional service that the Trading Permit Holder may enable or disable through the API.

(c) The trigger of the Technical Disconnect Mechanism is event- and Client Application-specific. The automatic cancellation of a Market-Maker’s quotes (if applicable) or a Trading Permit Holder’s day orders (if enabled by the Trading Permit Holder) entered into a CAS via a particular Client Application will neither impact nor determine the treatment of the quotes of the same or other Market-Makers or orders of the same Trading Permit Holder entered into the CAS via a separate and distinct Client Application. Except for day orders the Technical Disconnect Mechanism automatically cancels if a Trading Permit Holder enables that optional service, the Technical Disconnect Mechanism will not impact or determine the treatment of orders a Trading Permit Holder previously entered into the CAS.

. . . Interpretations and Policies:

.01 For purposes of this Rule 6.23C:

(i) A “Cboe Options Application Server” or “CAS” sits between a Client Application and the trading platform for the Cboe Options Hybrid Trading System. Messages are passed between a Client Application and a CAS.

(ii) A “Client Application” is the system component, such as a Cboe Options-supported workstation or a Trading Permit Holder’s custom trading application, through which a Trading Permit Holder communicates its quotes and/or orders to a CAS.

(iii) A “Heartbeat Request” shall refer to a message from a CAS to a Client Application to check connectivity and which requires a response from the Client Application in order to avoid logoff. The Heartbeat Request is a communication which acts as a virtual pulse between a CAS and a Client Application.
(iv) A “Heartbeat Message” shall refer to a message from a CAS to a Client Application to check connectivity. If a response to a Heartbeat Message is not received, the CAS shall generate a Heartbeat Request. The Heartbeat Message is a communication which acts as a virtual pulse between a CAS and a Client Application.

Adopted July 12, 2013 (13-071); amended November 9, 2015 (15-103); December 8, 2015 (15-113); May 10, 2019 (19-017).

Rule 6.24. Required Order Information

(a) Orders Must Be Systematized. The Exchange has undertaken with the other options exchanges to develop a Consolidated Options Audit Trail System (“COATS”), which when fully developed and implemented, will provide an accurate, time-sequenced record of electronic and other orders, quotations, and transactions in certain option classes listed on the Exchange.

(1) Except as provided in paragraphs (a)(2) through (a)(4), and (b), of this Rule, each order, cancellation of, or change to an order transmitted to the Exchange must be “systematized”, in a format approved by the Exchange, either before it is sent to the Exchange or upon receipt on the floor of the Exchange. An order is systematized if: (i) the order is sent electronically to the Exchange; or (ii) the order that is sent to the Exchange non-electronically (e.g., telephone orders) is input electronically into the Exchange’s systems contemporaneously upon receipt on the Exchange, and prior to representation of the order.

(2) Market and Marketable Orders. With respect to non-electronic, market and marketable orders sent to the Exchange, the Trading Permit Holder responsible for systematizing the order shall input into the Exchange’s systems at least the following specific information with respect to the order prior to the representation of the order: (i) the option symbol; (ii) the expiration month; (iii) the expiration year; (iv) the strike price; (v) buy or sell; (vi) call or put; (vii) the number of contracts; and (viii) the Clearing Trading Permit Holder. Any additional information with respect to the order shall be input into the Exchange’s systems contemporaneously upon receipt, which may occur after the representation and execution of the order.

(3) Reserved

(4) In the event of a malfunction or disruption of the Exchange’s systems such that a Trading Permit Holder is unable to systematize an order, the Trading Permit Holder or TPH organization shall follow the procedures as described in paragraph (b) of this Rule during the time period that the malfunction or disruption occurs. Upon the cessation of the malfunction or disruption, the Trading Permit Holder shall immediately resume systematizing orders. In addition, the Trading Permit Holder shall exert best efforts to input electronically into the Exchange’s systems all relevant order information received during the time period when there was a malfunction or disruption of the Exchange’s systems as soon as possible, and in any event shall input such data electronically into the Exchange’s
systems not later than the close of business on the day that the malfunction or disruption ceases. If, following a malfunction or disruption, the Exchange’s systems were to become available for the systemization of orders after the close of business, the Trading Permit Holder would be expected to input electronically into the Exchange’s systems all relevant order information received during the malfunction or disruption on the next business day.

(5) Complex orders of twelve (12) legs or less (one leg of which may be for an underlying security or security future, as applicable) must be entered on a single order ticket at time of systemization. If permitted by the Exchange (which the Exchange will announce by Regulatory Circular), complex orders of more than twelve (12) legs (one leg of which may be for an underlying security or security future, as applicable) may be split across multiple order tickets, if the Trading Permit Holder representing the complex order uses the fewest order tickets necessary to systematize the order and identifies for the Exchange the order tickets that are part of the same complex order (in a form and manner prescribed by the Exchange).

(b) With respect to orders received during a malfunction or disruption of the Exchange’s systems under paragraph (a)(4) above:

(1) Transmitted to the Floor. Each order transmitted to the Exchange must be recorded legibly in a written form that has been approved by the Exchange, and the Trading Permit Holder receiving such order must record the time of its receipt on the floor and legibly record the terms of the order, in written form.

(2) Cancellations and Changes. Each cancellation of, or change to, an order that has been transmitted to the floor must be recorded legibly in a written form that has been approved by the Exchange, and the Trading Permit Holder receiving such cancellation or change must record the time of its receipt on the floor.

(c) Executions. A Trading Permit Holder transmitting from the floor a report of the execution of an order must record the time at which a report of such execution is received by such Trading Permit Holder.

Amended April 1, 1981; amended January 7, 2005 (04-77); January 10, 2005 (05-04); June 18, 2010 (10-058); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Any Trading Permit Holder desiring to use an order form other than those provided by the Exchange must submit such form to the Exchange and obtain its approval prior to using such form on the Floor. When approving an order form other than those provided by the Exchange, the Exchange shall ensure that the form complies with COATS.

Issued April 15, 1973; amended December 2, 1997 (97-61); January 7, 2005 (04-77); March 21, 2006 (06-15); May 23, 2008 (08-02); June 18, 2010 (10-058).
.02 The use of hand signal communications on the floor of the Exchange may be used to initiate an order, to increase or decrease the size of an order, to change an order’s limit, to cancel an order, or to activate a market order. Any initiation, cancellation, or change of an order relayed to a floor broker through the use of hand signals also must be systematized in accordance with paragraph (a) of this Rule. All other rules applicable to order preparation and retention, and reporting duties are applicable to orders under this Interpretation, except that the record-keeping obligation lies with the Trading Permit Holder signaling the order where a hand signal is used.

Issued December 8, 1976; amended January 11, 1979; September 21, 1979; June 5, 1987; November 10, 1988; October 6, 1997 (97-44); January 7, 2005 (04-77); June 18, 2010 (10-058); May 10, 2019 (19-017).

.03 The Exchange will from time to time prescribe the form of Telephone and Terminal Order Formats in a Manual and the contents of this Manual are hereby incorporated in these Rules and will have full force and effect as if fully set forth herein. The Telephone and Terminal Order Formats in the Manual shall comply with the requirements of COATS.

Issued December 8, 1976; amended December 2, 1997 (97-61); January 7, 2005 (04-77); March 21, 2006 (06-15); May 23, 2008 (08-02).

.04 Accommodation liquidations as described in Rule 6.54 are exempt from the requirements of this Rule. However, the Exchange maintains quotation, order and transaction information for accommodation liquidations in the same format as the COATS data is maintained, and will make such information available to the SEC upon request.

.05 FLEX Options, as described in Chapter XXIVA of the Rules, are exempt from the requirements of this Rule. However, the Exchange will maintain as part of its audit trail quotation, order and transaction information for FLEX Options in a form and manner that is substantially similar to the form and manner as the COATS data is maintained, and will make such information available to the SEC upon request.

Amended November 15, 2007 (06-99); January 3, 2018 (18-010).

.06 Any proprietary system approved by the Exchange on the Exchange’s trading floor which receives orders will be considered an Exchange system for purposes of paragraph (a)(1) of this Rule. Any proprietary system approved by the Exchange shall have the functionality to comply with the requirements of COATS.

.07 On-floor Market-Maker Orders. Each order transmitted by a Market-Maker while on the floor, including any cancellation of or change to such order, must be systematized in accordance with the procedures described in Paragraph (a) and (b) of this Rule, as applicable.

Amended January 7, 2005 (04-77).

Rule 6.25. Nullification and Adjustment of Options Transactions including Obvious Errors

The Exchange may nullify a transaction or adjust the execution price of a transaction in accordance with this Rule. Unless otherwise stated, the provisions contained within this Rule are applicable to
electronic transactions only. However, the determination as to whether a trade was executed at an
erroneous price may be made by mutual agreement of the affected parties to a particular
transaction. An electronic or open outcry trade may be nullified or adjusted on the terms that all
parties to a particular transaction agree, provided, however, that such agreement to nullify or adjust
must be conveyed to the Exchange in a manner prescribed by the Exchange prior to 7:30 a.m.
Central Time on the first trading day following the execution. It is considered conduct inconsistent
with just and equitable principles of trade for any TPH to use the mutual adjustment process to
circumvent any applicable Exchange rule, the Act or any of the rules and regulations thereunder.

(a) Definitions.

(1) Customer. For purposes of this Rule, a Customer shall not include
any broker-dealer, Professional Customer, or Voluntary Professional Customer.

(2) Erroneous Sell/Buy Transaction. For purposes of this Rule, an
“erroneous sell transaction” is one in which the price received by the person selling
the option is erroneously low, and an “erroneous buy transaction” is one in which
the price paid by the person purchasing the option is erroneously high.

(3) Official. For purposes of this Rule, an Official is an Officer of the
Exchange or such other employee designee of the Exchange that is trained in the
application of this Rule.

(4) Size Adjustment Modifier. For purposes of this Rule, the Size
Adjustment Modifier will be applied to individual transactions as follows:

<table>
<thead>
<tr>
<th>Number of Contracts per Execution</th>
<th>Adjustment – TP Plus/Minus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-50</td>
<td>N/A</td>
</tr>
<tr>
<td>51-250</td>
<td>2 times adjustment amount</td>
</tr>
<tr>
<td>251-1000</td>
<td>2.5 times adjustment amount</td>
</tr>
<tr>
<td>1001 or more</td>
<td>3 times adjustment amount</td>
</tr>
</tbody>
</table>

(b) Theoretical Price. Upon receipt of a request for review and prior to any review of a
transaction execution price, the “Theoretical Price” for the option must be determined. For
purposes of this Rule, if the applicable option series is traded on at least one other options
exchange, then the Theoretical Price of an option series is the last NBB just prior to the trade in
question with respect to an erroneous sell transaction or the last NBO just prior to the trade in
question with respect to an erroneous buy transaction unless one of the exceptions in sub-
paragraphs (b)(1) through (3) below exists. For purposes of this provision, when a single order
received by the Exchange is executed at multiple price levels, the last NBB and last NBO just prior
to the trade in question would be the last NBB and last NBO just prior to the Exchange’s receipt
of the order. The Exchange will rely on this paragraph (b) and Interpretation and Policy .08 of this Rule when determining Theoretical Price.

(1) Transactions at the Open. Except as provided in subparagraph (A) below, for a transaction occurring as part of the Opening Process (as defined in Rule 6.2) the Exchange will determine the Theoretical Price if there is no NBB or NBO for the affected series just prior to the erroneous transaction or if the bid/ask differential of the NBB and NBO just prior to the erroneous transaction is equal to or greater than the Minimum Amount set forth in the chart contained in subparagraph (b)(3) below. If the bid/ask differential is less than the Minimum Amount, the Theoretical Price is the NBB or NBO just prior to the erroneous transaction.

(A) For transactions occurring as part of HOSS in any index options series being used to calculate the final settlement price of a volatility index on the final settlement day, the Theoretical Price is the first quote after the transaction(s) in question that does not reflect the erroneous transaction(s), provided that the quote size is for at least the overall size of the HOSS opening trade; if the quote size is for less than the overall size of the HOSS opening trade, then paragraph (c) and (d) shall not apply.

(2) No Valid Quotes. The Exchange will determine the Theoretical Price if there are no quotes or no valid quotes for comparison purposes. Quotes that are not valid are:

(A) all quotes in the applicable option series published at a time where the last NBB is higher than the last NBO in such series (a “crossed market”);

(B) quotes published by the Exchange that were submitted by either party to the transaction in question;

(C) quotes published by another options exchange if either party to the transaction in question submitted the quotes in the series representing such options exchange’s best bid or offer, provided that the Exchange will only consider quotes invalid on other options exchanges in up to twenty-five (25) total options series that the party identifies to the Exchange the quotes which were submitted by such party and published by other options exchanges; and

(D) quotes published by another options exchange against which the Exchange has declared self-help.

(3) Wide Quotes. The Exchange will determine the Theoretical Price if the bid/ask differential of the NBB and NBO for the affected series just prior to the erroneous transaction was equal to or greater than the Minimum Amount set forth below and there was a bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction. If there was no bid/ask differential less than the Minimum Amount during the 10 seconds prior to the transaction then the
Theoretical Price of an option series is the last NBB or NBO just prior to the transaction in question, as set forth in paragraph (b) above.

<table>
<thead>
<tr>
<th>Bid Price at Time of Trade</th>
<th>Minimum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $2.00</td>
<td>$0.75</td>
</tr>
<tr>
<td>$2.00 to $5.00</td>
<td>$1.25</td>
</tr>
<tr>
<td>Above $5.00 to $10.00</td>
<td>$1.50</td>
</tr>
<tr>
<td>Above $10.00 to $20.00</td>
<td>$2.50</td>
</tr>
<tr>
<td>Above $20.00 to $50.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>Above $50.00 to $100.00</td>
<td>$4.50</td>
</tr>
<tr>
<td>Above $100.00</td>
<td>$6.00</td>
</tr>
</tbody>
</table>

(c) Obvious Errors.

(1) Definition. For purposes of this Rule, an Obvious Error will be deemed to have occurred when the Exchange receives a properly submitted filing where the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

<table>
<thead>
<tr>
<th>Theoretical Price</th>
<th>Minimum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $2.00</td>
<td>$0.25</td>
</tr>
<tr>
<td>$2.00 to $5.00</td>
<td>$0.40</td>
</tr>
<tr>
<td>Above $5.00 to $10.00</td>
<td>$0.50</td>
</tr>
<tr>
<td>Above $10.00 to $20.00</td>
<td>$0.80</td>
</tr>
<tr>
<td>Above $20.00 to $50.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>Above $50.00 to $100.00</td>
<td>$1.50</td>
</tr>
<tr>
<td>Above $100.00</td>
<td>$2.00</td>
</tr>
</tbody>
</table>

(2) Time Deadline. A party that believes that it participated in a transaction that was the result of an Obvious Error must notify the Exchange’s Help Desk in the manner specified from time to time by the Exchange in a circular
distributed to TPHs. Such notification must be received by the Exchange’s Help Desk within the timeframes specified below:

(A) Customer Orders. For an execution of a Customer order, a filing must be received by the Exchange within thirty (30) minutes of the execution, subject to sub-paragraph (C) below; and

(B) “Non-Customer” Orders. For an execution of any order other than a Customer order, a filing must be received by the Exchange within fifteen (15) minutes of the execution, subject to sub-paragraph (C) below.

(C) Linkage Trades. Any other options exchange will have a total of forty-five (45) minutes for Customer orders and thirty (30) minutes for non-Customer orders, measured from the time of execution on the Exchange, to file with the Exchange for review of transactions routed to the Exchange from that options exchange and executed on the Exchange (“linkage trades”). This includes filings on behalf of another options exchange filed by a third-party routing broker if such third-party broker identifies the affected transactions as linkage trades. In order to facilitate timely reviews of linkage trades the Exchange will accept filings from either the other options exchange or, if applicable, the third-party routing broker that routed the applicable order(s). The additional fifteen (15) minutes provided with respect to linkage trades shall only apply to the extent the options exchange that originally received and routed the order to the Exchange itself received a timely filing from the entering participant (i.e., within 30 minutes if a Customer order or 15 minutes if a non-Customer order).

(3) Official Acting on Own Motion. An Official may review a transaction believed to be erroneous on his/her own motion in the interest of maintaining a fair and orderly market and for the protection of investors. A transaction reviewed pursuant to this paragraph may be nullified or adjusted only if it is determined by the Official that the transaction is erroneous in accordance with the provisions of this Rule, provided that the time deadlines of sub-paragraph (c)(2) above shall not apply. The Official shall act as soon as possible after becoming aware of the transaction, and ordinarily would be expected to act on the same day that the transaction occurred. In no event shall the Official act later than 7:30 a.m. Central Time on the next trading day following the date of the transaction in question. Transactions adjusted or nullified under this provision cannot be reviewed by an Obvious Error Panel under paragraph (k) but can be appealed in accordance with paragraph (m) below; however, a determination by an Official not to review a transaction or determination not to nullify or adjust a transaction for which a review was conducted on an Official’s own motion is not appealable. If a transaction is reviewed and a determination is rendered pursuant to another provision of this Rule, no additional relief may be granted under this provision.

(4) Adjust or Bust. If it is determined that an Obvious Error has occurred, the Exchange shall take one of the actions listed below. Upon taking final
action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) Non-Customer Transactions. Where neither party to the transaction is a Customer, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any non-Customer Obvious Error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

<table>
<thead>
<tr>
<th>Theoretical Price (TP)</th>
<th>Buy Transaction Adjustment - TP Plus</th>
<th>Sell Transaction Adjustment - TP Minus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $3.00</td>
<td>$0.15</td>
<td>$0.15</td>
</tr>
<tr>
<td>At or above $3.00</td>
<td>$0.30</td>
<td>$0.30</td>
</tr>
</tbody>
</table>

(B) Customer Transactions. Where at least one party to the Obvious Error is a Customer, the trade will be nullified, subject to sub-paragraph (C) below.

(C) If any TPH submits requests to the Exchange for review of transactions pursuant to this rule, and in aggregate that TPH has 200 or more Customer transactions under review concurrently and the orders resulting in such transactions were submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria set forth in sub-paragraph (A) above to such transactions.

(d) Catastrophic Errors.

(1) Definition. For purposes of this Rule, a Catastrophic Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for the series by an amount equal to at least the amount shown below:

<table>
<thead>
<tr>
<th>Theoretical Price (TP)</th>
<th>Minimum Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $2.00</td>
<td>$0.50</td>
</tr>
<tr>
<td>$2.00 to $5.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>Above $5.00 to $10.00</td>
<td>$1.50</td>
</tr>
</tbody>
</table>
Above $10.00 to $20.00 $2.00
Above $20.00 to $50.00 $2.50
Above $50.00 to $100.00 $3.00
Above $100.00 $4.00

(2) Time Deadline. A party that believes that it participated in a transaction that was the result of a Catastrophic Error must notify the Exchange’s Help Desk in the manner specified from time to time by the Exchange in a circular distributed to TPHs. For transactions occurring during regular trading hours, such notification must be received by the Exchange’s Help Desk by 7:30 a.m. Central Time on the first trading day following the execution. For transactions occurring during Global Trading Hours, such notification must be received within 2 hours of the close of the Global Trading Hours session. For transactions in an expiring options series that take place on an expiration day, a party must notify the Exchange’s Help Desk within 45 minutes after the close of trading that same day. Relief will not be granted under paragraph (d) if an Obvious Error Panel has previously rendered a decision with respect to the transaction(s) in question.

(3) Adjust or Bust. If an Official determines that a Catastrophic Error has not occurred, the Trading Permit Holder will be subject to a charge of $5,000. If it is determined that a Catastrophic Error has occurred, the Exchange shall take action as set forth below. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone. In the event of a Catastrophic Error, the execution price of the transaction will be adjusted by the Official pursuant to the table below. Any Customer order subject to this subpararaph will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price.

<table>
<thead>
<tr>
<th>Theoretical Price (TP)</th>
<th>Buy Transaction Adjustment - TP Plus</th>
<th>Sell Transaction Adjustment - TP Minus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $2.00</td>
<td>$0.50</td>
<td>$0.50</td>
</tr>
<tr>
<td>$2.00 to $5.00</td>
<td>$1.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>Above $5.00 to $10.00</td>
<td>$1.50</td>
<td>$1.50</td>
</tr>
<tr>
<td>Above $10.00 to $20.00</td>
<td>$2.00</td>
<td>$2.00</td>
</tr>
</tbody>
</table>

201
<table>
<thead>
<tr>
<th>Above $20.00 to $50.00</th>
<th>$2.50</th>
<th>$2.50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above $50.00 to $100.00</td>
<td>$3.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>Above $100.00</td>
<td>$4.00</td>
<td>$4.00</td>
</tr>
</tbody>
</table>

(e) Significant Market Events.

(1) Definition. For purposes of this Rule, a Significant Market Event will be deemed to have occurred when: criterion (A) below is met or exceeded or the sum of all applicable event statistics, where each is expressed as a percentage of the relevant threshold in criteria (A) through (D) below, is greater than or equal to 150% and 75% or more of at least one category is reached, provided that no single category can contribute more than 100% to the sum and any category contributing more than 100% will be rounded down to 100%. All criteria set forth below will be measured in aggregate across all exchanges.

(A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of $30,000,000, where the Worst-Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades, of:

   (i) $0.30 (i.e., the largest Transaction Adjustment value listed in sub-paragraph (e)(3)(A) below); times

   (ii) the contract multiplier for each traded contract; times

   (iii) the number of contracts for each trade; times

   (iv) the appropriate Size Adjustment Modifier for each trade, if any, as defined in sub-paragraph (e)(3)(A) below.

(B) Transactions involving 500,000 options contracts are potentially erroneous;

(C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of $100,000,000 are potentially erroneous;

(D) 10,000 transactions are potentially erroneous.

(2) Coordination with Other Options Exchanges. To ensure consistent application across options exchanges, in the event of a suspected Significant Market Event, the Exchange shall initiate a coordinated review of potentially erroneous transactions with all other affected options exchanges to determine the full scope of the event. When this paragraph is invoked, the Exchange will promptly
coordinate with the other options exchanges to determine the appropriate review period as well as select one or more specific points in time prior to the transactions in question and use one or more specific points in time to determine Theoretical Price. Other than the selected points in time, if applicable, the Exchange will determine Theoretical Price in accordance with paragraph (b) above.

(3) Adjust or Bust. If it is determined that a Significant Market Event has occurred then, using the parameters agreed as set forth in sub-paragraph (e)(2) above, if applicable, an Official will determine whether any or all transactions under review qualify as Obvious Errors. The Exchange shall take one of the actions listed below with respect to all transactions that qualify as Obvious Errors pursuant to sub-paragraph (c)(1) above. Upon taking final action, the Exchange shall promptly notify both parties to the trade electronically or via telephone.

(A) The execution price of each affected transaction will be adjusted by an Official to the price provided below unless both parties agree to adjust the transaction to a different price or agree to bust the trade. In the context of a Significant Market Event, any error exceeding 50 contracts will be subject to the Size Adjustment Modifier defined in sub-paragraph (a)(4) above.

<table>
<thead>
<tr>
<th>Theoretical Price (TP)</th>
<th>Buy Transaction Adjustment - TP Plus</th>
<th>Sell Transaction Adjustment - TP Minus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $3.00</td>
<td>$0.15</td>
<td>$0.15</td>
</tr>
<tr>
<td>At or above $3.00</td>
<td>$0.30</td>
<td>$0.30</td>
</tr>
</tbody>
</table>

(B) Where at least one party to the transaction is a Customer, the trade will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price.

(4) Nullification of Transactions. If the Exchange, in consultation with other options exchanges, determines that timely adjustment is not feasible due to the extraordinary nature of the situation, then the Exchange will nullify some or all transactions arising out of the Significant Market Event during the review period selected by the Exchange and other options exchanges consistent with this paragraph. To the extent the Exchange, in consultation with other options exchanges, determines to nullify less than all transactions arising out of the Significant Market Event, those transactions subject to nullification will be selected based upon objective criteria with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(5) Final Rulings. With respect to rulings made pursuant to this paragraph, the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the
public interest. Accordingly, rulings by the Exchange pursuant to this paragraph are non-appealable.

(f) Trading Halts. The Exchange shall nullify any transaction that occurs during a trading halt in the affected option on the Exchange pursuant to Rule 6.3.

(g) Erroneous Print in Underlying. An electronic or open outcry trade resulting from an erroneous print(s) disseminated by the underlying market that is later nullified by that underlying market shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies the Exchange’s Help Desk in a timely manner as set forth below. For purposes of this paragraph, a trade resulting from an erroneous print(s) shall mean any options trade executed during a period of time for which one or more executions in the underlying security are nullified and for one second thereafter. If a party believes that it participated in an erroneous transaction resulting from an erroneous print(s) pursuant to this paragraph it must notify the Exchange’s Help Desk within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification by the underlying market(s) of nullification of transactions in the underlying security. If multiple underlying markets nullify trades in the underlying security, the allowed notification timeframe will commence at the time of the first market’s notification. For the purposes of this paragraph, the underlying (which includes, but is not limited to, the underlying or related ETF(s), HOLDRS(s) and/or index value(s), and/or related futures product(s)) and the relevant underlying market(s) will be designated by the Exchange and announced to the Trading Permit Holders via Regulatory Circular. To qualify for consideration as an “underlying:” (A) the ETF, HOLDRS or index option class and related instrument must be derived from or designed to track the same underlying index; or (B) in the case of S&P 100-related options, the options class and related instrument must be derived from or designed to track the S&P 100 Index or the S&P 500 Index.

(h) Erroneous Quote in Underlying. A trade resulting from an erroneous quote(s) in the underlying security shall be adjusted or busted as set forth in sub-paragraph (c)(4) of this Rule, provided a party notifies the Exchange’s Help Desk in a timely manner as set forth below. An erroneous quote occurs when the underlying security has a width of at least $1.00 and has a width at least five times greater than the average quote width for such underlying security during the time period encompassing two minutes before and after the dissemination of such quote. For purposes of this paragraph, the average quote width shall be determined by adding the quote widths of sample quotations at regular 15-second intervals during the four-minute time period referenced above (excluding the quote(s) in question) and dividing by the number of quotes during such time period (excluding the quote(s) in question). If a party believes that it participated in an erroneous transaction resulting from an erroneous quote(s) pursuant to this paragraph it must notify the Exchange’s Help Desk in accordance with sub-paragraph (c)(2) above. For the purposes of this paragraph, the underlying (which includes, but is not limited to, the underlying or related ETF(s), HOLDRS(s) and/or index value(s), and/or related futures product(s)) and the relevant underlying market(s) will be designated by the Exchange and announced to the Trading Permit Holders via Regulatory Circular. To qualify for consideration as an “underlying:” (A) the ETF, HOLDRS or index option class and related instrument must be derived from or designed to track the same underlying index; or (B) in the case of S&P 100-related options, the options class and related instrument must be derived from or designed to track the S&P 100 Index or the S&P 500 Index.
(i) Stop (and Stop-Limit) Order Trades Triggered by Erroneous Trades. Transactions resulting from the triggering of a stop or stop-limit order by an erroneous trade in an option contract shall be nullified by the Exchange, provided a party notifies the Exchange’s Help Desk in a timely manner as set forth below. If a party believes that it participated in an erroneous transaction pursuant to this paragraph it must notify the Exchange’s Help Desk within the timeframes set forth in sub-paragraph (c)(2) above, with the allowed notification timeframe commencing at the time of notification of the nullification of transaction(s) that triggered the stop or stop-limit order.

(j) Linkage Trades. If the Exchange routes an order pursuant to the Intermarket Options Linkage Plan that results in a transaction on another options exchange (a “Linkage Trade”) and such options exchange subsequently nullifies or adjusts the Linkage Trade pursuant to its rules, the Exchange will perform all actions necessary to complete the nullification or adjustment of the Linkage Trade.

(k) Obvious Error Panel.

1. Composition. An Obvious Error Panel will be comprised of at least one (1) member of the Exchange’s staff designated to perform Obvious Error Panel functions and four (4) Trading Permit Holders. Fifty percent of the number of Trading Permit Holders on the Obvious Error Panel must be directly engaged in market making activity and fifty percent of the number of Trading Permit Holders on the Obvious Error Panel must act in the capacity of a non-DPM floor broker.

2. Scope of Review. If a party affected by a determination made under paragraph (c) so requests within the time permitted in paragraph (k)(3) below, an Obvious Error Panel will review decisions made under this Rule, including whether an obvious error occurred, whether the correct Theoretical Price was used, and whether the correct adjustment was made at the correct price. A party may also request that the Obvious Error Panel provide relief as required in this Rule in cases where the party failed to provide the notification required in paragraph (c)(2) and an extension was not granted, but unusual circumstances must merit special consideration. A party cannot request review by an Obvious Error Panel of determinations by a Cboe Options Official made pursuant to paragraph (c)(3) of this Rule.

3. Procedure for Requesting Review. A request for review must be made in writing within thirty (30) minutes after a party receives notification of a determination under paragraph (c), except that if notification is made after 2:30 p.m. Central Time (“CT”), either party has until 8:30 a.m. CT the next trading day to request review. The Obvious Error Panel shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made the next trade day.

4. Panel Decision. The Obvious Error Panel may overturn or modify an action taken under this Rule upon agreement by a majority of the Panel representatives. All determinations by the Obvious Error Panel may be appealed in accordance with paragraph (m) of this Rule.
(l) Catastrophic Error Panel

(1) Composition. A Catastrophic Error Panel will be comprised of at least one (1) member of the Exchange’s staff designated to perform Catastrophic Error Panel functions and four (4) Trading Permit Holders. Fifty percent of the number of Trading Permit Holders on the Catastrophic Error Panel must be directly engaged in market making activity and fifty percent of the number of Trading Permit Holders on the Catastrophic Error Panel must act in the capacity of a non-DPM floor broker.

(2) Scope of Review. If a party affected by a determination made under paragraph (d) so requests within the time permitted in paragraph (l)(3) below, a Catastrophic Error Panel will review decisions made under this Rule, including whether a catastrophic error occurred, whether the correct Theoretical Price was used, and whether the correct adjustment was made at the correct price.

(3) Procedure for Requesting Review. A request for review must be made in writing within thirty (30) minutes after a party receives notification of a determination under paragraph (d), except that if notification is made after 2:30 p.m. Central Time (“CT”), either party has until 8:30 a.m. CT the next trading day to request review. The Catastrophic Error Panel shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made the next trade day.

(4) Panel Decision. The Catastrophic Error Panel may overturn or modify an action taken under this Rule upon agreement by a majority of the Panel representatives. All determinations by the Catastrophic Error Panel may be appealed in accordance with paragraph (m) of this Rule.

(m) Review. Subject to the limitations contained in (c)(3) above, a Trading Permit Holder affected by a determination made under this Rule may appeal such determination, in accordance with Chapter XIX of the Exchange’s rules. For purposes of this Rule, a Trading Permit Holder must be aggrieved as described in Rule 19.1. Notwithstanding any provision in Rule 19.2 to the contrary, a request for review must be made in writing (in a form and manner prescribed by the Exchange) no later than the close of trading on the next trade date after the Trading Permit Holder receives notification of such determination from the Exchange.

Approved November 24, 2003 (01-04); amended April 12, 2004 (03-59); August 12, 2004 (04-02); December 28, 2004 (04-83); February 10, 2005 (05-12); July 5, 2005 (05-44); June 16, 2006 (05-63); September 20, 2007 (07-04); December 18, 2007 (07-148); May 23, 2008 (08-02); October 14, 2008 (08-90); January 7, 2009 (08-118); May 27, 2009 (09-024); September 28, 2009 (09-067); June 18, 2010 (10-058); November 27, 2013 (13-103); September 25, 2014 (14-066); November 28, 2014 (14-062); May 7, 2015 (15-039); September 28, 2017 (17-058); January 3, 2018 (18-010).

. . . Interpretations and Policies:

.01 Limit Up-Limit Down State.
The following policy (Rule 6.25.01) shall be in effect during a pilot period that expires at the close of business on October 18, 2019.

An execution will not be subject to review as an Obvious Error or Catastrophic Error pursuant to paragraph (c) or (d) of this Rule if it occurred while the underlying security was in a “Limit State” or “Straddle State,” as defined in the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. Nothing in this provision shall prevent such execution from being reviewed on an Official’s own motion pursuant to sub-paragraph (c)(3) of this Rule, or a bust or adjust pursuant to paragraphs (e) through (j) and Interpretation .05 of this Rule.

Amended June 18, 2010 (10-058); October 21, 2015 (15-097); Amended April 9, 2019 (19-020).

.02 For the purposes of this Rule, to the extent the provisions of this Rule would result in the Exchange applying an adjustment of an erroneous sell transaction to a price lower than the execution price or an erroneous buy transaction to a price higher than the execution price, the Exchange will not adjust or nullify the transaction, but rather, the execution price will stand.

Amended May 27, 2009 (09-024); June 18, 2010 (10-058); November 28, 2014 (14-062).

.03 Notwithstanding the provisions of Rule 6.25, opening transactions that do not satisfy the requirements of Rule 5.4 will be nullified.

Approved November 24, 2003 (01-04); amended December 28, 2004 (04-83); September 21, 2007 (07-110).

.04 Binary Options: For purposes of the obvious error provisions in paragraph (c) of this Rule, the adjusted price (including any applicable adjustment under (c)(4)(A) for non-customer transactions) shall not exceed the applicable exercise settlement amount for the binary option.

Approved May 27, 2009 (09-024).

.05 Verifiable Disruptions or Malfunctions of Exchange Systems: Electronic or open outcry transactions arising out of a “verifiable disruption or malfunction” in the use or operation of any Exchange automated quotation, dissemination, execution, or communication system will either be nullified or adjusted by an Official. Transactions that qualify for price adjustment will be adjusted to Theoretical Price, as defined in paragraph (b) above.

.06 Any determination made by an Official, an Obvious Error Panel, or a Catastrophic Error Panel under this Rule shall be rendered without prejudice as to the rights of the parties to the transaction to submit a dispute to arbitration.

Approved April 5, 2013 (13-030); amended May 1, 2014 (14-033); February 19, 2015 (15-018); May 7, 2015 (15-039).

.07 Complex Orders and Stock-Option Orders:

(a) If a complex order executes against individual legs and at least one of the legs qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph
(d)(1), then the leg(s) that is an Obvious or Catastrophic error will be adjusted in accordance with paragraphs (c)(4)(A) or (d)(3), respectively, regardless of whether one of the parties is a Customer. However, any Customer order subject to this paragraph .07(a) will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price on the complex order or individual leg(s). If any leg of a complex order is nullified, the entire transaction is nullified.

(b) If a complex order executes against another complex order and at least one of the legs qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the leg(s) that is an Obvious or Catastrophic Error will be adjusted or busted in accordance with paragraph (c)(4) or (d)(3), respectively, so long as either: (i) the width of the National Spread Market for the complex order strategy just prior to the erroneous transaction was equal to or greater than the amount set forth in the wide quote table of paragraph (b)(3) or (ii) the net execution price of the complex order is higher (lower) than the offer (bid) of the National Spread Market for the complex order strategy just prior to the erroneous transaction by an amount equal to at least the amount shown in the table in paragraph (c)(1). If any leg of a complex order is nullified, the entire transaction is nullified.

(c) If the option leg of a stock-option order qualifies as an Obvious Error under paragraph (c)(1) or a Catastrophic Error under paragraph (d)(1), then the option leg that is an Obvious or Catastrophic Error will be adjusted in accordance with paragraph (c)(4)(A) or (d)(3), respectively, regardless of whether one of the parties is a Customer. However, the option leg of any Customer order subject to this paragraph (c) will be nullified if the adjustment would result in an execution price higher (for buy transactions) or lower (for sell transactions) than the Customer’s limit price on the stock-option order, and the Exchange will attempt to nullify the stock leg. Whenever a stock trading venue nullifies the stock leg of a stock-option order or whenever the stock leg cannot be executed, the Exchange will nullify the option leg upon request of one of the parties to the transaction or in accordance with paragraph (c)(3).

Approved February 14, 2017 (16-088); May 10, 2019 (19-017).

.08 Exchange Determining Theoretical Price. For purposes of this Rule, when the Exchange must determine Theoretical Price pursuant to sub-paragraphs (b)(1)-(3) of this Rule (i.e., at the open, when there are no valid quotes or when there is a wide quote), then the Exchange will determine Theoretical Price as follows.

(a) The Exchange will request Theoretical Price from the third party vendor defined in paragraph (d) below ("TP Provider") to which the Exchange and all other options exchanges have subscribed. The Exchange will apply the Theoretical Price provided by the TP Provider, except as otherwise described below.

(b) To the extent an Official of the Exchange believes that the Theoretical Price provided by the TP Provider is fundamentally incorrect and cannot be used consistent with the maintenance of a fair and orderly market, the Official shall contact the TP Provider to notify the TP Provider of the reason the Official believes such Theoretical Price is inaccurate and to request a review and correction of the calculated Theoretical Price. The Exchange shall also promptly
provide electronic notice to other options exchanges that the TP Provider has been contacted consistent with this paragraph and include a brief explanation of the reason for the request.

(c) An Official of the Exchange may determine the Theoretical Price if the TP Provider has experienced a systems issue that has rendered its services unavailable to accurately calculate Theoretical Price and such issue cannot be corrected in a timely manner.

(d) The current TP Provider to which the Exchange and all other options exchanges have subscribed is: Cboe Livevol, LLC. Neither the Exchange, the TP Provider, nor any affiliate of the TP Provider (the TP Provider and its affiliates are referred to collectively as the "TP Provider"), makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of the TP Provider pursuant to this Interpretation .08. The TP Provider does not guarantee the accuracy or completeness of the calculated Theoretical Price. The TP Provider disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such Theoretical Price. Neither the Exchange nor the TP Provider shall have any liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the use of such Theoretical Price or arising out of any errors or delays in calculating such Theoretical Price.

Approved September 28, 2017 (17-058).

Section C: Trading Practices and Procedures

Rule 6.40. Unit of Trading

The unit of trading in each series of options dealt in on the Exchange shall be the unit of trading established for that series by the Clearing Corporation pursuant to the Rules of the Clearing Corporation and the agreements of the Exchange with the Clearing Corporation.

Amended January 3, 1975.

Rule 6.41. Meaning of Premium Bids and Offers

(a) General. Except as provided in paragraph (b), bids and offers shall be expressed in terms of dollars per unit of the underlying security. (e.g., a bid of “7” shall represent a bid of $700 for an option contract having a unit of trading consisting of 100 shares of an underlying security, or a bid of $770 for an option contract having a unit of trading consisting of 110 shares of an underlying security.)

(b) Special cases. Bids and offers for an option contract for which an adjusted unit of trading has been established in accordance with Rule 5.7 shall be expressed in terms of dollars per .01 part of the total securities and/or other property constituting such adjusted unit of trading. (e.g., an offer of “6” shall represent an offer of $600 on an option contract having a unit of trading consisting of 100 shares of an underlying security plus 10 rights.)

(c) Mini-options. Bids and offers for an option contract overlying 10 shares shall be expressed in terms of dollars per 1/10th part of the total value of the contract. An offer of “.50”
shall represent an offer of $5.00 for an option contract having a unit of trading consisting of 10 shares.

Amended August 7, 2000 (00-07); March 21, 2006 (06-15); January 4, 2013 (13-001).

. . . Interpretations and Policies:

.01 When a customer submits to a Trading Permit Holder for open outcry handling a complex order with a total cash price (the “total order price”) and the total number of contracts for each leg, if pricing the legs for execution would result in a difference between the total execution price and the total order price, the Trading Permit Holder must resolve the difference in a manner that provides price improvement to the customer (i.e. the broker must determine leg prices that correspond to a total purchase (sale) price that is less (greater) than the total order price).

Amended March 20, 2015 (15-010).

Rule 6.42. Minimum Increments for Bids and Offers

(a) Simple Orders. The minimum increments for bids and offers on simple orders for options traded on the Exchange are as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Increment</th>
<th>Series Trading Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Not Participating in Penny Pilot Program (including all series of VIX options if the Exchange does not list VIX on a group basis pursuant to Rule 8.14) and series of VIX Options not listed under the Nonstandard Expirations Pilot Program (if the Exchange lists VIX on a group basis pursuant to Rule 8.14)</td>
<td>$0.05</td>
<td>Lower than $3.00</td>
</tr>
<tr>
<td></td>
<td>$0.10</td>
<td>$3.00 and higher</td>
</tr>
<tr>
<td>Class Participating in Penny Pilot Program</td>
<td>$0.01</td>
<td>Lower than $3.00</td>
</tr>
<tr>
<td></td>
<td>$0.05</td>
<td>$3.00 and higher</td>
</tr>
<tr>
<td>QQQs, IWM, and SPY, and Mini-SPX Index Options (XSP) (as long as SPDR options (SPY) participate in the Penny Pilot Program)</td>
<td>$0.01</td>
<td>All prices</td>
</tr>
<tr>
<td>Series of VIX Options listed under the Nonstandard Expirations Pilot Program (if the Exchange lists VIX on a group basis pursuant to Rule 8.14)</td>
<td>$0.01</td>
<td>All prices</td>
</tr>
</tbody>
</table>
Options on the Dow Jones Industrial Average (DJX), as long as Diamonds options (DIA) participate in the Penny Pilot Program

<table>
<thead>
<tr>
<th>Price Range</th>
<th>Minimum Increment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.01</td>
<td>Lower than $3.00</td>
</tr>
<tr>
<td>$0.05</td>
<td>$3.00 and higher</td>
</tr>
</tbody>
</table>

Mini-Options

Same as permitted for standard options on the same security

(b) Complex Orders. Except as provided in Rule 6.53C, the minimum increment for bids and offers on complex orders is $0.01 or greater, which may be determined by the Exchange on a class-by-class basis and announced to Trading Permit Holders via Regulatory Circular. Notwithstanding the foregoing sentence, the minimum increment for bids and offers on complex orders in options on the S&P 500 Index (SPX) or on the S&P 100 Index (OEX and XEO), except for box/roll spreads, is $0.05 or greater, or in any increment, which may be determined by the Exchange on a class-by-class basis and announced to Trading Permit Holders via Regulatory Circular. In addition:

(i) the legs of a complex order may be executed in $0.01 increments; and
(ii) complex orders are subject to special priority requirements as described in Rules 6.45, 6.53C, 24.19 and 24.20.

Amended July 1, 1973; amended September 30, 1994 (93-54); amended March 9, 1998 (97-49); August 7, 2000 (00-07); April 11, 2002 (01-62); July 29, 2002 (02-02); March 21, 2006 (06-15); July 12, 2006 (05-65); November 8, 2006 (06-83); January 23, 2007 (06-92); September 27, 2007 (07-98); January 9, 2008 (08-01); May 23, 2008 (08-02); October 22, 2009 (09-076); February 3, 2010 (10-009); June 18, 2010 (10-058); November 29, 2010 (10-102); December 15, 2011 (11-118); June 22, 2012 (12-059); December 21, 2012 (12-127); February 8, 2013 (12-120); March 12, 2013 (13-016); June 4, 2013 (13-061); July 31, 2013 (13-055); November 22, 2013 (13-093); December 12, 2013 (13-124); June 22, 2014 (14-047); December 12, 2014 (14-086); June 17, 2015 (15-060); June 1, 2016 (16-048); November 23, 2016 (16-083); February 17, 2017 (16-091); January 24, 2017 (17-009); December 14, 2017 (17-078); June 26, 2018 (18-047); October 12, 2018 (18-066); December 20, 2018 (18-076); March 22, 2019 (19-018); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Reserved

.02 For purposes of this rule, “box/roll spread” or “box spread” means an aggregation of positions in a long call option and short put option with the same exercise price (“buy side”) coupled with a long put option and short call option with the same exercise price (“sell side”) all of which have the same aggregate current underlying value, and are structured as either: (A) a “long box spread” in which the sell side exercise price exceeds the buy side exercise price or (B) a “short box spread” in which the buy side exercise price exceeds the sell side exercise price.

.03 When the Exchange determines to change the minimum increment for a class, the Exchange will designate such change as a stated policy, practice, or interpretation with respect to the
administration of Rule 6.42 within the meaning of subparagraph (3)(A) of subsection 19(b) of the Act and will file a rule change for effectiveness upon filing with the Commission.

.04 The Exchange may replace any option class participating in the Penny Pilot Program that has been delisted with the next most actively traded, multiply listed option class, based on national average daily volume in the preceding six calendar months, that is not yet included in the Pilot Program. Any replacement class would be added on the second trading day in the first month of each quarter. The Penny Pilot will expire on June 30, 2019.

Rule 6.43. Manner of Bidding and Offering

Bids and offers to be effective must either be entered electronically in a form and manner prescribed by the Exchange via Exchange-approved quoting devices or made at the post by public outcry. All bids and offers shall be general ones and shall not be specified for acceptance by particular Trading Permit Holders.

Amended January 11, 1979; March 29, 2002 (02-07); May 30, 2003 (02-05); November 22, 2005 (05-69); June 7, 2007 (06-101); May 23, 2008 (08-02); July 14, 2008 (08-67); June 18, 2010 (10-058); January 24, 2017 (17-009); January 3, 2018 (18-010); May 10, 2019 (19-017).

Rule 6.44. Bids and Offers in Relation to Units of Trading

Subject to Rule 8.7 and Interpretations and Policies thereto, bids or offers made on the floor shall be deemed to be for one option contract unless a specific number is expressed in the bid or offer. A bid or offer for more than one option contract which is not made all-or-none shall be deemed to be for that amount or any lesser number of option contracts. An all-or-none bid or offer shall be deemed to be made only for the amount stated.


. . . Interpretations and Policies:

.01 A bid or offer may be made and a transaction executed on an all-or-none basis if the all-or-none bid or offer represents the only bid or offer available at the best price in the market at the time the all-or-none bid or offer is executed. An all-or-none order may not be crossed with another all-or-none order unless all bids or offers at the same price at which the cross is to be effected have been filled. If two or more all-or-none bids or offers represent the only bids or offers at the best price in the market, priority shall be afforded to such all-or-none bids or offers in the sequence in which they are made.

Issued November 22, 1977.

.02 The Exchange has determined that all-or-none bids or offers will not be disseminated by the Exchange as market quotes for any option series. Furthermore, any number of transactions of any size may appear on the tape at the same price as specified on an all-or-none order without the all-or-none order participating, and any number of transactions of a size less than the size of an all-or-none order may appear on the tape at a price lower than the all-or-none bid or at a price higher than an all-or-none offer.
.03 The Exchange may restrict the entry of all-or-none orders in one or more classes or series of options whenever, in its judgment, the interests of maintaining a fair and orderly market are best served.

.04 Fill-or-kill orders and bids or offers made on a fill-or-kill basis shall be deemed to be all-or-none for purposes of Rule 6.44.

.05 A minimum volume order bid or offer shall be deemed to have been made for the full size of the order or any lesser number of option contracts that is at least equal to the minimum volume specified. Minimum volume orders and bids and offers made on a minimum volume basis shall be deemed to be all-or-none for purposes of Interpretations and Policies .01 and .03 above. To the extent available pursuant to Rule 6.53, minimum volume orders may only be made available by the Exchange for open outcry trading.

Rule 6.45. Order and Quote Priority and Allocation

(a) Electronic Priority and Allocation.

   (i) Base Electronic Allocation Algorithms. The base electronic allocation algorithm in subparagraph (C) applies to all classes, except classes to which the Exchange determines to apply the base electronic allocation algorithm in subparagraph (A) or (B). Pursuant to any electronic allocation algorithm, an order or quote may only be allocated up to the number of contracts of that order or quote at the execution price.

   (A) Price-Time Priority. Under this method, resting orders and quotes in the book are prioritized according to price. If there are two or more resting orders or quotes at the same price, then priority is afforded among these orders and quotes in the order in which the Hybrid System received them (i.e., according to time).

   (B) Pro-Rata Priority. Under this method, resting orders and quotes in the book are prioritized according to price. If there are two or more resting orders or quotes at the same price, then the System allocates contracts from an incoming order or quote to resting orders and quotes sequentially in the order in which the System received them (i.e., according to time) proportionally according to size (i.e., on a pro-rata basis). The System allocates contracts to the first resting order or quote proportionally according to size (based on the number of contracts to be allocated and the size of the resting orders and quotes). Then, the System recalculates the number of contracts to which each remaining resting order and quote is afforded proportionally according to size (based on the number of remaining contracts to be
allocated and the size of the remaining resting orders and quotes) and allocates contracts to the next resting order or quote. The System repeats this process until it allocates all contracts from the incoming order or quote. The System rounds fractions \( \frac{1}{2} \) or greater up and fractions less than \( \frac{1}{2} \) down.

(C) Aggregated Pro-Rata Priority. Under this method, resting quotes and orders in the book are prioritized according to price. If there are two or more resting quotes or orders at the same price, then priority is afforded among these quotes and orders based on the percentage the size of each quote and order at that price represents relative to the total number of contracts at that price. If the number of contracts cannot be allocated proportionally in whole numbers, the System randomly allocates extra contracts to resting orders and quotes. The System rounds fractions \( \frac{1}{2} \) or greater up and fractions less than \( \frac{1}{2} \) down. For purposes of this subparagraph, all broker-dealer orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those broker-dealer orders at that price). After the “one” broker-dealer order is allocated a certain number of contracts pursuant to this subparagraph, those contracts are allocated proportionally according to size to each broker-dealer order comprising the “one” broker-dealer order.

(ii) Electronic Priority Overlays. In addition to the base electronic allocation algorithms set forth in paragraph (a), the Exchange may determine to apply, on a class-by-class basis, one or more of the following priority overlays and the sequence in which the overlays apply.

(A) Priority Customer. The Exchange may apply a priority customer overlay, pursuant to which priority customer orders have priority over broker-dealer orders and quotes at the same price. If there are two or more priority customer orders at the same price, priority is afforded to such priority customer orders in the sequence in which the Hybrid System received them (i.e., according to time).

(B) Participation Entitlement. The Exchange may grant Preferred Market-Makers, LMMs and DPMs participation entitlements pursuant to the provisions of Rules 8.13, 8.15 and 8.87, respectively.

(1) A Preferred Market-Maker, LMM or DPM is eligible for a participation entitlement if it satisfies the conditions in Rule 8.13, 8.15 or 8.87, respectively. If a Preferred Market-Maker, LMM or DPM is eligible for a participation entitlement, it receives the greater of the amount it would be entitled to pursuant to the participation entitlement or the amount it would otherwise receive pursuant to the operation of the applicable allocation algorithm.

(2) The Exchange may apply a participation entitlement only if it has applied the priority customer overlay (pursuant to paragraph (a)(ii)(A)) in a priority sequence ahead of the participation entitlement. The
participation entitlement is based on the number of contracts remaining after all priority customer orders in the book at the same price have been filled.

(3) The Exchange may apply more than one participation entitlement for a class (including at different priority sequences); however, in no case may more than one participation entitlement apply on the same trade. For example, the Exchange may activate the Preferred Market-Maker participation entitlement and the DPM participation entitlement, along with additional priority overlays, for a class at different priority levels (e.g. priority customer has first priority, Preferred Market-Maker entitlement has second priority, Market Turner has third priority, and DPM entitlement has fourth priority), but only a Preferred Market-Maker or DPM may receive an entitlement on a single trade depending on the priority level (e.g. if the Preferred Market-Maker with second priority receives an entitlement on a trade, then the DPM with fourth priority will not receive an entitlement on that trade; if the Preferred Market-Maker with second priority does not receive an entitlement on a trade, then the DPM with fourth priority may receive an entitlement on the trade).

(C) Small Order Preference. The Exchange may apply a small order preference overlay, pursuant to which a DPM or LMM, as applicable, has first priority to execute against orders for five (5) contracts or fewer after all priority customer orders resting at the same price on the book at the time the Exchange received an incoming order have been filled.

(1) On a quarterly basis, the Exchange will evaluate what percentage of the volume executed on the Exchange (excluding volume resulting from the execution of orders in AIM (see Rule 6.74A)) is comprised of orders for five (5) contracts or fewer executed by DPMs and LMMs, and will reduce the size of the orders included in this provision if such percentage is over forty percent (40%).

(2) To be eligible to receive the small order preference, the DPM or LMM, as applicable, must be quoting at the BBO and may not be allocated a total quantity greater than the quantity the DPM or LMM, as applicable, is quoting at that price.

(3) If a Preferred Market-Maker is not quoting at the BBO at the time the Hybrid System receives a preferred order, the small order preference applies to the execution of the preferred order. If a Preferred Market-Maker is quoting at the BBO at the time the Hybrid System receives a preferred order, the Preferred Market-Maker receives its participation entitlement, and no small order preference or Market Turner priority applies to the execution of that order.

(4) The small order preference applies only to automatic executions and not executions following auctions.
(D) Market Turner Priority. The Exchange may apply a Market Turner priority overlay. A “Market Turner” is a Trading Permit Holder that first entered an order or quote at a better price than the previous BBO and the order or quote is continuously in the market until it trades. There may be a Market Turner for each price at which a particular order or quote trades. The Market Turner has priority at the highest bid or lowest offer that it established. The Market Turner priority at a given price remains with the order or quote once it is established. For example, if the market moves in the same direction as the direction in which the order or quote from the Market Turner moved the market, and then the market moves back to the Market Turner’s original price, then the Market Turner retains priority at the original price. Market Turner priority cannot be established until after the opening trade and/or the conclusion of the opening rotation and, once established, remains in effect until the conclusion of the trading session.

The Exchange may determine, on a class-by-class basis, to reduce the Market Turner priority to a percentage of each inbound order executable against the Market Turner’s order or quote. In such cases, the Market Turner’s order or quote may trade against the balance of an order, pursuant to the applicable allocation algorithm, after the Market Turner priority is applied. To the extent the Market Turner order or quote is not fully executed, it retains Market Turner priority for subsequent inbound orders and quotes until the conclusion of the trading session.

(iii) Decrementation of Order or Quote Size. Upon execution of an order or quote, the System decrements the order or quote by an amount equal to the size of that execution. The remaining size of the order or quote retains its position with respect to priority for subsequent executions.

(iv) Modification of Orders or Quotes. If a Trading Permit Holder modifies an order or quote, the priority of the order or quote may change as follows:

(A) If the price of an order or quote is changed, the order or changed side of the quote loses its priority position and is placed in a priority position as if the System received the order or quote at the time the order or quote was changed.

(B) If the quantity of an order or quote is decreased, it retains its priority position.

(C) If the quantity of an order or quote is increased, the order or changed side of the quote loses its priority position and is placed in a priority position as if the System received the order or quote at the time the quantity of the order or quote is increased.

(D) If the price or quantity of one side of a quote is changed, the unchanged side of the quote retains its priority position.

(v) Contingency Orders. Once a certain event or trading condition satisfies an order’s contingency, an order is no longer a contingency order and is treated as a market
or limit order (as applicable), prioritized in the same manner as any other market or limit
order based on the time it enters the Book following satisfaction of the contingency (i.e.,
last in time priority with respect to other orders and quotes resting in the Book at that time).
If contingencies of multiple orders are satisfied at the same time, the System sends them to
the Book in the order in which the System initially received them. Notwithstanding the
foregoing, under any algorithm in paragraph (a) above:

(A) All displayed orders and quotes at a given price have priority over
all-or-none orders and the non-displayed portions of reserve orders at the same
price.

(B) Upon receipt of a reserve order, the System displays in the Book any
initially display-eligible portion of the reserve order, which is prioritized in the
same manner as any other order (i.e., based on the time the System receives it).
Once any non-displayed portion of a reserve order becomes eligible for display, the
System displays in the Book that portion of the order and prioritizes it based on the
time it becomes displayed in the Book (i.e., last in time priority with respect to other
orders and quotes resting in the Book at that time).

(C) Immediate-or-cancel and fill-or-kill orders are not placed in the
Book and thus are not prioritized with respect to other resting orders and quotes in
the Book. These orders execute against resting orders and quotes in the Book based
on the time the System receives them (i.e., the System processes these orders in the
time sequence in which it receives them).

(D) All-or-none orders are always last in priority order (including after
the undisplayed portions of reserve orders). If the Exchange applies the priority
customer overlay to a class, orders trade in the following order: (i) priority customer
orders other than all-or-none, (ii) non-priority customer orders other than all-or-
one and quotes, (iii) priority customer all-or-none orders (in time sequence), and
(iv) non-priority customer all-or-none orders (in time sequence). If the Exchange
applies pro-rata with no priority customer overlay or price-time to a class, orders
trade in the following order: (I) orders other than all-or-none and quotes, and (II)
all-or-none orders (in time sequence).

(b) Open Outcry Priority and Allocation. Orders that are represented in open outcry by
Floor Brokers or PAR Officials, and bids and offers made in response to specific requests from incrowd Market-Makers, are allocated as follows:

(i) Bids and offers are prioritized according to price. If there are two or more
bids (offers) at the best price:

(A) Priority customer orders in the electronic book have first priority. If
there are two or more priority customer orders in the electronic book at the same
price, then priority is afforded among these orders in the order in which the Hybrid
System received them (i.e., according to time).
(B) Bids (offers) made by in-crowd market participants at the time the market is established have second priority. The Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, determines which in-crowd market participants responded at the time the market was established and the sequence in which in-crowd market participants made bids (offers).

1. If there are two or more bids (offers) at the same price, then priority is afforded among these bids (offers) in the sequence in which they are made.

2. If the bids (offers) were made at the same time, or if the Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, cannot reasonably determine the sequence in which the bids (offers) were made, then the order is allocated equally among these bids (offers).

3. If the Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, cannot reasonably determine the sequence in which the bids (offers) were made beyond a certain number of in-crowd market participants, then the remaining contracts are allocated equally among the bids (offers) for which the sequence could not be determined.

4. If an in-crowd market participant declines to accept any portion of the available contracts when the Floor Broker, PAR Official, DPM, LMM or Market-Maker, as applicable, determines the allocation of an order, those contracts are allocated equally among the other bids (offers).

5. If any contracts remain in an order after giving effect to subparagraphs (1) through (4) above and the remainder is not cancelled, and in-crowd market participants subsequently make bids (offers) in a reasonably prompt manner, then the remainder of the order is apportioned equally between the in-crowd market participants who bid (offered) the best price.

(C) Broker-dealer orders and quotes in the electronic book have third priority. If there are two or more broker-dealer orders or quotes in the electronic book at the same price, then priority is afforded among these orders and quotes in accordance with the applicable electronic allocation algorithm in Rule 6.45(a).

(D) Notwithstanding the priority provisions otherwise applicable under subparagraph (B) above, Trading Permit Holders relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the so called “G exemption rule”) as an exemption must yield priority to any bid (offer) at the same price of priority customer orders and broker-dealer orders resting in the electronic book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule.

(ii) Complex Order Priority.
(A) A complex order may be executed at a net debit or credit price without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the electronic book provided at least one leg of the order betters the corresponding bid (offer) of a priority customer order(s) in the electronic book by at least one minimum trading increment or a $0.01 increment, which increment the Exchange determines on a class-by-class basis.

(B) Stock-option orders and security future-option orders have priority over bids (offers) of the trading crowd but not over priority customer bids (offers) in the electronic book.

(iii) The provisions of paragraph (b) are subject to Rule 8.7, Interpretation and Policy .02, and Rule 8.51.

(c) Locked and Inverted Electronic Quotes.

(i) Locked Quotes. In the event a Market-Maker’s disseminated quote locks (e.g., $1.00 bid - $1.00 offer) with another Market-Maker’s disseminated quote:

(A) The System disseminates the locked market, and both quotes are deemed “firm” disseminated market quotes.

(B) When the market locks in a Hybrid class, a “counting period” begins during which Market-Makers whose quotes are locked may eliminate the locked market. Provided, however, that in accordance with subparagraph (A) above, a Market-Maker will be obligated to execute customer and broker-dealer orders eligible for automatic execution pursuant to Rule 6.13 at its disseminated quote in accordance with Rule 8.51. If, at the end of the counting period, the quotes remain locked, the locked quotes automatically execute against each other in accordance with the applicable allocation algorithm described above in Rule 6.45(a). The Exchange will determine on a class-by-class basis whether to apply a counting period and, if so, the length of the counting period, which may not exceed one second.

(ii) Inverted Quotes. The Hybrid System will not disseminate an internally crossed market (i.e., the Cboe Options best bid is higher than the Cboe Options best offer). If a Market-Maker submits a quote (“incoming quote”) that would invert an existing quote (“existing quote”), the Hybrid System will change the incoming quote such that it locks the existing quote. Locked markets are handled in accordance with subparagraph (c)(i) above. During the lock period, if the existing quote is cancelled subsequent to the time the incoming quote is changed, the System will restore the incoming quote to its original terms.

(d) Order Handling During Limit Up-Limit Down State.

(1) Market Order. A market order shall be returned by the System if the underlying security is in a limit up-limit down state. As an exception, market orders submitted to initiate an Automated Improvement Mechanism Auction will be
accepted. In addition, market orders will not be returned if a Trading Permit Holder elects to route that order for manual handling.

(2) Market-on-close order. A market-on-close order shall not be elected if the underlying security is in a limit up-limit down state, as defined in Rule 6.3A. If, near the conclusion of trading, the underlying security exits the limit up-limit down state, the system will attempt to re-evaluate, elect, and execute the order.

(3) Stop (stop-loss) order. A stop order will not be triggered if the underlying security is in a limit up-limit down state. Such order will be held until the end of the limit up-limit down state, at which point the order will become eligible to be triggered if the market for the particular option contract reaches the specified contract price.

Approved June 10, 2005 (04-87); amended June 20, 2005 (05-47); September 23, 2005 (05-58); October 24, 2005 (05-85); November 18, 2005 (05-46); January 11, 2006 (06-03); March 21, 2006 (06-15); July 12, 2006 (05-65); August 31, 2006 (06-58); November 8, 2006 (06-83); June 7, 2007 (06-101); June 28, 2007 (07-66); March 26, 2008 (08-08); March 26, 2008 (08-32); March 26, 2008 (08-03); April 3, 2008 (07-120); May 23, 2008 (08-02); August 25, 2008 (08-89); August 11, 2009 (09-056); August 26, 2009 (09-060); September 14, 2009 (09-052); June 18, 2010 (10-058); June 17, 2010 (10-038); October 12, 2012 (12-082); January 2, 2014 (13-110); April 7, 2016 (16-009); January 24, 2017 (17-009); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 Principal Transactions: Order entry firms may not execute as principal against orders they represent as agent unless: (i) agency orders are first exposed on the Hybrid System for at least one (1) second, (ii) the order entry firm has been bidding or offering for at least one (1) second prior to receiving an agency order that is executable against such bid or offer, or (iii) the order entry firm proceeds in accordance with the crossing rules contained in Rule 6.74. In such cases, agency orders priced in penny increments are deemed “exposed” pursuant to (i) above, and order entry firm orders priced in penny increments are deemed bids or offers pursuant to (ii) above.

Approved June 10, 2005 (04-87); amended December 5, 2005 (05-94); March 29, 2006 (06-09); April 25, 2008 (07-39); July 2, 2008 (08-16); January 24, 2017 (17-009); January 3, 2018 (18-010); May 10, 2019 (19-017).

.02 Solicitation Orders. Order entry firms must expose orders they represent as agent for at least one (1) second before such orders may be executed electronically via the electronic execution mechanism of the Hybrid System, in whole or in part, against orders solicited from Trading Permit Holders and non-Trading Permit Holder broker-dealers to transact with such orders. In such cases, agency orders priced in penny increments are deemed “exposed” pursuant to this paragraph.

Approved June 10, 2005 (04-87); amended December 5, 2005 (05-94); March 29, 2006 (06-09); April 25, 2008 (07-39); July 2, 2008 (08-16); June 18, 2010 (10-058); January 24, 2017 (17-009); January 3, 2018 (18-010); May 10, 2019 (19-017).
.03 Reserve Orders. For the non-displayed reserve portion of a reserve order, the exposure requirement in Interpretation and Policy .01 or .02 above, as applicable, is satisfied if the displayable portion of the reserve order is displayed at its displayable price for one second.

Adopted June 7, 2007 (06-101); amended May 23, 2008 (08-02); July 2, 2008 (08-16); January 24, 2017 (17-009); May 10, 2019 (19-017).

.04 Exchange Determinations. The Exchange will announce to Trading Permit Holders all determinations it makes pursuant to Rule 6.45 and its Interpretations and policies via Regulatory Circular with appropriate advanced notice or as otherwise provided. To the extent the Exchange authorizes a class to trade on a group basis pursuant to Rule 8.14, Interpretation and Policy .01, the Exchange may make determinations pursuant to Rule 6.45 and its Interpretations and Policies on a group-by-group basis that would otherwise be made on a class-by-class basis.

Adopted December 29, 2009 (09-097); amended January 24, 2017 (17-009); amended May 10, 2019 (19-017).

.05 Applicability. Rule 6.45 applies to orders and quotes submitted by Trading Permit Holders and orders submitted by PAR Officials.

Adopted January 24, 2017 (17-009).

.06 Stock-Option Orders on PAR: For purposes of Rule 6.45B(b)(ii), the stock component of a stock-option order represented in open outcry may, in accordance with the order’s terms, be routed from PAR to an Exchange-designated broker-dealer not affiliated with the Exchange for electronic execution at a stock trading venue selected by the Exchange-designated broker-dealer. See Rule 6.48.

Amended May 14, 2015 (15-029); January 24, 2017 (17-009).

Rule 6.46. Deleted

Deleted

Amended January 11, 1979; November 22, 2005 (05-69); June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

Rule 6.47. Priority on Split-Price Transactions Occurring in Open Outcry

(a) Split-Price Priority. If an order or offer (bid) for any number of contracts of a series is represented to the crowd, a Trading Permit Holder that buys (sells) one or more contracts of that order or offer (bid) at one price will have priority over all other orders and quotes, except public customer orders resting in the book, to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next lower (higher) price.

(b) Split-Price Priority for Orders or Offers (Bids) of 100 or More Contracts. If an order or offer (bid) of 100 or more contracts of a series is represented to the crowd, a Trading Permit Holder that buys (sells) 50 or more of the contracts of that order or offer (bid) at one price will
have priority over all other orders and quotes to buy (sell) up to the same number of contracts of those remaining from the same order or offer (bid) at the next lower (higher) price. The Exchange may increase the minimum qualifying size of 100 contracts on a class-by-class basis, which changes the Exchange will announce via Regulatory Circular.

(c) Two or More Trading Permit Holders Entitled to Priority. If the bids or offers of two or more Trading Permit Holders are both entitled to split-price priority, it will be afforded to the extent practicable on a pro-rata basis.

(d) Conditions. Split-price priority is subject to the following:

(i) The priority is available for open outcry transactions only and does not apply to complex orders.

(ii) The Trading Permit Holder must make its bid (offer) at the next lower (higher) price for the second (or later) transaction at the same time as the first bid (offer) or promptly following execution of the first (or earlier) transaction.

(iii) The second (or later) purchase (sale) must represent the opposite side of a transaction with the same order or offer (bid) as the first (or earlier) purchase (sale).

(e) Minimum Increment Width with Public Customer Orders Resting in the Book. If the width of the quote for a series is the minimum increment for that series, and both the bid and offer represent public customer orders resting in the book, split-price priority pursuant to this rule is not available to Trading Permit Holders until the public customer order(s) resting in the book on either side of the market trades.

Amended July 1, 1975; January 11, 1979; May 30, 2003 (02-05); February 8, 2005 (04-67); November 22, 2005 (05-69); May 23, 2008 (08-02); June 18, 2010 (10-058); May 6, 2016 (16-034).

... Interpretations and Policies:

.01 Floor brokers are able to achieve split-price priority in accordance with paragraphs (a) and (b) above. Provided, however, that a floor broker who bids (offers) on behalf of a non-Market-Maker Cboe Options Trading Permit Holder broker-dealer (“Cboe Options Trading Permit Holder BD”) must ensure that the Cboe Options Trading Permit Holder BD qualifies for an exemption from Section 11(a)(1) of the Exchange Act or that the transaction satisfies the requirements of Exchange Act Rule 11a2-2(T), otherwise the floor broker must yield priority to orders for the accounts of non-Trading Permit Holders.

Approved February 8, 2005 (04-67); amended June 18, 2010 (10-058).

.02 Deleted

Adopted April 25, 2008 (07-39); deleted May 10, 2019 (19-017).
Rule 6.48. Contract Made on Acceptance of Bid or Offer

(a) All bids or offers made and accepted in accordance with the Rules shall constitute binding contracts, subject to applicable requirements of the Bylaws and the Rules and the Rules of the Clearing Corporation.

(b) Stock-option orders and security future-option orders.

(i) A bid or offer that is identified to the Exchange trading crowd as part of a stock-option order or a security future-option order is made and accepted subject to the following conditions:

(A) at the time the stock-option order or security future-option order is announced, the Trading Permit Holder initiating the order must disclose to the crowd all legs of the order and must identify the specific market(s) on which and the price(s) at which the non-option leg(s) of the order is to be filled, and

(B) concurrent with execution of the options leg of the order, the initiating Trading Permit Holder and each Trading Permit Holder that agrees to be a contra-party on the non-option leg(s) of the order must take steps immediately to transmit the non-option leg(s) to the identified market(s) for execution.

(ii) A trade representing the execution of the options leg of a stock-option order or a security future-option order may be cancelled at the request of any Trading Permit Holder that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

(c) Failure to observe the requirements set forth in paragraph (b)(i)(A) and (B) above shall be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1.

(d) A Trading Permit Holder or PAR Official may route the stock component of an eligible stock-option order represented in open outcry from PAR directly to an Exchange-designated broker-dealer not affiliated with the Exchange for electronic execution at a stock trading venue selected by the Exchange-designated broker-dealer in accordance with the order’s terms. The stock component of a stock-option order represented in open outcry may be routed to an Exchange-designated broker-dealer not affiliated with the Exchange for electronic execution at a stock trading venue as a single order or as a paired matching order (including with orders transmitted from separate PAR Workstations). A stock-option order where the stock component of the stock-option order is routed from PAR to an Exchange-designated broker-dealer not affiliated with the Exchange for electronic execution at a stock trading venue selected by the Exchange-designated broker-dealer must comply with the Qualified Contingent Trade Exemption of Rule 611(a) of Regulation NMS. Trading Permit Holders seeking to route the stock component of a stock-option order represented in open outcry through PAR to an Exchange-designated broker-dealer not affiliated with the Exchange for electronic execution at a stock trading venue selected by the Exchange-designated broker-dealer shall comply with Rule 6.53C.06.
Transactions Off the Exchange

(a) Except as otherwise provided by this Rule, no Trading Permit Holder acting as principal or agent may effect transactions in any class of option contracts listed on the Exchange for a premium in excess of $1.00 other than (i) on the Exchange, (ii) on another exchange on which such option contracts are listed and traded, or (iii) in the over-the-counter market if the stock underlying the option class was a Tier 1 National Market System security under SEC Rule 11Aa2-1(b)(1), or in the case of an index option, if all the component stocks of an index underlying the option class were Tier 1 or Tier 2 National Market System Securities under SEC Rule 11Aa2-1(b)(1) - (2), at the time the Exchange commenced trading in that option class, unless the Trading Permit Holder has attempted to execute the transaction on the floor of the Exchange and has reasonably ascertained that it may be executed at a better price off the floor.

(b) Notwithstanding the provisions of paragraph (a) of this Rule, a Trading Permit Holder acting as agent may execute a customer’s order off the Exchange floor with any other person (except when such Trading Permit Holder also is acting as agent for such other person in such transaction) for the purchase or sale of an option contract listed on the Exchange.

(c) For each transaction in which a Trading Permit Holder acting as principal or agent executes any purchase or sale of an option contract listed on the Exchange other than on the Exchange or on another exchange on which such option contracts are listed and traded, a record of such transaction shall be maintained by such Trading Permit Holder and shall be available for inspection by the Exchange for a period of one year. Such record shall include the circumstances under which the transaction was executed in conformity with this Rule.

Interpretations and Policies:

(a) No rule, stated policy, or practice of the Exchange may prohibit or condition, or be construed to prohibit or condition, or otherwise limit, directly or indirectly, the ability of any Trading Permit Holder acting as agent to effect any transaction otherwise than on the Exchange with another person (except when such Trading Permit Holder also is acting as agent for such other person in such transaction) in any equity security listed on the Exchange or to which unlisted trading privileges on the Exchange have been extended.

(b) No rule, stated policy, or practice of the Exchange may prohibit or condition, or be construed to prohibit, condition, or otherwise limit, directly or indirectly, the ability of any Trading Permit Holder to effect any transaction otherwise than on the Exchange in any reported security listed and registered on the Exchange or as to which unlisted trading privileges on the Exchange have been extended (other than a put option or call option issued by the Clearing Corporation) which is not a covered security.
Rule 6.49A. Off-Floor Transfers of Positions

(a) Permissible Off-Floor Transfers. Notwithstanding the prohibition set forth in Rule 6.49, the following transfers involving a Trading Permit Holder’s positions may be effected off the Exchange:

1. the dissolution of a joint account in which the remaining Trading Permit Holder assumes the positions of the joint account;

2. the dissolution of a corporation or partnership in which a former nominee of the corporation or partnership assumes the positions;

3. positions transferred as part of a Trading Permit Holder’s capital contribution to a new joint account, partnership, or corporation;

4. the donation of positions to a not-for-profit corporation;

5. the transfer of positions to a minor under the Uniform Gifts to Minors Act; or

6. a merger or acquisition where continuity of ownership or management results.

(b) Presidential Exemptions. In addition to the exemptions set forth in paragraph (a) of this Rule, the Exchange President (or senior-level designee) may grant an exemption from the requirement of Rule 6.49, on his or her own motion or upon application of the Transferor, when, in the judgment of the President or his or her designee, allowing the off-floor transfer is necessary or appropriate for the maintenance of a fair and orderly market and the protection of investors and is in the public interest, including due to unusual or extraordinary circumstances, such as the possibility that the market value of the Transferor’s business will be compromised by having to comply with the requirement to trade on the Exchange pursuant to the normal auction process or when, in the judgment of the President or his or her designee, market conditions make trading on the Exchange impractical.

Approved December 28, 1995 (95-36); amended November 15, 2007 (06-99); June 18, 2010 (10-058); July 24, 2015 (15-063); January 3, 2018 (18-010); May 16, 2019 (19-024).

Rule 6.50. Submission for Clearance

All transactions made on the Exchange shall be submitted for clearance to the Clearing Corporation, and all such transactions shall be subject to the Rules of the Clearing Corporation. Each Trading Permit Holder shall file with, or at the direction of, the Exchange trade information in accordance with Rule 6.51(d) for each Exchange transaction for which such Trading Permit Holder is responsible.

Amended January 3, 1975; April 18, 2000 (99-38); June 18, 2010 (10-058); July 24, 2014 (14-048).
Reporting Duties

(a) Designated Trading Permit Holder must report transaction. (i) A participant in each transaction to be designated by the Exchange must report or ensure the transaction is reported to the Exchange within 90 seconds of the execution in a form and manner prescribed by the Exchange so that the trade information may be reported to time and sales reports. (ii) Transactions not reported within 90 seconds after execution in accordance with Rule 6.51(a)(i) shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trade and subject to summary fine under Rule 17.50 or to discipline under Chapter XVII of the Rules.

(b) Reporting to Trading Permit Holder. For each transaction on the Exchange in which he participates, a Trading Permit Holder shall report the transaction as promptly as possible to the Trading Permit Holder for whom such transaction was made and/or to the Trading Permit Holder that will clear such transaction in a form and manner prescribed by the Exchange.

(c) Reporting transactions made off the Exchange. For each transaction in which a Trading Permit Holder participates off the Exchange in any option pertaining to an underlying security which is currently approved for Exchange transactions, such Trading Permit Holder shall report the transaction to the Exchange in a form and manner prescribed by the Exchange. (With the identity of participants removed, such transactions shall be made public by the Exchange.)

(d) Trade information. Each Trading Permit Holder shall file with the Exchange trade information in such form as may be prescribed by the Exchange covering each Exchange transaction during each business day in order to allow the Exchange to properly match and clear trades. The trade information shall show for each transaction (a) the identity of the purchasing Clearing Trading Permit Holder and the writing Clearing Trading Permit Holder, (b) the underlying security, (c) the exercise price, (d) the expiration month, (e) the number of option contracts, (f) the premium per unit, (g) the identity of the executing brokers representing both the purchasing and writing Clearing Trading Permit Holders, (h) whether a purchase or a writing transaction, (i) except for a transaction executed by or for a Market-Maker, whether an opening or closing transaction, (j) the identity of the account of the Clearing Trading Permit Holder in which the transaction was effected, (k) the time of purchase or sale, (l) whether a put or call, and (m) such other information as may be required by the Exchange.

Amended January 3, 1975; April 14, 1980; April 1, 1981; July 1, 1984; April 18, 2000 (99-38); September 6, 2000, effective March 6, 2001 (00-37); May 23, 2008 (08-02); June 18, 2010 (10-058).

Interpretations and Policies:

.01 The Exchange has established the following procedure for reporting transactions pursuant to Rule 6.51(a) and (b).

For each transaction on the Exchange both the buyer and seller shall immediately record on a card or ticket, or enter in an electronic data storage medium acceptable to the Exchange, his assigned broker initial code and his clearing firm (if a Market-Maker), the symbol of the underlying security, the type, expiration month and exercise price of the option contract, the transaction price, the
number of contract units comprising the transaction, the time of the transaction obtained from a source designated by the Exchange, the name of the contra Clearing Trading Permit Holder and the assigned broker initial code of the contra Trading Permit Holder. Such a record shall constitute the “transaction record.” The transaction record for any agency order shall also include the account origin code, as set forth in Interpretation .02 below. The seller in each transaction, or the buyer if designated by the Exchange, shall also within 90 seconds of the execution place a paper form copy of the transaction record in the price reporting belt provided at the station or, alternatively, shall provide the information provided for price reporting through an electronic data transmission link approved by the Exchange. Then, the buyer and seller in each transaction will immediately provide the transaction record to the Trading Permit Holder for whom the transaction was executed and/or the Clearing Trading Permit Holder that will clear the transaction. Trading Permit Holders not using electronic medium to report trades are expected to provide the transaction record to the Trading Permit Holder for whom the transaction was executed and/or to the Clearing Trading Permit Holder that will clear the trade as promptly as possible. A Trading Permit Holder receiving a report of execution from another Trading Permit Holder shall immediately forward the report to the Clearing Trading Permit Holder that will clear the transaction.

Before submitting the transaction record information for price reporting purposes in the manner prescribed above, the Trading Permit Holder shall use his best efforts to make sure that DPM acting in option contracts of the class involved, or the DPM’s clerk, is aware of the transaction and its price. A Trading Permit Holder shall also submit the transaction record information for price reporting purposes in the manner prescribed above whenever the transaction represents the partial execution of a larger order.

Any floor Trading Permit Holder failing to report a transaction in accordance with Rule 6.51(b) and this interpretation may be subject to discipline under Chapter XVII of the Rules.

Issued April 15, 1973; amended August 1, 1974; June 3, 1977; January 11, 1979; April 14, 1980; July 1, 1984; April 12, 1985; May 27, 1994 (94-01); December 2, 1997 (97-61); October 27, 1998 (98-22); April 18, 2000 (99-38); September 6, 2000, effective March 6, 2001 (00-37); May 23, 2008 (08-02); June 18, 2010 (10-058); May 10, 2019 (19-017).

.02 When entering orders on the Exchange, each Trading Permit Holder shall submit trade information in such form as may be prescribed by the Exchange in order to allow the Exchange to properly prioritize and route orders pursuant to the rules of the Exchange and report resulting transactions to the Clearing Corporation.

Issued April 12, 1985; amended November 10, 1988; January 2, 2002 (01-69); June 18, 2010 (10-058).

.03 The Exchange has established the following procedures for reporting transactions pursuant to Rule 6.51(d):

For trades executed via an electronic data storage medium, or electronic system, trade information shall be immediately submitted to the Exchange for trade matching and clearance.
For trades not executed on an electronic data storage medium, or electronic system, trade information shall be immediately recorded on a card or ticket and submitted as soon as reasonably possible.

Approved April 18, 2000 (99-38).

.04 If a Trading Permit Holder has no knowledge of the account origin code, opening or closing status or time-in-force of an order when the Trading Permit Holder systematizes the order pursuant to Rule 6.24 or reports a trade pursuant to Rule 6.51, as applicable, the Trading Permit Holder may use the following values when systematizing the order through an Exchange-approved device or reporting a transaction, respectively: (a) either open or close, in the Trading Permit Holder’s discretion (for opening or closing status); (b) broker-dealer (for account origin code); and (c) day (for time-in-force). The Trading Permit Holder may change any of these initial values via CTM, and must maintain records of any changes, pursuant to Rule 6.67.

Pursuant to Rule 4.22, it remains the responsibility of the Trading Permit Holder to provide accurate trade information necessary for the reporting of a trade to time and sales reports or to allow the Exchange to properly match and clear trades. Any actions taken by the Exchange pursuant to this Interpretation and Policy .04 do not constitute a determination by the Exchange that an order was systematized or a trade was effected in conformity with the requirements of the Rules. Nothing in this Rule is intended to define or limit the ability of the Exchange to sanction or take other remedial action pursuant to other Rules for rule violations or other activity for which remedial measures may be imposed.

Approved March 22, 2017 (17-024).

Rule 6.51A. Fines for Failure to Perform Certain Reporting Duties


See Rule 17.50.

Approved December 6, 1989 (89-22); amended April 1, 1991 (91-06), deleted February 13, 1992, effective March 2, 1992 (91-25).

Rule 6.52. Price Binding Despite Erroneous Report

The price at which an order is executed shall be binding notwithstanding that an erroneous report in respect thereto may have been rendered, or no report rendered. A report shall not be binding if an order was not actually executed but was in error reported to have been executed.

Rule 6.53. Availability of Orders

Unless otherwise specified in the Rules or the context indicates otherwise, the Exchange determines which of the following order types are available on a class-by-class and system-by-system basis.

AIM Sweep or AIM ISO
An “AIM Sweep” order or “AIM ISO” is a pair of orders a Trading Permit Holder submits to AIM pursuant to Rule 6.74A without regard for better-priced Protected Bids/Offers, while simultaneously submitting an ISO(s) to execute against the displayed size of any Protected Bid/Offer and bid/offer on the Book that is better than the starting AIM auction price. Any execution(s) resulting from such sweeps accrues to the AIM Agency Order.

**All-or-None**

An “All-or-None” order is an order that must be executed in its entirety or not at all.

**Attributable**

An “Attributable” order is an order a user designates for display (price and size) that includes the users firm ID or other unique identifier.

**Cboe Options Only**

A “Cboe Options Only” order is an order the System handles and executes (in whole or in part) pursuant to Rules 6.13 and 6.45 or cancels if it would route away to another exchange pursuant to the Rules.

**Combination Order**

A “combination order” is an order involving a number of call option contracts and the same number of put option contracts in the same underlying security. In the case of adjusted option contracts, a combination order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares at option.

**Day**

The term “Day” means, for an order so designated, an order that, if not executed, expires at the close of trading.

**Electronic Only**

An “Electronic Only” order is an order that may only be handled or executed (in whole or in part) via electronic processing on the Exchange without the order routing to a PAR workstation or an order management terminal for manual handling on the trading floor; the System cancels an Electronic-Only order if it would route for manual handling pursuant to the Rules.

**Facilitation**

A “Facilitation” order is an order that may only be executed in a crossing transaction against an order for a Public Customer of a Trading Permit Holder.
Fill-or-Kill or FOK

The terms “Fill-or-Kill” or “FOK” mean, for an order so designated, an order that must execute in its entirety as soon as the System receives it and, if not so executed, is cancelled.

Good-til-Cancelled or GTC

The terms “Good-til-Cancelled” or “GTC” mean, for an order so designated, if after entry into the System, the order is not fully executed, the order (or unexecuted portion) remains available for potential display or execution (with the same timestamp) unless cancelled by the entering User, or until the option expires, whichever comes first.

Immediate-or-Cancel or IOC

The terms “Immediate-or-Cancel” or “IOC” mean, for an order so designated, a limit order that must execute in whole or in part as soon as it is represented on the trading floor or received by the System; the System cancels an IOC order (or unexecuted portion) not executed immediately.

Intermarket Sweep Order or ISO

An “Intermarket Sweep Order” or “ISO” is an order that has the meaning provided in Rule 6.80, which may be executed at one or multiple price levels in the System without regard to Protected Quotations at other options exchanges (i.e., may trade through Protected Quotations). The Exchange relies on the marking of an order by a User as an ISO order when handling such order, and thus, it is the entering Trading Permit Holder’s responsibility, not the Exchange’s responsibility, to comply with the requirements relating to ISOs. The System will book an ISO not designated as immediate-or-cancel.

Limit Order

A “limit order” is an order to buy or sell a stated number of option contracts at a specified price or better. A limit order to buy (sell) is marketable when, at the time it enters the System or is represented on the trading floor, the order is equal to or higher (lower) than the then-current offer (bid).

Market-on-Close or MOC

A “Market-on-Close” or “MOC” order is a market or limit order to be executed as close as possible to the close of the market near to or at the closing price for the particular option series.

Market Order

A “market order” is an order to buy or sell a stated number of option contracts at the best price available at the time of execution in the System or on the trading floor.

Market-if-Touched or MIT
A “Market-if-Touched” or “MIT” order is an order to buy (sell) that becomes a market order when the option contract trades at or below (above) the price specified in the order.

**Market-Maker Trade Prevention**

A “Market-Maker Trade Prevention” order is an IOC order that a Trading Permit Holder marks with the Market-Maker Trade Prevention designation. If a Market-Maker Trade Prevention order would trade against a resting quote or order for the same Market-Maker, the System cancels the order as well as the resting quote or order (unless the System receives the Market-Maker Trade Prevention order while an order for the same Market-Maker is subject to an auction pursuant to Rule 6.14A, 6.74A, or 6.74B, in which case the System only cancels the Market-Maker Trade Prevention order).

**Minimum Volume**

A “Minimum Volume” order is an order that requires a specified minimum quantity of contracts to be executed on the trading floor. To the extent there is any remaining balance of a minimum volume order after the minimum volume is executed, the remaining balance will no longer have a minimum volume contingency and may be represented on the trading floor or submitted to the System for execution, unless the user cancels the remaining balance. A minimum volume order with a minimum volume size equal to the full size of the original order is considered an all-or-none order.

**Not Held**

A “Not Held” order is an order marked “not held,” “take time,” or with any other qualifying notation and provides a Floor Broker with discretion with respect to the price or time at which the order is to be executed. An order received by a Floor Broker is considered a “Not Held” order unless the Floor Broker’s customer specifies otherwise or if the Exchange initially received the order electronically and subsequently routed the order to a Floor Broker or PAR Official pursuant to the entry firm’s routing instructions. Users must Not Held order and held orders in a form and manner prescribed by the Exchange, which will be announced via Regulatory Circular.

**Opening Rotation or OPG**

The terms “Opening Rotation” and “OPG” order mean, for an order so designated, an order that may only participate in the opening process pursuant to Rule 6.2; the System cancels an OPG order (or unexecuted portion) that does not execute during the opening process.

**Reserve Order**

A “Reserve Order” is a limit order with both a portion of the quantity displayed and a reserve portion of the quantity not displayed. Both the displayed and nondisplayed portions of the Reserve Order are available for potential execution against incoming orders. If the displayed portion of a Reserve Order is fully executed, the System will replenish the displayed portion from the nondisplayed portion up to the size of the original displayed amount. The System creates a new timestamp for the displayed portion each time it is replenished from reserve, while the nondisplayed portion retains its original timestamp.
Qualified Contingent Cross or QCC

A “Qualified Contingent Cross” or “QCC” order consists of an initiating order to buy (sell) at least 1,000 standard option contracts or 10,000 mini-option contracts that is identified as being part of a qualified contingent trade coupled with a contra-side order or orders totaling an equal number of contracts. QCC orders with one option leg may only be entered in the standard increments applicable to simple orders in the options class under Rule 6.42, and QCC orders with more than one option leg may be entered in the increments specified for complex orders under Rule 6.42. For purposes of QCC orders:

1. A “qualified contingent trade” is a transaction consisting of two or more component orders, executed as agent or principal, where:
   
   (A) at least one component in an NMS stock;
   
   (B) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principle or agent;
   
   (C) the execution of one component is contingent upon the execution of all other components at or near the same time;
   
   (D) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;
   
   (E) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and
   
   (F) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

2. QCC orders may execute without exposure provided the execution (A) is not at the same price as a Public Customer order resting in the Book and (B) is at or between the NBBO. The System will cancel a QCC order if it cannot be executed.

3. A “QCC with Stock” order is a QCC order entered with a stock component that the Exchange will electronically communicate to a designed broker-dealer for execution on behalf of the submitting Trading Permit Holder pursuant to Rule 6.53C, Interpretation and Policy .06(g).

Ratio Order

A “ratio order” is a spread, straddle, or combination order in which the stated number of option contracts to buy (sell) is not equal to the stated number of option contracts to sell (buy), provided
that the number of contracts differ by a permissible ratio. For purposes of this section, a permissible ratio is any ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is permissible, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not.

**Spread Order**

A “spread order” is an order to buy a stated number of option contracts and to sell the same number of option contracts, or contracts representing the same number of shares at option, of the same class of options.

**Stop (Stop-Loss)**

A “Stop (Stop-Loss)” order is an order to buy (sell) that becomes a market order when the Exchange last sale price or Exchange best bid (offer) for a particular option contract is equal to or above (below) the specified stop price.

**Stop-Limit**

A “Stop-Limit” order is an order to buy (sell) that becomes a limit order when the Exchange last sale price or best bid (offer) for a particular option contract is equal to or above (below) the specified stop price.

**Straddle Order**

A “straddle order” is an order to buy a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date; or an order to sell a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date. (E.g., an order to buy two XYZ July 50 calls and to buy two July 50 XYZ puts is a straddle order.) In the case of adjusted option contracts, a straddle order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares at option.

**Sweep and AIM**

A “Sweep and AIM” order is a pair of orders a Trading Permit Holder submits to AIM pursuant to Rule 6.74A with an auction starting price that does not need to be within the BBO and where the Exchange will “sweep” all Protected Bids/Offer (as defined in Rule 6.80) by routing one or more ISOs, as necessary, to execute against the full displayed size of any Protected Bid/Offer that is better than the starting AIM auction price, as well as sweep all interest in the Exchange’s book priced better than the proposed auction starting price concurrent with the commencement of the AIM auction, with any execution(s) resulting from such sweeps accruing to the AIM Agency Order.

Amended August 1, 1974; December 8, 1976; June 3, 1977; November 22, 1977; June 29, 1978; September 21, 1979; January 29, 1982; April 26, 1982; July 29, 1985; November 16, 1987; August 3, 1988; June 23, 1998 (97-41); December 1, 2003 (03-07); August 20, 2008 (08-85); August 20,
Rule 6.53A. Types of Order Formats

Trading Permit Holders shall submit orders using the following order format(s):

(i) Order Format 1. All orders submitted to Cboe Options shall be submitted using message type “Order Format 1.” Order Format 1 orders must pass through various processes, including validation checks in the trade engine, before execution, entry into the book, cancellation, or routing for manual handling. Order Format 1 supports all order types, including auction responses.

(ii) Reserved.


Rule 6.53B. S&P 500 Variance Trades

(a) General. The Exchange may allow for trading, via a single transaction, of an option portfolio replicating S&P 500 implied variance (“S&P 500 variance trades”). The Exchange will determine the days on which S&P 500 variance trades will be allowed. Matched S&P 500 variance trades will be deconstructed into individual constituent SPX option series trades that comprise the portfolio. The Exchange will make publicly available a detailed description of the formulas and methodology used to deconstruct S&P 500 variance trades into constituent SPX option series. For each day in which S&P 500 variance trades are allowed, the Exchange will publish, after the close of trading on the previous day, the options comprising the portfolio for the next day. The options comprising the portfolio are out-of-the-money SPX puts and calls centered around an at-the-money strike price; all constituent options have the same expiration date. Each portfolio will have a unique symbol. Market orders will not be allowed. S&P 500 variance trades may only trade electronically.

(b) Pricing Convention and Order Information. Market prices for S&P 500 variance trades will be expressed and quoted in volatility terms, and trade quantity will be expressed in contracts. Each contract will have a multiplier of $10,000 or greater, as determined and published by the Exchange. The multiplier cannot be changed intraday.

(c) Order Execution. S&P 500 variance trade orders shall be ranked pursuant to one of the matching algorithms set forth in Rule 6.45, as determined by the Exchange. Once an S&P 500
variance trade match is received by the System, it will deconstruct the match into individual trades in constituent SPX option series. The process used to deconstruct S&P 500 variance trades into constituent SPX option legs involves 2-steps.

The first step assigns the number of contracts traded for each SPX option series. The number of SPX contracts is a function of the S&P 500 variance trade price and trade quantity, as well as time to expiration, interest rates and the strike prices of constituent SPX option legs.

The second step assigns trade prices for each SPX option in the S&P 500 variance trade. The System first constructs a baseline implied volatility for each constituent SPX option based on mid-quote prices prevailing at the time of the S&P 500 variance trade execution.

All of the implied volatilities of the constituent SPX options are then increased or decreased by an equal amount such that when the resulting theoretical option prices are fed back into the VIX formula, the formula value matches the S&P 500 variance trade price.

Once trade prices are determined for each constituent series, the System executes and reports the trades. The execution prices are unrelated to the existing market for the applicable series, therefore constituent trades are executed and reported without regard for existing bids and offers on the Exchange.

Adopted January 27, 2012 (11-007); amended January 24, 2017 (17-009).

Rule 6.53C. Complex Orders on the Hybrid Trading System

(a) Definition: For purposes of the electronic trading of complex orders pursuant to this Rule, a complex order is any order for the same account as defined below:

(1) A “complex order” is any order involving the execution of two or more different options series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (or such lower ratio as may be determined by the Exchange on a class-by-class basis) and for the purpose of executing a particular investment strategy. For the purpose of applying the aforementioned ratios to complex orders comprised of both mini-option contracts and standard option contracts, ten (10) mini-option contracts will represent one (1) standard option contract. Only those complex orders with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

(2) A “stock-option order” is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (i) the same number of units of the underlying stock or convertible security, or (ii) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number
of units of the underlying stock or convertible security in the stock leg (or such lower ratio as may be determined by the Exchange on a class-by-class basis). Only those stock-option orders with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

(b) Types of Complex Orders: Complex orders may be entered as fill-or-kill, immediate or cancel, all-or-none orders, or as good-'til-cancelled.

(c) Complex Order Book:

(i) Routing of Complex Orders: The Exchange will determine which classes and which complex order origin types (i.e., non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange) are eligible for entry into the COB and whether such complex orders can route directly to the COB and/or from PAR to the COB. In a class in which the Exchange determines complex orders of Market-Makers and specialists on an options exchange are not eligible for entry into the COB, the Exchange may determine that Market-Makers and specialists may enter complex orders into the COB if:

(A) their complex orders are on the opposite side of (1) a priority customer complex order(s) resting in the COB with a price not outside the national spread market; or (2) order(s) on the same side of the market in the same strategy that initiated a COA(s) if there are “x” number of COAs within “y” milliseconds, counted on a rolling basis (the Exchange determines the number “x” (which must be at least 2) and time period “y” (which may be no more than 2,000)); and

(B) they cancel their complex orders, if they remain unexecuted, no later than a specified time (which the Exchange determines and may be no more than five minutes) after the time the COB receives the Market-Maker order.

Complex orders not eligible to route to COB (either directly or from PAR to COB) will route via the order handling system pursuant to Rule 6.12.

(i) Execution of Complex Orders in the COB: Notwithstanding the provisions of Rule 6.42, the Exchange will determine on a class-by-class basis whether complex orders that are submitted to the COB may be expressed on a net price basis in a multiple of the minimum increment (i.e., $0.10 or $0.05 or $0.01, as applicable) or in a smaller increment that may not be less than $0.01. Complex orders that are submitted to the COB may be executed without consideration to prices of the same complex orders that might be available on other exchanges, and the legs of a complex order may be executed in $0.01 increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs of the order. Complex orders that are submitted to the COB may trade in the following way:
(1) Orders and Quotes in the EBook: A complex order in the COB will automatically execute against individual orders or quotes residing in the EBook provided the complex order can be executed in full (or in a permissible ratio) by the orders and quotes in EBook.

(2) Orders in COB: Complex orders in the COB that are marketable against each other will automatically execute. The allocation of a complex order within the COB shall be pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs or another electronic matching algorithm from Rule 6.45, as determined by the Exchange on a class-by-class basis.

(3) Trading Permit Holders and PAR Officials may submit orders or quotes to trade against orders in the COB. Trading Permit Holders and PAR Officials entering orders or quotes that are not eligible to rest in the COB pursuant to subparagraph (c)(i) above may only enter IOC orders and such other order or quote types as the Exchange may determine on a class-by-class basis. Order or quote types that are not eligible to rest or trade against the COB will be automatically cancelled. The Exchange may determine on a class-by-class basis which electronic matching algorithm from Rule 6.45 applies to executions of complex orders in the COB.

(iii) Complex orders in the COB may be designated as day orders or good-til-cancelled orders.

(d) Process for Complex Order RFR Auction: Prior to routing to the COB or once on PAR, eligible complex orders may be subject to an automated request for responses (“RFR”) auction process.

(i) For purposes of paragraph (d):

(1) “COA” is the automated complex order RFR auction process.

(2) A “COA-eligible order” means a complex order that, as determined by the Exchange on a class-by-class basis, is eligible for a COA considering the order’s size, complex order type (as defined in paragraphs (a) and (b) above) and complex order origin types (as defined in subparagraph (c)(i) above). Complex orders processed through a COA may be executed without consideration to prices of the same complex orders that might be available on other exchanges.

(ii) Initiation of a COA:

(A) The System will send an RFR message to all Trading Permit Holders who have elected to receive RFR messages on receipt of (1) a COA-eligible order with two or more legs (including orders submitted for electronic processing from PAR) that is better than the same side of the Exchange spread market or (2) a complex order with three or more legs that meets the class, size, and complex order type parameters of subparagraph (d)(i)(2) and is marketable against the Exchange
spread market. Complex orders as described in subparagraph (ii)(A)(2) will initiate a COA regardless of the order’s routing parameters or handling instructions (except for orders routed for manual handling). Immediate or cancel orders that are not marketable against the Exchange spread market in accordance with subparagraph (ii)(A)(2) will be cancelled. The RFR message will identify the component series, the size and side of the market of the COA-eligible order and any contingencies, if applicable.

(B) Notwithstanding subparagraph (ii)(A)(1), Trading Permit Holders may request on an order-by-order basis that an incoming COA-eligible order with two legs not COA (a “do-not-COA” request). Notwithstanding subparagraph (ii)(A)(2), the System will reject back to a Trading Permit Holder any complex order described in that subparagraph that includes a do-not-COA request. Any complex order in subparagraph (ii)(A)(2) on PAR will COA even if the PAR operator includes a do-not-COA request. If a two-legged order with a do-not-COA request rests on PAR, then the PAR operator may not request that the order COA. An order initially submitted to the Exchange with a do-not-COA request may still COA after it has rested on the COB pursuant to Interpretation and Policy 04.

(iii) Bidding and Offering in Response to RFRs: Market-Makers with an appointment in the relevant option class and Trading Permit Holders acting as agent for orders resting at the top of the COB in the relevant options series opposite the order submitted to COA may submit responses to the RFR message (“RFR Responses”) during the Response Time Interval, unless the Exchange determines, on a class-by-class basis, to allow all Trading Permit Holders to submit responses to the RFR message.

(1) RFR Responses must be on the opposite side of the market of the COA-eligible order. RFR Response sizes will be limited to the size of the COA-eligible order for allocation purposes and may be expressed on a net price basis in a multiple of the minimum increment (i.e., $0.10, $0.05 or $0.01, as applicable) or in a smaller increment that may not be less than $0.01, as determined by the Exchange on a class-by-class basis. RFR Responses will not be visible (other than by the COA system).

(2) The “Response Time Interval” means the period of time during which responses to the RFR may be entered. The Exchange will determine the length of the Response Time Interval on a class-by-class basis; provided, however, that the duration shall not exceed three (3) seconds.

(iv) Processing of COA-Eligible Orders: At the expiration of the Response Time Interval, COA-eligible orders will be allocated in accordance with subparagraph (v) below or routed in accordance with subparagraph (vi) below.

(v) Execution of COA-Eligible Orders: COA-eligible orders may be executed without consideration to prices of the same complex orders that might be available on other exchanges, and the legs of a COA-eligible order may be executed in one cent increments, regardless of the minimum quoting increments otherwise appropriate to the individual legs
of the order. COA-eligible orders will trade first based on the best net price(s) and, at the same net price, will be allocated in the following way:

(1) The individual orders and quotes residing in the EBook have first priority to trade against a COA-eligible order, provided the COA-eligible order can be executed in full (or in a permissible ratio) by the orders and quotes in the EBook. The allocation of a COA-eligible order against the EBook is pursuant to the aggregated pro-rata priority electronic allocation algorithm with priority customer overlay described in Rule 6.45(a)(i)(B) and (ii)(A), with order and quote sizes capped for allocation purposes.

(2) Priority customer complex orders resting in the COB before, or that are received during, the Response Time Interval and priority customer RFR Responses, collectively, have second priority to trade against a COA-eligible order. If there are two or more priority customer complex orders at the same price, priority is afforded to such priority customer orders in the sequence in which the Hybrid System received them.

(3) Broker-dealer orders resting in the COB before the Response Time Interval have third priority to trade against a COA-eligible order. The allocation of a COA-eligible order against broker-dealer orders resting in the COB is pursuant to the aggregated pro-rata priority electronic allocation algorithm with priority customer overlay described in Rule 6.45(a)(i)(B) and (ii)(A), with order sizes capped for allocation purposes.

(4) Broker-dealer orders resting in the COB that are received during the Response Time Interval and broker-dealer RFR responses, collectively, have fourth priority. The allocation of a COA-eligible order against these opposing orders is pursuant to the aggregated pro-rata priority electronic allocation algorithm with priority customer overlay described in Rule 6.45(a)(i)(B) and (ii)(A), with order and response sizes capped for allocation purposes.

(vi) Routing of COA-Eligible Orders: If a COA-eligible order cannot be filled in whole or in a permissible ratio, the order (or any remaining balance) will route to the COB or back to PAR, as applicable.

(vii) Firm Quote Requirement for COA-Eligible Orders: RFR Responses represent non-firm interest that can be modified or withdrawn at any time prior to the end of the Response Time Interval. At the end of the Response Time Interval, RFR Responses shall be firm only with respect to the COA-eligible order for which it is submitted, provided that RFR Responses that exceed the size of a COA-eligible order are also eligible to trade with other incoming COA-eligible orders that are received during the Response Time Interval. Any RFR Responses not accepted in whole or in a permissible ratio will expire at the end of the Response Time Interval.

(viii) Handling of Unrelated Complex Orders and Changes in Leg Markets: Incoming complex orders that are received and changes in the leg markets that occur prior
to the expiration of the Response Time Interval for a COA-eligible order (the “original COA”) will impact the original COA as follows:

1. Incoming complex orders that are received prior to the expiration of the Response Time Interval for the original COA that are on the opposite side of the market and are marketable against the starting price of the original COA-eligible order will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same. For purposes of this Rule, the “starting price,” shall mean the better of the original COA-eligible order’s limit price or the best price, on a net debit or credit basis, that existed in the EBook or COB at the beginning of the Response Time Interval.

2. Incoming COA-eligible orders that are received prior to the expiration of the Response Time Interval for the original COA that are on the same side of the market, at the same price or worse than the original COA-eligible order and better than or equal to the starting price will join the original COA. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order(s) shall be according to time priority.

3. Incoming COA-eligible orders that are received prior to the expiration of the Response Time Interval for the original COA that are on the same side of the market and at a better price than the original COA-eligible order will join the original COA, cause the original COA to end, and a new COA to begin for any remaining balance on the incoming COA-eligible order. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same with the addition that the priority of the original COA-eligible order and incoming COA-eligible order shall be according to time priority.

4. Incoming complex orders with a do-not-COA request or that are not COA-eligible that are received prior to the expiration of the Response Time Interval for the original COA that are on the same side of the market and at a price better than or equal to the starting price will cause the original COA to end. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same with the addition that the priority of the original COA-eligible order and the incoming order with a do-not-COA request or that is not COA-eligible, as applicable, shall be according to time priority.

5. If the leg markets were not marketable against a COA-eligible order when the order entered the System but become marketable with the COA-eligible order prior to the expiration of the Response Time Interval, the original COA will end. The processing of the original COA pursuant to subparagraphs (d)(iv) through (d)(vi) remains the same.

(ix) Limit Up-Limit Down State. If during a COA of a market order, the underlying security of an option in a complex order of a COA-eligible order enters a limit
up-limit down state, as defined in Rule 6.3A, the COA will end upon the entering of the limit up-limit down state and the remaining portion of the order will be cancelled.

Approved February 28, 2005 (04-45); amended December 22, 2005 (05-95); July 12, 2006 (05-65); December 5, 2007 (07-68); January 9, 2008 (08-01); May 23, 2008 (08-02); August 7, 2008 (08-82); July 24, 2009 (09-038); June 18, 2010 (10-058); April 6, 2012 (12-005); July 31, 2012 (12-048); October 24, 2012 (12-085); March 7, 2013 (13-033); March 22, 2013 (13-040); April 5, 2013 (13-030); July 15, 2013 (13-026); September 4, 2014 (14-017); March 20, 2015 (15-021); November 1, 2015 (15-081); December 11, 2015 (15-089); February 25, 2016 (16-014); January 24, 2017 (17-009); February 23, 2017 (17-016); March 6, 2017 (17-021); March 27, 2018 (18-016); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 All pronouncements regarding determinations by the Exchange pursuant to Rule 6.53C and the Interpretations and Policies thereunder will be announced to the Trading Permit Holders via Regulatory Circular.

Approved February 28, 2005 (04-45); amended January 9, 2008 (08-01); March 17, 2009 (09-017); April 12, 2018 (18-029); amended October 12, 2018 (18-066).

02 If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 8.14, a marketable complex order consisting of legs in different groups of series in the class does not automatically execute against individual orders residing in the EBook pursuant to Rule 6.53C(c)(ii)(1) or (d)(v)(1) and automatically executes against complex orders (or COA responses) in accordance with Rules 6.53C(c)(ii)(2) or (d)(v)(2) through (4). A marketable complex order consisting of legs in the same group of series in SPX or VIX executes against individual orders in the EBook in accordance with Rule 6.53C(c)(ii) and (d)(v). Complex orders consisting of legs in different groups of series that are marketable against each other may only execute at a net price that has priority over the individual orders and quotes resting in the EBook.

Approved February 28, 2005 (04-45); amended January 9, 2008 (08-01); March 17, 2009 (09-017); April 12, 2018 (18-029); amended October 12, 2018 (18-066).

.03 The N-second timer for complex order transactions will be established at the same length as for non-complex order transactions.

Approved February 28, 2005 (04-45); amended January 9, 2008 (08-01).

.04 For each class where COA is activated, the Exchange may also determine to activate COA for complex orders resting in COB. For such classes, any non-marketable order resting at the top of COB may be automatically subject to COA if the order is within a number of ticks away from the opposite side of the current Exchange spread market. The Exchange may also determine on a class-by-class and strategy basis to limit the frequency of COAs initiated for complex orders resting in COB. Notwithstanding the foregoing, if a leg order has been generated for a complex order resting in the COB pursuant to paragraph (c)(iv) of this Rule, the complex order will not be eligible for COA.
.05 A pattern or practice of submitting orders that cause a COA to conclude early will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1. Redistributing the RFR messages provided by the Exchange to persons not eligible to respond to such messages pursuant to paragraph (d) (iii) above is prohibited, except in classes in which the Exchange allows all Trading Permit Holders to respond to such messages.

Amended July 12, 2006 (05-65); January 9, 2008 (08-01); July 31, 2012 (12-048).

.06 Special Provisions Applicable to Stock-Option Orders: Stock-option orders may be executed against other automated stock-option orders. Stock-option orders will not be legged against the individual component legs, except as provided in paragraph (d) below.

(a) Stock Component. Trading Permit Holders may only submit complex orders with a stock component if such orders comply with the Qualified Contingent Trade Exemption from Rule 611(a) of Regulation NMS. Trading Permit Holders submitting such complex orders represent that such orders comply with the Qualified Contingent Trade Exemption. To participate in stock-option order automated processing, the Trading Permit Holder shall give up a Clearing Trading Permit Holder previously identified to, and processed by the Exchange as a Designated Give Up for that Trading Permit Holder in accordance with Rule 6.21 and which has entered into a brokerage agreement with one or more Exchange-designated broker-dealers that are not affiliated with the Exchange to electronically execute the stock component of the stock-option order at a stock trading venue selected by the Exchange-designated broker-dealer on behalf of the Trading Permit Holder. The stock component of a stock-option order shall be electronically communicated by the Exchange to an Exchange-designated broker-dealer for execution on behalf of the Trading Permit Holder. A stock-option order shall not be executed on the Hybrid System unless the stock leg is executable at the price(s) necessary to achieve the desired net price.

(b) Option Component. Notwithstanding the special priority provisions contained in paragraphs (c) and (d) below, the option leg(s) of a stock-option order shall not be executed on the Hybrid System (i) at a price that is inferior to the Exchange’s best bid (offer) in the series or (ii) at the Exchange’s best bid (offer) in that series if one or more priority customer orders are resting at the best bid (offer) price on the book in each of the component option series and the stock-option order could otherwise be executed in full (or in a permissible ratio). The option leg(s) of a stock-option order may be executed in a one-cent increment, regardless of the minimum quoting increment applicable to that series.

(1) To the extent that a marketable stock-option order cannot automatically execute in full (or in a permissible ratio) when it is routed to COB or after being subject to COA, any part of the order that may be executed will be executed automatically and the part that cannot automatically execute will route via the order handling system pursuant to Rule 6.12.
(2) To the extent that a stock-option order resting in COB becomes marketable against the Exchange Spread Market, the full order will be subject to COA (and the processing described in paragraph (b)(1) of this Interpretation and Policy).

(c) Complex Order Book. Stock-option orders in the COB that are marketable against each other will automatically execute, subject to the condition noted in paragraph (b) above. The allocation of a stock-option order within the COB shall be pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs or another electronic matching algorithm from Rule 6.45, as determined by the Exchange on a class-by-class basis. Orders and quotes may be submitted by Trading Permit Holders and PAR Officials to trade against orders in the COB as set forth in subparagraph (c)(ii)(3) of this Rule.

(d) Complex Order Auction. Stock-Option Orders executed via COA shall trade in the sequence set forth in subparagraph (d)(v)(1)-(4) of this Rule except that subparagraph (d)(v)(1) will not be applicable and such execution will be subject to the condition noted in paragraph (b) of this Interpretation and Policy. Notwithstanding subparagraph (d)(vi), on a class-by-class basis, the Exchange may determine to route eligible market orders in the following manner: If at the conclusion of COA an eligible market order cannot be filled in whole or in a permissible ratio, then any remaining balance of the option leg(s) will route to the Hybrid System for processing as a simple market order(s) and any remaining balance of the stock leg will route to a designated dealer for processing as a market order. For purposes of this legging functionality, an “eligible market order” means a stock-option order that is within the designated size and order type parameters, determined by the Exchange on a class-by-class basis, and for which the NBBO is within designated size and price parameters, as determined by the Exchange for the individual leg. The designated NBBO price parameters will be determined based on a minimum bid price for sell orders. The Exchange may also determine on a class-by-class basis to limit the trading times within regular trading hours that the legging functionality will be available.

(e) Marking Requirement. If the stock leg of a stock-option order submitted to COB or COA is a sell order, then the stock leg must be marked “long,” “short,” or “short exempt” in compliance with Regulation SHO under the Exchange Act.

(f) Limit up-Limit Down State. When the underlying security on a Stock-option order is in a limit up-limit down state as defined in Rule 6.3A, such order will only execute if the calculated stock price is within the permissible Price Bands as defined in Rule 52.15. If the calculated price is not within the permissible Price Bands, the Stock-option order will be routed for manual handling.

(g) QCC with Stock Orders. The System processes QCC with Stock Orders as follows:

1. Entry of QCC with Stock Order. When a Trading Permit Holder enters a QCC with Stock Order on the Exchange, it enters a QCC order pursuant to Rule 6.53 with a stock component (pursuant to Rule 6.53). When entering a QCC with Stock Order, the Trading Permit Holder must:

   A. include a net price for the stock and option components;
(B) give up a Clearing Trading Permit Holder in accordance with Rule 6.21; and

(C) designate a specific broker-dealer to which the stock components will be communicated, which broker-dealer the Exchange must have identified as having connectivity to electronically communicate the stock components of QCC with Stock Orders to stock trading venues and with which the TPH must have entered into a brokerage agreement (the “designated broker-dealer”). The Exchange will have no financial arrangements with the broker-dealers it has identified with respect to communicating stock orders to them.

(2) Option Component.

(A) If the option component (i.e., the QCC order) of a QCC with Stock Order can execute, the System executes it in accordance with Rule 6.45(a) or 6.53C(c), as applicable, but does not immediately send the Trading Permit Holder a trade execution report. The System then automatically communicates the stock component to the designated broker-dealer for execution.

(B) If the option component of a QCC with Stock Order cannot execute, the System cancels the QCC with Stock Order, including both the stock and option components.

(3) Stock Component.

(A) If the System receives an execution report for the stock component of a QCC with Stock Order from the designated broker-dealer, the Exchange sends the Trading Permit Holder the trade execution report for the QCC with Stock Order, including execution information for both the stock and option components.

(B) If the System receives a report from the designated broker-dealer that the stock component of a QCC with Stock Order cannot execute, the Exchange nullifies the option component trade and notifies the Trading Permit Holder of the reason for the nullification.

QCC with Stock Orders are available to Trading Permit Holders on a voluntary basis.

Adopted December 5, 2007 (07-68); amended March 17, 2009 (09-017); January 4, 2010 (09-089); November 3, 2010 (10-099); amended February 4, 2011 (11-009); April 6, 2012 (12-005); April 5, 2013 (13-030); July 15, 2013 (13-026); March 20, 2015 (15-021); May 14, 2015 (15-029); December 11, 2015 (15-089); January 24, 2017 (17-009); August 10, 2018 (18-058); May 10, 2019 (19-017).

.07 Reserved

Adopted June 6, 2008 (08-58); amended June 18, 2010 (10-058); deleted July 31, 2012 (12-048); approved July 15, 2013 (13-026); amended May 10, 2019 (19-017).
Price Check Parameters: On a class-by-class basis, the Exchange may determine (and announce to the Trading Permit Holders via Regulatory Circular) which of the following price check parameters will apply to eligible complex orders. Paragraph (b) will not be applicable to stock-option orders.

For purposes of this Interpretation and Policy .08:

Vertical Spread. A “vertical” spread is a two-legged complex order with one leg to buy a number of calls (puts) and one leg to sell the same number of calls (puts) with the same expiration date but different exercise prices.

Butterfly Spread. A “butterfly” spread is a three-legged complex order with two legs to buy (sell) the same number of calls (puts) and one leg to sell (buy) twice as many calls (puts), all with the same expiration date but different exercise prices, and the exercise price of the middle leg is between the exercise prices of the other legs. If the exercise price of the middle leg is halfway between the exercise prices of the other legs, it is a “true” butterfly; otherwise, it is a “skewed” butterfly.

Box Spread. A “box” spread is a four-legged complex order with one leg to buy calls and one leg to sell puts with one strike price, and one leg to sell calls and one leg to buy puts with another strike price, all of which have the same expiration date and are for the same number of contracts.

To the extent a price check parameter is applicable, the Exchange will not automatically execute an eligible complex order that is:

(a) Market Width Parameters: An order that is marketable if (i) the width between the Exchange’s best bid and best offer in any individual series leg is not within an acceptable price range or (ii) the width between the Exchange’s best net priced bid and best net priced offer in the individual series legs comprising the complex order is not within an acceptable price range. For purpose of this paragraph (a):

1. An “acceptable price range” shall be determined by the Exchange (and announced to the Trading Permit Holders via Regulatory Circular) on a series-by-series basis for market orders and/or marketable limit orders for each series comprising the complex order (or, in the case of subparagraph (a)(ii), based on the sum of each individual series leg of a complex order) and be no less than $0.375 between the bid and offer for each option contract for which the bid is less than $2, $0.60 where the bid is at least $2 but does not exceed $5, $0.75 where the bid is more than $5 but does not exceed $10, $1.20 where the bid is more than $10 but does not exceed $20, and $1.50 where the bid is more than $20; and

2. The senior official in the Control Room or two Floor Officials may grant intra-day relief by widening the acceptable price range.

3. A market order under this paragraph (a) will route via the order handling system pursuant to Rule 6.12. A marketable limit order under this paragraph (a) will be held in the Hybrid System, displayed in the COB if applicable, and not be eligible for automatic execution until the market width condition is resolved.
(4) Notwithstanding paragraph (a) above, if part of a marketable order may be executed within an acceptable price range, that part of the order will be executed automatically and the part of the order that would execute at a price outside the acceptable price range will route as described in subparagraph (a)(3) above.

(5) The Exchange may also determine on a class-by-class basis to make the price check parameter in paragraph (a)(i) above available for stock-option orders. Such a stock-option order will be subject to the processing described in this paragraph (a).

(b) Credit-to-Debit Parameter: A market order that would be executed at a net debit price after receiving a partial execution at a net credit price. Such a complex order under this paragraph (b) will route via the order handling system pursuant to Rule 6.12.

(c) Debit/Credit Price Reasonability Checks:

(1) A limit order for a debit strategy with a net credit price, a limit order for a credit strategy with a net debit price, or a market order for a credit strategy that would be executed at a net debit price.

(2) The System defines a complex order as a debit or credit as follows:

   (A) a call butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is greater than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit);

   (B) a put butterfly spread for which the middle leg is to sell (buy) and twice the exercise price of that leg is less than or equal to the sum of the exercise prices of the buy (sell) legs is a debit (credit); and

   (C) an order for which all pairs and loners are debits (credits) is a debit (credit). For purposes of this check, a “pair” is a pair of legs in an order for which both legs are calls or both legs are puts, one leg is a buy and one leg is a sell, and the legs have the same expiration date but different exercise prices or, for all options except European-style index options, different expiration dates and the exercise price for the call (put) with the farther expiration date is the same as or lower (higher) than the exercise price for the nearer expiration date. A “loner” is any leg in an order that the System cannot pair with another leg in the order (including legs in orders for European-style index options that have the same exercise price but different expiration dates). The System treats the stock leg of a stock-option order as a loner.

   (i) The System first pairs legs to the extent possible within each expiration date, pairing one leg with the leg that has the next highest exercise price.

   (ii) The System then, for options except European-style index options, pairs legs to the extent possible across expiration dates, pairing one
call (put) with the call (put) that has the next nearest expiration date and the same or next lower (higher) exercise price.

(iii) A pair of calls is a credit (debit) if the exercise price of the buy (sell) leg is higher than the exercise price of the sell (buy) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the exercise price of the sell (buy) leg is the same as or lower than the exercise price of the buy (sell) leg).

(iv) A pair of puts is a credit (debit) if the exercise price of the sell (buy) leg is higher than the exercise price of the buy (sell) leg (if the pair has the same expiration date) or if the expiration date of the sell (buy) leg is farther than the expiration date of the buy (sell) leg (if the exercise price of the sell (buy) leg is the same as or higher than the exercise price of the buy (sell) leg).

(v) A loner to buy is a debit, and a loner to sell is a credit.

The System does not apply the check in subparagraph (1) to an order for which the System cannot define whether it is a debit or credit.

(3) The System rejects back to the Trading Permit Holder any limit order, and cancels any market order (or any remaining size after partial execution of the order), that does not satisfy this check.

(4) This check applies to auction responses in the same manner as it does to orders.

(5) This check applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair pursuant to this check, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .09 to Rule 6.74A, if the System rejects the Agency Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the Agency Order if it satisfies the check.

(6) This check does not apply to multi-class spreads or to orders routed from a PAR workstation or order management terminal.

(d) Buy-Buy (Sell-Sell) Strategy Parameters: A limit order where (1) all the components of the strategy are to buy and the order is priced at zero, any net credit price, or a net debit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order; or (2) all the components of the strategy are to sell and the order is priced at zero, any net debit price, or a net credit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order. Such complex orders under this paragraph (d) will not be accepted. In classes where this price
check parameter is available, it will also be available for stock-option orders (and the minimum net price increment calculation above will only apply to the individual option series legs). In addition, in classes where this price check parameter is available, it will also be available for COA responses under Rule 6.53C(d), AIM and Solicitation Auction Mechanism complex orders and responses under Rule 6.74A and 6.74B, customer-to-customer immediate cross complex orders under Rule 6.74A.08, and QCC orders. Such paired complex orders and responses under these provisions will not be accepted except that, to the extent that only a paired contra-side order subject to an auction under Rule 6.74A or 6.74B exceeds this price check parameter, the contra-side order will not be accepted and the paired original Agency Order will not be accepted or, at the order entry firm’s discretion (i.e. an AIM Retained (“A:AIR”) order, as defined in Interpretation and Policy .09 to Rule 6.74A), continue processing as an unpaired complex order.

(e) Acceptable Percentage Range Parameter:

(i) An incoming complex order (including a stock-option order) after all leg series are open for trading that is marketable and would execute immediately upon submission to the COB or following a COA if the execution would be at a price outside an acceptable percentage range. The “acceptable percentage range” is the national spread market (or Exchange spread market if the NBBO in any leg is locked, crossed or unavailable and for pairs of orders submitted to AIM or SAM) that existed when the System received the order or at the start of the COA, as applicable, plus/minus:

(A) the amount equal to a percentage (which may not be less than 3%) of the national spread market (the “percentage amount”) if that amount is not less than a minimum amount or greater than a maximum amount (the Exchange will determine the percentage and minimum and maximum amounts on a class-by-class basis and announce them to Trading Permit Holders by Regulatory Circular);

(B) the minimum amount, if the percentage amount is less than the minimum amount; or

(C) the maximum amount, if the percentage amount is greater than the maximum amount.

(ii) The System cancels an order (or any remaining size after partial execution of the order) that would execute or rest in the COB at a price outside the acceptable price range.

(iii) If the System rejects either order in a pair of orders submitted to AIM or SAM pursuant to this parameter, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .09 to Rule 6.74A, if the System rejects the Agency Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the Agency Order if it satisfies the check.

(iv) This parameter applies to auction responses in the same manner as it does orders.
(g) Maximum Value Acceptable Price Range: If an order is a vertical, true butterfly or box spread, a limit order for a net credit or debit price, or a market order for a debit strategy if it would execute at a net debit price, that is outside of an acceptable price range.

(1) The System determines the acceptable price range as follows:

(i) The maximum possible value of a vertical, true butterfly and box spread is the difference between the exercise prices of (A) the two legs; (B) the middle leg and the legs on either side; and (C) each pair of legs, respectively.

(ii) The minimum possible value of the spread is zero.

(iii) The System calculates the amount that is a percentage of the maximum possible value of the spread (the “percentage amount”), which percentage is between 1% and 5% and which the Exchange will determine and announce to Trading Permit Holders by Regulatory Circular.

(iv) The acceptable price range is zero to the maximum possible value of the spread plus:

(A) the percentage amount, if that amount is not outside a pre-set range (the Exchange will determine the pre-set range minimum and maximum amounts (the “pre-set minimum” and “pre-set maximum,” respectively) and announce them to Trading Permit Holders by Regulatory Circular);

(B) the pre-set minimum, if the percentage amount is less than the pre-set minimum; or

(C) the pre-set maximum, if the percentage amount is greater than the pre-set maximum.

(2) The System rejects back to the Trading Permit Holder any limit order, and cancels any market order (or any remaining size after partial execution of the order), that does not satisfy this check.

(3) This check applies to auction responses in the same manner as it does to orders.

(4) This check applies to pairs of orders submitted to AIM, SAM or as a QCC order. If the System rejects either order in the pair pursuant to this check, then the System also cancels the paired order. Notwithstanding the foregoing, with respect to an AIM Retained (“A:AIR”) order as defined in Interpretation and Policy .09 to Rule 6.74A, if the System rejects the Agency Order pursuant to this check, then the System also rejects the contra-side order; however, if the System rejects the contra-side order pursuant to this check, the System still accepts the Agency Order if it satisfies the check.
Adopted August 20, 2008 (08-83); amended September 28, 2009 (09-067); June 18, 2010 (10-058); September 9, 2011 (11-082); January 20, 2012 (12-004); April 6, 2012 (12-005); March 20, 2015 (15-021); January 21, 2016 (15-107); May 17, 2016 (16-024); December 14, 2016 (16-086); February 23, 2017 (17-016); April 5, 2017 (17-031); May 10, 2019 (19-017).

.09 Reserved.

Adopted September 13, 2010 (10-083); amended December 11, 2015 (15-089).

.10 Reserved

Adopted January 25, 2012 (11-114); amended July 15, 2013 (13-026); September 4, 2014 (14-017); March 20, 2015 (15-021); January 30, 2017 (16-080); May 10, 2019 (19-017).

.11 Execution of Complex Orders on the COB Open:

(a) Complex orders, including stock-option orders, do not participate in opening rotations for individual component option series legs conducted pursuant to Rule 6.2. When the last of the individual component option series legs that make up a complex order strategy has opened (and, in the case of a stock-option order, the underlying stock has opened), the COB for that strategy will open. The COB will open with no trade, except as follows:

(i) The COB will open with a trade against the individual component option series legs if there are complex orders on only one side of the COB that are marketable against the opposite side of the Exchange spread market. The resulting execution will occur at the Exchange spread market price to the extent marketable pursuant to the rules of trading priority otherwise applicable to incoming electronic orders in the individual component legs. To the extent there is any remaining balance, the complex orders will trade pursuant to subparagraph (ii) below or, if unable to trade, be processed as they would on an intra-day basis under Rule 6.53C. This subparagraph (i) is not applicable to stock-option orders because stock-option orders do not trade against the individual component option series legs when the COB opens.

(ii) The COB will open (or continue to open with another trade if a trade occurred pursuant to subparagraph (i) above) with a trade against complex orders if there are complex orders in the COB (including any remaining balance of an order that enters the COB after a partial trade with the legs pursuant to subparagraph (i)) that are marketable against each other and priced within the Exchange spread market. The resulting execution will occur at a market clearing price that is inside the Exchange spread market and that matches complex orders to the extent marketable pursuant to the electronic allocation algorithm from Rule 6.45, as determined by the Exchange on a class-by-class basis with the addition that the COB gives priority to complex orders whose net price is better than the market clearing price first, and then to complex orders at the market clearing price. To the extent there is any remaining balance, the complex orders will be processed as they would on an intra-day basis under Rule 6.53C. This subparagraph (ii) is applicable to stock-option orders.
(b) The Exchange may also use the process described in paragraph (a) of this Interpretation and Policy .11 when the COB reopens a strategy after a time period during which trading of that strategy was unavailable.

Adopted February 27, 2013 (13-007); amended November 14, 2014 (14-071); January 24, 2017 (17-009); February 23, 2017 (17-016); January 3, 2018 (18-010).

.12 Deleted

Approved July 15, 2013 (13-026); Deleted May 10, 2019.

Rule 6.54. Accommodation Liquidations (Cabinet Trades)

Cabinet trading under the following terms and conditions shall be available in each series of option contracts open for trading on the Exchange. However, Rule 6.54 is not applicable to trading in option classes participating in the Penny Pilot Program.

(a) Trading shall be conducted in accordance with other Exchange Rules except as otherwise provided herein.

(b) Limit orders labeled at a price of $1 per option contract must be traded on the Exchange in a form and manner prescribed by the Exchange. Currently, accommodation liquidations are only eligible for Exchange trading via open outcry and hence are not eligible for placement into the Electronic Book.

Adopted August 1, 1974; amended December 8, 1976; January 11, 1979; December 20, 1985; May 30, 2003 (02-05); November 22, 2005 (05-69); May 16, 2006 (06-33); January 10, 2007 (07-02); January 23, 2007 (06-92); January 3, 2018 (18-010).

... Interpretations and Policies:

.01 PAR Official: A PAR Official who receives a closing buy (sell) order for $1 per option contract shall attempt to execute the order against any $1 closing sell (buy) orders in his possession. If any part of the buy (sell) order cannot be immediately executed, the PAR Official shall display the $1 bid (offer).

The PAR Official may accept bids or offers for opening transactions at a price of $1 per contract only to the extent that the cabinet book already contains closing orders for the contra side.

Upon execution of any $1 per contract orders, the PAR Official shall promptly supply reports of the transaction back to the TPH organizations involved. In accordance with (a)(vii) above, he will not report the transactions to the Exchange until after the close of each business day.

Issued December 8, 1976; amended January 11, 1979; January 11, 1980; December 20, 1985; November 22, 2005 (05-69); May 16, 2006 (06-33); June 18, 2010 (10-058).
Limit Orders Priced Below $1: Limit orders with a price of at least $0 but less than $1 per option contract may trade under the terms and conditions in Rule 6.54 above in each series of option contracts open for trading on the Exchange, except that:

(a) Bids and offers for opening transactions are only permitted to accommodate closing transactions.

(b) These procedures are available for trading in all options classes trading on the Exchange, including options classes participating in the Penny Pilot Program.

(c) Transactions shall be reported for clearing utilizing forms, formats and procedures established by the Exchange.

(d) Unless otherwise extended, the effectiveness of this Interpretation and Policy .03 terminates March 5, 2018.

Adopted December 30, 2008 (08-133); amended January 30, 2009 (09-003); June 1, 2009 (09-034); May 28, 2010 (10-052); May 4, 2011 (11-048); December 2, 2011 (11-113); June 29, 2012 (12-053); June 28, 2013 (13-067); July 18, 2013 (13-063); January 6, 2014 (13-118); December 30, 2014 (14-093); November 23, 2015 (15-108); December 20, 2016 (16-093); January 3, 2018 (18-010).

Rule 6.55. Multiple Representation Prohibited

(a) No Trading Permit Holder, for any account in which the Trading Permit Holder has an interest or on behalf of a customer, shall maintain with more than one broker orders for the purchase or sale of the same option contract or other security, or the same combination of option contracts or other securities, with the knowledge that such orders are for the account of the same principal.

(b) Except in accordance with procedures established by the Exchange or with the Exchange’s permission in individual cases, no individual Market-Maker shall enter or be present in a trading crowd while a Floor Broker present in the trading crowd is holding an order on behalf of the Market-Maker’s individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest.

Adopted July 22, 1980; amended October 19, 1990 (90-08); June 17, 1996 (96-10); March 21, 2006 (06-15); May 23, 2008 (08-02); March 16, 2010 (10-028); June 18, 2010 (10-058).

Interpretations and Policies:

.01 An individual Market-Maker may permissibly enter a trading crowd in which a Floor Broker is present who holds an order on behalf of the Market-Maker’s individual account or an order initiated by the Market-Maker for an account in which the Market-Maker has an interest if one of the following procedures is followed:

(a) The Market-Maker cancels the order prior to entering the trading crowd or the Market-Maker makes the Floor Broker aware of the Market-Maker’s intention to enter the trading
crowd and the Floor Broker cancels the order. If the Market-Maker wishes to re-enter the order upon the Market-Maker’s exit from the trading crowd, a new order must be entered.

(b) The Market-Maker makes the Floor Broker aware of the Market-Maker’s intention to enter or to be present in the trading crowd and the Market-Maker refrains from trading in-person on the same trade as the order being represented by the Floor Broker unless other in-crowd market participants choose not to trade the remaining portion of the order.

Approved June 17, 1996 (96-10); amended February 8, 2007 (05-111); March 16, 2010 (10-028).

.02 The following procedures apply to the simultaneous presence in a trading crowd of participants in and orders for the same joint account:

(a) Joint accounts may be simultaneously represented in a trading crowd by participants trading in-person for the joint account.

(b) Joint account participants who are not trading in-person in a trading crowd may enter orders for the joint account with Floor Brokers even if other participants are trading the same joint account in-person.

(c) When series are simultaneously opened during rotation, joint account participants trading the joint account in-person may enter orders for the joint account with Floor Brokers in series where they are unable to trade the joint account in-person.

(d) There is no restriction on the number of joint account participants that may participate on behalf of the joint account on the same trade.

(e) When joint account participants are trading in-person in a trading crowd for their individual account or as a Floor Broker, another participant of the joint account may trade for the joint account in-person or enter orders for the joint account with Floor Brokers.

(f) Except as otherwise permitted under Rule 6.55, Trading Permit Holders are reminded that they are prohibited from entering orders for their individual or joint accounts while they are trading in-person in a trading crowd even if the orders are for an account they are not then actively trading.

(g) Trading Permit Holders must ensure that they do not trade in-person or by orders such that (i) a trade occurs between a joint account participant’s individual market-maker account and the joint account of which he or she is a participant, or (ii) a trade occurs in which the buyer and seller are representing the same joint account and are on opposite sides of a transaction. It is the responsibility of a joint account participant to ascertain whether joint account orders have been entered in a crowd prior to trading the joint account in-person.

(h) Joint account participants may not act as a Floor Broker for the joint account of which they are a participant.

(i) Trading Permit Holders may alternate trading in-person for their individual account and their joint account while in a trading crowd.
(j) When completing a trade ticket for Market-Maker joint account transactions, it must contain such information as may be required by the Exchange under Rule 6.51(d).

Amended March 16, 2010 (10-028); June 18, 2010 (10-058).

Rule 6.56. Compression Forums

(a) Procedure.

(1) Prior to 4:30 p.m. Chicago time on the second to last business day of each calendar week; the second, third, and fourth to last business day of each calendar month; and the second, third, fourth, fifth, and sixth to last business day of each calendar quarter, in a manner and format determined by the Exchange, a Trading Permit Holder may provide the Exchange with a list of open SPX options positions that it would like to close through the compression forum for that calendar month ("compression-list positions"). Trading Permit Holders may also permit their Clearing Trading Permit Holders or the Clearing Corporation to submit a list of these positions to the Exchange on their behalf.

(2) Prior to the open of Regular Trading Hours on the last business day of each calendar week; each of the last three business days of each calendar month; and each of the last five business days of each calendar quarter, the Exchange will make available to all Trading Permit Holders a list including the size of the offsetting compression-list positions (including all possible combinations of offsetting multi-leg positions) in each series (and multi-leg position) for which both long and short compression-list positions have been submitted to the Exchange ("compression-list positions file").

(3) In addition to making the compression-list positions file available to all Trading Permit Holders, the Exchange will electronically send the compression-list positions file to the Trading Permit Holders that submitted compression-list positions to the Exchange pursuant to paragraph (a)(1), including a list of those Trading Permit Holders that contributed to the compression-list positions file. The list will not include the name of any Trading Permit Holder that requests its name be excluded from this list. Trading Permit Holders will be identified as having contributed to the list only and will not be identified as holding any specific position.

(4) In addition to making the compression-list positions file available to all Trading Permit Holders, the Exchange will, for informational purposes, electronically distribute an individualized list of multi-leg positions ("multi-leg position file") to each Trading Permit Holder that submitted compression-list positions to the Exchange pursuant to paragraph (a)(1). The individualized multi-leg position file will include:

(A) a complete list of all possible combinations of offsetting multi-leg positions that are composed of series the individual Trading Permit Holder submitted as part of a compression-list position;
(B) a unique identification number for each multi-leg position ("PID");

(C) the series that make up the multi-leg positions; and

(D) the offsetting size of the multi-leg position against other Trading Permit Holders on an individualized and anonymous basis.

(5) A Trading Permit Holder may, for specified multi-leg positions (denoted by the unique PID), electronically grant the Exchange permission to share the Trading Permit Holder’s identity with the anonymous contra-party (or contra-parties) with offsetting multi-leg position(s). If the anonymous contra-party(ies) in turn grants permission for the Exchange to share its identity with the Trading Permit Holder, the Exchange will electronically notify both the Trading Permit Holder and the anonymous contra-party(ies) of the identities that correspond to the multi-leg positions for which permission has been granted. If the anonymous contra-party(ies) grants permission, the Exchange will disclose the identities that correspond to the multi-leg positions. The Exchange will determine the deadlines by which TPHs and contra-parties must grant the Exchange permission under this paragraph in order to disclose the identities that correspond to the multi-leg positions. The deadlines will be announced via Regulatory Circular.

(6) The Exchange will make available an open outcry “compression forum” in which all Trading Permit Holders may participate on the last business day of each calendar week, each of the last three business days of every calendar month, and each of the last five business days of every calendar quarter, at a location on the trading floor determined by the Exchange. The compression forum will be held for four (4) hours during Regular Trading Hours on the last business day of each calendar week, each of the last three business days of every calendar month, and each of the last five business days of every calendar quarter, unless any of those days is an abbreviated trading day, as determined by the Exchange, in which case the compression forum will be held for three (3) hours.

(b) Trades executed through compression forums are subject to trading rules applicable to trading in SPX during Regular Trading Hours (including without limitation manner of bids and offers, allocation and priority, and solicited transaction rules), except:

(1) opening transactions in SPX options may not execute against opening transactions through a compression forum; however, closing transactions in SPX options (including compression-list positions) that are represented in the compression forum may execute against closing or opening transactions;

(2) only closing transactions may be executed in $0.01 increments, including simple and complex orders. Bids and offers for opening transactions made in response to the representation of a closing transaction must be priced in the standard increment for simple and complex orders set forth in Rule 6.42.

(c) Trading Permit Holders may solicit a Trading Permit Holder or a non-Trading Permit Holder customer or broker-dealer to transact through a compression forum in accordance
with the provisions of this Rule and the solicited transaction requirements contained in Rule 6.9. Trades executed through a compression forum pursuant to this Rule and otherwise in compliance with the Rules, including, but not limited to Rule 6.9, will not be deemed prearranged trades.

The Exchange will announce to Trading Permit Holders determinations it makes pursuant to this Rule via Regulatory Circular with reasonable notice.

… Interpretations and Policies:

.01 For purposes of this Rule 6.56 multi-leg positions will include vertical call spreads, vertical put spreads, and box spreads.

Adopted December 15, 2016 (16-090); amended April 21, 2017 (17-035); July 16, 2017 (17-049); December 3, 2017 (17-070); March 15, 2018 (18-017); April 8, 2018 (18-022).

Rule 6.57. Risk-Weighted Assets (“RWA”) Transactions

(a) RWA Package. An “RWA Package” is a set of SPX options positions with at least: 50 options series; 10 contracts per options series; and 10,000 total contracts.

(b) RWA Transaction. Trading Permit Holders may execute an RWA Package (an “RWA transaction”) in the SPX crowd on the trading floor in accordance with paragraph (c) if:

(1) The RWA transaction is initiated for the account(s) of a Cboe Options Market-Maker, provided that an RWA Package consisting of SPX options from multiple Market-Maker accounts may not be in separate aggregation units or otherwise subject to information barrier or account segregation requirements;

(2) The RWA transaction results in a change in beneficial ownership (i.e., an RWA transaction between a Cboe Options Market-Maker and an entity unaffiliated with the Cboe Options Market-Maker); and

(3) The Cboe Options Market-Maker certifies that as of the beginning of the extended trading hours session on the trade date in which the RWA Package is received by the Exchange under paragraph (c), the Cboe Options Market-Maker held the positions identified in the RWA Package and that the RWA Package represents a net reduction of RWA attributed to the Cboe Options Market-Maker based on the positions held prior to the beginning of extended trading hours.

(c) RWA Package Trading Procedure.

(1) Initial Submission. After the opening of regular trading hours and prior to 10:00 a.m. Chicago time, the Cboe Options Market-Maker (or broker) must submit the RWA Package to the Exchange in a form and manner prescribed by the Exchange. The submission must contain:

(A) a list of individual SPX options series and the size of each options series;
(B) the contact information for the individual that will represent the position on the trading floor; and

(C) if prior to submitting an RWA Package to the Exchange the Market-Maker (or broker) has received a bid or offer for the RWA Package, the proposed net debit or credit price for the RWA Package.

(2) Notification to Crowd. After the Exchange receives an RWA Package, the Exchange will:

(A) notify Trading Permit Holders (electronically and via trading floor loudspeaker) as soon as practicable of the identity of the individual representing the RWA Package in the SPX trading crowd, which can be either a Market-Maker or Floor Broker, provided the individuals are available to accept bids/offers for the RWA Package;

(B) post in an electronic format on a Trading Permit Holder-accessible website the list of individual components of the RWA Package, the proposed net price for the RWA Package (if available), and the contact information for the individual representing the RWA Package on the floor, which post will not include the identity of the Market-Maker for whom the RWA transaction is initiated (unless the Market-Maker is representing the RWA Package on the trading floor); and

(C) notify Trading Permit Holders that the RWA Package has been posted and the time at which the two-hour request-for-quote (“RFQ”) period concludes.

(3) RFQ Period. The Exchange’s notification to the SPX trading crowd under subparagraph (2)(i) commences the two-hour RFQ period. Upon the conclusion of the RFQ period, the individual representing the RWA Package in the SPX trading crowd may (but is not required to) accept a bid or offer for the RWA Package. The RFQ response that represents the best bid or offer on a net debit or credit basis for the RWA Package has priority. In the event equal bids or offers are received, the first RFQ response at the best bid or offer on a net debit or credit basis for the RWA Package has priority.

(4) Report of RWA Transaction. If at the conclusion of the two-hour RFQ period, the individual representing the RWA Package accepts a bid or offer for the RWA Package, the individual representing the RWA Package in the SPX trading crowd must, prior to the close of regular trading hours, cause a report to be submitted to the Exchange in a form and manner prescribed by the Exchange, which sets forth the time of the execution of the RWA Package; the net execution price for the RWA Package; and the execution prices for the individual options series of the RWA Package.

… Interpretations and Policies:

.01 To the extent applicable, all other Rules of the Exchange, including Rule 6.9(e), apply to the procedure set forth in this Rule 6.57. The following Rules are either superseded by this Rule or do not apply to the above procedures: 6.9(a) through (d) and (f), 6.41, 6.44, 6.45, 6.47, and 6.74). There may
be other Rules of the Exchange that do not, by their terms, apply to the transfer procedure set forth in this Rule 6.57.

.02 Nothing in paragraph (a) of Rule 6.57 prevents a Market-Maker from executing transactions (opening or closing) during the RFQ period in the normal operation of the Market-Maker’s business.

.03 Rule 6.57 will be effective for a limited term ending on October 2, 2020.

Adopted October 2, 2018 (18-056)

Rule 6.58. Submission of Trade Information to the Exchange

(a) Time of submission.

(1) General rule.

Trade information shall be considered to have been received by the Exchange as of the time electronically recorded by the Exchange computer system when such trade information has been entered into an electronic file for processing by the appropriate Exchange computer system. The point in the system at which the time is electronically recorded shall be determined by the Exchange and uniformly applied to all submissions on any given day. The system may treat trade information contained in a batch transmission as not received until the last record in the batch has been entered into an electronic file. In the event Subparagraph (b)(2) or (b)(3) of this Rule is applicable and the time of receipt by the Exchange as determined by such subparagraph is earlier than the time determined by this Subparagraph (b)(1), then the earlier time under Subparagraph (b)(2) or (b)(3) shall be controlling; otherwise, the time determined by this Subparagraph (b)(1) shall apply.

(2) Submission by electronic transmission.

(A) Except as provided in Subparagraph (b)(2)(B) of this Rule, trade information submitted by electronic transmission to the Exchange computer system shall be considered received by the Exchange as of the time electronically recorded by the Exchange computer as specified in Subparagraph (b)(1).

(B) In the event a Clearing Trading Permit Holder attempts to send trade information by electronic transmission but is unable to get through to the Exchange computer system, the Clearing Trading Permit Holder may contact the Exchange’s Trade Processing Window Department to inquire if the Exchange’s system is ready to receive such Clearing Trading Permit Holder’s transmission.

(i) If the Exchange determines that its system was not so ready, any trade information submitted by such Clearing Trading Permit Holder within ten (10) minutes of being informed by Trade Processing Window personnel that the Exchange’s system is so ready will be considered received by the Exchange as of the time the Clearing Trading Permit Holder contacted the Trade Processing Window, based on the time recorded by the Trade Processing Window personnel handling the inquiry.
(ii) If the Exchange determines that its system was and remains so ready, it will reset the line at the Exchange’s end and so inform the Clearing Trading Permit Holder. Any trade information submitted by such Clearing Trading Permit Holder within ten (10) minutes of being informed by Trade Processing Window personnel that the Exchange’s system remains ready to accept such data and the line has been reset will be considered received by the Exchange as of the time the Clearing Trading Permit Holder contacted the Trade Processing Window, based on the time recorded by the Trade Processing Window personnel handling the inquiry. Such procedure shall apply only once for any given day, and repetitive use of this subparagraph by any Clearing Trading Permit Holder shall be investigated. Employing this subparagraph when no actual attempt was made to transmit trade information shall cause this subparagraph to be inapplicable and such action shall be considered conduct inconsistent with just and equitable principles of trade.

(3) Submission on diskette or tape.

Trade information delivered on computer diskette or tape to the Trade Processing Window shall be considered received by the Exchange within fifteen (15) minutes after the time stamped on the paper receipt given by Trade Processing Window personnel to the Clearing Trading Permit Holder’s representative who delivered such diskette or tape, provided that all trade data contained on the diskette or tape delivered, or on any backup diskette or tape delivered at the same time, can be successfully loaded into the Exchange computer system without any difficulty.

Approved January 22, 1991, effective July 1, 1991 (90-06); amended April 23, 2007 (07-33); June 18, 2010 (10-058).

Rule 6.60. Unmatched Trade Reports

On each business day the Exchange shall match the trade information submitted by Trading Permit Holders on that day and shall issue Unmatched Trade Reports to each Clearing Trading Permit Holder, which shall contain a list (a) of such Clearing Trading Permit Holder’s trades on such day for which the Exchange did not receive matching trade data from another Clearing Trading Permit Holder (called “unmatched trades”) and (b) of all trades reported by other Clearing Trading Permit Holders for which such Clearing Trading Permit Holder submitted no matching trade data (called “advisory trades”).

Adopted January 3, 1975; amended April 14, 1980; July 22, 1980; April 18, 2000 (99-38); June 18, 2010 (10-058).

Rule 6.61. Reconciliation and Resolution of Unmatched Trades

Promptly upon receipt of an Unmatched Trade Notification or Report, a Trading Permit Holder shall be obligated to reconcile all unmatched trades and advisory trades shown thereon and to
report all reconciliations and corrections to the Exchange or the Clearing Trading Permit Holder responsible for submission to the Exchange, in accordance with such procedures as may be established by the Exchange from time to time.

Adopted January 3, 1975; amended April 14, 1980; July 22, 1980; April 18, 2000 (99-38); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 All Trading Permit Holders and their respective representatives shall make all reasonable efforts to resolve unmatched options trades on trade day. With respect to all options transactions, the following shall apply:

(a) Every Trading Permit Holder must have a representative available to resolve unmatched trades and respond to advisory trades until the final trade transmission is sent to The Options Clearing Corporation. If a Trading Permit Holder cannot reach the opposing Trading Permit Holder or its representative at the appropriate location and published number, the Trading Permit Holder should notify the Exchange’s Trade Processing Window, which will verify and record the absence.

(b) All Trading Permit Holders must submit all trades immediately upon execution, as noted under Rule 6.51. If inaccurate information is initially submitted due to an error in carding or keying a trade, the Trading Permit Holder or its representative must make all reasonable efforts to detect and correct these errors.

(c) If an option trade remains unmatched after trade day, it must be resolved no later than fifteen minutes prior to the opening of trading on the following business day. If an unmatched options trade cannot be resolved by mutual agreement, the transaction shall be promptly closed out by the parties pursuant to Rule 10.1. If an unmatched options trade is not resolved by fifteen minutes prior to the opening of trading on the following business day, due to one of the executing brokers not being present or represented on the Exchange floor, the trade shall be submitted to The Options Clearing Corporation pursuant to the terms presented by the executing broker who is in attendance or who is represented during the trade resolution process. Under unusual conditions the Exchange may prescribe a different schedule for the resolution of unmatched trades.

(d) Any Trading Permit Holder who fails to observe the policies and procedures under Rule 6.61 will be responsible for any liability resulting from an unmatched transaction which should have matched.

Issued September 7, 1976; amended April 14, 1980; September 27, 1985; October 19, 1990 (90-08); April 18, 2000 (99-38); June 18, 2010 (10-058).

.02 All Trading Permit Holders, Clearing Trading Permit Holders and their respective representatives shall have readily available all necessary trade records for the resolution of their unmatched trades, and shall be required to produce such trade records upon request.

Issued April 14, 1980; amended June 18, 2010 (10-058).
.03 During the trade resolution process, when a representative of a Trading Permit Holder or a representative of a Clearing Trading Permit Holder, acting on behalf of a Trading Permit Holder makes a verbal commitment to another Trading Permit Holder, Clearing Trading Permit Holder or their respective representatives that commitment is binding upon both parties.

Issued September 7, 1976; amended April 14, 1980; June 18, 2010 (10-058).

.04 It shall be inconsistent with just and equitable principles of trade for any Trading Permit Holder, a Clearing Trading Permit Holder, or any person associated therewith, while engaged in the reconciliation and resolution of unmatched or matched transactions to (1) agree to accept any transaction in which the accepting party or its principal was not involved or (2) decline to accept any transaction in which the declining party or its principal was involved.

Issued September 7, 1976; amended April 14, 1980; February 17, 1984; June 18, 2010 (10-058).

.05 In addition to the requirements set forth in Interpretation .01 above, the following provision applies to transactions in index options and in any class of options which will trade ex-dividend or ex-distribution the following day:

Trades which do not match on trade day due to a difference in premium and which cannot be resolved that day by the Trading Permit Holders or their representatives, may be resolved provisionally prior to the final trade transmission to the Options Clearing Corporation by the buying Trading Permit Holder agreeing with the premium of the selling Trading Permit Holder in order to match the trade. This will not preclude either the buyer or the seller from asserting his position as to the correct premium in attempting to finally resolve the trade the next morning.

NOTE: The buying Trading Permit Holder should submit a notice to the Trade Processing Window reflecting these price changes, the transaction numbers of the unmatched trades and the opposing party that was contacted.

Issued February 17, 1984; amended October 27, 1998 (98-22); April 18, 2000 (99-38); June 18, 2010 (10-058).

.06 Reserved.

Approved October 19, 1990 (90-08); amended October 10, 2008 (08-101).

.07 Reserved.

Approved October 19, 1990 (90-08); amended October 10, 2008 (08-101).

Rule 6.62. Supplementary Unmatched Trade Report

Deleted April 14, 1980.
Rule 6.63. Reporting of Matched Trades to Clearing Corporation

(a) On each business day at or prior to such time as may be prescribed by the Clearing Corporation, the Exchange shall furnish the Clearing Corporation a report of each Clearing Trading Permit Holder’s matched trades based on the trade information filed with the Exchange on that day. Only trades which have been matched in accordance with the provisions of these Rules shall be furnished by the Exchange to the Clearing Corporation, and the Exchange shall assume no responsibility with respect to any unmatched trade nor for any delays or errors in the reporting to it of trade information. The Exchange may delegate its responsibility in respect of trade matching to the Clearing Corporation or other facility, in which case Clearing Trading Permit Holders shall abide by the procedures established by the Clearing Corporation or other facility in the filing of trade information, the reconciliation of unmatched trades, and other actions pertinent to trade comparison.

Adopted January 3, 1975; amended July 22, 1980; amended October 19, 1990 (90-08); amended April 23, 2007 (07-33); June 18, 2010 (10-058).

Rule 6.64. Reserved

Reserved


Rule 6.65. Deleted

Approved October 19, 1990 (90-08); Amended June 18, 2010 (10-058); Deleted May 10, 2019.

... Interpretations and Policies:

.01 Deleted

Approved October 19, 1990 (90-08); Deleted May 10, 2019.

.02 Deleted

Approved October 19, 1990 (90-08); Deleted May 10, 2019.

.03 Deleted

Approved October 19, 1990 (90-08); Deleted May 10, 2019.

Rule 6.66. Comparison Does Not Create Contract

No comparison or failure to compare, and no notification or acceptance of notification of failure to receive or failure to deliver shall have the effect of creating or of cancelling a contract, or of changing the terms thereof, or of releasing the original parties from liability.

Approved October 19, 1990 (90-08).
Rule 6.67. Cboe Trade Match System

General. The Cboe Trade Match System ("CTM") is a system in which authorized Trading Permit Holders may add and/or update trade records. CTM may be used to enter and report transactions that have been effected on the Exchange in accordance with the Exchange’s rules, to update information entered pursuant to Rule 6.51, Interpretation and Policy .04, or to correct certain bona fide errors. The Exchange will announce documentation requirements related to changes made through the use of CTM via a Regulatory Circular.

(a) Fields that may be changed through the use of CTM without notice to the Exchange include the following: (1) Executing Firm and Contra Firm; (2) Executing Broker and Contra Broker; (3) 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).

(b) Fields that may be changed through the use of CTM that require notification to the Exchange include the following: (1) Series, (2) Quantity, (3) Buy or Sell; (4) Premium Price and/or (5) Origin Code (if changing origin code from customer (C) to any other origin code). Notification of the change shall be made as soon as practicable, but no later than fifteen (15) minutes after the change has been made.

(c) Changes related to the give up of a Clearing Trading Permit Holder ("Give Up") through the use of CTM shall be governed by Rule 6.21.

... Interpretations and Policies:

.01 Any actions taken by the Exchange pursuant to this Rule 6.67(b) or (c) do not constitute a determination by the Exchange that the transaction was effected in conformity with the requirements of Exchange rules. Any improper change 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. In addition, nothing in this Rule is intended to define or limit the ability of the Exchange to sanction or take other remedial action pursuant to other Exchange rules for rule violations or other activity for which remedial measures may be imposed.

Approved November 23, 2014 (14-082); amended March 22, 2017 (17-024).

Section D: Floor Brokers

Rule 6.70. Floor Broker Defined

A Floor Broker is an individual (either a Trading Permit Holder or a nominee of a TPH organization) who is registered with the Exchange for the purpose, while on the Exchange floor, of accepting and executing orders received from Trading Permit Holders or from registered broker-dealers. A Floor Broker shall not accept an order from any other source unless he is the nominee of a TPH organization approved to transact business with the public in accordance with Rule 9.1. In the event the organization is approved pursuant to Rule 9.1, a Floor Broker who is the nominee of such organization may then accept orders directly from public customers where (i) the organization clears and carries the customer account or (ii) the organization has entered into an
agreement with the public customer to execute orders on its behalf. Among the requirements a Floor Broker must meet in order to register pursuant to Rule 9.1 is the successful completion of an examination for the purpose of demonstrating an adequate knowledge of the securities business.

Amended July 26, 1996 (96-14); October 17, 1996 (96-62); November 22, 2005 (05-69); June 18, 2010 (10-058).

### Rule 6.71. Registration of Floor Brokers

(a) An applicant for registration as a Floor Broker shall file his application in writing with the TPH Department of the Exchange on such form or forms as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider an applicant’s ability as demonstrated by his passing a floor Trading Permit Holder’s examination prescribed by the Exchange, and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove the applicant’s registration as a Floor Broker.

(b) The registration of any person as a Floor Broker may be suspended or terminated by the Exchange upon a determination that such person has failed to properly perform as a Floor Broker.

(c) Any Trading Permit Holder or prospective Trading Permit Holder adversely affected by a determination of the Exchange under this Rule may obtain a review thereof in accordance with the provisions of Chapter XIX.

Amended December 1, 1974; February 5, 1986; June 6, 1990 (90-12); December 2, 1997 (97-61); May 23, 2008 (08-02); June 18, 2010 (10-058).

### Rule 6.72. Letters of Authorization

(a) Required of each Floor Broker. No Floor Broker shall act as such on the Exchange unless there is in effect a Letter of Authorization that has been issued for such Floor Broker by a Clearing Trading Permit Holder and filed with the Exchange.

(b) Terms of Letter of Authorization. A Letter of Authorization shall be in a form prescribed by the Exchange and shall provide that the issuing Clearing Trading Permit Holder accepts financial responsibility for all Exchange transactions made by the guaranteed Floor Broker.

(c) Revocation of Letter of Authorization. A Letter of Authorization filed with the Exchange shall remain effective until a written notice of revocation has been filed with the TPH Department and the revocation becomes effective or until such time that the Letter of Authorization otherwise becomes invalid pursuant to Exchange rules. A written notice of revocation shall become effective as soon as the Exchange is able to process the revocation. A revocation shall in no way relieve a Clearing Trading Permit Holder of responsibility for transactions guaranteed prior to the effectiveness of the revocation.

(d) Letters of Authorization under this Rule are also governed by Rule 3.28.
Amended December 12, 1978; October 22, 1993 (93-45); July 19, 2000, effective August 18, 2000 (99-15); June 18, 2010 (10-058); February 8, 2013 (12-124).

... Interpretations and Policies:

.01 Floor Brokers executing Government security options must have a separate Letter of Authorization issued by a Debt Securities Clearing Trading Permit Holder.

Amended October 21, 1983; September 14, 1987; June 18, 2010 (10-058).

.02 Reserved.

Amended October 19, 1990 (90-08); October 10, 2008 (08-101).

Rule 6.73. Responsibilities of Floor Brokers

(a) General Responsibility. A Floor Broker handling an order is to use due diligence to execute the order at the best price or prices available to him, in accordance with the Rules.

(b) Handling of Certain Orders. A Floor Broker handling a market-if-touched order, market-on-close order, stop order, or stop-limit order that is dependent upon the price of the underlying security shall be responsible for satisfying the dependency requirement on the basis of the last reported price of the underlying security in the primary market that is generally available on the floor of the Exchange at any given time. Unless mutually agreed by the Trading Permit Holders involved, an execution or non-execution that results shall not be altered by the fact that such price is subsequently found to have been erroneous.

(c) Every Floor Broker who represents a Market-Maker with an order in any options class must, by public outcry at the post, indicate the identity of such Market-Maker at the request of any Trading Permit Holder.

Amended June 3, 1977; June 21, 2002 (02-33); March 14, 2005 (04-75); September 23, 2009(09-057); June 18, 2010 (10-058); January 3, 2018 (18-010); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 Reserved

Issued April 15, 1973; amended January 11, 1979; March 13, 2008 (08-28); January 3, 2018 (18-010).

.02 Pursuant to Rule 6.73(a), a Floor Broker’s use of due diligence in executing an order shall include making all persons in the trading crowd aware of his request for a quotation.

Issued August 1, 1974.

.03 Pursuant to Rule 6.73(a), a Floor Broker’s use of due diligence in handling an order is applicable to the provisions of Rule 8.51 in that it includes taking the necessary measures to ensure the proper execution of an order as it pertains to the executable quantity for a trading crowd’s firm.
disseminated market quote. Due diligence also shall apply to the representation in the crowd of an order as described in Rule 8.51 Interpretations and Policies .02.

Approved June 13, 1989 (89-04), effective July 24, 1989.

.04 Pursuant to Rule 6.73(a), and subject to the requirement to systematize orders prior to representation pursuant to Rule 6.24, a Floor Broker’s use of due diligence in handling an order shall include the immediate and continuous representation at the trading station where the option class represented by the order is traded, any of the following types of orders: (1) market orders, (2) limit orders to sell where the specified price is at or below the current offer or, (3) limit orders to buy where the specified price is at or above the current bid.

Approved June 13, 1989 (89-04), effective July 24, 1989; amended May 31, 1996 (96-26);January 7, 2005 (04-77).

.05 Representation. Pursuant to Rule 6.73(a), a Floor Broker’s representation of an order shall require the Floor Broker to electronically record the time the order is initially represented in the trading crowd via Exchange-approved functionality.

Amended May 22, 2014 (14-029).

.06 Pursuant to Rule 6.73(a), an order entrusted to a Floor Broker will be considered a Not Held Order, unless otherwise specified by a Floor Broker’s client or the order was received by the Exchange electronically and subsequently routed to a Floor Broker or PAR Official pursuant to the order entry firm’s routing instructions.

Amended June 25, 2015 (15-047); amended May 10, 2019 (19-017).

Rule 6.74. Crossing Orders

Generally. The rules of priority and order allocation procedures set forth in this Rule shall apply only to crossing orders in open outcry. For purposes of establishing priority for bids and offers, at the same price: (A) bids and offers of ICMPs have first priority, except as is otherwise provided in the Rule below with respect to priority customer orders resting in the electronic book; and (B) all other bids and offers (including bids and offers of broker-dealer orders in the electronic book and electronic quotes of Market-Makers) have second priority.

In addition, in order to transact proprietary orders on the floor of the Exchange pursuant to this Rule, Trading Permit Holders must ensure that they qualify for an exemption from Section 11(a)(1) of the Exchange Act. Notwithstanding the priority provisions otherwise applicable under this Rule, Trading Permit Holders relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (the “G” exemption) as an exemption must yield priority to any bid or offer at the same price of priority customer orders and broker-dealer orders resting in the electronic book, as well as any other bids and offers that have priority over such broker-dealer orders under this Rule. In the event a Floor Broker that is asserting a crossing participation entitlement for its proprietary order pursuant to paragraph (d) below must yield priority in reliance on the “G” exemption and a DPM or LMM, as applicable, is asserting a participation entitlement, the Floor Broker’s crossing percentage entitlement to the remaining balance of the original order, when combined with the
DPM/LMM guaranteed participation, shall not exceed 40% of the order. However, provided the “G” exemption requirements are satisfied, nothing prohibits a Floor Broker or DPM/LMM from trading more than their applicable percentage entitlement if other ICMPs do not chose to trade the remaining portion of the order. For purposes of this Rule, the term “proprietary order” means an order for a Trading Permit Holder’s own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion.

(a) A Floor Broker who holds orders to buy and sell the same option series may cross such orders, provided that he proceeds in the following manner:

(i) In accordance with his responsibilities for due diligence, a Floor Broker shall request bids and offers for such option series and make all ICMPs aware of his request.

(ii) After providing an opportunity for such bids and offers to be made, he must

(A) bid above the highest bid in the market and give a corresponding offer at the same price or at prices differing by the minimum increment or

(B) offer below the lowest offer in the market and give a corresponding bid at the same price or at prices differing by the minimum increment.

(iii) If such higher bid or lower offer is not taken, he may cross the orders at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price.

(b) A Floor Broker who holds an order for a public customer of a TPH organization and a facilitation order may cross such orders provided that he proceeds in the following manner:

(i) The TPH organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities.

(ii) In accordance with his responsibilities for due diligence, the Floor Broker shall disclose all securities which are components of the public customer order which is subject to facilitation and then shall request bids and offers for the execution of all components of the order.

(iii) After providing an opportunity for such bids and offers to be made, the Floor Broker must, on behalf of the public customer whose order is subject to facilitation, either bid above the highest bid in the market or offer below the lowest offer in the market, identify the order as being subject to facilitation, and disclose all terms and conditions of such order. After all other ICMPs are given an opportunity to accept the bid or offer made on behalf of the public customer whose order is subject to facilitation, the Floor Broker may cross all or any remaining part of such order and the facilitation order at such customer’s bid or offer by announcing in open outcry that he is crossing and by stating the
quantity and price(s). Once such bid or offer has been made, the public customer order which is subject to facilitation has precedence over any other bid or offer in the crowd to trade immediately with the facilitation order.

(c) During the opening rotation for a class of option contracts in the interests of achieving a single price opening, an exception may be made to the requirements of subparagraphs (ii) and (i) of paragraph (a) above, and the Floor Brokers may proceed as follows:

(i) A Floor Broker may match all market orders in his possession in which no Trading Permit Holder or non-Trading Permit Holder broker/dealer has an interest;

(ii) The Floor Broker shall then announce by public outcry the number of contracts that he has matched and will cross at the opening price to be established; and

(iii) The Floor Broker may then continue to bid or offer the remaining unmatched and unexecuted orders he has in his possession for execution during the opening rotation.

(d) Notwithstanding the provisions of paragraphs (a) and (b) of this Rule, when a Floor Broker holds an option order for the eligible order size or greater (“original order”), the Floor Broker is entitled to cross a certain percentage of the order with other orders that he is holding or in the case of a public customer order with a facilitation order of the originating firm (i.e., the firm from which the original customer order originated). The Exchange may determine on a class-by-class basis to include solicited orders within the provisions of paragraph (d) of this Rule. In addition, the Exchange may determine on a class-by-class basis the eligible size for an order that may be transacted pursuant to paragraph (d) of this Rule, however, the eligible order size may not be less than 50 standard option contracts or 500 mini-option contracts. In accordance with his responsibilities for due diligence, a Floor Broker representing an order of the eligible order size or greater that he wishes to cross shall request bids and offers for such option series and make all persons in the trading crowd, including the PAR Official, aware of his request.

(i) Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, (B) there is a significant change in the price of the underlying security or index, as applicable, or (C) the market given in response to the request has been improved. (In the case of a dispute, the term “significant change” will be interpreted on a case-by-case basis by two Floor Officials based upon the extent of the recent trading in the option and in the underlying security, and any other relevant factors.)

(ii) The percentage of the order which a Floor Broker is entitled to cross, after all public customer orders that were (1) on the limit order book and then (2) represented in the trading crowd at the time the market was established have been satisfied, is either 20% or 40% (as determined by the Exchange on a class-by-class basis) of the remaining contracts in the order if the order is traded at or between the best bid or offer given by the crowd in response to the Floor Broker’s initial request for a market.

(iii) In determining whether an order satisfies the eligible order size requirement, any multi-part or complex order must contain one leg alone which is for the eligible order size or greater. If the same TPH organization is the originating firm and also
the DPM or LMM for the particular class of options to which the order relates, then the DPM or LMM is not entitled to any of the DPM or LMM guaranteed participation rate with respect to the particular cross transaction.

(iv) When facilitating a customer order pursuant to paragraph (d) of this Rule, a TPH organization must disclose on its order ticket for the public customer order which is subject to facilitation, all of the terms of such order, including any contingency involving, and all related transactions in, either options or underlying or related securities. The Floor Broker must disclose all securities that are components of the public customer order which is subject to facilitation before requesting bids and offers for the execution of all components of the order.

(v) If a trade pursuant to paragraph (d) of this Rule occurs at the On-Floor DPM’s or On-Floor LMM’s principal bid or offer in its appointed class, then the On-Floor DPM’s guaranteed participation level which is established pursuant to Exchange Rule 8.87 (or Exchange circulars issued pursuant to Exchange Rule 8.87) or On-Floor LMM’s guaranteed participation level which is established pursuant to Exchange Rule 8.15 shall apply only to the number of contracts remaining after all those public customer orders which trade ahead of the cross transaction and the number of contracts crossed, each as described in paragraph (d)(ii) of this Rule, have been satisfied. The On-Floor DPM’s or On-Floor LMM’s guaranteed participation will be a percentage that when combined with the percentage the originating firm crossed, does not exceed 40% of the order. If the trade occurs at a price other than the On-Floor DPM’s or On-Floor LMM’s principal bid or offer, the On-Floor DPM or On-Floor LMM is entitled to no guaranteed participation.

(vi) The ICMPs who established the market will have priority over all other orders that were not represented in the trading crowd at the time that the market was established (but not over public customer orders on the book) and will maintain priority over such orders except orders that improve upon the market. A Floor Broker who is holding a customer order and either a facilitation or solicited order, and who makes a request for a market will be deemed to be representing both the customer order and either the facilitation order or solicited order, as applicable, so that the customer order and the other order will also have priority over all other orders that were not being represented in the trading crowd at the time the market was established. Priority to trade the remaining portion of the order shall be afforded to bids (offers) made by ICMPs in the sequence in which they are made. If bids (offers) were made at the same time, or in the event that the sequence cannot be reasonably determined, priority shall be apportioned equally among the ICMPs who established the market. In the event an ICMP declines to accept any portion of the available contracts, any remaining contracts shall be apportioned equally among the other ICMPs who established the market until all contracts have been apportioned.

(vii) Nothing in this paragraph is intended to prohibit a Floor Broker, an On-Floor DPM, or an On-Floor LMM from trading more than his percentage entitlement if the other ICMPs do not choose to trade the remaining portion of the order.

(viii) The Exchange may exempt a particular option class from the application of paragraph (d) of this Rule.
Amended April 10, 1978; January 11, 1979; April 26, 1982; October 17, 1983; May 31, 1985 (83-61); July 29, 1985 (85-23); May 26, 2000 (99-10); July 31, 2000 (99-35); August 7, 2000 (00-07); June 6, 2001 (00-43); January 3, 2005 (04-04); February 15, 2005 (04-72); January 17, 2006 (05-83); February 8, 2006 (06-05); March 23, 2006 (06-21); November 8, 2006 (06-89); January 25, 2007 (07-07); March 25, 2007 (06-94); April 30, 2008 (08-49); May 23, 2008 (08-02); June 18, 2010 (10-058); March 20, 2013 (13-036); May 28, 2013 (13-046); April 7, 2016 (16-009); January 24, 2017 (17-009); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 Reserved

Issued April 26, 1982; amended June 18, 2010 (10-058); amended May 10, 2019 (19-017).

.02 When accepting a bid or offer made on behalf of a public customer, all contingencies of the public customer order must be satisfied.

Issued April 26, 1982.

.03 A complex order or an inter-regulatory spread on opposite sides of the market may be crossed, provided that the Floor Broker holding such orders proceeds in the manner described in paragraphs (a), (b), or (d) above as appropriate. Trading Permit Holders may not prevent such a cross from being completed by giving a competing bid or offer for one component of such order.

Issued October 17, 1983; amended November 10, 1988; March 5, 2004 (04-14); July 12, 2006 (05-65); November 8, 2006 (06-83); June 18, 2010 (10-058); May 10, 2019 (19-017).

.04 Where a related order must be effected in another market, the Trading Permit Holder must take steps to transmit the related order(s) concurrently with the execution of the options leg(s) of the order. A trade representing the execution of the options leg of a stock-option order or a security future-option order may be cancelled at the request of any Trading Permit Holder that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the non-option leg(s) at the price(s) agreed upon.

Issued October 17, 1983; amended November 10, 1988; March 5, 2004 (04-14); June 18, 2010 (10-058).

.05 Where a Floor Broker has been continuously representing a limit order to buy or sell equity option contracts in a trading crowd at a limit price which is equal to the highest bid or lowest offer (“resting order”), and subsequently receives a market or marketable limit order to sell or buy that same option series, the Floor Broker may cross the resting order with the subsequent market order or marketable limit order in accordance with the requirements of paragraph (a) of Rule 6.74, but without regard to the provision of subparagraph (a)(iii) that permits a cross only if such higher bid or lower offer is not taken, in order to permit both the resting order and a subsequent market or marketable limit order to compete equally with other bids and offers in the trading crowd. The Rules pertaining to solicited orders, facilitation crosses and the priority provisions of Rule 6.45 shall continue to apply.
.06 The phrase “terms and conditions,” as used in this rule with respect to an order that is subject to facilitation, refers to class; series; volume; option price; any contingencies; and any components related to the order (e.g., stock, options, futures or other related instruments or interests). However, the class will be deemed to be disclosed to the trading crowd if it is apparent that the crowd is aware of which class is being traded, (e.g., if the pit in which the transaction occurs is designated for one option class only, or if the class is the only one in the trading post trading at the disclosed strike price, then it would be apparent which option class is being traded).

.07 Reserved.

.08 Paragraph (d) of this Rule supersedes the priority provision of paragraph (d) of Rule 6.9, Solicited Transactions, in those situations where the Floor Broker representing an eligible order determines to take advantage of the crossing provisions of Rule 6.74(d). Specifically, while Rule 6.9(d) provides that non-solicited Market-Makers and Floor Brokers holding non-solicited discretionary orders in the trading crowd will have priority over the solicited person or the solicited order to trade with the original order at the best bid or offered price, Rule 6.74(d) provides the solicited person or order with priority over all other parties (other than certain public customer orders) for either 20% or 40% of the contracts remaining in the order, as determined by the Exchange, after those certain public customer orders have been satisfied.

.09 Reserved

.10 Rule 6.9(e) does not prohibit a Trading Permit Holder or TPH organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(a) the option order is in a class designated as eligible for “tied hedge” transactions (as described below) as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters shall be determined by the Exchange and may not be smaller than 500 standard option contracts or 5,000 mini-option contracts per order (there shall be no aggregation of multiple orders to satisfy the size parameter);

(b) such Trading Permit Holder or TPH organization shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;

(c) such hedging position is:
(i) comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index, ETF or HOLDR option, a related instrument. A “related instrument” means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. With respect to SPX, OEX is an economically equivalent index, and vice versa. A “related instrument” means, in reference to an ETF or HOLDR option, a futures contract on any economically equivalent index applicable to the ETF or HOLDR underlying the option order;

(ii) brought without undue delay to the trading crowd and announced concurrently with the option order;

(iii) offered to the trading crowd in its entirety; and

(iv) offered, at the execution price received by the Trading Permit Holder or TPH organization introducing the option, to any in-crowd market participant who has established parity or priority for the related options;

(d) the hedging position does not exceed the option order on a delta basis;

(e) all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange’s open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order, the execution of the option leg of a tied hedge transaction does not qualify for the NBBO trade-through exception for a Complex Trade (defined in Rule 6.80(4));

(f) in-crowd market participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order; and

(g) prior to entering tied hedge orders on behalf of customers, the Trading Permit Holder or TPH organization must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange’s tied hedge procedures. The written notification must disclose the terms and conditions contained in this Interpretation and Policy and be in a form approved by the Exchange.

A combination option and hedging position offered in reliance on this Interpretation and Policy shall be referred to as “tied hedge” orders.

Adopted August 13, 2009 (09-007); amended June 18, 2010 (10-058); March 20, 2013 (13-036).
Rule 6.74A. Automated Improvement Mechanism ("AIM")

Notwithstanding the provisions of Rule 6.74, a Trading Permit Holder that represents agency orders may electronically execute an order it represents as agent ("Agency Order") against principal interest or against a solicited order provided it submits the Agency Order for electronic execution into the AIM auction ("Auction") pursuant to this Rule.

(a) Auction Eligibility Requirements. A Trading Permit Holder (the "Initiating Trading Permit Holder") may initiate an Auction provided all of the following are met:

1. the Agency Order is in a class designated as eligible for AIM Auctions as determined by the Exchange and within the designated Auction order eligibility size parameters as such size parameters are determined by the Exchange;

2. if the Agency Order is for 50 standard option contracts or 500 mini-option contracts or more, the Initiating Trading Permit Holder must stop the entire Agency Order as principal or with a solicited order at the better of the NBBO or the Agency Order’s limit price (if the order is a limit order);

3. if the Agency Order is for less than 50 standard option contracts or 500 mini-option contracts, the Initiating Trading Permit Holder must stop the entire Agency Order as principal or with a solicited order at the better of (A) the NBBO price improved by one minimum price improvement increment, which increment shall be determined by the Exchange but may not be smaller than one cent; or (B) the Agency Order’s limit price (if the order is a limit order); and

4. during Regular Trading Hours, at least three (3) Market-Makers are quoting in the relevant series.

In the event that a Trading Permit Holder submits a matched Agency Order for electronic execution into the Auction that is ineligible for processing because it does not meet the conditions described in paragraph (a), both the Agency Order and any solicited contra orders will be cancelled unless marked as an AIM Retained order pursuant to Interpretation and Policy .09 of this Rule.

(b) Auction Process. Only one Auction may be ongoing at any given time in a series and Auctions in the same series may not queue or overlap in any manner. The Auction may not be cancelled and shall proceed as follows:

1. Auction Period and Request for Responses (RFRs).

A) To initiate the Auction, the Initiating Trading Permit Holder must mark the Agency Order for Auction processing, and specify (i) a single price at which it seeks to cross the Agency Order (with principal interest or a solicited order) (a "single-price submission"), including whether the Initiating Trading Permit Holder elects to have last priority in allocation, (ii) that it is willing to automatically match ("auto-match") as principal the price and size of all Auction responses up to an optional designated limit price in which case the Agency Order
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will be stopped at the NBBO (if 50 standard option contracts or 500 mini-option contracts or greater) or one cent/one minimum increment better than the NBBO (if less than 50 standard option contracts or 500 mini-option contracts), or (iii) the initial price at which it seeks to cross the Agency Order (with principal interest or a solicited order) and that it is willing to auto-match. Once the Initiating Trading Permit Holder has submitted an Agency Order for processing pursuant to this subparagraph, such submission may not be modified or cancelled.

(B) When the Exchange receives a properly designated Agency Order for Auction processing, a Request for Responses (“RFR”) detailing the side and size of the order will be sent to all Trading Permit Holders that have elected to receive RFRs.

(C) The RFR will last no less than 100 milliseconds and no more than 1 second.

(D) Each Market-Maker with an appointment in the relevant option class may submit responses to the RFR (specifying prices and sizes). Responses that cross the opposite side of the Exchange’s disseminated quote that exists at the conclusion of the Auction will be priced at the Exchange’s disseminated quote on the opposite side of the market.

(E) Trading Permit Holders acting as agent for orders resting at the top of the Exchange’s book opposite the Agency Order may submit responses to the RFR (specifying prices and sizes) on behalf such orders. Such responses may not exceed the size of the booked order being represented. Responses that cross the opposite side of the Exchange’s disseminated quote that exists at the conclusion of the Auction will be priced at the Exchange’s disseminated quote on the opposite side of the market.

(F) RFR responses shall not be visible to other Auction participants, and shall not be disseminated to OPRA.

(G) The minimum price increment for RFR responses and for an Initiating Trading Permit Holder’s single price submission shall not be smaller than the minimum price improvement increment established pursuant to subparagraph (a)(3)(A) above.

(H) An RFR response size at any given price point may not exceed the size of the Agency Order.

(I) RFR responses may be cancelled.

(2) Conclusion of Auction. The Auction shall conclude at the sooner of (A) through (F) below with the Agency Order executing pursuant to paragraph (3) below.

(A) The end of the RFR period;
(B) Upon receipt by the Hybrid System of an unrelated order (in the same series as the Agency Order) that is marketable against either the Exchange’s disseminated quote (when such quote is the NBBO) or the RFR responses;

(C) Upon receipt by the Hybrid System of an unrelated limit order (in the same series as the Agency Order and on the opposite side of the market as the Agency Order) that improves any RFR response;

(D) Reserved;

(E) Any time there is a quote lock on the Exchange pursuant to Rule 6.45(c); or

(F) Any time there is a trading halt in the series on the Exchange.

(3) Order Allocation. At the conclusion of the Auction, the Agency Order will be allocated at the best price(s) pursuant to the matching algorithm in effect for the class subject to the following:

(A) Such best prices may include non-Auction quotes and orders.

(B) Priority customer orders in the book shall have priority.

(C) No participation entitlement shall apply to orders executed pursuant to this Rule.

(D) If an unrelated market or marketable limit order on the opposite side of the market as the Agency Order was received during the Auction and ended the Auction, such unrelated order shall trade against the Agency Order at the midpoint of the best RFR response and the NBBO on the other side of the market from the RFR responses (rounded towards the disseminated quote when necessary).

(E) If an unrelated non-marketable limit order on the opposite side of the market as the Agency Order was received during the Auction and ended the Auction, such unrelated order shall trade against the Agency Order at the midpoint of the best RFR response and the unrelated order’s limit price (rounded towards the unrelated order’s limit price when necessary).

(F) If the best price equals the Initiating Trading Permit Holder’s single-price submission, the Initiating Trading Permit Holder’s single-price submission shall be allocated the greater of one contract or a certain percentage of the order, which percentage will be determined by the Exchange and may not be larger than 40%. However, if only one competing Market- Maker with an appointment in the relevant option class or Trading Permit Holder acting as agent for an order resting at the top of the Exchange’s book opposite the Agency Order matches the Initiating Trading Permit Holder’s single price submission, then the Initiating Trading Permit Holder may be allocated up to 50% of the order. Thereafter, contracts shall be allocated among remaining quotes, orders, and auction responses (i.e. interests
other than the Initiating Trading Permit Holder) at the final auction price in accordance with the matching algorithm in effect for the subject class as described in paragraph (3) of this Rule. If all RFR Responses are filled (i.e. no other interests remain), any remaining contracts will be allocated to the Initiating Trading Permit Holder at the single-price submission price.

(G) If the Initiating Trading Permit Holder selected the auto-match option of the Auction, the Initiating Trading Permit Holder shall be allocated its full size at each price point until a price point is reached where the balance of the order can be fully executed. At such price point, the Initiating Trading Permit Holder shall be allocated the greater of one contract or a certain percentage of the remainder of the order, which percentage will be determined by the Exchange and may not be larger than 40%. However, if only one competing Market-Maker with an appointment in the relevant option class or Trading Permit Holder acting as agent for an order resting at the top of the Exchange’s book opposite the Agency Order is present at the final Auction price, then the Initiating Trading Permit Holder may be allocated up to 50% of the remainder of the order at the final Auction price. Thereafter, contracts shall be allocated among remaining quotes, orders, and auction responses (i.e. interests other than the Initiating Trading Permit Holder) at the final Auction price level in accordance with the matching algorithm in effect for the subject class as described in paragraph (3) of this Rule. If all RFR Responses are filled (i.e. no other interests remain), any remaining contracts will be allocated to the Initiating Trading Permit Holder at the Auction start price as specified under paragraph (b)(1)(A) of this Rule.

(H) If the Auction does not result in price improvement over the Exchange’s disseminated price at the time the Auction began, resting unchanged quotes or orders that were disseminated at the best price before the Auction began shall have priority after any priority customer order priority and the Initiating Trading Permit Holder’s priority (40%) have been satisfied. Any unexecuted balance on the Agency Order shall be allocated to RFR responses provided that those RFR responses will be capped to the size of the unexecuted balance and that the Initiating Trading Permit Holder may not participate on any such balance unless the Agency Order would otherwise go unfilled.

(I) If the final Auction price locks a priority customer order in the book on the same side of the market as the Agency Order, then, unless there is sufficient size in the Auction responses to execute both the Agency Order and the booked priority customer order (in which case they will both execute at the final Auction price), the Agency Order will execute against the RFR responses at one minimum RFR response increment worse than the final Auction price against the Auction participants that submitted the final Auction price and any balance shall trade against the priority customer order in the book at such order’s limit price.

(J) If the Initiating Trading Permit Holder elected to have last priority in allocation when submitting an Agency Order to initiate an Auction against a single-price submission, the Initiating Trading Permit Holder will be allocated only
the amount of contracts remaining, if any, after the Agency Order is allocated to all other responses at the single price specified by the Initiating Trading Permit Holder.

(K) If an unexecuted balance remains on the Auction responses after the Agency Order has been executed and such balance could trade against any unrelated order(s) that caused the Auction to conclude, then the RFR balance will trade against the unrelated order(s).

Approved February 3, 2006 (05-60); amended May 23, 2008 (08-02); July 2, 2008 (08-16); August 5, 2008 (08-79); June 18, 2010 (10-058); February 10, 2012 (11-117); October 21, 2012 (12-093); March 20, 2013 (13-036); June 3, 2013 (13-048); November 28, 2014 (14-062); May 23, 2015 (15-043); May 17, 2016 (16-024); January 24, 2017 (17-009); February 23, 2017 (17-018); May 24, 2017 (17-029); amended July 31, 2017 (17-054).

. . . Interpretations and Policies:

.01 The Auction may be used only where there is a genuine intention to execute a bona fide transaction.

Approved February 3, 2006 (05-60).

.02 A pattern or practice of submitting unrelated orders that cause an Auction to conclude before the end of the RFR period will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1. It will also be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 to engage in a pattern of conduct where the Initiating Trading Permit Holder breaks-up an Agency Order into separate orders for two (2) or fewer contracts for the purpose of gaining a higher allocation percentage than the Initiating Trading Permit Holder would have otherwise received in accordance with the allocation procedures contained in subparagraph (b)(3) above.

Approved February 3, 2006 (05-60); amended June 18, 2010 (10-058).

.03 There is no minimum size requirement for orders to be eligible for the Auction.

Approved February 3, 2006 (05-60); amended July 14, 2006 (06-64); July 18, 2007 (07-80); July 18, 2008 (08-76); July 17, 2009 (09-051); July 16, 2010 (10-067); July 20, 2011 (11-066); June 26, 2012 (12-061); July 18, 2013 (13-066); July 18, 2014 (14-054); July 18, 2015 (15-068); July 13, 2016 (16-056); January 18, 2017 (16-084).

.04 Any solicited orders submitted by the Initiating Trading Permit Holder to trade against the Agency Order may not be for the account of a Market-Maker assigned to the option class.

Approved February 3, 2006 (05-60); amended June 18, 2010 (10-058).

.05 Any determinations made by the Exchange pursuant to this Rule such as eligible classes, order size parameters and the minimum price increment for RFR responses shall be communicated in a Regulatory Circular.
Approved February 3, 2006 (05-60).

.06 Reserved.

Approved February 3, 2006 (05-60); amended July 14, 2006 (06-64); July 18, 2007 (07-80); July 18, 2008 (08-76); July 16, 2010 (10-067); July 20, 2011 (11-066); June 26, 2012 (12-061); July 18, 2013 (13-066); July 18, 2014 (14-054); July 18, 2015 (15-068); July 13, 2016 (16-056); January 18, 2017 (16-084).

.07 Complex orders may be executed through the Auction at a net debit or net credit price provided the Auction eligibility requirements in paragraph (a) of this Rule 6.74A are satisfied and the Agency Order is eligible for the Auction considering its complex order type, order origin code (i.e., non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange), class, and marketability as determined by the Exchange. Order allocation will be the same as in paragraph (b)(3), provided that the complex order priority rules applicable to bids and offers in the individual series legs of a complex order contained in Rule 6.53C(d) or 6.53C.06, as applicable, will continue to apply.

Adopted April 3, 2008 (08-14).

.08 In lieu of the procedures in paragraphs (a) through (b) above, an Initiating Trading Permit Holder may enter an Agency Order for the account of a priority customer paired with a solicited order for the account of a priority customer and such paired orders will be automatically executed without an Auction Period provided the execution price is in the applicable standard increment and will not trade through the NBBO or at the same price as any resting priority customer order, and provided further that:

(a) the Agency Order is in a class designated as eligible for AIM customer-to-customer immediate crosses as determined by the Exchange and within the designated Auction order eligibility size parameters as such size parameters are determined by the Exchange; and

(b) if the Exchange determines on a class-by-class basis to designate complex orders as eligible for AIM customer-to-customer immediate crosses, then the NBBO condition shall not apply to such orders and instead the execution price will not trade through the Exchange’s BBO.

Rule 6.45.01 prevents an order entry firm from executing agency orders to increase its economic gain from trading against the order without first giving other trading interests on the Exchange an opportunity to either trade with the agency order or to trade at the execution price when the Trading Permit Holder was already bidding or offering on the book. However, the Exchange recognizes that it may be possible for a firm to establish a relationship with a customer or other person to deny agency orders the opportunity to interact on the Exchange and to realize similar economic benefits as it would achieve by executing agency orders as principal. It would be a violation of Rule 6.45.01 for a firm to circumvent Rule 6.45.01 by providing an opportunity for (i) a customer affiliated with the firm, or (ii) a customer with whom the firm has an arrangement that allows the firm to realize similar economic benefits from the transaction as the firm would achieve by executing agency orders as principal, to regularly execute against agency orders
handled by the firm immediately upon their entry as AIM customer-to-customer immediate crosses.

Adopted March 17, 2008 (08-19); amended August 20, 2009 (09-040); April 20, 2010 (10-032); June 18, 2010 (10-058); January 24, 2017 (17-009).

.09 AIM Retained Order Functionality. An AIM Retained ("A:AIR") order is the transmission of two or more orders for crossing pursuant to Rule 6.74A, with the Agency Order priced at the market or a limit price that is in the standard increment for the option series and marked with a contingency instruction to route the Agency Order for processing and cancel any contra orders if an Auction cannot occur (including if the conditions described in Rule 6.74A(a) are not met). Orders marked "A:AIR" with Agency Orders that are not priced at the market or that are priced with a limit price not in the standard increment for the option series in which they are entered will be cancelled. A:AIR order functionality will be made available on those order management platforms as determined by the Exchange and announced via Regulatory Circular.

Amended May 17, 2016 (16-024).

Rule 6.74B. Solicitation Auction Mechanism

A Trading Permit Holder that represents agency orders may electronically execute orders it represents as agent ("Agency Order") against solicited orders provided it submits the Agency Order for electronic execution into the solicitation auction mechanism (the “Auction”) pursuant to this Rule.

(a) Auction Eligibility Requirements. A Trading Permit Holder (the “Initiating Trading Permit Holder”) may initiate an Auction provided all of the following are met:

(1) The Agency Order is in a class designated as eligible for Auctions as determined by the Exchange and within the designated Auction order eligibility size parameters as such size parameters are determined by the Exchange (however, the eligible order size may not be less than 500 standard option contracts or 5,000 mini-option contracts);

(2) Each order entered into the Auction shall be designated as all-or-none and must be stopped with a solicited order priced at or within the NBBO as of the time of the initiation of the Auction (i.e. the time that the Agency Order is received in the order handling system (“OHS”) (the “initial auction NBBO”); and

(3) The minimum price increment for an Initiating Trading Permit Holder’s single price submission shall be determined by the Exchange on a series basis and may not be smaller than one cent.

(b) Auction Process. The Auction shall proceed as follows:

(1) Auction Period and Requests for Responses.
(A) To initiate the Auction, the Initiating Trading Permit Holder must mark the Agency Order for Auction processing, and specify a single price at which it seeks to cross the Agency Order with a solicited order priced at or within the initial auction NBBO.

(B) When the Exchange receives a properly designated Agency Order for Auction processing, a Request for Responses message indicating the price, side, and size will be sent to all Trading Permit Holders that have elected to receive such messages.

(C) Trading Permit Holders may submit responses to the Request for Responses (specifying prices and sizes) during the response period (which shall be no less than 100 milliseconds and no more than 1 second), except that responses may not be entered for the account of an options Market-Maker from another options exchange.

(D) Responses shall not be visible to other Auction participants, and shall not be disseminated to OPRA.

(E) The minimum price increment for responses shall be the same as provided in subparagraph (a)(3) above.

(F) A response size at any given price point may not exceed the size of the Agency Order.

(G) Responses may be cancelled.

(2) Auction Conclusion and Order Allocation. The Auction shall conclude at the sooner of subparagraphs (b)(2)(A) through (F) of Rule 6.74A. At the conclusion of the Auction, the Agency Order will be automatically executed in full or cancelled and allocated subject to the following:

(A) The Agency Order will be executed against the solicited order at the proposed execution price, provided that:

   (I) The execution price must be equal to or better than the initial auction NBBO. If the execution would take place outside the initial auction NBBO, the Agency Order and solicited order will be cancelled;

   (II) There are no priority customer orders resting in the book on the opposite side of the Agency Order at the proposed execution price. If there are priority customer orders and there is sufficient size (considering all resting orders, electronic quotes and responses) to execute the Agency Order, the Agency Order will be executed against these interests and the solicited order will be cancelled. If there are priority customer orders and there is not sufficient size (considering all resting orders, electronic quotes and responses), both the Agency Order and the solicited order will be cancelled; and
There is insufficient size to execute the Agency Order at an improved price(s). If there is sufficient size (considering all resting orders, electronic quotes and responses) to execute the Agency Order at an improved price(s) that is equal or better than the BBO, the Agency Order will execute at the improved price(s) and the solicited order will be cancelled.

Adopted April 3, 2008 (08-14); amended July 2, 2008 (08-16); August 20, 2009 (09-040); June 18, 2010 (10-058); October 21, 2012 (12-093); March 20, 2013 (13-036); April 17, 2015 (15-031); January 24, 2017 (17-009); May 24, 2017 (17-029).

Interpretations and Policies:

.01 Complex orders may be executed through the Auction at a net debit or net credit price provided the Auction eligibility requirements in paragraph (a) of this Rule 6.74B are satisfied and the Agency Order is eligible for the Auction considering its complex order type, order origin code (i.e., non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange), class, and marketability as determined by the Exchange. Order allocation will be the same as in paragraph (b)(2), provided that the complex order priority rules applicable to bids and offers in the individual series legs of a complex order contained in Rule 6.53C(d) or Rule 6.53C.06, as applicable, will continue to apply.

Adopted April 3, 2008 (08-14).

.02 Prior to entering Agency Orders into the Auction on behalf of customers, Initiating Trading Permit Holders must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange’s Auction. The written notification must disclose the terms and conditions contained in this Rule 6.74B and be in a form approved by the Exchange.

Adopted April 3, 2008 (08-14); amended June 18, 2010 (10-058).

.03 Under Rule 6.74B, Trading Permit Holders may enter contra orders that are solicited. The Auction provides a facility for Trading Permit Holders that locate liquidity for their customer orders. Trading Permit Holders may not use the Auction to circumvent Rule 6.45.01 or 6.74A limiting principal transactions. This may include, but is not limited to, Trading Permit Holders entering contra orders that are solicited from (a) affiliated broker-dealers, or (b) broker-dealers with which the Trading Permit Holder has an arrangement that allows the Trading Permit Holder to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, solicited contra orders entered by Trading Permit Holders to trade against Agency Orders may not be for the account of a Cboe Options Market-Maker assigned to the options class.

Adopted April 3, 2008 (08-14); amended June 18, 2010 (10-058); January 24, 2017 (17-009).
Rule 6.75. Discretionary Transactions

No Floor Broker shall execute or cause to be executed any order or orders on this Exchange with respect to which such Floor Broker is vested with discretion as to: (1) the choice of the class of options to be bought or sold, (2) the number of contracts to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale; however, the provisions of this paragraph shall not apply to any discretionary transaction executed by a Market-Maker for an account in which he has an interest. Unless an order was received by the Exchange electronically and subsequently routed to a Floor Broker or PAR Official pursuant to the order entry firm’s routing instructions or it is otherwise specified by a Floor Broker’s client, an order entrusted to a Floor Broker will be considered a Not Held Order.

Amended April 10, 1978; June 30, 1987; December 2, 1997 (97-61); June 25, 2015 (15-047); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 No Floor Broker shall hold a “not held” market order to buy and a “not held” market order to sell (or orders which have the effect of such “not held” market orders to buy and to sell) the same series of options for the same account or for accounts of the same beneficial owner. Holding such orders can be interpreted as allowing the Floor Broker discretion respecting whether to purchase or sell such options.

Issued April 10, 1978; amended December 2, 1997 (97-61); March 21, 2006 (06-15); May 23, 2008 (08-02).

Rule 6.76. Deleted

Adopted December 8, 1976; amended March 22, 1985; June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

... Interpretations and Policies:

.01 Deleted

Issued December 8, 1976; deleted May 10, 2019 (19-017).

.02 Deleted

Issued December 8, 1976; amended June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

Rule 6.76A. Deleted

Approved July 19, 2000, effective August 18, 2000 (99-15); amended June 18, 2010 (10-058); deleted May 10, 2019 (19-017).
Rule 6.77. Order Service Firms

(a) An order service firm is a regular TPH organization that is registered with the Exchange for the purpose of taking orders for the purchase or sale of stocks or commodity futures contracts (and options thereon) from market-makers on the floor of the Exchange and forwarding such orders for execution. An applicant for registration as an order service firm shall file an application with the Membership Department in a form and manner prescribed by the Exchange. Applications shall be reviewed by the Exchange, which shall consider an applicant’s financial condition, regulatory history, and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove the applicant’s registration as an order service firm. Before registration, the TPH Department, if directed by the Exchange, shall post the names of the applicant and its nominee(s) on the floor of the Exchange for at least three business days.

(b) An order service firm shall make available to market-maker customers upon request a statement of financial condition as disclosed by its most recent balance sheet, which shall be prepared no later than the tenth business day following each calendar month-end.

(c) A Clearing Trading Permit Holder need not register as an order service firm in order to take orders for the purchase or sale of stocks or commodity futures contracts (and options thereon) from market-makers for which it has a currently outstanding Letter of Guarantee.

(d) An order service firm that takes orders for the purchase or sale of commodity futures contracts (and options thereon) must comply with the Commodity Exchange Act (“CEA”) and the rules and regulations promulgated thereunder. Such a firm shall keep the Department of Financial and Sales Practice Compliance apprised of its registration status under the CEA on an ongoing basis, including any financial reporting or capital requirements.

Adopted August 25, 1987 (87-07); amended October 14, 1994 (94-16); July 19, 2000, effective August 18, 2000 (99-15); May 23, 2008 (08-02); June 18, 2010 (10-058); August 13, 2014 (14-040); July 21, 2016 (16-057).

Rule 6.78. Letters of Guarantee Required of Order Service Firms

(a) Prior to accepting any orders from market-makers on the floor of the Exchange, an order service firm must have on file with the Exchange and in effect an Order Service Firm Letter of Guarantee issued for such service firm by a member of The Options Clearing Corporation.

(b) The Order Service Firm Letter of Guarantee shall be in a form prescribed by the Exchange and shall provide that the issuing Clearing Trading Permit Holder accepts financial responsibility for all orders handled by the order service firm on the floor of the Exchange and for all financial obligations of the order service firm to the Exchange.

(c) An Order Service Firm Letter of Guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the TPH Department. If such a written notice of revocation is not filed with the TPH Department at least one hour prior to the opening of trading on a particular business day, such revocation shall not become effective until the close of trading on such day. Upon the request of the Clearing Trading Permit Holder that files such a
written notice of revocation, the Exchange shall post notice of the revocation. A revocation shall
in no way relieve a Clearing Trading Permit Holder of responsibility for transactions guaranteed
prior to the effective date of such revocation.

(d) No Clearing Trading Permit Holder shall be permitted to guarantee more than three
(3) order service firms without the prior written approval of the Department of Financial and Sales
Practice Compliance (the “Department”). In considering a request to guarantee more than three (3)
such firms, the Department shall consider the Clearing Trading Permit Holder’s level of excess net
capital, additional financial resources, and such other factors as the Department deems
appropriate.

Approved October 14, 1994 (94-16); amended July 19, 2000, effective August 18, 2000 (99-15);
June 18, 2010 (10-058).

Rule 6.79. Floor Broker Practices

(a) Liquidation or Reduction of Error Account Positions. For a position obtained as a
result of a bona fide error, a floor broker may reduce or liquidate a position in the floor broker’s
error account (“error account position”) in accordance with this Rule, but any profit/loss from the
liquidation or reduction belongs to the floor broker (“liquidating floor broker”).

A liquidating floor broker may personally represent an order that will liquidate or reduce
the broker’s error account position (“liquidation order”); however, a liquidating floor broker may
not cross a liquidation order with a client’s order also represented by the liquidating floor broker,
unless the liquidating floor broker either: 1) prior to executing the orders, the liquidating floor
broker informs the client of the broker’s intention to execute the client’s order against an order for
the floor broker’s error account and the client does not object; 2) the liquidating floor broker sends
the liquidation order to an unassociated broker; or 3) the liquidating floor broker sends the client’s
order to a PAR Official. For 1 through 3 above, the client’s order must either be displayed in the
relevant order book or announced in open outcry in accordance with Rule 6.74. An unassociated
broker for purposes of this rule is any broker who is not directly or indirectly controlling, controlled
by, or under common control with the liquidating floor broker. After a floor broker executes a
liquidation order, the floor brokers must notify the Exchange in a form and manner prescribed by
the Exchange via Regulatory Circular.

(b) Erroneously Executed Orders. Orders erroneously executed (e.g., executing a call
order as a put or a buy order as a sell) on the Exchange must clear in the error account of the floor
broker that executed the erroneous order, unless the erroneously executed orders are nullified
pursuant to a mutual agreement under Exchange Rules. It shall be considered conduct inconsistent
with just and equitable principals of trade and a violation of Rule 4.1 for a floor broker to give a
trade acquired through an error to another Trading Permit Holder or for a Trading Permit Holder
to accept a transaction that another Trading Permit Holder acquired through an error. If a floor
broker discovers an order was erroneously executed on the Exchange, the floor broker shall
proceed as follows:

(i) if a better price is available at the time the error was discovered, the client’s
order is entitled to be executed at the better price. If a better price is not available, then the
floor broker is responsible at the price at which the client’s order should have been executed, and the floor broker shall either: 1) execute the order at the available market and give the client a “difference check” or 2) execute the order out of the floor broker’s error account and notify a Cboe Options Official, in a form and manner prescribed by the Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. If executing an order out of the floor broker’s error account will reduce or liquidate a position in the floor broker’s error account, the floor broker must follow the procedures in paragraph (a).

(c) Lost or Misplaced Market Orders. If a floor broker fails to execute a market order, the client’s order is entitled to an execution on up to the size of the disseminated bid or offer at the time the order was received or at a better price if it is available at the time the error is discovered. If a better price or the price the client’s order is entitled to is not available at the time the error is discovered, the floor broker shall provide an execution in the manner described in (b)(i) above. If the unexecuted market order is in excess of the disseminated bid or offer at the time the order was received, the execution price on the additional contracts shall be negotiated between the floor broker and client.

(d) Legging Multi-Part Orders. A floor broker is not restricted from legging multi-part orders. For the purposes of this Rule, multi-part orders include complex orders, stock-option orders, and futures and option orders where one of the legs is executed on the Exchange. If a broker executes a leg of a complex option order, for example, the price of the remaining leg of the order must be within the current disseminated market (e.g., when a broker executes the buy side, the price of the sell side of the order must be at the disseminated offer price or lower). If a floor broker is unable to complete the execution of an order that the floor broker has legged, the floor broker must either: 1) offer the executed leg to the client; 2) liquidate the leg and then offer the trade, regardless of whether it’s a profit or loss, to the client; 3) execute the remaining leg(s) of the order at the available market and give the client a “difference check”; or 4) execute the order out of the floor broker’s error account and notify a Cboe Options Official, in a form and manner prescribed by the Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. The floor broker must document the time and to whom the offer noted in 1) and 2) above was made and retain this record. If executing an order out of the floor broker’s error account will reduce or liquidate a position in the floor broker’s error account, the floor broker must follow the procedures in paragraph (a).

(e) Print-Throughs. A print-through on a limit order occurs when a trade is effected at a better price than the order’s limit during the time that the order should have been represented in the crowd. The order that is ‘printed-through’ is entitled to the number of contracts which trade through the order’s limit up to the number of contracts specified in the order. Generally, the order that is ‘printed-through’ should be given a better price if it is available at the time the error is discovered. However, under certain circumstances, such as a systems failure, where a large number of orders were not received or receipt was delayed, it would not be improper for a floor broker to execute the client’s order at the original limit price rather than the better price. A floor broker shall generally proceed as follows when a print-through has occurred:

(i) If a floor broker discovers a print-through and a better price is available at that time, the client’s order is entitled to be executed at the better price. If a better price is
no longer available, then the floor broker is responsible at the original limit price and the floor broker shall either: 1) execute the order at the available market and give the client a “difference check” or 2) execute the order out of the floor broker’s error account and notify a Cboe Options Official, in a form and manner prescribed by the Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. If executing an order out of the floor broker’s error account will reduce or liquidate a position in the floor broker’s error account, the floor broker must follow the procedures in paragraph (a).

(ii) If a print-through occurs on the opening, the order that is `printed-through’ is entitled to the number of contracts which print through at the opening price. If a better price than the opening price is available at the time the error is discovered, the client’s order shall be filled at the better price; if a better price is not available, the floor broker shall either: 1) execute the order at the available market and give the client a “difference check” or 2) execute the order out of the floor broker’s error account and notify a Cboe Options Official, in a form and manner prescribed by the Exchange and announced via Regulatory Circular, for potential reporting of the error account transaction as late or out of sequence as necessary. If executing an order out of the floor broker’s error account will reduce or liquidate a position in the floor broker’s error account, the floor broker must follow the procedures in paragraph (a).

(f) Stopping Orders. A floor broker may not “Stop” or guarantee an execution on a client’s order the floor broker is holding from the floor broker’s error account because doing so would be acting as a market-maker in violation of Rule 8.8.

(g) Documentation of Errors and Record Keeping Requirements. All transactions executed for a floor broker’s error account must be documented. These records must be retained for a minimum of three years, the first two years in an easily accessible place.

The Exchange Act requires that a floor broker keep a copy of every order the floor broker receives, including orders received via hand signals or phone, and all cancelled orders and unexecuted orders. A floor broker may arrange to have these records kept on the floor broker’s behalf; however, it is still the responsibility of the floor broker to produce such documents upon request. These records must be retained for a minimum of three years, the first two years in an easily accessible place. Failure to do so is a violation of the Exchange Act, SEC Rules 17a-3 and 17a-4, and Cboe Options Rules 4.2 (“Adherence to Law”) and 15.1 (“Maintenance, Retention and Furnishing of Books, Records and Other Information”)

Adopted May 30, 2015 (15-030); amended May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 A liquidating floor broker executing a liquidation order in accordance with this rule in the trading crowd where the broker is active as a floor broker is not a violation of Rule 8.8. Additionally, Cboe Options Rules generally do not prohibit a floor broker from entering into transactions on other exchanges for the floor broker’s personal account in financial instruments
underlying or related to the classes in the trading crowd where the floor broker acts as a floor broker.


.02 Pursuant to the due diligence provisions of Rule 6.73, a floor broker’s agency business has priority over the broker’s liquidation orders.


Section E: Order Protection; Locked and Crossed Markets

Rule 6.80. Definitions

The following terms shall have the meaning specified in this Rule solely for the purpose of this Section E:

(1) “Best Bid” and “Best Offer” mean the highest priced Bid and the lowest priced Offer.

(2) “Bid” or “Offer” means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.

(3) “Broker/Dealer” means an individual or organization registered with the Commission in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.

(4) “Complex Trade” means: (i) the execution of an order in an option series in conjunction with the execution of one or more related order(s) in different option series in the same underlying security occurring at or near the same time in a ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.0) and for the purpose of executing a particular investment strategy (for the purpose of applying the aforementioned ratios to complex trades comprised of both mini-option contracts and standard option contracts, ten (10) mini-option contracts will represent one (1) standard option contract); or (ii) the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg.

(5) “Crossed Market” means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.

(6) “Customer” means an individual or organization that is not a Broker/Dealer.
(7) “Eligible Exchange” means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange is not a party to the Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.

(8) “Intermarket Sweep Order ("ISO")” means a Limit Order for an options series that, simultaneously with the routing of the ISO, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO. A Trading Permit Holder may submit an ISO to the Exchange only if it has simultaneously routed one or more additional ISOs to execute against the full displayed size of any Protected Bid, in the case of a limit order to sell, or Protected Offer, in the case of a limit order to buy, for an options series with a price that is superior to the limit price of the ISO.

(9) “Locked Market” means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.

(10) “NBBO” means the national best bid and offer in an options series as calculated by an Eligible Exchange.

(11) “Non-Firm” means, with respect to Quotations, that members of an Eligible Exchange are relieved of their obligation to be firm for their Quotations pursuant to Rule 602 under the Exchange Act.

(12) “OPRA Plan” means the plan filed with the Commission pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the Commission and declared effective as of January 22, 1976, as from time to time amended.

(13) “Participant” means an Eligible Exchange that is a party to the Plan.

(14) “Plan” means the Options Order Protection and Locked/Crossed Market Plan, as such plan may be amended from time to time.

(15) “Protected Bid” or “Protected Offer” means a Bid or Offer in an options series, respectively, that:

(a) Is disseminated pursuant to the OPRA Plan; and

(b) Is the Best Bid or Best Offer, respectively, displayed by an Eligible Exchange.

(16) “Quotation” means a Bid or Offer.

(17) “Trade-Through” means a transaction in an option series at a price that is lower than a Protected Bid or higher than a Protected Offer.
Rule 6.81. Order Protection

(a) Avoidance of Trade-Throughs. Except as provided in paragraph (b) below, Trading Permit Holders shall not effect Trade-Throughs.

(b) Exceptions. The provisions of paragraph (a) pertaining to Trade-Throughs shall not apply under the following circumstances:

(1) If an Eligible Exchange repeatedly fails to respond within one second to incoming orders attempting to access its Protected Quotations, the Exchange may bypass those Protected Quotations by:

(i) Notifying the non-responding Eligible Exchange immediately after (or at the same time as) electing self-help; and

(ii) Assessing whether the cause of the problem lies with its own systems and, if so, taking immediate steps to resolve the problem;

Any time a determination to bypass the Protected Quotations of an Eligible Exchange is made pursuant to this subparagraph, the Exchange must promptly document the reasons supporting such determination.

(2) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;

(3) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

(4) The transaction that constitutes the Trade-Through is the execution of an order identified as an ISO, or the transaction that constitutes the Trade-Through is effected by the Exchange while simultaneously routing an ISO to execute against the full displayed size of any better-priced Protected Quotation;

(5) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;

(6) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;
(7) The transaction that constituted the Trade-Through was effected as a portion of a Complex Trade;

(8) The transaction that constituted the Trade-Through was the execution of an order for which, at the time of receipt of the order, a Trading Permit Holder had guaranteed an execution at no worse than a specified price (a “stopped order”), where:

(i) the stopped order was for the account of a Customer;

(ii) the Customer agreed to the specified price on an order-by-order basis; and

(iii) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;

(9) The transaction that constituted the Trade-Through was the execution of an order that was stopped at a price that did not Trade-Through an Eligible Exchange at the time of the stop; or

(10) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

Approved January 31, 2003 (02-61); amended June 17, 2004 (04-31); October 24, 2005 (05-68); November 18, 2005 (05-46); March 26, 2007 (07-13); December 5, 2007 (07-144); August 20, 2009 (09-040); June 18, 2010 (10-058).

Rule 6.82. Locked and Crossed Markets

(a) Prohibition. Except for quotations that fall within the provisions of paragraph (b) of this Rule, Trading Permit Holders shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation.

(b) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the Exchange was experiencing a failure, material delay, or malfunction of its systems or equipment;

(2) The locking or crossing quotation was displayed at a time when there is a Crossed Market;
(3) The Trading Permit Holder simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Bid or Protected Offer; or

(4) The locking quotation is permissible pursuant to Rule 6.45(c).

Adopted August 20, 2009 (09-040); amended June 18, 2010 (10-058); January 24, 2017 (17-009).

Rule 6.83. Reserved

Reserved

Approved January 31, 2003 (02-61); amended June 15, 2004 (04-29); July 2, 2004 (04-30); January 31, 2005 (05-13); November 18, 2005 (05-46); July 27, 2006 (05-90); March 26, 2007 (07-13); December 5, 2007 (07-144); August 20, 2009 (09-040); June 18, 2010 (10-058); August 27, 2012 (12-067).

Rule 6.84. Deleted

Deleted

Approved January 31, 2003 (02-61); amended September 13, 2005 (05-51); deleted August 20, 2009 (09-040).

Section F: Consolidated Audit Trail (CAT) Compliance Rule

Rule 6.85. Definitions

For purposes of this Section F:

(a) “Account Effective Date” means:

(i) with regard to those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution:

(A) when the trading relationship was established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, either

(1) the date the relationship identifier was established within the Industry Member;

(2) the date when trading began (i.e., the date the first order was received) using the relevant relationship identifier; or

(3) if both dates are available, the earlier date will be used to the extent that the dates differ; or
(B) when the trading relationship was established on or after November 15, 2018 for Industry Members other than Small Industry Members, or on or after November 15, 2019 for Small Industry Members, the date the Industry Member established the relationship identifier, which would be no later than the date the first order was received;

(ii) where an Industry Member changes back office providers or clearing firms prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the date an account was established at the relevant Industry Member, either directly or via transfer;

(iii) where an Industry Member acquires another Industry Member prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the date an account was established at the relevant Industry Member, either directly or via transfer;

(iv) where there are multiple dates associated with an account established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the earliest available date; or

(v) with regard to Industry Member proprietary accounts established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members:

(A) the date established for the account in the Industry Member or in a system of the Industry Member or

(B) the date when proprietary trading began in the account (i.e., the date on which the first orders were submitted from the account).

With regard to paragraphs (ii) through (v), the Account Effective Date will be no later than the date trading occurs at the Industry Member or in the Industry Member’s system.

(b) “Active Accounts” means an account that has had activity in Eligible Securities within the last six months.

(c) “Allocation Report” means a report made to the Central Repository by an Industry Member that identifies the Firm Designated ID for any account(s), including subaccount(s), to which executed shares are allocated and provides the security that has been allocated, the identifier of the firm reporting the allocation, the price per share of shares allocated, the side of shares allocated, the number of shares allocated to each account, and the time of the allocation; provided, for the avoidance of doubt, any such Allocation Report shall not be required to be linked to particular orders or executions.

(d) “Business Clock” means a clock used to record the date and time of any Reportable Event required to be reported under this Section F.
(e) “CAT” means the consolidated audit trail contemplated by SEC Rule 613.

(f) “CAT NMS Plan” means the National Market System Plan Governing the Consolidated Audit Trail, as amended from time to time.

(g) “CAT-Order-ID” means a unique order identifier or series of unique order identifiers that allows the Central Repository to efficiently and accurately link all Reportable Events for an order, and all orders that result from the aggregation or disaggregation of such order.

(h) “CAT Reporting Agent” means a Data Submitter that is a third party that enters into an agreement with an Industry Member pursuant to which the CAT Reporting Agent agrees to fulfill such Industry Member’s reporting obligations under this Section F.

(i) “Central Repository” means the repository responsible for the receipt, consolidation, and retention of all information reported to the CAT pursuant to SEC Rule 613 and the CAT NMS Plan.

(j) “Compliance Threshold” has the meaning set forth in Rule 6.95(d).

(k) “Customer” means:

(i) the account holder(s) of the account at an Industry Member originating the order; and

(ii) any person from whom the Industry Member is authorized to accept trading instructions for such account, if different from the account holder(s).

(l) “Customer Account Information” shall include, but not be limited to, account number, account type, customer type, date account opened, and large trader identifier (if applicable); except, however, that:

(i) in those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution, the Industry Member will:

(A) provide the Account Effective Date in lieu of the “date account opened”;

(B) provide the relationship identifier in lieu of the “account number”; and

(C) identify the “account type” as a “relationship”; or

(ii) in those circumstances in which the relevant account was established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, and no “date account opened” is available for the account, the Industry Member will provide the Account Effective Date in the following circumstances:
(A) where an Industry Member changes back office providers or clearing firms and the date account opened is changed to the date the account was opened on the new back office/clearing firm system;

(B) where an Industry Member acquires another Industry Member and the date account opened is changed to the date the account was opened on the post-merger back office/clearing firm system;

(C) where there are multiple dates associated with an account in an Industry Member’s system, and the parameters of each date are determined by the individual Industry Member; and

(D) where the relevant account is an Industry Member proprietary account.

(m) “Customer Identifying Information” means information of sufficient detail to identify a Customer, including, but not limited to:

(i) with respect to individuals: name, address, date of birth, individual tax payer identification number (“ITIN”)/social security number (“SSN”), individual’s role in the account (e.g., primary holder, joint holder, guardian, trustee, person with the power of attorney); and

(ii) with respect to legal entities: name, address, Employer Identification Number (“EIN”)/Legal Entity Identifier (“LEI”) or other comparable common entity identifier, if applicable; provided, however, that an Industry Member that has an LEI for a Customer must submit the Customer’s LEI in addition to other information of sufficient detail to identify a Customer.

(n) “Data Submitter” means any person that reports data to the Central Repository, including national securities exchanges, national securities associations, broker-dealers, the SIPS for the CQS, CTA, UTP Plans and the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information (“OPRA”), and certain other vendors or third parties that may submit data to the Central Repository on behalf of Industry Members.

(o) “Eligible Security” includes (i) all NMS Securities and (ii) all OTC Equity Securities.

(p) “Error Rate” means the percentage of Reportable Events collected by the Central Repository in which the data reported does not fully and accurately reflect the order event that occurred in the market.

(q) “Firm Designated ID” means a unique identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, where each such identifier is unique among all identifiers from any given Industry Member for each business date.
(r) “Industry Member” means a member of a national securities exchange or a member of a national securities association.

(s) “Industry Member Data” has the meaning set forth in Rule 6.87(a)(ii).

(t) “Initial Plan Processor” means the first Plan Processor selected by the Operating Committee in accordance with SEC Rule 613, Section 6.1 of the CAT NMS Plan and the National Market System Plan Governing the Process for Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail.

(u) “Listed Option” or “Option” has the meaning set forth in Rule 600(b)(35) of Regulation NMS.

(v) “Manual Order Event” means a non-electronic communication of order-related information for which Industry Members must record and report the time of the event.

(w) “Material Terms of the Order” includes: the NMS Security or OTC Equity Security symbol; security type; price (if applicable); size (displayed and non-displayed); side (buy/sell); order type; if a sell order, whether the order is long, short, short exempt; open/close indicator (except on transactions in equities); time in force (if applicable); if the order is for a Listed Option, option type (put/call), option symbol or root symbol, underlying symbol, strike price, expiration date, and open/close (except on market maker quotations); and any special handling instructions.

(x) “NMS Security” means any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in Listed Options.

(y) “NMS Stock” means any NMS Security other than an option.

(z) “Operating Committee” means the governing body of the CAT NMS, LLC designated as such and described in Article IV of the CAT NMS Plan.

(aa) “Options Market Maker” means a broker-dealer registered with an exchange for the purpose of making markets in options contracts traded on the exchange.

(bb) “Order” or “order”, with respect to Eligible Securities, shall include:

(i) Any order received by an Industry Member from any person;

(ii) Any order originated by an Industry Member; or

(iii) Any bid or offer.

(cc) “OTC Equity Security” means any equity security, other than an NMS Security, subject to prompt last sale reporting rules of a registered national securities association and reported to one of such association’s equity trade reporting facilities.
(dd) “Participant” means each Person identified as such in Exhibit A of the CAT NMS Plan, as amended, in such Person’s capacity as a Participant in CAT NMS, LLC.

(ee) “Person” means any individual, partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association and any heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so permits.

(ff) “Plan Processor” means the Initial Plan Processor or any other Person selected by the Operating Committee pursuant to SEC Rule 613 and Sections 4.3(b)(i) and 6.1 of the CAT NMS Plan, and with regard to the Initial Plan Processor, the National Market System Plan Governing the Process for Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail, to perform the CAT processing functions required by SEC Rule 613 and set forth in the CAT NMS Plan.

(gg) “Received Industry Member Data” has the meaning set forth in Rule 6.87(a)(ii).

(hh) “Recorded Industry Member Data” has the meaning set forth in Rule 6.87(a)(i).

(ii) (“Reportable Event” includes, but is not limited to, the original receipt or origination, modification, cancellation, routing, execution (in whole or in part) and allocation of an order, and receipt of a routed order.

(jj) “SRO” means any self-regulatory organization within the meaning of Section 3(a)(26) of the Exchange Act.

(kk) “SRO-Assigned Market Participant Identifier” means an identifier assigned to an Industry Member by an SRO or an identifier used by a Participant.

(ll) “Small Industry Member” means an Industry Member that qualifies as a small broker-dealer as defined in Rule 0-10(c) under the Exchange Act.

(mm) “Trading Day” shall have the meaning as is determined by the Operating Committee. For the avoidance of doubt, the Operating Committee may establish different Trading Days for NMS Stocks (as defined in SEC Rule 600(b)(47)), Listed Options, OTC Equity Securities, and any other securities that are included as Eligible Securities from time to time.

Enacted January 31, 2003 (02-61); amended September 1, 2005 (05-57); deleted August 20, 2009 (09-040); approved March 15, 2017 (17-012).

Rule 6.86. Clock Synchronization

(a) Clock Synchronization

(i) Each Industry Member shall synchronize its Business Clocks, other than such Business Clocks used solely for Manual Order Events or used solely for the time of allocation on Allocation Reports, at a minimum to within a fifty (50) millisecond tolerance
of the time maintained by the atomic clock of the National Institute of Standards and Technology ("NIST"), and maintain such synchronization.

(ii) Each Industry Member shall synchronize (A) its Business Clocks used solely for Manual Order Events and (B) its Business Clocks used solely for the time of allocation on Allocation Reports at a minimum to within a one second tolerance of the time maintained by the NIST atomic clock, and maintain such synchronization.

(iii) The tolerance for paragraphs (a)(i) and (ii) of this Rule includes all of the following:

(A) The difference between the NIST atomic clock and the Industry Member’s Business Clock;

(B) The transmission delay from the source; and

(C) The amount of drift of the Industry Member’s Business Clock.

(iv) Business Clocks must be synchronized every business day before the open of each trading session to ensure that time stamps for Reportable Events are accurate. To maintain clock synchronization, Business Clocks must be checked against the NIST atomic clock and re-synchronized, as necessary, throughout the day.

(b) Documentation. Industry Members must document and maintain their synchronization procedures for Business Clocks. Industry Members must keep a log of the times when they synchronize their Business Clocks and the results of the synchronization process. This log should include notice of any time a Business Clock drifts more than the applicable tolerance specified in paragraph (a) of this Rule. Such log must include results for a period of not less than five years ending on the then current date, or for the entire period for which the Industry Member has been required to comply with this Rule if less than five years.

(c) Certification. Each Industry Member shall certify to the Exchange that its Business Clocks satisfy the synchronization requirements set forth in paragraph (a) of this Rule periodically in accordance with the certification schedule established by the Operating Committee pursuant to the CAT NMS Plan.

(d) Violation Reporting. Each Industry Member with Business Clocks must report to the Plan Processor and the Exchange violations of paragraph (a) of this Rule pursuant to the thresholds set by the Operating Committee pursuant to the CAT NMS Plan.

Approved March 15, 2017 (17-012).

Rule 6.87. Industry Member Data Reporting

(a) Recording and Reporting Industry Member Data.

(i) Subject to paragraph (iii) below, each Industry Member shall record and electronically report to the Central Repository the following details for each order and each
Reportable Event, as applicable (“Recorded Industry Member Data”), in the manner prescribed by the Operating Committee pursuant to the CAT NMS Plan:

(A) for original receipt or origination of an order:

(1) Firm Designated ID(s) for each Customer;

(2) CAT-Order-ID;

(3) SRO-Assigned Market Participant Identifier of the Industry Member receiving or originating the order;

(4) date of order receipt or origination;

(5) time of order receipt or origination (using time stamps pursuant to Rule 6.90); and

(6) Material Terms of the Order;

(B) for the routing of an order:

(1) CAT-Order-ID;

(2) date on which the order is routed;

(3) time at which the order is routed (using time stamps pursuant to Rule 6.90);

(4) SRO-Assigned Market Participant Identifier of the Industry Member routing the order;

(5) SRO-Assigned Market Participant Identifier of the Industry Member or Participant to which the order is being routed;

(6) if routed internally at the Industry Member, the identity and nature of the department or desk to which the order is routed; and

(7) Material Terms of the Order;

(C) for the receipt of an order that has been routed, the following information:

(1) CAT-Order-ID;

(2) date on which the order is received;

(3) time at which the order is received (using time stamps pursuant to Rule 6.90);
(4) SRO-Assigned Market Participant Identifier of the Industry Member receiving the order;

(5) SRO-Assigned Market Participant Identifier of the Industry Member or Participant routing the order; and

(6) Material Terms of the Order;

(D) if the order is modified or cancelled:

(1) CAT-Order-ID;

(2) date the modification or cancellation is received or originated;

(3) time at which the modification or cancellation is received or originated (using time stamps pursuant to Rule 6.90);

(4) price and remaining size of the order, if modified;

(5) other changes in the Material Terms of the Order, if modified; and

(6) whether the modification or cancellation instruction was given by the Customer or was initiated by the Industry Member;

(E) if the order is executed, in whole or in part:

(1) CAT-Order-ID;

(2) date of execution;

(3) time of execution (using time stamps pursuant to Rule 6.90);

(4) execution capacity (principal, agency or riskless principal);

(5) execution price and size;

(6) SRO-Assigned Market Participant Identifier of the Industry Member executing the order; and

(7) whether the execution was reported pursuant to an effective transaction reporting plan or OPRA; and

(F) other information or additional events as may be prescribed pursuant to the CAT NMS Plan.

(ii) Subject to paragraph (iii) below, each Industry Member shall record and report to the Central Repository the following, as applicable (“Received Industry Member
Data” and, collectively with the information referred to in Rule 6.87(a)(1), “Industry Member Data”)), in the manner prescribed by the Operating Committee pursuant to the CAT NMS Plan:

(A) if the order is executed, in whole or in part:

(1) Allocation Report;

(2) SRO-Assigned Market Participant Identifier of the clearing broker or prime broker, if applicable; and

(3) CAT-Order-ID of any contra-side order(s);

(B) if the trade is cancelled, a cancelled trade indicator; and

(C) for original receipt or origination of an order, the Firm Designated ID for the relevant Customer, and in accordance with Rule 6.88, Customer Account Information and Customer Identifying Information for the relevant Customer.

(iii) Each Industry Member that is an Options Market Maker is not required to report to the Central Repository the Industry Member Data regarding the routing, modification or cancellation of its quotes in Listed Options. Each Industry Member that is an Options Market Maker shall report to the Exchange the time at which its quote in a Listed Option is sent to the Exchange (and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker).

(b) Timing of Recording and Reporting.

(i) Each Industry Member shall record Recorded Industry Member Data contemporaneously with the applicable Reportable Event.

(ii) Each Industry Member shall report:

(A) Recorded Industry Member Data to the Central Repository by 8:00 a.m. (Eastern time) on the Trading Day following the day the Industry Member records such Recorded Industry Member Data; and

(B) Received Industry Member Data to the Central Repository by 8:00 a.m. (Eastern time) on the Trading Day following the day the Industry Member receives such Received Industry Member Data.

(iii) Industry Members may, but are not required to, voluntarily report Industry Member Data prior to the applicable 8:00 a.m. (Eastern time) deadline.

(c) Applicable Securities.
Each Industry Member shall record and report to the Central Repository the Industry Member Data as set forth in paragraph (a) of this Rule for each NMS Security registered or listed for trading on an exchange or admitted to unlisted trading privileges on an exchange.

Each Industry Member shall record and report to the Central Repository the Industry Member Data as set forth in paragraph (a) of this Rule for each Eligible Security for which transaction reports are required to be submitted to a national securities association.

(d) Security Symbology.

(i) For each exchange-listed Eligible Security, each Industry Member shall report Industry Member Data to the Central Repository using the symbology format of the exchange listing the security.

(ii) For each Eligible Security that is not exchange-listed, each Industry Member shall report Industry Member Data to the Central Repository using such symbology format as approved by the Operating Committee pursuant to the CAT NMS Plan.

(e) Error Correction. For each Industry Member for which errors in Industry Member Data submitted to the Central Repository have been identified by the Plan Processor or otherwise, such Industry Member shall submit corrected Industry Member Data to the Central Repository by 8:00 a.m. Eastern time on T+3.

Approved March 15, 2017 (17-012).

Rule 6.88. Customer Information Reporting

(a) Initial Set of Customer Information. Each Industry Member shall submit to the Central Repository the Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account prior to such Industry Member’s commencement of reporting to the Central Repository and in accordance with the deadlines set forth in Rule 6.93.

(b) Daily Updates to Customer Information. Each Industry Member shall submit to the Central Repository any updates, additions or other changes to the Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account on a daily basis.

(c) Periodic Updates to Complete Set of Customer Information. On a periodic basis as designated by the Plan Processor and approved by the Operating Committee, each Industry Member shall submit to the Central Repository a complete set of Firm Designated IDs, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account.
(d) Error Correction. For each Industry Member for which errors in Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account submitted to the Central Repository have been identified by the Plan Processor or otherwise, such Industry Member shall submit corrected data to the Central Repository by 5:00 p.m. Eastern time on T+3.

Approved March 15, 2017 (17-012).

Rule 6.89. Industry Member Information Reporting

Each Industry Member shall submit to the Central Repository information sufficient to identify such Industry Member, including CRD number and LEI, if such LEI has been obtained, prior to such Industry Member’s commencement of reporting to the Central Repository and in accordance with the deadlines set forth in Rule 6.93, and keep such information up to date as necessary.

Approved March 15, 2017 (17-012).

Rule 6.90. Time Stamps

(a) Millisecond Time Stamps.

(i) Subject to paragraphs (a)(ii) and (b), each Industry Member shall record and report Industry Member Data to the Central Repository with time stamps in milliseconds.

(ii) Subject to paragraph (b), to the extent that any Industry Member’s order handling or execution systems utilize time stamps in increments finer than milliseconds, such Industry Member shall record and report Industry Member Data to the Central Repository with time stamps in such finer increment.

(b) One Second Time Stamps/Electronic Order Capture.

(i) Each Industry Member may record and report Manual Order Events to the Central Repository in increments up to and including one second, provided that each Industry Member shall record and report the time when a Manual Order Event has been captured electronically in an order handling and execution system of such Industry Member (i.e. electronic capture time) in milliseconds; and

(ii) Each Industry Member may record and report the time of Allocation Reports in increments up to and including one second.

Approved March 15, 2017 (17-012).

Rule 6.91. Clock Synchronization Rule Violation

An Industry Member that engages in a pattern or practice of reporting Reportable Events outside of the required clock synchronization time period as set forth in this Section F without reasonable justification or exceptional circumstances may be considered in violation of this Rule.
Rule 6.92. Connectivity and Data Transmission

(a) Data Transmission. Each Industry Member shall transmit data as required under the CAT NMS Plan to the Central Repository utilizing such format(s) as may be provided by the Plan Processor and approved by the Operating Committee.

(b) Connectivity. Each Industry Member shall connect to the Central Repository using a secure method(s), including but not limited to private line(s) and virtual private network connection(s).

(c) CAT Reporting Agents.

(i) Any Industry Member may enter into an agreement with a CAT Reporting Agent pursuant to which the CAT Reporting Agent agrees to fulfill the obligations of such Industry Member under this Section F. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Section F.

(ii) All written documents evidencing an agreement described in subparagraph (i) shall be maintained by each party to the agreement.

(iii) Each Industry Member remains primarily responsible for compliance with the requirements of this Section F, notwithstanding the existence of an agreement described in this paragraph.

Approved March 15, 2017 (17-012).

Rule 6.93. Development and Testing

(a) Development.

(i) Connectivity and Acceptance Testing.

(A) Industry Members (other than Small Industry Members) shall begin connectivity and acceptance testing with the Central Repository no later than August 15, 2018.

(B) Small Industry Members shall begin connectivity and acceptance testing with the Central Repository no later than August 15, 2019.

(ii) Reporting Customer and Industry Member Information.

(A) Industry Members (other than Small Industry Members) shall begin reporting Customer and Industry Member information, as required by Rules 6.88(a)
and 6.89, respectively, to the Central Repository for processing no later than October 15, 2018.

(B) Small Industry Members shall begin reporting Customer and Industry Member information, as required by Rules 6.88(a) and 6.89, respectively, to the Central Repository for processing no later than October 15, 2019.

(iii) Submission of Order Data.

(A) Industry Members (other than Small Industry Members).

(1) Industry Members (other than Small Industry Members) are permitted, but not required, to submit order data for testing purposes beginning no later than May 15, 2018.

(2) Industry Members (other than Small Industry Members) shall participate in the coordinated and structured testing of order submission, which will begin no later than August 15, 2018.

(B) Small Industry Members

(1) Small Industry Members are permitted, but not required, to submit order data for testing purposes beginning no later than May 15, 2019.

(2) Small Industry Members shall participate in the coordinated and structured testing of order submission, which will begin no later than August 15, 2019.

(iv) Submission of Options Market Maker Quotes. Industry Members are permitted, but not required to, submit Quote Sent Time on Options Market Maker quotes, beginning no later than October 15, 2018.

(b) Testing. Each Industry Member shall participate in testing related to the Central Repository, including any industry-wide disaster recovery testing, pursuant to the schedule established pursuant to the CAT NMS Plan.

Approved March 15, 2017 (17-012).

Rule 6.94. Recordkeeping

Each Industry Member shall maintain and preserve records of the information required to be recorded under this Section F for the period of time and accessibility specified in SEC Rule 17a-4(b). The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on “micrographic media” as defined in SEC Rule 17a-4(f)(1)(i) or by means of “electronic storage media” as defined in SEC Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEC Rule 17a-4(f) and be maintained and preserved for the required time in that form.

Approved March 15, 2017 (17-012).
Rule 6.95. Timely, Accurate and Complete Data

(a) General. Industry Members are required to record and report data to the Central Repository as required by this Section F in a manner that ensures the timeliness, accuracy, integrity and completeness of such data.

(b) LEIs. Without limiting the requirement set forth in paragraph (a), Industry Members are required to accurately provide the LEIs in their records as required by this Section F and may not knowingly submit inaccurate LEIs to the Central Repository; provided, however, that this requirement does not impose any additional due diligence obligations on Industry Members with regard to LEIs for CAT purposes.

(c) Compliance with Error Rate. If an Industry Member reports data to the Central Repository with errors such that the error percentage exceeds the maximum Error Rate established by the Operating Committee pursuant to the CAT NMS Plan, then such Industry Member would not be in compliance with this Section F.

(d) Compliance Thresholds. Each Industry Member shall be required to meet a separate compliance threshold which will be an Industry Member-specific rate that may be used as the basis for further review or investigation into the Industry Member’s performance with regard to the CAT (the “Compliance Thresholds”). Compliance Thresholds will compare an Industry Member’s error rate to the aggregate Error Rate over a period of time to be defined by the Operating Committee. An Industry Member’s performance with respect to its Compliance Threshold will not signify, as a matter of law, that such Industry Member has violated this Section F.

Approved March 15, 2017 (17-012).

Rule 6.96. Compliance Dates

(a) General. Except as set forth in paragraphs (b) and (c) of this Rule or otherwise set forth in this Section F, the Rules in this Section F are effective.

(b) Clock Synchronization.

(i) Each Industry Member shall comply with Rule 6.86 with regard to Business Clocks that capture time in milliseconds commencing on or before March 15, 2017.

(ii) Each Industry Member shall comply with Rule 6.86 with regard to Business Clocks that do not capture time in milliseconds commencing on or before February 19, 2018.

(c) CAT Data Reporting.

(1) Each Industry Member (other than a Small Industry Member) shall comply with the Rules regarding recording and reporting the Industry Member Data to the Central Repository commencing on or before November 15, 2018.
(2) Each Industry Member that is a Small Industry Member shall comply with the Rules regarding recording and reporting the Industry Member Data to the Central Repository commencing on or before November 15, 2019.

Approved March 15, 2017 (17-012).

* Pending approval of exemptive relief regarding the compliance date for Business Clocks that do not capture time in milliseconds.

Rule 6.97. Fee Dispute Resolution

(a) Definitions.

(i) For purposes of this Rule, the terms “CAT NMS Plan”, “Industry Member”, “Operating Committee”, and “Participant” are defined as set forth in Rule 6.85 (Consolidated Audit Trail (CAT) Compliance Rule - Definitions).

(ii) “Subcommittee” means a subcommittee designated by the Operating Committee pursuant to the CAT NMS Plan.

(iii) “CAT Fee” means any fees contemplated by the CAT NMS Plan and imposed on Industry Members pursuant to Exchange Rules.

(b) Fee Dispute Resolution. Disputes initiated by an Industry Member with respect to CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, shall be resolved by the Operating Committee, or a Subcommittee designated by the Operating Committee, of the CAT NMS Plan, pursuant to the Fee Dispute Resolution Procedures adopted pursuant to the CAT NMS Plan and set forth in paragraph (c) of this Rule. Decisions on such matters shall be binding on Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

(c) Fee Dispute Resolution Procedures under the CAT NMS Plan.

(i) Scope of Procedures. These Fee Dispute Resolution Procedures provide the procedure for Industry Members that dispute CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, to apply for an opportunity to be heard and to have the CAT Fees charged to such Industry Member reviewed.

(ii) Submission and Time Limitation on Application to CAT NMS, LLC (“Company”). An Industry Member that disputes CAT Fees charged to such Industry Member and that desires to have an opportunity to be heard with respect to such disputed CAT Fees shall file a written application with the Company within 15 business days after being notified of such disputed CAT Fees. The application shall identify the disputed CAT Fees, state the specific reasons why the applicant takes exception to such CAT Fees, and set forth the relief sought. In addition, if the applicant intends to submit any additional
documents, statements, arguments or other material in support of the application, the same should be so stated and identified.

(iii) Procedure Following Applications for Hearing

(A) Fee Review Subcommittee. The Company will refer applications for hearing and review promptly to the Subcommittee designated by the Operating Committee pursuant to Section 4.12 of the CAT NMS Plan with responsibility for conducting the reviews of CAT Fee disputes pursuant to these Fee Dispute Resolution Procedures. This Subcommittee will be referred to as the Fee Review Subcommittee. The members of the Fee Review Subcommittee will be subject to the provisions of Section 4.3(d) of the CAT NMS Plan regarding recusal and Conflicts of Interest.

(B) Record. The Fee Review Subcommittee will keep a record of the proceedings.

(C) Hearings and Documents. The Fee Review Subcommittee will hold hearings promptly. The Fee Review Subcommittee will set a hearing date. The parties to the hearing (as described in paragraph (iv)(A) below) shall furnish the Fee Review Subcommittee with all materials relevant to the proceedings at least 72 hours prior to the date of the hearing. Each party shall have the right to inspect and copy the other party’s materials prior to the hearing.

(iv) Hearing and Decision

(A) Parties. The parties to the hearing shall consist of the applicant and a representative of the Company who shall present the reasons for the action taken by the Company that allegedly aggrieved the applicant.

(B) Counsel. The applicant is entitled to be accompanied, represented and advised by counsel at all stages of the proceedings.

(C) Conduct of Hearing. The Fee Review Subcommittee shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the hearing. Each of the parties shall be permitted to make an opening statement, present witnesses and documentary evidence, cross examine opposing witnesses and present closing arguments orally or in writing as determined by the Fee Review Subcommittee. The Fee Review Subcommittee also shall have the right to question all parties and witnesses to the proceeding. The Fee Review Subcommittee shall keep a record of the hearing. The formal rules of evidence shall not apply.

(D) Decision. The Fee Review Subcommittee shall set forth its decision in writing and send the written decision to the parties to the proceeding. Such decisions shall contain the reasons supporting the conclusions of the Fee Review Subcommittee.
(v) Review

(A) Petition. The decision of the Fee Review Subcommittee shall be subject to review by the Operating Committee either on its own motion within 20 business days after issuance of the decision or upon written request submitted by the applicant within 15 business days after issuance of the decision. The applicant’s petition shall be in writing and specify the findings and conclusions to which the applicant objects, together with the reasons for such objections. Any objection to a decision not specified in writing shall be considered to have been abandoned and may be disregarded. Parties may petition to submit a written argument to the Operating Committee and may request an opportunity to make an oral argument before the Operating Committee. The Operating Committee shall have sole discretion to grant or deny either request.

(B) Conduct of Review. The Operating Committee shall conduct the review. The review shall be made upon the record and shall be made after such further proceedings, if any, as the Operating Committee may order. Based upon such record, the Operating Committee may affirm, reverse or modify, in whole or in part, the decision of the Fee Review Subcommittee. The decision of the Operating Committee shall be in writing, shall be sent to the parties to the proceeding and shall be final.

(vi) Time Limit for Review. A final decision regarding the disputed CAT Fees by the Operating Committee, or the Fee Review Subcommittee (if there is no review by the Operating Committee), must be provided within 90 days of the date on which the Industry Member filed a written application regarding disputed CAT Fees with the Company pursuant to paragraph (c)(ii) of these Fee Dispute Resolution Procedures. The Operating Committee may extend the 90-day time limit under this paragraph (c)(vi) at its discretion.

(vii) Miscellaneous Provisions

(A) Service of Notice. Any notices or other documents may be served upon the applicant either personally or by leaving the same at its, his or her place of business or by deposit in the United States post office, postage prepaid, by registered or certified mail, addressed to the applicant at its, his or her last known business or residence address.

(B) Extension of Certain Time Limits. Any time limits imposed under these Fee Dispute Resolution Procedures for the submission of answers, petitions or other materials may be extended by permission of the Operating Committee. All papers and documents relating to review by the Fee Review Subcommittee or the Operating Committee must be submitted to the Fee Review Subcommittee or Operating Committee, as applicable.

(viii) Agency Review. Decisions on such CAT Fee disputes made pursuant to these Fee Dispute Resolution Procedures shall be binding on Industry Members, without
prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

(ix) Payment of Disputed CAT Fees

(A) Timing of Fee Payment. An Industry Member that files a written application with the Company regarding disputed CAT Fees in accordance with these Fee Dispute Resolution Procedures is not required to pay such disputed CAT Fees until the dispute is resolved in accordance with these Fee Dispute Resolution Procedures, including any review pursuant to paragraph (c)(viii). For the purposes of this paragraph (c)(ix), the disputed CAT Fees means the amount of the invoiced CAT Fees that the Industry Member has asserted pursuant to these Fee Dispute Resolution Procedures that such Industry Member does not owe to the Company. The Industry Member must pay any invoiced CAT Fees that are not disputed CAT Fees when due as set forth in the original invoice.

(B) Interest on Unpaid CAT Fees. Once the dispute regarding CAT Fees is resolved pursuant to these Fee Dispute Resolution Procedures, if it is determined that the Industry Member owes any of the disputed CAT Fees, then the Industry Member must pay such disputed CAT Fees that are owed as well as interest on such disputed CAT Fees from the original due date (that is, 30 days after receipt of the original invoice of such CAT Fees) until such disputed CAT Fees are paid at a per annum rate equal to the lesser of (1) the Prime Rate plus 300 basis points, or (2) the maximum rate permitted by applicable law.

Adopted August 30, 2017 (17-043).
CHAPTER VII. RESERVED
CHAPTER VIII. MARKET-MAKERS, TRADING CROWDS AND MODIFIED TRADING SYSTEMS

Section A: Market-Makers (Rules 8.1-8.17)

Rule 8.1. Market-Maker Defined

A Market-Maker (“Market-Maker” or “market maker”) is an individual Trading Permit Holder or a TPH organization that is registered with the Exchange for the purpose of making transactions as dealer-specialist on the Exchange in accordance with the provisions of this Chapter.

Registered Market-Makers are designated as specialists on the Exchange for all purposes under the Securities Exchange Act of 1934 and the Rules and Regulations thereunder. Only transactions that are effected in accordance with Interpretation and Policy .03 under Rule 8.7 shall count as Market-Maker transactions for the purposes of this Chapter and Rules 3.1 and 12.3(f).

Amended May 1, 1973; May 25, 1994, effective July 1, 1994 (94-01); amended April 3, 2003 (00-55); March 14, 2005 (04-75); April 3, 2008 (07-120); June 18, 2010 (10-058).

Rule 8.2. Registration of Market-Makers

(a) An applicant for registration as a Market-Maker shall file an application in writing with the TPH Department on such form or forms as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider an applicant’s ability as demonstrated by passing a Trading Permit Holder’s examination prescribed by the Exchange, and such other factors as the Exchange deems appropriate. After reviewing the application, the Exchange shall either approve or disapprove the applicant’s registration as a Market-Maker.

(b) The registration of a Market-Maker may be suspended or terminated by the Exchange upon a determination that the Market-Maker has failed to properly perform as a Market-Maker.

(c) Any Trading Permit Holder or prospective Trading Permit Holder adversely affected by a determination of the Exchange under this Rule may obtain a review thereof in accordance with the provisions of Chapter XIX.

Amended December 1, 1974; April 1, 1981; February 5, 1986; June 6, 1990 (90-12); December 2, 1997 (97-61); March 14, 2005 (04-75); April 3, 2008 (07-120); May 23, 2008 (08-02); June 18, 2010 (10-058).

Rule 8.3. Appointment of Market-Makers

(a)

(i) In a manner prescribed by the Exchange, a registered Market-Maker may select an Appointment (having the obligations of Rule 8.7(b), as appropriate) in one or more classes of option contracts and in one or more trading sessions. A Market-Maker’s appointment during one trading session does not apply to another trading session. The
Exchange may also appoint a registered Market-Maker in one or more classes of option contracts and in one or more trading sessions. In making such Appointments, the Exchange shall give attention to (a) the preference of registrants; (b) the maintenance and enhancement of competition among Market-Makers in each class of contracts; (c) assuring that financial resources available to a Market-Maker enable him to satisfy the obligations set forth in Rule 8.7 with respect to each class of option contracts to which he is appointed; and (d) the impact additional Market-Makers will have on Exchange systems capacity. Limitations on appointments due to Exchange systems capacity shall be in accordance with Interpretations and Policies .01 to Rule 8.3A. The Exchange may arrange two or more classes of contracts into groupings based on, among other things, similar trading locations on the floor, and may make Appointments to those groupings rather than to individual classes. The Exchange may suspend or terminate any Appointment of a Market-Maker under this rule and may make additional Appointments whenever, in the Exchange’s judgment, the interests of a fair and orderly market are best served by such action.

(ii) In the event a Market-Maker is a nominee of a TPH organization, the TPH organization with which the Market-Maker is associated can request that the Exchange deem all class appointments be made to the TPH organization instead of to the individual Market-Maker. If such a request is made, the individual Market-Maker will continue to have all of the obligations of a Market-Maker under Exchange rules, except that the submission of electronic quotations and orders will be made by and on behalf of the TPH organization with which the individual Market-Maker is associated.

(b) No Appointment of a Market-Maker shall be made without the Market-Maker’s consent to such Appointment, provided that refusal to accept an Appointment may be deemed a sufficient cause for termination or suspension of a Market-Maker’s registration.

(c) Market-Maker Appointments. Absent an exemption by the Exchange, an appointment of a Market-Maker confers the right to quote electronically and in open outcry in the Market-Maker’s appointed classes during Regular Trading Hours as described below. Subject to paragraph (e) below, a Market-Maker may change its appointed classes upon advance notification to the Exchange in a form and manner prescribed by the Exchange.

(i) VTC Appointments. Subject to paragraphs (c)(iv) and (e) below, a Market-Maker can create a Virtual Trading Crowd (“VTC”) appointment, which confers the right to quote electronically during Regular Trading Hours in an appropriate number of classes selected from “tiers” that have been structured according to trading volume statistics, except for the AA tier. All classes within a specific tier will be assigned an “appointment cost” depending upon its tier location. The following table sets forth the tiers and related appointment costs.

<table>
<thead>
<tr>
<th>Tier</th>
<th>Hybrid Option Classes</th>
<th>Appointment Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>Options on the Cboe Volatility Index (VIX)</td>
<td>.499**</td>
</tr>
<tr>
<td></td>
<td>Options on the Standard &amp; Poor’s 500 Index (SPX)</td>
<td>1.0**</td>
</tr>
<tr>
<td>Options</td>
<td>Fee</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>Options on the iShares Russell 2000 Index Fund (IWM)</td>
<td>.25</td>
<td></td>
</tr>
<tr>
<td>Options on the NASDAQ 100 Index (NDX)</td>
<td>.50</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P 100 (OEX)</td>
<td>.40</td>
<td></td>
</tr>
<tr>
<td>Options on Standard &amp; Poor’s Depositary Receipts (SPY)</td>
<td>.25</td>
<td></td>
</tr>
<tr>
<td>Options on the Russell 2000 Index (RUT)</td>
<td>.50</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P 100 (XEO)</td>
<td>.10</td>
<td></td>
</tr>
<tr>
<td>Morgan Stanley Retail Index Options (MVR)</td>
<td>.25</td>
<td></td>
</tr>
<tr>
<td>Options on the iPath S&amp;P 500 VIX Short-Term Futures</td>
<td>.10</td>
<td></td>
</tr>
<tr>
<td>Index ETN (VXX)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Energy Select Sector Index (SIXE)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Technology Select Sector Index (SIXT)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Health Care Select Sector Index (SIXV)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Utilities Select Sector Index (SIXU)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Consumer Staples Select Sector Index (SIXR)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Industrials Select Sector Index (SIXI)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Consumer Discretionary Select Sector Index (SIXY)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Materials Select Sector Index (SIXB)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Real Estate Select Sector Index (SIXRE)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Options on the S&amp;P Communication Services Select Sector Index (SIXC)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>A* Hybrid Classes 1 - 60</td>
<td>.10</td>
<td></td>
</tr>
<tr>
<td>B* Hybrid Classes 61 - 120</td>
<td>.05</td>
<td></td>
</tr>
</tbody>
</table>
(ii) Open Outcry. During Regular Trading Hours, a Market-Maker has an appointment to trade open outcry in all Hybrid classes traded on the Exchange. A TPH organization that is registered as a Market-Maker may only trade in open outcry through one of its nominees. A Market-Maker must be physically present in the trading crowd to trade in open outcry.

(iii) Reserved

(iv) Each Regular Trading Hours Trading Permit held by a Market-Maker has an appointment credit of 1.0. A Market-Maker may select for each Regular Trading Hours Trading Permit the Market-Maker holds any combination of Hybrid classes whose aggregate appointment cost does not exceed 1.0. The Exchange will rebalance the tiers (excluding the “AA” tier above and the Global Trading Hours tier in Rule 6.1A) set forth in subparagraph (i) above once each calendar quarter, which may result in additions or deletions to their composition, and announce such rebalances via Regulatory Circular at least ten (10) business days before the rebalance takes effect. When a class changes tiers it will be assigned the appointment cost of that tier. Upon rebalancing, each Market-Maker with a VTC appointment will be required to hold the appropriate number of Regular Trading Hours Trading Permits reflecting the revised appointment costs of the Hybrid classes constituting the Market-Maker’s appointment. If, after 3:30 p.m. (Central Time) on the business day before a rebalance is to take effect, a Market-Maker holds a combination of appointments whose aggregate revised appointment cost is greater than the number of Regular Trading Hours Trading Permits that Market-Maker holds, the Market-Maker will be assigned as many Regular Trading Hours Trading Permits as necessary to ensure that the Market-Maker no longer holds a combination of appointments whose aggregate revised appointment cost is greater than the number of Regular Trading Hours Trading Permits that Market-Maker holds.

(v) A Market-Maker may submit electronic quotations away from Cboe Options’s trading floor in the Market-Maker’s appointed Hybrid classes. While on the trading floor, a Market-Maker is not required to be present in the trading station where a class is located in order to stream electronic quotations into the class.

<table>
<thead>
<tr>
<th></th>
<th>Hybrid Classes 121 - 345</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>C*</td>
<td>Hybrid Classes 121 - 345</td>
<td>.04</td>
</tr>
<tr>
<td>D*</td>
<td>Hybrid Classes 346 - 570</td>
<td>.02</td>
</tr>
<tr>
<td>E*</td>
<td>Hybrid Classes 571 - 999</td>
<td>.01</td>
</tr>
<tr>
<td>F*</td>
<td>All Remaining Hybrid Classes</td>
<td>.001</td>
</tr>
</tbody>
</table>

* Excludes Tier AA.

** If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 8.14, the SPX or VIX appointment cost, as applicable, confers the right to trade in all SPX or VIX groups.
(d) A Trading Permit Holder or prospective Trading Permit Holder adversely affected by a determination made by the Exchange under this Rule, including the denial of an appointment in a particular class, may obtain a review thereof in accordance with the provisions of Chapter XIX.

(e) The Exchange in its discretion may determine to establish one or more types of “tier appointments.” A “tier appointment” means an appointment to trade one or more options classes that must be held by a Market Maker to be eligible to trade the options class or options classes subject to that appointment. The Exchange shall announce the types of tier appointments that it has established. A Market-Maker that seeks to trade an options class or options classes subject to a tier appointment must submit an application for that tier appointment in accordance with, and subject to the same terms and conditions as, the application process set forth for Trading Permits in paragraph (b) of Rule 3.1. Issuance of tier appointments shall be in accordance with, and subject to the same terms and conditions as, the issuance processes set forth for Trading Permits in paragraph (b) of Rule 3.1. A Market-Maker that is issued a tier appointment must designate to the Exchange the Trading Permit with which that tier appointment is associated, and may designate no more than one tier appointment per Trading Permit. A tier appointment shall be for the same term as the Trading Permit with which that tier appointment is associated. Termination, change, renewal, and transfer of tier appointments shall be in accordance with, and subject to the same terms and conditions as, the processes set forth for Trading Permits in paragraphs (c) and (d) of Rule 3.1. Tier appointments shall be subject to such fees and charges as are established by the Exchange from time to time pursuant to Rule 2.1 and the Exchange Fee Schedule. In accordance with, and subject to same terms and conditions as, the processes set forth for Trading Permits in subparagraphs (a)(vi) – (a)(viii) of Rule 3.1, the Exchange shall have the authority with respect to any type of tier appointment it has determined to establish or reduce the number of that type of tier appointment, to increase the number of that type of tier appointment, and to establish objective standards to be issued, or to have renewed, that type of tier appointment. Notwithstanding the foregoing, nothing in this rule shall eliminate or restrict the Exchange’s authority to delist any product or to take any action (remedial or otherwise) under the Act, the Bylaws and the Rules, including without limitation the Exchange’s authority to take disciplinary or market performance actions against a person with respect to which the Exchange has jurisdiction under the Act, the Bylaws and the Rules.

Amended September 1, 1973; August 15, 1974; April 1, 1981; February 5, 1986; January 30, 1987; May 29, 1990 (89-24); October 19, 1990 (90-08); April 19, 1995, effective May 1, 1995 (94-44); December 2, 1997 (97-61); June 30, 2000 (98-54); March 14, 2005 (04-75); March 24, 2005 (04-58); February 22, 2006 (06-13); March 3, 2006 (06-24); March 3, 2006 (06-25); July 24, 2006 (06-51); August 28, 2006 (06-66); October 5, 2006 (06-79); October 23, 2006 (06-82); November 21, 2006 (06-97); December 21, 2006 (06-108); February 5, 2007 (07-06); February 8, 2007 (07-09); March 1, 2007 (07-17); March 1, 2007 (07-18); March 14, 2007 (07-20); June 7, 2007 (06-101); August 8, 2007 (07-83); September 19, 2007 (07-108); March 18, 2008 (08-29); April 3, 2008 (07-120); April 30, 2008 (08-50); April 30, 2008 (08-49); May 1, 2008 (08-51); July 1, 2008 (08-66); July 14, 2008 (08-67); August 25, 2008 (08-89); September 22, 2008 (08-95); October 10, 2008 (08-101); December 4, 2008 (08-119); March 9, 2009 (09-015); June 11,2010 (10-053); May 24, 2010, effective June 18, 2010 (08-88); October 29, 2010 (10-098); February 8, 2013 (12-120); September 13, 2013 (13-088); January 2, 2014 (13-109); January 2, 2014 (13-110); April 13, 2014 (14-024); May 1, 2014 (14-034); November 28, 2014 (14-062); December 31, 2015 (15-121);
Rule 8.3A. Deleted

Approved March 14, 2005 (04-75); amended March 24, 2005 (04-58); April 3, 2008 (07-120); July 14, 2008 (08-67); June 18, 2010 (10-058); January 2, 2014 (13-110); November 28, 2014 (14-062); January 24, 2017 (17-009); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 Deleted

Approved March 14, 2005 (04-75); amended March 24, 2005 (04-58); April 14, 2005 (05-23); December 21, 2006 (06-108); December 12, 2007 (07-133); July 14, 2008 (08-67); September 11, 2008 (08-84); June 18, 2010 (10-058); May 10, 2019 (19-017).

.02 Deleted

Approved July 26, 2005 (05-48); amended April 3, 2008 (07-120); July 14, 2008 (08-67); June 18, 2010 (10-058); May 10, 2019 (19-017).

.03 Deleted

Amended May 25, 2007 (07-27); April 3, 2008 (07-120); July 14, 2008 (08-67); September 11, 2008 (08-84); June 18, 2010 (10-058); May 10, 2019 (19-017).

Rule 8.4. Reserved

Reserved.

Approved March 14, 2005 (04-75); amended April 14, 2005 (05-23); September 12, 2005 (05-74); October 18, 2005 (05-79); January 6, 2006 (06-02); March 3, 2006 (06-25); April 26, 2006 (06-37); May 17, 2006 (06-50); September 14, 2006 (06-77); October 23, 2006 (06-82); December 21, 2006 (06-108); February 5, 2007 (07-06); February 8, 2007 (07-09); March 1, 2007 (07-17); March 9, 2007 (07-19); March 14, 2007 (07-20); August 8, 2007 (07-83); September 19, 2007 (07-108); March 18, 2008 (08-29); April 3, 2008 (07-120).

Rule 8.5. Letters of Guarantee

(a) Required of Each Market-Maker. No Market-Maker shall make any Exchange transaction unless there is an effective Letter of Guarantee that has been issued for such Market-Maker by a Clearing Trading Permit Holder and filed with the Exchange. If a Market-Maker desires to clear his or her transactions through more than one Clearing Trading Permit Holder, a Letter of Guarantee is required to be issued and filed with the Exchange by each such Clearing Trading Permit Holder to cover Exchange transactions executed by the Market-Maker through that Clearing Trading Permit Holder. The Exchange shall notify each issuer of a Letter of Guarantee of other outstanding Letters of Guarantee that have been issued to the same Market-Maker.
(b) Terms of Letter of Guarantee. A Letter of Guarantee shall be in a form prescribed by the Exchange and shall provide that the issuing Clearing Trading Permit Holder accepts financial responsibility for Exchange transactions made by the guaranteed Market-Maker when executing such transactions through the issuing Clearing Trading Permit Holder.

(c) Revocation of Letter of Guarantee. A Letter of Guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the TPH Department and the revocation becomes effective or until such time that the Letter of Guarantee otherwise becomes invalid pursuant to Exchange rules. A written notice of revocation shall become effective as soon as the Exchange is able to process the revocation. A revocation shall in no way relieve a Clearing Trading Permit Holder of responsibility for transactions guaranteed prior to the effectiveness of the revocation.

(d) Letters of Guarantee under this Rule are also governed by Rule 3.28.

Amended December 12, 1978; October 19, 1990 (90-08); July 19, 2000, effective August 18, 2000 (99-15); June 18, 2010 (10-058); February 8, 2013 (12-124).

Rule 8.6. Market-Maker Unit

Deleted August 15, 1974.

Rule 8.7. Obligations of Market-Makers

(a) General. Transactions of a Market-Maker should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no Market-Maker should enter into transactions or make bids or offers that are inconsistent with such a course of dealings.

(b) Appointment. With respect to each class of option contracts for which a Market-Maker holds an Appointment under Rule 8.3, a Market-Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for the Market-Maker’s own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a Market-Maker is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i) To compete with other Market-Makers to improve markets in all series of options classes comprising the Market-Maker’s appointment at the trading station where a Market-Maker is physically present or into which a Market-Maker is quoting electronically.

(ii) To make markets which, absent changed market conditions, will be honored in accordance with Rule 8.51, in all series of options classes in which the Market-Maker quotes. Each Market-Maker will communicate to the Exchange its bid and offers in accordance with the requirements of Rule 602 of Regulation NMS under the Exchange Act and the rules of the Exchange.
(iii) To update market quotations in response to changed market conditions in the Market-Maker’s appointed options classes at the trading station where a Market-Maker is present or at the trading station into which a Market-Maker quotes electronically and to assure that any market quote it causes to be disseminated is accurate.

(A) With respect to trading in appointed classes:

(1) Market-Makers who are physically present in a trading station may enter quotes and orders in their appointed classes by public outcry in response to a request for a quote or, in classes in which Hybrid is implemented, through an Exchange-approved electronic interface via an Exchange-approved quote generation device.

(2) Market-Makers may also enter quotes and orders in their appointed Hybrid classes through an Exchange-approved electronic interface via an Exchange-approved quote generation device.

(3) Market-Makers may also submit orders for automatic execution in accordance with the requirements of Rule 6.13.

(B) With respect to trading in non-appointed classes, Market-Makers may submit orders for automatic execution in accordance with the requirements of Rules 6.8 or 6.13.

(iv) To price options contracts fairly by, among other things, bidding and/or offering in accordance with the bid/ask differential requirements determined by the Exchange on a class by class basis.

(c) Classes of Option Contracts other than those to which appointed. With respect to classes of option contracts in which a Market-Maker does not hold an Appointment, a Market-Maker should not engage in transactions for an account in which the Market-Maker has an interest which are disproportionate in relation to, or in derogation of, the performance of his obligations as specified in paragraph (b) of this Rule with respect to those classes of option contracts to which the Market-Maker does hold Appointments.

(d) Market-Making Obligations

Unless otherwise provided in this Rule, Market-Makers remain subject to all obligations imposed by Cboe Options Rule 8.7. To the extent another obligation contained elsewhere in Rule 8.7 is inconsistent with an obligation contained in paragraph (d) of Rule 8.7 with respect to a class, this paragraph (d) shall govern.

For Regular Trading Hours, these requirements are applicable on a per class basis, except as set forth in paragraph (ii)(B) below, depending upon the percentage of volume a Market-Maker transacts in an appointed class during Regular Trading Hours electronically versus in open outcry. With respect to making this determination, the Exchange will monitor a Market-Maker’s trading activity in each appointed class during Regular Trading Hours every calendar quarter to determine whether it exceeds the threshold established in paragraph (d)(i). If a Market-Maker exceeds the
threshold established below, the obligations contained in (d)(ii) will be effective the next calendar quarter.

For a period of ninety (90) days commencing immediately after a class begins trading on the Hybrid Trading System, the provisions of paragraph (d)(i) shall govern trading in that class.

(i) Market-Maker Trades 20% or Less Contract Volume in an Appointed Class Electronically:

If a Market-Maker on the Cboe Options Hybrid System never transacts more than 20% (i.e., trades 20% or less) of the Market-Maker’s contract volume electronically in an appointed Hybrid class during Regular Trading Hours during any calendar quarter, the following provisions shall apply to that Market-Maker with respect to that class:

(A) Quote Widths: With respect to electronic quoting, Market-Makers must comply with the bid/ask differential requirements determined by the Exchange on a class-by-class and premium basis. For SPX, the Exchange may determine bid/ask differential requirements for series with expirations of (1) less than 15 months and (2) 15 months or more, and for all other classes, the Exchange may determine bid/ask differential requirements for series with expiration of (1) less than nine months and (2) nine months or more.

(B) Continuous Electronic Quoting Obligation: The Market-Maker will not be obligated to quote electronically in any designated percentage of series within that class. If a Market-Maker quotes electronically, its undecremented quote must be for the minimum number of contracts determined by the Exchange on a class-by-class basis, which minimum shall be at least one contract. For SPX, the Exchange may also determine minimum initial quote size on a premium basis and an expiration basis for series with expiration (1) no more than one week, (2) between one week and three months, (3) between three months and six months, (4) between six months and 15 months, and (5) 15 months or more.

(C) Continuous Open Outcry Quoting Obligation: in response to any request for quote by a floor broker, in-crowd Market-Makers must provide a two-sided market complying with the bid/ask differential requirements determined by the Exchange for a minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one contract and which minimum can vary for non-broker-dealer orders and broker-dealer orders.

(ii) Market-Maker Trades More Than 20% Contract Volume in an Appointed Class Electronically:

If a Market-Maker transacts more than 20% of the Market-Maker’s contract volume electronically in an appointed class during Regular Trading Hours during any calendar quarter, commencing the next calendar quarter the Market-Maker will be subject to the following quoting obligations in that class for as long as the Market-Maker maintains an appointment in that class:
(A) Quote Widths: Market-Makers must comply with the bid/ask differential requirements determined by the Exchange on a class-by-class and premium basis. For SPX, the Exchange may determine bid/ask differential requirements for series with expirations of (1) less than 15 months and (2) 15 months or more, and for all other classes, the Exchange may determine bid/ask differential requirements for series with expiration of (1) less than nine months and (2) nine months or more.

(B) Continuous Electronic Quoting Obligation: A Market-Maker will be required to maintain continuous electronic quotes in 60% of the non-adjusted option series of the Market-Maker’s appointed classes that have a time to expiration of less than nine months. Compliance with this quoting obligation applies to all of a Market-Maker’s appointed classes collectively (for which it must maintain continuous electronic quotes pursuant to this paragraph (ii)(B)). The Exchange will determine compliance by a Market-Maker with this quoting obligation on a monthly basis. However, determining compliance with this quoting obligation on a monthly basis does not relieve a Market-Maker from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a Market-Maker for failing to meet this obligation each trading day. The initial size of a Market-Maker’s quote must be for the minimum number of contracts determined by the Exchange on a class-by-class basis, which minimum shall be at least one contract. For SPX, the Exchange may also determine minimum initial quote size on a premium basis and an expiration basis for series with expirations (1) no more than one week, (2) between one week and three months, (3) between three months and six months, (4) between six months and 15 months, and (5) 15 months or more. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading. Market-Maker continuous electronic quoting obligations may be satisfied by Market-Makers either individually or collectively with Market-Makers of the same TPH organization.

(C) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a Trading Permit Holder or PAR Official, in-crowd Market-Makers must provide a two-sided market complying with the bid/ask differential requirements determined by the Exchange for a minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one contract and which minimum can vary for non-broker-dealer orders and broker-dealer orders.

(iii) The obligations and duties of Market-Makers set forth in paragraphs (d)(i) and (d)(ii) apply to a Market-Maker per trading session (e.g., if a Market-Maker has an appointment in a class during Regular Trading Hours and Global Trading Hours, the Exchange will determine a Market-Maker’s compliance with the continuous electronic quoting requirement during Regular Trading Hours separately from compliance with the electronic quoting requirement during Global Trading Hours). Except as set forth in paragraph (d)(ii)(B), the obligations and duties of Market-Makers set forth in paragraphs (d)(i) and (d)(ii) apply to a Market-
Maker on a per class basis, except for SPX if the Exchange lists SPX on a group basis pursuant to Rule 8.14 and determines to apply obligations and duties of SPX Market-Makers on a group basis, and only when the Market-Maker is quoting in a particular class during the applicable trading session on a given trading day. For example, if during a trading session on a given trading day a Market-Maker is quoting in 1 of its 10 appointed classes, the Market-Maker has quote width, continuous electronic quoting and, to the extent the Market-Maker is present in the trading crowd, continuous open outcry quoting obligations in that class, and the continuous electronic quoting obligation in subparagraph (d)(ii)(B) applies to 60% of the non-adjusted option series of that class that have a time to expiration of less than nine months while the Market-Maker is quoting. If during a trading session on a given trading day a Market-Maker is quoting in 3 of its 10 appointed classes, the Market-Maker has quote width and, to the extent the Market-Maker is present in the trading crowd, continuous open outcry quoting obligations in each of the 3 classes, and the continuous electronic quoting obligation in subparagraph (d)(ii)(B) applies to 60% of the non-adjusted option series of those three classes, collectively, that have a time to expiration of less than nine months while the Market-Maker is quoting. The obligations and duties are not applicable to an appointed class if a Market-Maker is not quoting in that appointed class.

(iv) A Market-Maker that is in the trading crowd but that is not quoting electronically or in open outcry in an appointed class must provide an open outcry two-sided market complying with the bid/ask differential requirements determined by the Exchange for a minimum number of contracts determined by the Exchange on a class by class basis, which minimum shall be at least one contract and which minimum can vary for non-broker-dealer orders and broker-dealer orders in response to a request for quote by a Trading Permit Holder or PAR Official directed at that Market-Maker or when, in response to a general request for a quote by a Trading Permit Holder of PAR Official, a market is not then being vocalized by a reasonable number of Market-Makers. A Market-Maker may also be called upon by a designated Exchange official designated to submit a single quote or maintain continuous quotes in one or more series of a class to which the Market-Maker is appointed whenever, in the judgment of such official, it is necessary to do so in the interest of maintaining a fair and orderly market.
.01 Price continuity is an ongoing obligation of Market-Makers and thus applies not only during Regular Trading Hours but also from the close of Regular Trading Hours on one business day to the opening of Regular Trading Hours the next business day. Notwithstanding the foregoing, as set forth in paragraph (d)(ii)(B), the continuous electronic quoting obligation does not apply to intra-day add-on series on the day during which such series are added for trading.

Amended April 8, 2013 (13-019); November 28, 2014 (14-062).

.02 Market-Makers are expected ordinarily to refrain from purchasing a call option or a put option at a price more than $0.25 below parity, although a larger amount may be appropriate considering the particular market conditions. In the case of calls, parity is measured by the bid in the underlying security, and in the case of puts, parity is measured by the offer in the underlying security. The $0.25 amount above may be increased, or the provisions of this Interpretation may be waived, by the Exchange on a series-by-series basis.

Issued April 15, 1973; amended January 30, 1987; September 23, 1991 (91-07); May 23, 2008 (08-02); July 13, 2009 (09-049).

.03 For purposes of Rule 8.7, respecting distribution of trading activity, at least 75% of a Market-Maker’s total contract volume must be in option classes in which the Market-Maker has an appointment pursuant to Rule 8.3. Trading in nonappointed classes of options at the request of a Floor Official or DPM shall be deemed to be trading in appointed classes for purposes of this Interpretation. This percentage requirement applies to Market-Maker trading activity for each quarter of a calendar year, except for unusual circumstances as determined by the Exchange. The Exchange may assign a weighting factor based on volume to one or more classes or series of option contracts in connection with these requirements.

Issued August 15, 1974; amended June 1, 1984 (80-16); January 30, 1987 (86-34); May 25, 1994, effective July 1, 1994 (93-19); December 2, 1997 (97-61); March 14, 2005 (04-75); March 24, 2005 (04-58); June 7, 2007 (06-101); March 13, 2008 (08-28); April 3, 2008 (07-120); May 23, 2008 (08-02); July 14, 2008 (08-67); August 1, 2008 (08-59); June 18, 2010 (10-058); May 10, 2019 (19-017).

.04 The obligations of a Market-Maker with respect to those classes of option contracts to which the Market-Maker holds an Appointment shall take precedence over his other Market-Maker obligations.

Issued August 15, 1974; amended April 1, 1981; January 30, 1987; April 3, 2008 (07-120).

.05 Unless an options class is exempted by the Exchange, under normal market conditions a Market-Maker’s bid or offer for a series of options of unspecified size is for five contracts, except
that a Market-Maker may be compelled to buy or sell a specific number of contracts at the
disseminated bid or offer pursuant to his obligations under Rule 8.51.

Adopted January 30, 1987; amended June 13, 1989, effective July 24, 1989 (89-04); December 2,
1997 (97-61); August 17, 2004 (03-39); May 23, 2008 (08-02).

.06 By making a verbal bid, a Market-Maker is also making an offer at the spread allowable in
accordance with the bid/ask differential requirements determined by the Exchange on a class by
class basis. By making a verbal offer, a Market-Maker is also making a bid at the spread allowed
in accordance with the bid/ask differential requirements determined by the Exchange on a class by
class basis.

Adopted January 30, 1987; amended September 28, 2009 (09-067).

.07 Reserved

Amended January 3, 2018 (18-010).

.08 The Exchange or its authorized agent may calculate bids and asks for various indices for
the sole purpose of determining permissible bid/ask differentials on options on these indices. These
values will be calculated by determining the weighted average of the bids and asks for the
components of the corresponding index. These bids and asks will be disseminated by the Exchange
at least every fifteen seconds during the trading day solely for the purpose of determining the
permissible bid/ask differential that market-makers may quote on an in-the-money option on the
indices. For in-the-money series in index options where the calculated bid/ask differential is wider
than the applicable differential determined by the Exchange in accordance with Rule 8.7(b)(iv),
the bid/ask differential in the index option series may be as wide as the calculated bid/ask
differential in the underlying index. The Exchange will not make a market in the basket of stock
comprising the indices and is not guaranteeing the accuracy or the availability of the bid/ask values.

The bid/ask values for those certain indices, which are calculated by the Exchange or its authorized
agent, are disseminated for the purpose of determining permissible bid/ask differentials on in-the-
money index option series, in accordance with interpretations to Rule 8.7. As such, the Exchange
is not making a market in these indices and these values should not be relied upon as indicative of
the market in the indices. The Exchange’s liability in connection with the calculation and
dissemination of these bid/ask values for indices is limited to the same extent as provided in Rule
24.12 in connection with the calculation and dissemination of current index values.

Approved October 25, 1995, effective November 20, 1995 (95-60); amended September 28, 2009
(09-067).

.09 The obligations and duties of Market-Makers set forth in Rule 8.7 paragraphs (a) and (b)
apply to an in-crowd Market-Maker only when the in-crowd Market-Maker is present in the
trading crowd and to a Market-Maker electronically quoting only when the Market-Maker is
logged on to the Cboe Options Hybrid system. Market-Makers remain subject to Rule 8.7(d)(iv)
while on the floor of the Exchange.
Adopted July 24, 1997 (97-34); amended March 14, 2005 (04-75); March 24, 2005 (04-58); April 3, 2008 (07-120).

.10 Market-Makers may display indicative spread prices on the websites of TPH organizations through a system licensed from a third party, developed by the Exchange or otherwise. Such indicative prices shall not be regarded as firm quotes, and a Market-Maker shall not be obligated to execute at the indicative prices spread orders that are entered into the market.

Adopted July 19, 2001 (01-41); amended June 18, 2010 (10-058).

.11 The obligation of Market-Makers to make competitive markets under Rule 8.7 does not preclude Trading Permit Holders in a trading crowd from discussing a request for a market that is greater than the disseminated size for that option class, for the purpose of making a single bid (offer) based upon the aggregate of individual bids (offers) by Trading Permit Holders in the trading crowd, but only when the Trading Permit Holder representing the order asks for a single bid (offer). Whenever a single bid (offer) pursuant to this paragraph is made, such bid (offer) shall be a firm quote and each member of the trading crowd participating in the bid (offer) shall be obligated to fulfill his portion of the single bid (offer) at the single price.

Amended June 18, 2010 (10-058); January 3, 2018 (18-010).

.12 When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, Market-Makers shall have no quoting obligations in the class.

Approved April 22, 2002 (2001-65); amended May 30, 2003 (02-05); May 30, 2003 (03-20); July 30, 2004 (04-47); deleted December 1, 2004 (04-69); approved April 5, 2013 (13-030).

Rule 8.8. Restriction on Acting as Market-Maker and Floor Broker

Except under unusual circumstances and with the prior permission of a Floor Official, no Trading Permit Holder shall, on the same business day, act as a Market-Maker and also act as a Floor Broker (i) with respect to option contracts traded at a given station, or (ii) in any security determined by the Exchange to be related to such a security.

Amended August 15, 1974; June 3, 1977; June 8, 1984; October 19, 1990 (90-08); October 10, 2008 (08-101); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 The word “station” means a location on the trading floor, at which classes of option contracts are traded, which classes of options compose all or part of a Market-Maker appointment. The word “station” is synonymous with the term “trading crowd.”

Adopted June 8, 1984; amended March 14, 2005 (04-75).

.02 For purposes of this Rule, the Exchange has determined that index options (as provided in Chapter XXIV), index participations, index warrants and index UIT interests, based on either the
Standard & Poor’s 100-Stock Price Index or the Standard & Poor’s 500-Stock Price Index are all related to each other.

Approved October 19, 1990 (90-08); amended February 21, 1992 (90-13); October 10, 2008 (08-101); January 3, 2018 (18-010).

.03 A Trading Permit Holder who issues a commitment to trade from the Exchange through ITS or any other application of the System shall, as a consequence thereof, be deemed for purposes of this Rule to have engaged in a transaction in such security.

Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058).

Rule 8.9. Securities Accounts and Orders of Market-Makers

(a) Identification of Accounts Upon Request. A Market-Maker for options on Units, as defined in Rule 5.3 Interpretation & Policy .06, is obligated to conduct all trading in options on Units in account(s) that have been reported to the Exchange. In addition, in a manner prescribed by the Exchange, each Market-Maker shall upon request file with the Exchange a list identifying all accounts for stock, option, securities trading pursuant to these Rules, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, any other derivatives based on such currency, physical commodities, physical commodity options, commodity futures contracts, options on commodity futures contracts, any other derivatives based on such commodity and related securities trading in which the Market-Maker may, directly or indirectly, engage in trading activities or over which he exercises investment discretion. No Market-Maker shall engage in trading in stock, options, non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, physical commodities, physical commodity options, commodity futures contracts, contracts, options on commodity futures contracts, any other derivatives based on such commodity or related securities trading in an account which has not been reported in a manner prescribed by the Exchange.

(b) Reports of Orders. Each Market-Maker shall, upon the request of the Exchange and in the prescribed form, report to the Exchange every order entered by the Market-Maker for the purchase or sale of (i) a security underlying options traded on the Exchange, or (ii) a security convertible into or exchangeable for such underlying security, as well as opening and closing positions in all such securities held in each account reported pursuant to paragraph (a) of this Rule. The report pertaining to orders must include the terms of each order, identification of the brokerage firms through which the orders were entered, the times of entry or cancellation, the times report of execution were received and, if all or part of the order was executed, the quantity and execution price.

(c) Joint Accounts. No Market-Maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any option contract unless each participant in such joint account is a Trading Permit Holder and unless such account is reported to and not disapproved by the Exchange. Such reports in form prescribed by the Exchange shall be filed with the Exchange before any transaction is effected on the Exchange for such joint account.
.01 A participant in a joint account must be either (i) a Market-Maker having an appointment under Rule 8.7(b) or (ii) a Clearing Trading Permit Holder which carries the joint account. A Market-Maker may participate in a joint account on behalf of a TPH organization with which he is associated. Market-Makers participating in a joint account may be associated with the same TPH organization.

.02 Each participant in a joint account must file with the TPH Department and thereafter keep current a completed application on such form as is prescribed by the Exchange.

Upon determination by the TPH Department not to disapprove a joint account, notice will be promptly mailed to all Trading Permit Holders.

.03 For purposes of evaluating Market-Maker performance in accordance with Rule 8.7.03, trading activity in a joint account shall be credited to the Market-Maker either individually or collectively with the Market-Makers of the same member organization.

.04 Each participant in a joint account and each TPH organization with which a participant is associated shall be jointly and severally responsible for assuring that the account complies with the provisions of the Exchange Bylaws, Rules and Interpretations thereof.

.05 To compute the positions or exercises attributable to each participant in a joint account for purposes of determining compliance with Rules 4.11 and 4.12, positions or exercises in the joint account shall be aggregated with all positions or exercises in options covering the same underlying security which any participant or any TPH organization associated with a participant controls. Whether a participant “controls” another option position shall be determined in the manner described in Interpretation .03 to Exchange Rule 4.11.
.06 No participant in a joint account shall effect a transaction, in person or via order, either for his own account or for the joint account, with another Trading Permit Holder acting on behalf of the joint account.

Issued July 14, 1981, effective November 1, 1981; amended February 13, 1997 (96-70); April 5, 2001 (00-13); June 18, 2010 (10-058).

.07 Reports of accounts and orders required to be filed pursuant to paragraphs (a) and (b) of Rule 8.9 relate only to accounts in which a Market-Maker, individually, directly or indirectly, controls trading activities or has a direct interest in the profits or losses of such accounts. Thus, reports would be required for accounts over which a Market-Maker exercises investment discretion as well as for his proprietary accounts. For purposes of Rule 8.9, related securities include securities convertible into or exchangeable for underlying securities.

Issued March 26, 1980.

.08 Each participant in a joint account shall be jointly and severally liable for any losses which may be incurred by the joint account; however, in the case where a participant in a joint account is a nominee of a TPH organization, and the participant is not acting as an independent Market-Maker pursuant to Rule 3.8(d), the TPH organization and not the participant shall be so liable.

Approved July 19, 2000, effective August 18, 2000 (99-15); amended June 18, 2010 (10-058).

Rule 8.10. Financial Arrangements of Market-Makers

Each Market-Maker who makes an arrangement to finance his transactions as a Market-Maker must identify to the Exchange the source of the financing and its terms. The Exchange must be informed immediately of the intention of any party to terminate or change any such arrangement.

Amended June 3, 1977; February 27, 1981.

Rule 8.11. Reserved

Reserved.

Amended April 23, 2007 (07-33).

Rule 8.13. Preferred Market-Makers

(a) Generally. The Exchange may allow, on a class-by-class basis, for the receipt of marketable orders, through the Exchange’s Order Handling System when the Exchange’s disseminated quote is the NBBO, that carry a designation from the Trading Permit Holder transmitting the order that specifies a Market-Maker in that class as the PMM for that order. A qualifying recipient of a PMM order shall be afforded a participation entitlement as set forth in subparagraph (c) below.
(b) Eligibility. Any Exchange Market-Maker type (e.g. LMM and DPM) may be designated as a PMM, however, the System is programmed so that a recipient of a PMM order will only receive a participation entitlement for such order if the following provisions are met:

(i) The PMM has an appointment/allocation in the relevant option class.

(ii) The PMM is quoting at the best bid/offer on the Exchange.

(c) Entitlement Rate. Provided the provisions of paragraph (b) above have been met, the PMM participation entitlement is the greater of one contract or 40% when there are two or more other Market-Maker quotes or broker-dealer orders at the BBO, and 50% when there is one other Market-Maker quote or broker-dealer order at the BBO. For purposes of this paragraph (with respect to an electronic execution), all broker-dealer orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those non-broker-dealer orders). In addition, the following shall apply:

(i) A PMM may not be allocated a total quantity greater than the quantity that the PMM is quoting at the best bid/offer on the Exchange.

(ii) The participation entitlement rate is based on the number of contracts remaining after all priority customer orders in the book at the BBO have been satisfied.

(iii) If a PMM receives a participation entitlement under this Rule, then no other participation entitlements set forth in the Rules (e.g. Rules 8.87 and 8.15) shall apply to such order.

(d) Quoting Obligations: The PMM must comply with the quoting obligations applicable to its Market-Maker type under Exchange rules and must provide continuous electronic quotes in at least the lesser of 99% of the non-adjusted option series that have a time to expiration of less than nine months or 100% of the non-adjusted option series that have a time to expiration of less than nine months minus one call-put pair, with the term “call-put pair” referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading. Compliance with this quoting obligation applies to all of a PMM’s classes for which it receives PMM orders collectively. The Exchange will determine compliance by a PMM with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a PMM from meeting this quoting obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against a PMM for failing to meet this obligation each trading day. PMM continuous electronic quoting obligations may be satisfied by PMMs either individually or collectively with PMMs of the same TPH organization.

Approved September 23, 2005 (05-58); amended June 1, 2006 (06-52); July 31, 2006 (05-93); May 29, 2007 (07-47); April 3, 2008 (07-120); November 6, 2009 (09-070); June 18, 2010 (10-058); November 28, 2011 (11-105); August 6, 2012 (12-064); February 11, 2013 (13-008); April 8, 2013 (13-019); January 2, 2014 (13-110); August 21, 2014 (14-059); April 7, 2016 (16-009); January 24, 2017 (17-009); January 3, 2018 (18-010); March 27, 2018 (18-021); May 10, 2019 (19-017).
... Interpretations and Policies:

.01 The Exchange may allow, on a class-by-class basis, for the receipt of PMM complex orders through the complex order book (COB) and/or complex order RFQ auction (COA) systems, and a qualifying recipient of a PMM complex order shall be afforded a participation entitlement as set forth below.

(a) Eligibility. Any Exchange Market-Maker type may be designated as a PMM, however, the System is programmed so that a recipient of a PMM complex order will only receive a participation entitlement for such complex order if the following provisions are met:

(i) The PMM has an appointment/allocation in the relevant option class.

(ii) With respect to participation entitlements for COB, the PMM is quoting at the best net priced bid/offer when the order is received.

(iii) With respect to participation entitlements for COA:

1. at the beginning of the auction, the PMM is quoting at either (A) the BBO in at least one of the component series of the complex order or (B) the Exchange spread market for the complex order; and

2. at the conclusion of the auction, the PMM is quoting at the best net priced bid/offer.

(b) Entitlement Rate. Provided the provisions of paragraph (a) above have been met, the PMM participation entitlement is the greater of one contract or 40% when there are two or more other Market-Maker quotes or broker-dealer orders at the Exchange spread market execution price, and 50% when there is one other Market-Maker quote or broker-dealer order at the Exchange spread market execution price. In addition, the following shall apply:

(i) the PMM would not be allocated a total quantity greater than the quantity that the PMM is quoting at the Exchange spread market execution price;

(ii) the entitlement would be based on the number of contracts remaining after equivalent derived net priced orders and quotes in the Book and equivalent net priced priority customer complex orders resting in COB that have priority over PMM in accordance with Rule 6.53C; and

(iii) if a PMM receives a participation entitlement for a complex order resting in COB or a response to COA, then no other participation entitlements for complex orders set forth in Rules shall apply to complex orders resting in COB or entered in response to COA.

(c) Quoting Obligations: A PMM is subject to the requirements of Rule 8.13(d) above.

Adopted November 6, 2009 (09-070); amended January 24, 2017 (17-009); amended May 10, 2019 (19-017).
Rule 8.13(d) does not require a PMM to provide continuous electronic quotes in intra-day add-on series or series that have a time to expiration of nine months or more in the classes for which it receives PMM orders. However, a PMM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.13(b).

Adopted February 11, 2013 (13-008); amended April 8, 2013 (13-019); amended May 10, 2019 (19-017).

When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, PMMs shall have no quoting obligations in the class. However, a PMM may still receive a participation entitlement in series of such a class when the underlying security is in a limit up-limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.13(b).

If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 8.14, obligations of an SPX Market-Maker designated as a PMM, as set forth in Rule 8.13, apply on a class basis, unless the Exchange determines to apply obligations on a group basis.

Approved April 5, 2013 (13-030); April 12, 2018 (18-029); October 12, 2018 (18-066); May 10, 2019 (19-017).


(a) Generally: The Exchange may authorize any class of options for trading on the Hybrid Trading System. The Exchange may determine, and change, whether Market-Makers, DPMs, and/or LMMs are eligible for appointments in each such class.

(b) Each class designated for trading on the Hybrid Trading System or the Hybrid 3.0 Platform shall have a DPM or LMM. The Exchange may determine to designate classes for trading on Hybrid without a DPM or LMM provided the following conditions are satisfied:

(1) There are at least four (4) Market-Makers quoting in the class; and

(2) Each Market-Maker with an appointment in the class is subject to the continuous quoting obligations imposed by Rule 8.7(d).

Approved June 10, 2005 (04-87); amended June 20, 2005 (05-47); June 7, 2007 (06-101); May 23, 2008 (08-02); July 14, 2008 (08-67); August 25, 2008 (08-89); October 21, 2008 (08-107); September 28, 2009 (09-067); amended October 27, 2010 (10-095); January 2, 2014 (13-110); April 7, 2016 (16-009) May 10, 2019 (19-017).

... Interpretations and Policies:

The Exchange may determine to list SPX or VIX on a group basis. The Exchange will also have the authority to change the eligible categories of Market-Makers participants for each group. In addition, the following shall apply:
(a) The Exchange shall assign a DPM or LMM to the group of series. The Exchange may determine to designate the group of series for trading without a DPM or LMM provided the conditions set forth in paragraph (b) of Rule 8.14 above are satisfied with respect to the group.

(b) Market-Maker appointments will apply on a class basis, except DPM and LMM appointments will apply only to the group of series to which the respective DPM or LMM is assigned, if applicable.

(c) System trading parameters will be established by the Exchange on a group basis to the extent the Rules otherwise provide for such parameters to be established on a class basis.

Adopted October 27, 2010 (10-095); amended January 2, 2014 (13-110); April 12, 2018 (18-029); amended October 12, 2018 (18-066); May 10, 2019 (19-017).

Rule 8.15. Lead Market-Makers

(a) Assignment, Removal, and Evaluation of LMMs: The Exchange may appoint one or more Market-Makers in good standing with an appointment in a class for which a DPM has not been appointed as Lead Market-Makers (“LMMs”). The Exchange will appoint an LMM for a term of no less than the time until the end of the then-current expiration cycle (“term”), which appointment may be to a class with one or more LMMs. The Exchange may arrange the series of a class into groups and may appoint LMMs to those groups rather than to an individual option class.

(i) Factors to be considered by the Exchange in selecting LMMs include: adequacy of capital, experience in trading options, presence in the trading crowd, adherence to Exchange rules and ability to meet the obligations specified below.

(ii) Removal of an LMM may be effected by the Exchange on the basis of the failure of the LMM to meet the obligations set forth below, or any other applicable Exchange rule. An LMM removed under this rule may seek review of that decision under Chapter XIX of the Rules.

(iii) If an LMM is removed or if for any reason an LMM is no longer eligible for or resigns its appointment or fails to perform its duties, the Exchange may appoint one or more interim LMMs for the remainder of the term or shorter time period designated by the Exchange.

(iv) The Exchange will review and evaluate the conduct of LMMs, including but not limited to compliance with Rules 8.1, 8.2, 8.3, and 8.7.

(b) LMM Obligations: Each LMM must fulfill all the obligations of a Market-Maker under the Rules and satisfy each of the following requirements:

(i) provide continuous electronic quotes in at least the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair, with the term “call-put pair” referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price. This obligation does not
apply to intra-day add-on series on the day during which such series are added for trading. Compliance with this quoting obligation applies to all of an LMM’s appointed classes collectively. The Exchange will determine compliance by an LMM with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a daily basis does not relieve an LMM from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against an LMM for failing to meet this obligation each trading day. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the On-Floor LMM will not be obligated to comply with this paragraph (b)(i) and instead will be obligated to comply with the obligations of Market-Makers in Rule 8.7(d). In an option class in which the Exchange appointed an On-Floor LMM that has open-outcry obligations only, that On-Floor LMM will not be obligated to comply with this paragraph (b)(i) and instead will be obligated to comply with the obligations of Market-Makers in Rule 8.7(d) and have a designee in the class’s crowd on the trading floor for the entire trading day (except for a de minimis amount of time). LMM continuous electronic quoting obligations may be satisfied by LMMs either individually or collectively with LMMs of the same TPH organization;

(ii) assure that its market quotations are accurate;

(iii) comply with the bid/ask differential requirements determined by the Exchange on a class- by-class basis;

(iv) assure that its market quotations comply with the minimum size requirements prescribed by the Exchange, which minimum must be at least one contract;

(v) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2(d)(i)(A) or (ii)(A)) and participate in other rotations described in Rule 6.2 (including the modified opening rotation set forth in Interpretation and Policy .01) or 24.13, as applicable. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (b)(v) will be that of the Off-Floor DPM or Off-Floor LMM and not the On-Floor LMM. In an option class in which the Exchange appointed an On-Floor LMM that has open-outcry obligations only, that On-Floor LMM will not be obligated to comply with this paragraph (b)(v);

(vi) make competitive markets on the Exchange and otherwise promote the Exchange in a manner that is likely to enhance the ability of the Exchange to compete successfully for order flow in the classes it trades;

(vii) continue to act as an LMM and fulfill the obligations of an LMM until the end of its term or until the Exchange relieves the LMM of its approval to act as an LMM or of its appointment and obligations to act as an LMM in a particular class; and

(viii) immediately notify the Exchange of any material operational or financial changes to the LMM organization as well as obtain the Exchange’s approval prior to effecting changes to the ownership, capital structure, voting authority, distribution of profits/losses, or control of the LMM organization.
(d) Participation Entitlement: The Exchange may establish, on a class-by-class basis, a participation entitlement formula that is applicable to LMMs for purposes of electronic and/or open outcry trading.

(i) To be entitled to a participation entitlement, the LMM must be quoting at the BBO and the LMM may not be allocated a total quantity greater than the quantity for which the LMM is quoting at the BBO. The participation entitlement is based on the number of contracts remaining after all priority customer orders in the book at the BBO have been satisfied. In option classes in which both an On-Floor LMM and an Off-Floor DPM have been appointed, the On-Floor LMM may receive a participation entitlement with respect to orders represented in open outcry, but will not be eligible to receive a participation entitlement for trades executed electronically. The participation entitlement set forth in this Rule will not apply in instances where a Preferred Market-Maker receives a participation entitlement pursuant to Rule 8.13 and is subject to the limitations for Off-Floor LMMs set forth in Rule 8.15, Interpretation and Policy.01 (a).

(ii) The LMM participation entitlement is: 50% when there is one other Market-Maker quote or broker-dealer order at the BBO; 40% when there are two other Market-Maker quotes or broker-dealer orders at the BBO; and 30% when there are three or more other Market-Maker quotes or broker-dealer orders at the BBO. For purposes of this paragraph (with respect to an electronic execution), all broker-dealers orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those broker-dealer orders). If more than one LMM is entitled to a participation entitlement, such entitlement is distributed equally among all eligible LMMs.

The Exchange may determine, on a class-by-class basis, to decrease the LMM participation entitlement percentages from the percentages specified in paragraph (d)(ii) above. Such changes will be announced to the Trading Permit Holders in advance of implementation via Regulatory Circular.

Approved June 10, 2005 (04-87); amended July 31, 2006 (05-93); December 31, 2007 (07-87); April 30, 2008 (08-49); May 23, 2008 (08-02); July 14, 2008 (08-67); October 21, 2008 (08-107); February 13, 2009 (09-006); September 28, 2009 (09-067); June 18, 2010 (10-058); November 28, 2011 (11-105); August 6, 2012 (12-064); April 8, 2013 (13-019); August 21, 2014 (14-059); February 1, 2016 (16-007); April 7, 2016 (16-009); September 9, 2016 (16-071); January 24, 2017 (17-009); January 3, 2018 (18-010); March 27, 2018 (18-021); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 An LMM generally will operate on Cboe Options’s trading floor (“On-Floor LMM”). However, as provided below, an LMM can request that the Exchange authorize the LMM to function remotely away from Cboe Options’s trading floor (“Off-Floor LMM”) on a class-by-class basis.

(a) An LMM can request that the Exchange authorize it to operate as an Off-Floor LMM in one or more classes. The Exchange will consider the factors specified in paragraph (a)(i)
above, as well as the factors applicable to Off-Floor DPMs specified in Rule 8.83(g), in determining whether to permit an LMM to operate as an Off-Floor LMM. If an LMM is approved to operate as an Off-Floor LMM in one or more classes, the Off-Floor LMM can have an LMM designee trade in open outcry in the classes to which the Off-Floor LMM is appointed, but the Off-Floor LMM will not receive a participation entitlement under Rule 8.15 with respect to orders represented in open outcry.

(b) An LMM that is approved to operate as an Off-Floor LMM in one or more Hybrid classes can request that the Exchange authorize it to operate as an On-Floor LMM in those option classes. In making a determination pursuant to this paragraph, the Exchange should evaluate whether the change is in the best interests of the Exchange, and may consider any information that it believes will be of assistance to it. Factors to be considered may include, but are not limited to, performance, operational capacity of the Exchange or LMM, efficiency, number and experience of personnel of the LMM who will be performing functions related to the trading of the applicable securities, number of securities involved, number of Market-Makers affected, and trading volume of the securities.

(c) Notwithstanding Rule 8.15(a): (i) in an option class in which an Off-Floor LMM or Off-Floor DPM has been appointed in accordance with this Rule 8.15 or Rule 8.83, as applicable, the Exchange in its discretion may also appoint an On-Floor LMM, which will be eligible to receive a participation entitlement under this Rule 8.15 with respect to orders represented in open outcry; and (ii) in a class in which the Exchange does not grant an electronic participation entitlement pursuant to Rule 6.45(a)(ii) and in which the Exchange did not appoint an Off-Floor LMM or Off-Floor DPM, the Exchange may appoint an On-Floor LMM that has open-outcry obligations only. If the Exchange in its discretion determines to reallocate a class in which an Off-Floor LMM or Off-Floor DPM has been appointed, the On-Floor LMM appointment will automatically terminate.

Adopted April 30, 2008 (08-49); amended April 30, 2008 (08-50); March 9, 2009 (09-015); April 7, 2016 (16-009); September 30, 2017 (17-059).

.02 When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, LMMs will have no quoting obligations in the class. However, an LMM may still receive a participation entitlement in series of such a class when the underlying security is in a limit up-limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.15(d).

Approved April 5, 2013 (13-030); April 7, 2016 (16-009).

.03 Deleted

Adopted April 7, 2016 (16-009); deleted May 10, 2019 (19-017).

An LMM may receive a participation entitlement in intra-day add-on series on the day during which such series are added for trading if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.15(d).
.04 If the Exchange determines to list SPX on a group basis pursuant to Rule 8.14, obligations of an SPX Market-Maker designated as a Lead Market-Maker, as set forth in Rule 8.15, apply on a class basis, unless the Exchange determines to apply obligations on a group basis.

Adopted April 7, 2016 (16-009); April 12, 2018 (18-029); amended May 10, 2019 (19-017).

Rule 8.16. Deleted

Deleted

Deleted May 10, 2019 (19-017).

Rule 8.17. Stopping of Option Orders

(a) General. Stopping an option order at a specified price represents a guarantee by a Market-Maker or DPM who “grants the stop” that the order of the Floor Broker who “accepts the stop” will be executed at the stop price or better. No Market-Maker or DPM is required to agree to grant, and no Floor Broker is required to accept, a stop.

(b) Conditions. A Market-Maker or DPM may grant a stop and a Floor Broker may accept a stop subject to all of the following conditions:

1. When stopping a straight order or only the option portion of a buy-write, the Market-Maker or DPM shall make the trading crowd aware of the stop price and size.

2. The Floor Broker shall time-stamp the card or ticket at the time that the stop is granted and accepted.

3. The Market-Maker or DPM who grants a stop order must execute, if requested, one or more additional orders in the same series of options not to exceed, in aggregate, the total quantity of contracts included in the original stopped order at the same stop price.

4. If a transaction occurs in the crowd at the stop price, the Floor Broker must immediately elect to execute the stop order at the stop price and size or release the Market-Maker or DPM from his guarantee.

5. In improving on the stop price once a Floor Broker has accepted a stop, a Floor Broker must bid no more than one minimum increment less than the stop and must offer no more than one minimum increment greater than the stop.

(c) Priority Accorded Stopped Orders. Unless the order is in the public limit order book, a Market-Maker or DPM who has granted a stop has priority at the stop price over a new crowd order, at the same limit, if the stopped order is properly time-stamped by the Floor Broker at the time the stop is granted and accepted.
(d) Notice to Customer. Within a reasonably practicable time after a customer’s order has been stopped, the Floor Broker or, if different, the TPH organization handling the customer’s account, shall so inform the customer.

(e) Reporting Executions of Stopped Orders. All executions of stopped orders shall be reported on the tape. In addition to other reporting information required under the Rules, the Trading Permit Holder with the responsibility for reporting the transaction must indicate the fact that a stopped order has been executed by writing the letters “ST” clearly on the card or ticket used to record and report transactions.

(f) Effect of Trading Halts on Stopped Orders. An order to buy that is stopped at the offer price prior to a halt in trading shall receive the stop price if, when the option reopens, it trades at the stop price or at a higher price. If the option reopens and trades at a lower price than the stop price, the stop is no longer effective since the market price is better than the stop price, and it is then the responsibility of the Floor Broker to execute the order at the best possible price. The same principles apply to a sell order that is stopped at a bid price.

(g) Liability for Stopped Orders. If an order is executed at a less favorable price than that agreed upon, the Market-Maker or DPM who granted the stop shall be liable for an adjustment of the difference between the two prices.

Approved July 29, 1994 (93-30); amended August 7, 2000 (00-07); June 18, 2010 (10-058); May 10, 2019 (19-017).

Rule 8.18. Quote Risk Monitor Mechanism

Each Market-Maker who is obligated to provide and maintain continuous electronic quotes in any option class traded on the Exchange, or the TPH organization with which the Market-Maker is associated, must establish parameters for an acronym or firm, as applicable, for each function below applicable to each trading session by which the Exchange will activate the Quote Risk Monitor (“QRM”) Mechanism.

The functionality of the QRM Mechanism that is available to Market-Makers includes, for each such option class in which the Market-Maker is engaged in trading: (i) a maximum number of contracts for such option class (the “Contract Limit”) and a rolling time period in milliseconds within which such Contract Limit is to be measured (the “Measurement Interval”); (ii) a maximum cumulative percentage that the Market-Maker is willing to trade (the “Cumulative Percentage Limit”), where the cumulative percentage is the sum of the percentages of the original quoted size of each side of each series that traded, and a Measurement Interval; and (iii) the maximum number of series for which either side of the quote is fully traded (the “Number of Series Fully Traded”) and a Measurement Interval.

When the Exchange determines that the Market-Maker has traded at least the Contract Limit or Cumulative Percentage Limit for such option class during any rolling Measurement Interval, or has traded at least the Number of Series Fully Traded on an option class during any rolling Measurement Interval, the QRM Mechanism shall cancel all electronic quotes being disseminated with respect to that Market-Maker in that option class and any other classes with the same underlying security until the Market-Maker refreshes those electronic quotes.
Such action by the Exchange is referred to herein as a QRM Incident. Once the QRM Mechanism is triggered, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all classes for which quotes were canceled for all parties for whom such quotes were canceled.

A Market-Maker or a TPH organization may also specify a maximum number of QRM Incidents on an Exchange-wide basis. When the Exchange determines that such Market-Maker or TPH organization has reached its QRM Incident limit during any rolling Measurement Interval, the QRM Mechanism shall cancel all of the Market-Maker’s or TPH organization’s electronic quotes and Market-Maker orders resting in the Book in all option classes on the Exchange and prevent the Market-Maker or TPH organization from sending additional quotes or orders to the Exchange until the Market-Maker or TPH organization reactivates its ability to send quotes or orders in a manner prescribed by the Exchange. Once the QRM Mechanism is triggered and quotes and orders are cancelled, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all parties for whom the QRM Mechanism was triggered and for all classes for which quotes and orders were canceled. If the Exchange cancels all of the Market-Maker’s or TPH organization’s electronic quotes and Market-Maker orders resting in the Book, and the Market-Maker or TPH organization does not reactivate its ability to send quotes or orders, the block will be in effect only for the trading day that the Market-Maker or TPH organization reached its QRM Incident limit.

Approved July 31, 2006 (05-93); amended July 14, 2008 (08-67); February 14, 2014 (14-002); November 28, 2014 (14-062); November 4, 2016 (16-053); May 10, 2019 (19-017).

Section B: Trading Crowds (Rules 8.51-8.61)

Rule 8.50. Deleted

Deleted

Approved June 13, 1989 (89-04), effective July 24, 1989; amended October 19, 1990 (90-08); deleted May 10, 2019 (19-017).

Rule 8.51. Firm Disseminated Market Quotes

(a) Definitions.

(1) For the purposes of this rule, and Rule 602 of Regulation NMS as applied to the Exchange and Trading Permit Holders on the floor, the term “responsible broker or dealer” shall mean, with respect to any bid or offer for any reported security made available by the Exchange to quotation vendors, the trading crowd in a series or class of option, which shall be the responsible broker or dealer to the extent of the quotation size specified in (c) of this rule. Provided, however, that in classes in which the Cboe Options Hybrid System is operational, the term “Responsible Broker or Dealer” shall have the meaning prescribed in Rule 600(b)(65) of Regulation NMS under the Exchange Act (which is reproduced in Interpretations and Policies .01):
(2) For purposes of this rule, the term “reported security” means any security or class of securities for which transaction reports are collected, processed and made available pursuant to an effective national market system plan for reporting transactions in listed options.

(b) Firm Quote Requirement.

(1) The firm quote requirement obligates the responsible broker or dealer to sell (buy) at least the established number of contracts at the offer (bid) which is displayed when the responsible broker or dealer receives a buy (sell) order at the trading station where the reported security is located for trading.

(c) Firm Quote Size.

(1) The Exchange may establish separate firm quote requirements for each series of option, which shall be for at least one contract, for (i) non-broker-dealer orders and (ii) broker-dealer orders, as provided below. For purposes of this Rule, the term broker-dealer includes foreign broker-dealers.

(a) Non-broker-dealer orders: The firm quote requirement size for non-broker-dealer orders shall be the size that the Exchange disseminates to vendors. In the event the Exchange has not disseminated a size along with its quotes for a particular series, then the firm quote requirement size for non-broker-dealer orders shall be that size periodically published by the Exchange in a different manner (e.g., on its website).

(b) Broker-dealer orders: The firm quote requirement size for broker-dealer orders shall be the lesser of the size that the exchange either disseminates to vendors or periodically publishes in a different manner (e.g., on its website).

(c) Thirty Seconds Rule. Each responsible broker or dealer within thirty seconds from receiving an order that is greater than the quotation size established by paragraph (c) of this rule must:

(1) Execute the entire order; or

(2) (2)

(i) Execute that portion of the order equal to at least the quotation size established by paragraph (c) of this rule; and

(ii) Revise its bid or offer.

(d) Exemptions to Firm Quote Requirements. Non-Firm Mode.

(1) The responsible broker or dealer shall be relieved of its obligations under this Rule 8.51 and with respect to paragraph (a)(3) of Rule 602 of Regulation NMS:
(i) When two Floor Officials, on a case by case basis, for either a class or series within a class, make a determination that the level of trading activity or the existence of unusual market conditions are such that the Exchange is incapable of collecting, processing and making available to quotation vendors bids, offers and quotation sizes with respect to one or more class or series within a class of option in a manner which accurately reflects the current state of the market on the floor;

(ii) When the senior person, then in charge of the Exchange’s Control Room, shall have the authority to suspend the firm quote requirements of paragraph (b) with respect to a class of options if he or she determines that the level of trading activity or the existence of unusual market conditions are such that the Exchange is incapable of collecting, processing and making available to quotation vendors bids, offers and quotation sizes with respect to one or more class or series of option in a manner which accurately reflects the current state of the market on the floor. After exercising such authority, that senior person shall immediately seek approval by two Floor Officials, who may confirm or overrule the decision; or

(iii) When the order for the purchase or sale of a reported security is presented during a trading rotation in that listed option.

(2) When it has been relieved of its firm quote obligation, the responsible broker or dealer shall report bids and offers or revised bids and offers in a reported security, for publication, on a “best efforts” basis.

(3) Whenever two Floor Officials or the senior person then in charge of the Exchange’s Control Room make a determination under subparagraphs (i) or (ii) above with respect to any reported security, the Exchange’s Control Room will disseminate a message notifying the specified persons that the displayed quotes are not firm.

(4) During any period that the market in a reported security is in a non-firm mode, the Floor Officials shall monitor the activity or condition, which formed the basis for their determination. No more than 30 minutes after such market has been designated to be in a non-firm mode, the DPM shall review the condition of such market with the Floor Officials. Continuation of the non-firm mode for longer than 30 minutes shall require the reaffirmation of the reviewing Floor Officials. Such review and reaffirmation shall occur not less frequently than every 30 minutes thereafter while the non-firm mode is in effect.

(5) When the Exchange is once again capable of collecting, processing and making available to quotation vendors bids and offers with respect to a reported security that is in a non-firm mode in a manner which accurately reflects the current state of the market on the floor then the senior person then in charge of the Exchange’s Control Room, or two Floor Officials shall lift the non-firm mode designation. Once the non-firm mode designation has been lifted, the responsible broker or dealer shall be obligated for the firm quote requirement as stated in paragraph (b).
(6) No responsible broker or dealer shall be obligated to execute a transaction for any listed option as provided in paragraph (b) of this rule when:

(i) Revised Quotation Size

(A) Prior to the presentation of an order to sell (buy), a responsible broker or dealer has communicated to the exchange, a revised quotation size; or

(B) At the time an order to sell (buy) is presented, a responsible broker or dealer is in the process of effecting a transaction in such series of option, and immediately after the completion of such transaction, it communicates to the exchange a revised quotation size, such responsible broker or dealer shall not be obligated by paragraphs (b), or (d) of this Rule to sell (buy) that option in an amount greater than such revised quotation size.

(ii) Revised Bid or Offer

(A) Before the order sought to be executed is presented, a responsible broker or dealer has communicated to the exchange, a revised bid or offer; or

(B) At the time the order sought to be executed is presented, a responsible broker or dealer is in the process of effecting a transaction in such series of option, and, immediately after the completion of such transaction, a responsible broker or dealer communicates to the exchange, a revised bid or offer; provided, however, that the responsible broker or dealer shall nonetheless be obligated to execute any such order as provided in paragraph (b) of this rule at its revised bid or offer in any amount up to its published quotation size or revised quotation size.

(e) Each Trading Permit Holder on the floor shall abide by such rules and procedures adopted by the Exchange, in order to enable the Exchange to meet its quotation dissemination requirements.

Approved June 13, 1989, effective July 24, 1989 (89-04); amended July 22, 1994 (93-17); December 22, 1995 (95-52); June 24, 1997 (96-68); October 6, 1997 (97-45); December 2, 1997 (97-61); January 30, 1998 (97-66); August 4, 1999 (98-53); March 22, 2000 (99-21); November 3, 2000 (99-51); April 10, 2001 (01-15) June 1, 2001 (01-15A2); November 16, 2001 (01-56); March 29, 2002 (01-70); May 30, 2003 (02-05); September 23, 2003 (03-38); March 21, 2006 (06-15); May 23, 2008 (08-02); June 18, 2010 (10-058); August 27, 2012 (12-072); January 3, 2018 (18-010); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Reserved
.02 Where a Trading Permit Holder has caused a bid or offer to be disseminated and the order is subsequently filled or canceled, the Trading Permit Holder will be responsible for causing such disseminated bid or offer to be removed. Failure to do so will result in the Trading Permit Holder being responsible for satisfying the firm disseminated quote commitment pursuant to subsection (b) of this Rule. Any Trading Permit Holder who has caused a bid or offer to be disseminated is equally responsible for removing such bid or offer when he leaves the trading crowd.

.03 Where a disseminated market quote is revised, as provided for in paragraph (e) of this Rule, it shall be considered conduct inconsistent with just and equitable principles of trade for a responsible broker or dealer immediately to re-display the previously disseminated market quote, unless such action is warranted by a change in market conditions.

.04 Floor Officials may, as provided for under Rules 6.20(c) and 17.50(g)(6), impose a fine on members of the trading crowd for violations of this Rule and its Interpretations and Policies.

.05 The requirement of paragraph (b) of this Rule that the responsible broker or dealer must honor displayed quotations up to the firm quote requirement subject to the conditions of the Rule applies not only to orders to buy or sell options, but also to complex orders that may be executed at displayed quotations for both parts of the order.

This obligation of a responsible broker or dealer applies to complex orders, and extends to the amount of the firm quote requirement on each side of the order.

.06 Reserved.
.07 Under paragraph (e) of this Rule, when two Floor Officials determine that a market in a class or series of options is fast pursuant to Rule 6.6, the Floor Officials may determine the market constitutes a level of trading activity or such unusual market conditions that the Exchange is incapable of collecting, processing and making available to quotation vendors bids, offers and quotation sizes in a manner that accurately reflects the current state of the market on the floor, and thus, suspend the firm quote requirement.

Approved December 22, 1995 (95-52); amended and renumbered April 2, 2001 (01-15); amended June 1, 2001 (01-15A2).

.08 The responsible broker or dealer shall not be obligated to honor a published bid or offer that is erroneous as a result of an error or omission made by the Exchange or any quotation vendor. If a published bid or published offer is accurate but the published quotation size (or published aggregate quotation size, as the case may be) associated with it is erroneous as a result of an error or omission made by the Exchange or any quotation vendor, then the responsible broker or dealer is responsible for the published bid or published offer shall be obligated to the extent set forth in paragraph (c) of Rule 11Ac1-1 but only to the extent of one contract of the listed option in question.

Approved April 2, 2001 (01-15); amended June 1, 2001 (01-15A2).

.10 Timing of Firm Quote Obligations

For purposes of determining when the firm quote obligations under Rule 8.51 attach in respect of orders received at a PAR workstation and how the exemptions to that obligation provided in paragraph (e) of that Rule apply, an order shall be deemed to be presented to the responsible broker or dealer, at the time the order is announced to the trading crowd.

.11 If, pursuant to paragraph (e) of this Rule, non-firm mode applies to an options class because the security underlying such options class has been delisted and is subsequently traded on the OTC Bulletin Board, Pink Sheets or similar trading system, and opening transactions have been prohibited pursuant to Cboe Options Rule 5.4, the Exchange shall monitor the activity or condition of the market and paragraph (e)(4) of this Rule shall not apply.

Adopted April 15, 2002 (02-15); amended May 30, 2003 (02-05); July 9, 2003 (02-36); November 18, 2005 (05-46).

1 This section is pursuant to SEC Rule 11Ac1-1(d)(4). The responsible broker or dealer shall also be relieved of it’s obligations under SEC Rule 11Ac1-1(c)(2).

2 See SEC Rule 11Ac1-1

Rule 8.52. Deleted

Deleted

Approved January 30, 2001 (00-58); amended January 25, 2002 (02-04); deleted August 20,2009 (09-040).
Rule 8.60. Evaluation of Trading Crowd Performance

(a) The Exchange shall periodically evaluate the performance of DPMs, Market-Makers, and other Trading Permit Holders both individually and collectively as trading crowds in order to determine whether they are satisfactorily meeting their market responsibilities. For purposes of this rule, a DPM, a Market-Maker, other Trading Permit Holders or a trading crowd may be referred to as a market participant (“Market Participants”). The evaluation may depend in part on the results of a survey of Trading Permit Holders administered by the Exchange, designed to assist the Exchange in determining the absolute and relative performance of Market Participants. The survey may consist of a questionnaire that solicits the views of Trading Permit Holders on the performance of Market Participants in respect of (1) quality of markets, (2) extent of competition in the crowd, (3) due diligence in representing orders as agent, (4) adherence to ethical standards, (5) carrying out administrative responsibilities, and (6) such other matters as the Exchange may deem relevant.

In addition to the survey, the Exchange may also consider any other relevant information, including but not limited to statistical measures of performance and such other factors and data as the Exchange may determine to be pertinent to the evaluation of Market Participants.

(b) The Exchange may find that a Market Participant has failed to satisfy its market responsibilities if it determines from the results of the evaluation that the Market Participant is ranked one or more standard deviations from the mean score of all Market Participants trading the same category of option, or if such a finding may reasonably be supported by any other relevant information known to the Exchange.

(c) A finding by the Exchange that a Market Participant has failed to satisfy its market responsibilities may result in one or more of the following actions, as determined by the Exchange: (1) suspension, termination, or restriction of the registration of a Market Participant (which may also include terminating, placing conditions upon, or otherwise limiting a Market Participant’s approval to act as a DPM), (2) suspension, termination or restriction of an appointment to one or more option classes or other securities, (3) relocation or reallocation of option classes or other securities to other trading crowds, (4) prohibiting a Market Participant from trading at a particular trading station, (5) requiring the Market Participant to submit a business plan to the Exchange detailing those steps that the Market Participant intends to take to improve its performance, (6) requiring that one or more Market Participants in a crowd execute 100% of their opening transactions in that crowd in person, (7) restricting the eligibility of a crowd to be allocated new option classes or other securities, (8) requiring that one or more Market Participants attend a meeting or series of meetings as the Exchange shall require for the purpose of education or improving their performance as Market Participants, and (9) requiring that all bookable orders be booked if not executed immediately upon presentation in the crowd.

(d) Before taking any action authorized under paragraph (c) of this Rule, the Exchange shall give written notice to the Market Participant involved that the Exchange is considering taking such action and the basis for the action under consideration, and the Exchange shall afford the affected Market Participant an opportunity to appear before the Exchange. In the case of actions proposed to be taken pursuant to clauses (1) through (4) of paragraph (c), the appearance shall be at a formal hearing and a verbatim record of the hearing shall be kept. Market Participants
appearing at such a hearing shall be entitled to be represented by counsel. In the case of actions proposed to be taken pursuant to clauses (5) through (11) of paragraph (c) that will not be imposed for a period longer than one year, the hearing need not be a formal one, but may instead consist of one or more informal meetings with the Exchange at which no verbatim record shall be required and to which neither counsel for the Exchange nor for the Market Participant will ordinarily be invited. The Market Participant receiving a notice pursuant to this paragraph (d) shall be required to appear at the formal hearing or informal meeting, as applicable, and may also submit a written statement to the Exchange. Formal rules of evidence shall not apply at either formal hearings or informal meetings, and the Exchange shall decide all questions of procedure and the admissibility of evidence. If, after a formal hearing or informal meeting, the Exchange determines that the Market Participant has failed to satisfy the Market Participant’s market responsibilities, the Exchange may take certain of the actions specified in paragraph (c) and shall furnish written notice to all affected Market Participants, which shall include the findings and conclusions of the Exchange and the action ordered by the Exchange. After a formal hearing, the Exchange may take any of the actions set forth in paragraph (c). After an informal meeting, the Exchange may only take those actions set forth in clauses (5) through (11) of paragraph (c).

(e) If, after receiving a notice of a formal hearing or informal meeting pursuant to paragraph (d) of this Rule, a Market Participant fails without reasonable justification or excuse to appear before or meet with the Exchange, the Exchange may take any of the actions specified in paragraph (c) of this rule that it believes to be appropriate. In addition, the Exchange may refer any Market Participant’s unexcused failure to attend a hearing or meeting held in accordance with paragraph (d) for appropriate disciplinary action pursuant to Chapter XVII of the Rules.

(f) If the Exchange takes one or more actions specified in paragraph (c) of this Rule after a formal hearing, such action may be reviewed upon submission of a timely application for review by the Board of Directors or a panel of at least three members thereof whose decision must be ratified by the Board. Such application must be submitted to the Secretary of the Exchange within twenty days of service of the decision upon the Market Participant. Unless the Board decides otherwise, the review shall be limited to matters raised before the Exchange hearing or contained in the written notification. The Board review panel or the Chairman of the Board has the authority to grant or deny a stay of the Exchange’s action. Any decision of the Exchange under this Rule may also be called for review by the Board on its own initiative within 30 days of service of the decision upon the Market Participant.

(g) Any action taken by the Exchange after an informal meeting in accordance with paragraph (c) (5) through (11) of this Rule may be appealed in accordance with Chapter XIX of the Rules.

Amended January 31, 1989; formerly Rule 8.12, renumbered June 13, 1989 (89-04); amended March 13, 1990 (90-04), December 2, 1997 (97-61), December 20, 2000 (98-46); November 18, 2005 (05-46); May 23, 2008 (08-02); June 18, 2010 (10-058); January 3, 2018 (18-010); May 10, 2019 (19-017).

. . . Interpretations and Policies:
A Market-Maker may be considered to be a member of a trading crowd if he holds an appointment in the options classes at the trading station where such crowd is located or if he regularly effects transactions for his Market-Maker account at that station.


Rule 8.61. Reserved

Reserved.

Approved March 14, 2005 (04-75); amended April 3, 2008 (07-120).

Section C: Designated Primary Market-Makers (Rules 8.80-8.91)

Rule 8.80. DPM Defined

(a) A “Designated Primary Market-Maker” or “DPM” is TPH organization that is approved by the Exchange to function in allocated securities as a Market-Maker (as defined in Rule 8.1) and is subject to the obligations under Rule 8.85 or as otherwise provided under the rules of the Exchange. A DPM generally will operate on Cboe Options’s trading floor (“On-Floor DPM”). However, as provided in Rule 8.83(g), a DPM can request that the Exchange authorize the DPM to function remotely away from Cboe Options’s trading floor (“Off-Floor DPM”) on a class-by-class basis. A DPM can operate as an Off-Floor DPM only in option classes traded on Cboe Options’s Hybrid Trading System. Unless otherwise specified, references to DPM in Cboe Options’s Rules include both “On-Floor DPM” and “Off-Floor DPM”.

(b) Determinations concerning whether to grant or withdraw the approval to act as a DPM are made by the Exchange in accordance with Rules 8.83 and 8.90. DPMs are allocated securities by the Exchange in accordance with Rule 8.95.

Approved September 22, 1987 (87-18); formerly Rule 8.13, renumbered June 13, 1989 (89-04); amended August 22, 1989 (89-17); October 19, 1990 (90-08); September 13, 1991 (91-35); January 5, 1994 (93-51); November 22, 1994 (94-36); December 2, 1997 (97-61); April 16, 1998 (98-06); October 18, 1999 (99-43); June 30, 2000 (98-54); November 18, 2005 (05-46); March 21, 2006 (06-15); March 25, 2007 (06-94); March 26, 2008 (08-32); May 23, 2008 (08-02); July 14, 2008 (08-67); June 18, 2010 (10-058).

Rule 8.81. DPM Designees

(a) A DPM may act as a DPM solely through its DPM Designees. A “DPM Designee” is an individual who is approved by the Exchange to represent a DPM in its capacity as a DPM. The Exchange may subclassify DPM Designees and require that certain DPM Designees be subject to specified supervision and/or be limited in their authority to represent a DPM.

(b) Notwithstanding any other rules to the contrary, an individual must satisfy the following requirements in order to be a DPM Designee of a DPM:

(i) the individual must be approved to be a Trading Permit Holder;
(ii) the individual must be a nominee of the DPM or of an affiliate of the DPM;

(iii) the individual must be registered as a Market-Maker pursuant to Rule 8.2;

(iv) on such form or forms as the Exchange may prescribe, the DPM must authorize the individual to enter into Exchange transactions on behalf of the DPM in its capacity as a DPM, must authorize the individual to represent the DPM in all matters relating to the fulfillment of the DPM’s responsibilities as a DPM, and must guaranty all obligations arising out of the individual’s representation of the DPM in its capacity as a DPM in all matters relating to the Exchange; and

(v) the individual must be approved by the Exchange to represent the DPM in its capacity as a DPM.

Notwithstanding the provisions of subparagraph (b)(ii) of this Rule, the Exchange shall have the discretion to permit an individual who is not affiliated with a DPM to act as a DPM Designee for the DPM on an emergency basis provided that the individual satisfies the other requirements of subparagraph (b) of this Rule.

(c) The approval of an individual to act as a DPM Designee shall expire in the event the individual does not have trading privileges on the Exchange for a six month time period.

(d) Each DPM shall have at least two DPM Designees who are nominees of the DPM.

(e) A DPM Designee of a DPM may not trade as a Market-Maker in securities allocated to the DPM unless the DPM Designee is acting on behalf of the DPM in its capacity as a DPM.

Adopted October 16, 1987 (87-39); amended November 23, 1987 (87-40); June 30, 2000 (98-54); November 18, 2005 (05-46); March 21, 2006 (06-15); May 23, 2008 (08-02); June 18, 2010 (10-058).

Rule 8.82. Reserved

Reserved

Approved June 30, 2000 (98-54); amended February 4, 2004 (03-55); July 7, 2005 (05-29); March 21, 2006 (06-15).

Rule 8.83. Approval to Act as a DPM

(a) A TPH organization desiring to be approved to act as a DPM shall file an application with the Exchange on such form or forms as the Exchange may prescribe.

(b) The Exchange shall determine the appropriate number of approved DPMs. Each DPM approval shall be made by the Exchange from among the DPM applications on file with the Exchange, based on the Exchange’s judgment as to which applicant is best able to perform the functions of a DPM. Factors to be considered in making such a selection may include, but are not limited to, any one or more of the following:
(i) adequacy of capital;

(ii) operational capacity;

(iii) trading experience of and observance of generally accepted standards of conduct by the applicant, its associated persons, and the DPM Designees who will represent the applicant in its capacity as a DPM;

(iv) number and experience of support personnel of the applicant who will be performing functions related to the applicant’s DPM business;

(v) regulatory history of and history of adherence to Exchange Rules by the applicant, its associated persons, and the DPM Designees who will represent the applicant in its capacity as a DPM;

(vi) willingness and ability of the applicant to promote the Exchange as a marketplace;

(vii) performance evaluations conducted pursuant to Rule 8.60; and

(viii) in the event that one or more shareholders, directors, officers, partners, managers, members, DPM Designees, or other principals of an applicant is or has previously been a shareholder, director, officer, partner, manager, member, DPM Designee, or other principal in another DPM, adherence by such DPM to the requirements set forth in this Section C of Chapter VIII respecting DPM responsibilities and obligations during the time period in which such person(s) held such position(s) with the DPM.

(c) Each applicant for approval as a DPM will be given an opportunity to present any matter which it wishes the Exchange to consider in conjunction with the approval decision. The Exchange may require that a presentation be solely or partially in writing, and may require the submission of additional information from the applicant or individuals associated with the applicant. Formal rules of evidence shall not apply to these proceedings.

(d) In selecting an applicant for approval as a DPM, the Exchange may place one or more conditions on the approval, including, but not limited to, conditions concerning the capital, operations, or personnel of the applicant, the number or type of securities which may be allocated to the applicant, and whether the DPM will operate on-floor or off-floor.

(e) Each DPM shall retain its approval to act as a DPM until the Exchange relieves the DPM of its approval and obligations to act as a DPM or the Exchange terminates the DPM’s approval to act as a DPM pursuant to Rule 8.90.

(f) If a TPH organization resigns as a DPM or if pursuant to Rule 8.90 the Exchange terminates or otherwise limits its approval to act as a DPM, the Exchange shall have the discretion to do one or both of the following:

(i) approve a DPM on an interim basis, pending the final approval of a new DPM pursuant to paragraphs (a) through (d) of this Rule; and
(ii) allocate on an interim basis to another DPM or to other DPMs the securities that were allocated to the affected DPM, pending a final allocation of such securities pursuant to Rule 8.95.

Neither an interim approval or allocation made pursuant to this paragraph (f) should be viewed as a prejudgment with respect to the final approval or allocation.

(g) An On-Floor DPM can request that the Exchange authorize it to operate as an Off-Floor DPM in one or more option classes traded on the Hybrid Trading System. The Exchange will consider the factors specified in paragraph (b) above in determining whether to permit an On-Floor DPM to operate as an Off-Floor DPM. If an On-Floor DPM is approved to operate as an Off-Floor DPM in one or more option classes, the Off-Floor DPM can have a DPM Designee trade in open outcry in the option classes allocated to the Off-Floor DPM, but the Off-Floor DPM will not receive a participation entitlement under Rule 8.87 with respect to orders represented in open outcry. Additionally, in an option class in which an Off-Floor DPM has been appointed, the Exchange in its discretion may also appoint an On-Floor LMM in accordance with Rule 8.15, which will be eligible to receive a participation entitlement under Rule 8.15 with respect to orders represented in open outcry. If the Exchange in its discretion determines to reallocate a class in which an Off-Floor DPM has been appointed, the On-Floor LMM appointment will automatically terminate.

Approved June 30, 2000 (98-54); amended March 21, 2006 (06-15); March 25, 2007 (06-94); March 26, 2008 (08-32); May 23, 2008 (08-02); July 14, 2008 (08-67); February 13, 2009 (09-006); June 18, 2010 (10-058); April 7, 2016 (16-009); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 A DPM that is approved to operate as an Off-Floor DPM in one or more option classes traded on the Hybrid Trading System can request that the Exchange authorize it to operate as an On-Floor DPM. In making a determination pursuant to this Interpretation, the Exchange should evaluate whether the change is in the best interests of the Exchange, and the Exchange may consider any information that it believes will be of assistance to it. Factors to be considered may include, but are not limited to, any one or more of the following: performance, operational capacity of the Exchange or the DPM, efficiency, number and experience of personnel of the DPM who will be performing functions related to the trading of the applicable securities, number of securities involved, number of Market-Makers affected, and trading volume of the securities.

Amended March 25, 2007 (06-94); March 26, 2008 (08-32); May 23, 2008 (08-02); July 14, 2008 (08-67).

Rule 8.84. Conditions on the Allocation of Securities to DPMs

(a) The Exchange may establish (i) restrictions applicable to all DPMs on the concentration of securities allocable to a single DPM and to affiliated DPMs and (ii) minimum eligibility standards applicable to all DPMs which must be satisfied in order for a DPM to receive allocations of securities, including but not limited to standards relating to adequacy of capital and number of personnel.
The Exchange has the authority under other Exchange rules to restrict the ability of particular DPMs to receive allocations of securities, including but not limited to, Rules 8.88(b) and 8.60, Rule 8.83(d), and Rule 8.90.

Amended March 21, 2006 (06-15); May 23, 2008 (08-02).

. . . Interpretations and Policies:

.01

(a) It shall be the responsibility of the Exchange, pursuant to this Rule, to determine whether or not to relocate all of the securities traded at a trading station operated by a DPM organization to another trading station operated by the same DPM, pursuant to a request from a DPM organization or on the Exchange’s own initiative. In making a determination pursuant to this Interpretation, the Exchange should evaluate whether the change is in the best interests of the Exchange, and the Exchange may consider any information that it believes will be of assistance to it. Factors to be considered may include, but are not limited to, any one or more of the following: performance, operational capacity of the Exchange or the DPM, efficiency, number and experience of personnel of the DPM who will be performing functions related to the trading of the applicable securities, number of securities involved in the relocation, number of Market-Makers affected by the relocation of the securities, and trading volume of the securities.

(b) Prior to making a determination pursuant to this Interpretation, except when expeditious action is required, the Exchange shall notify the DPM organization and trading crowds affected by the relocation of the securities of the action the Exchange is considering taking, and shall convene one or more informal meetings with the DPM and the trading crowds to discuss the matter, or shall provide the DPM and the trading crowds with the opportunity to submit a written statement to the Exchange.

Approved June 30, 2000 (98-54); amended June 16, 2004 (04-05); March 21, 2006 (06-15); May 23, 2008 (08-02).

Rule 8.85. DPM Obligations

(a) Dealer Transactions. Each DPM must fulfill all of the obligations of a Market-Maker under the Rules, and must satisfy each of the following requirements in respect of each of the securities allocated to the DPM. To the extent that there is any inconsistency between the specific obligations of a DPM set forth in subparagraphs (a)(i) through (a)(xi) of this Rule and the general obligations of a Market-Maker under the Rules, subparagraphs (a)(i) through (a)(xi) of this Rule will govern. Each DPM must:

(i) provide continuous electronic quotes in at least the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair, with the term “call-put pair” referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price, and assure that its disseminated market quotations are accurate. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading. Compliance with this quoting obligation applies to all of a DPM’s allocated classes collectively. The Exchange will
determine compliance by a DPM with this quoting obligation on a monthly basis. However, determining compliance with this obligation on a monthly basis does not relieve a DPM from meeting this obligation on a daily basis, nor does it prohibit the Exchange from taking disciplinary action against DPM for failing to meet this obligation each trading day. DPM continuous electronic quoting obligations may be satisfied by DPM either individually or collectively with DPM Market-Makers of the same TPH organization;

(ii) assure that its market quotations are accurate;

(iii) comply with the bid/ask differential requirements determined by the Exchange on a class-by-class basis;

(iv) to the extent the DPM operates on the trading floor, assure that the number of DPM Designees and support personnel continuously present at the trading station throughout every business day is not less than the minimum required by the Exchange. An Off-Floor DPM similarly shall assure that the number of DPM Designees and support personnel continuously overseeing the DPM’s activities is not less than the minimum required by the appropriate Exchange committee. Additionally, an Off-Floor DPM shall provide members with telephone access to a DPM Designee at all times during market hours for purposes of resolving problems involving trading on the Exchange;

(v) trade in all securities allocated to the DPM only in the capacity of a DPM and not in any other capacity,

(vi) segregate in a manner prescribed by the Exchange (A) all transactions consummated by the DPM in securities allocated to the DPM and (B) any other transactions consummated by or on behalf of the DPM that are related to the DPM’s DPM business;

(vii) assure that its market quotations comply with the minimum size requirements prescribed by the Exchange, which minimum must be at least one contract;

(viii) not initiate a transaction for the DPM’s own account that would result in putting into effect any stop or stop limit order which may be in the book or which the DPM represents as Floor Broker except with the approval of a Floor Official and when the DPM guarantees that the stop or stop limit order will be executed at the same price as the electing transaction. The restrictions set forth in this paragraph do not apply to stop or stop limit orders received through the Hybrid System unless the terms of such orders are visible to the DPM, or unless such orders are handled by the DPM;

(ix) determine a formula for generating automatically updated market quotations; and

(x) enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2(d)(i)(A) or (ii)(A)) and participate in other rotations described in Rule 6.2 (including the modified opening rotation set forth in Interpretation and Policy .01) or 24.13, as applicable. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have
been appointed, the obligation set forth in this paragraph (a)(xi) will be that of the Off-Floor DPM or Off-Floor LMM and not on the On-Floor LMM.

(b) Agency Transactions. A DPM shall not execute orders as an agent or Floor Broker in its allocated option classes.

(c) Other Obligations. In addition to the obligations described in paragraphs (a) and (b) of this Rule, a DPM shall fulfill each of the following obligations:

   (i) resolve disputes relating to transactions in the securities allocated to the DPM, subject to Floor Official review, upon the request of any party to the dispute;

   (ii) make competitive markets on the Exchange and otherwise promote the Exchange in a manner that is likely to enhance the ability of the Exchange to compete successfully for order flow in the classes it trades;

   (iii) promptly inform the Exchange of any desired change in the DPM Designees who represent the DPM in its capacity as a DPM and of any material change in the financial or operational condition of the DPM;

   (iv) supervise all persons associated with the DPM to assure compliance with the Rules;

   (v) segregate in a manner prescribed by the Exchange the DPM’s business and activities as a DPM from the DPM’s other businesses and activities; and

   (vi) continue to act as a DPM and to fulfill all of the DPM’s obligations as a DPM until the Exchange relieves the DPM of its approval and obligations to act as a DPM or the Exchange terminates the DPM’s approval to act as a DPM pursuant to Rule 8.90.

(d) Obligations of DPM Associated Persons. Each person associated with a DPM shall be obligated to comply with the provisions of subparagraph (a), (b), and (c) of this Rule when acting on behalf of the DPM.

(e) Requirement to Hold Trading Permit. Each DPM organization shall hold such number of Trading Permits as may be necessary based on the aggregate “appointment cost” for the classes allocated to the DPM organization. Each Trading Permit held owned or leased by the DPM organization has an appointment credit of 1.0. The appointment costs for the classes allocated to the DPM organization are set forth in paragraph (c)(i) of Rule 8.3.

For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the DPM organization would be required to hold two Trading Permits. The Exchange will rebalance the “tiers” set forth in Rule 8.3(c)(i), excluding the “AA” tier, once each calendar quarter, which may result in additions or deletions to their composition. When a class changes “tiers” it will be assigned the “appointment cost” of that tier. Upon rebalancing, each DPM organization will be required to hold the appropriate number of Trading Permits reflecting the revised “appointment costs” of the classes that have been allocated to it. Additionally, a DPM
organization is required to hold the appropriate number of Trading Permits at the time a new option class is allocated to it pursuant to Rule 8.95 begins trading.

In the event the TPH organization approved as the DPM organization is also approved to act as Market-Maker, and has excess Trading Permit capacity above the aggregate appointment cost for the classes allocated to it as the DPM, the TPH organization may utilize the excess Trading Permit capacity to quote electronically in an appropriate number of Hybrid classes in the capacity of a Market-Maker and not trade in open outcry. For example, if the DPM organization has been allocated such number of option classes that its aggregate appointment cost is 1.6, the TPH organization could request an appointment as a Market-Maker in any combination of Hybrid classes whose aggregate “appointment cost” does not exceed .40. The TPH organization will not function as a DPM in any of these additional classes. In the event the TPH organization utilizes any excess Trading Permit capacity to quote electronically in some additional Hybrid classes as a Market-Maker, it must comply with the provisions of Rule 8.3.

Approved June 30, 2000 (98-54); amended August 21, 2000 (99-37); January 25, 2002 (00-42); February 10, 2003 (02-18); May 30, 2003 (02-05); April 28, 2003 (03-16); November 6, 2003 (03-34); April 20, 2004 (04-22); September 7, 2004 (04-12); October 15, 2004 (04-57); November 23, 2004 (04-25); December 21, 2004 (04-50); January 21, 2005 (04-35); February 9, 2005 (04-85); February 22, 2005 (04-73); May 9, 2005 (05-27); August 25, 2005 (05-28); November 18, 2005 (05-46); March 1, 2006 (06-18); March 21, 2006 (06-15); July 31, 2006 (05-93); August 31, 2006 (06-58); December 21, 2006 (06-108); March 25, 2007 (06-94); June 7, 2007 (06-101); December 31, 2007 (07-87); January 7, 2008 (07-134); March 18, 2008 (08-29); April 3, 2008 (07-120); April 30, 2008 (08-50); May 23, 2008 (08-02); July 14, 2008 (08-67); July 17, 2008 (08-40) September 22, 2008 (08-95); October 10, 2008 (08-101); March 9, 2009 (09-015); September 28, 2009 (09-067); February 4, 2010 (10-012); June 18, 2010 (10-058); November 28, 2011 (11-105); August 6, 2012 (12-064); April 8, 2013 (13-019); January 2, 2014 (13-110); August 21, 2014 (14-059); April 7, 2016 (16-009); December 9, 2016 (16-071); January 3, 2018 (18-010); March 27, 2018 (18-021); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Willingness to promote the Exchange as a marketplace includes assisting in meeting and educating market participants (and taking the time for travel related thereto), maintaining communications with Trading Permit Holders in order to be responsive to suggestions and complaints, responding to suggestions and complaints, and other like activities.

Approved June 30, 2000 (98-54); amended November 18, 2005 (05-46); June 18, 2010 (10-058).

.02 When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, DPMs shall have no quoting obligations in the class.

.03 If the Exchange determines to list SPX or VIX on a group basis pursuant to Rule 8.14, obligations of a Designated Primary Market-Maker with an SPX or VIX appointment, as applicable, as set forth in Rule 8.85, apply on a class basis, except if the Exchange determines to apply obligations on a group basis.
Rule 8.86. DPM Financial Requirements

Each DPM shall maintain (i) net liquidating equity in its DPM account of not less than $100,000, and in conformity with such guidelines as the Exchange may establish from time to time, and (ii) net capital sufficient to comply with the requirements of Exchange Act Rule 15c3-1. Each DPM which is a Clearing Trading Permit Holder shall also maintain net capital sufficient to comply with the requirements of the Clearing Corporation.

Rule 8.87. Participation Entitlement of DPMs

(a) The Exchange may establish from time to time a participation entitlement formula that is applicable to all DPMs.

(b) The participation entitlement for DPMs shall operate as follows:

(1) Generally.

(i) To be entitled to a participation entitlement, the DPM must be quoting at the best bid/offer on the Exchange.

(ii) A DPM may not be allocated a total quantity greater than the quantity that the DPM is quoting at the best bid/offer on the Exchange.

(iii) The participation entitlement is based on the number of contracts remaining after all priority customer orders in the book at the BBO have been satisfied.

(iv) An Off-Floor DPM shall not receive a participation entitlement with respect to orders represented in open outcry on Cboe Options’s trading floor.

(2) Participation Rates Applicable to DPM Complex. Applicable to DPM Complex. The collective DPM participation entitlement shall be: 50% when there is one other Market-Maker quote or broker-dealer order at the BBO; 40% when there are two other Market-Maker quotes or broker-dealer orders at the BBO; and 30% when there are three or more other Market-Maker quotes or broker-dealer orders at the BBO. For purposes of this paragraph (with respect to an electronic execution), all broker-dealers orders at the same price will be treated as one broker-dealer order (with size consisting of the cumulative number of contracts in those non-Market-Maker broker-dealer orders).

(3) Reserved.

Approved June 30, 2000 (98-54); amended July 12, 2004 (04-24); June 2, 2005 (04-71); June 10, 2005 (05-45); July 13, 2005 (05-50); September 23, 2005 (05-58); March 21, 2006 (06-15); March 25, 2007 (06-94); May 23, 2008 (08-02); January 2, 2014 (13-110); January 24, 2017 (17-009); May 10, 2019 (19-017).

. . . Interpreted and Policies:

.01 Notwithstanding subparagraph (b)(2) above, the Exchange may establish a lower DPM Complex Participation Rate on a product-by-product basis for newly-listed products or products that are being allocated to a DPM trading crowd for the first time. Notification of such lower participation rate shall be provided to Trading Permit Holders through a Regulatory Circular.

Approved February 7, 2005 (05-15); amended June 18, 2010 (10-058).

.02 Rule 8.85(a)(i) and Rule 8.93(i) do not require a DPM to provide continuous electronic quotes in intra-day add-on series on the day during which such series are added for trading. However, a DPM may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.87(b).

Approved April 8, 2013 (13-019); amended January 2, 2014 (13-110).

.03 Where the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, DPMs shall have no quoting obligations in the class. However, a DPM may receive a participation entitlement in series of such a class when the underlying security has entered a limit up limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.87(b).

Approved April 5, 2013 (13-030); amended January 2, 2014 (13-110).

Rule 8.88. Review of DPM Operations and Performance

(a) The Exchange may conduct a review of a DPM’s operations or performance at any time and at a minimum shall conduct a review of each DPM’s operations and performance on an annual basis. The review shall include, among other things, an evaluation of the extent to which the DPM has satisfied its obligations under Rule 8.85 and has otherwise acted in ways reasonably designed to make the Exchange competitive with other markets trading the same securities as those allocated to the DPM taking into account the Exchange’s market share in those securities. A DPM and its associated persons shall submit to the Exchange such information requested by the Exchange in connection with a review of the DPM’s operations or performance.

(b) The Exchange may perform the market performance evaluation and remedial action functions set forth in Rule 8.60 with respect to DPMs and the Market-Makers and Floor Brokers
that regularly trade at DPM trading stations. The Exchange may combine a review conducted pursuant to paragraph (a) of this Rule with an evaluation conducted pursuant to Rule 8.60.

(c) Members appointed by the Exchange may perform the functions of a Floor Official at DPM trading stations.

Approved June 30, 2000 (98-54); amended July 11, 2000 (00-29); March 21, 2006 (06-15); May 23, 2008 (08-02).

Rule 8.89. Transfer of DPM Appointments

(a) A DPM proposing any sale, transfer, or assignment of any ownership interest or any change in its capital structure, voting authority, or distribution of profits or losses shall give not less than thirty (30) days prior written notice thereof to the Exchange. No such transaction that is deemed to involve the transfer of a DPM appointment within the meaning of paragraph (b) of this Rule may take place unless (i) the transferee is qualified to act as a DPM in accordance with the Rules, and (ii) the transaction has received the prior approval of the Exchange.

(b) For purposes of this Rule 8.89, the following transactions are deemed to involve the transfer of a DPM appointment: (i) any sale, transfer, or assignment of any significant share of the ownership of a DPM; (ii) any change or transfer of control of a DPM; or (iii) any merger, sale of assets, or other business combination or reorganization of a DPM. A sale, transfer, or assignment of a five percent (5%) or more interest in the equity or profits or losses of a DPM (or any series of smaller changes that in the aggregate amount to a change of five percent or more) shall be deemed to be a sale, transfer, or assignment of a significant share of the ownership of the DPM; provided, however, that any sale, transfer, or assignment of a less than five percent interest may also be found by the Exchange to represent a significant share of the ownership of a DPM depending on the surrounding facts and circumstances, in which event the Exchange shall notify the DPM within fifteen (15) days after receiving notice thereof that the approval of the transaction by the Exchange is required.

(c) An application for the approval of a transaction deemed to involve the transfer of a DPM appointment shall be submitted in writing to the Exchange at least thirty (30) days prior to the proposed effective date of the transaction, unless the Exchange approves a shorter period for its review. The application shall contain a full and complete description of the proposed transaction, including (i) the identity of the transferee, (ii) a description of the transferee’s ownership and capital structure, (iii) the identity of those persons who will be the partners, shareholders, directors, officers, and other managers or affiliates of the transferee, as well as those persons who will be responsible for performing the duties of the DPM following the transfer, (iv) the terms of the transaction including the consideration proposed to be paid by the transferee, (v) the terms of any other business relationships between the parties to the transaction, and (vi) any other material information pertaining to the transaction that the Exchange may request.

(d) Promptly after receipt of a completed application for the approval of a proposed transfer of a DPM appointment, the Exchange shall post notice of the proposed transfer on the Cboe Options website. The Exchange shall not ordinarily consider a proposed transfer sooner than ten (10) business days following the day notice is posted, unless the Exchange finds it necessary
to give earlier consideration to the matter in the interest of the maintenance of fair and orderly markets and the protection of investors. During this period, the Exchange will accept written comments on the proposed transfer from any Trading Permit Holder, and will accept written proposals from other Trading Permit Holders or from Market-Maker crowds who wish to be considered for appointment in some or all of the classes that are the subject of the proposed transfer.

(e) No application shall be finally approved by the Exchange until it is accompanied by complete and final documents pertaining to the transfer (all corporate or partnership documents and amendments thereto, voting trust, “buy-sell” or similar agreements, employment agreements, pro forma financial statements), except as the Exchange may agree to defer the delivery of specific documents for good cause shown. In considering the approval of a proposed transfer of a DPM appointment, the Exchange shall give due consideration to all relevant facts and circumstances, including but not limited to each of the following factors, if applicable: (i) the financial and operational capacity of the transferee; (ii) continuity of control, management, and persons responsible for the operation of the DPM; (iii) avoiding undue concentration of DPM appointments on the Exchange; (iv) available alternatives for reallocating the DPM’s appointment taking into account comments made and alternatives proposed by other Trading Permit Holders during the posting period; and (v) the best interests of the Exchange. If the proposed transferee is not approved to act as a DPM at the time the application is considered by the Exchange, the approval of the transfer may be made contingent on the transferee’s being so approved within a stated period of time.

Approved June 30, 2000 (98-54); amended March 6, 2001 (00-61); March 21, 2006 (06-15); July 6, 2006 (06-38); May 23, 2008 (08-02); June 18, 2010 (10-058); February 24, 2014 (14-009).

. . . Interpretations and Policies:

.01 For purposes of paragraph (b) of this Rule, a transfer of an interest in the profits (but not the ownership) of a DPM to an associated person of the DPM solely as compensation for the associated person’s services in support of the business of the DPM shall not ordinarily be deemed to be a sale, transfer, or assignment of a significant share of the ownership of the DPM.

Approved June 30, 2000 (98-54).

.02 Reserved.

Approved August 21, 2000 (99-37); amended March 6, 2001 (00-61); March 21, 2006 (06-15); July 6, 2006 (06-38).

Rule 8.90. Termination, Conditioning, or Limiting Approval to Act as a DPM

(a) The Exchange may terminate, place conditions upon, or otherwise limit a TPH organization’s approval to act as a DPM under any one or more of the following circumstances:

(i) if the TPH organization incurs a material financial, operational, or personnel change;
(ii) if the TPH organization fails to comply with any of the requirements under this Section C of Chapter VIII (including, but not limited to, any conditions imposed under Rule 8.83(d), Rule 8.84(a)(ii), or this Rule) or fails to adequately satisfy the standards of performance under Rule 8.88(a);

(iii) if for any reason the TPH organization should no longer be eligible for approval to act as a DPM or to be allocated a particular security or securities.

Before the Exchange takes action to terminate, condition, or otherwise limit a TPH organization’s approval to act as a DPM, the TPH organization will be given notice of such possible action and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. Such proceedings shall be conducted in the same manner as Exchange proceedings concerning DPM approvals which are governed by Rule 8.83(c).

(b) Notwithstanding the provisions of paragraph (a) of this Rule, the Exchange has the authority to immediately terminate, condition, or otherwise limit a TPH organization’s approval to act as a DPM if it incurs a material financial, operational, or personnel change warranting such action or if the TPH organization fails to comply with any of the financial requirements of Rule 8.86.

(c) Limiting a TPH organization’s approval to act as a DPM may include, among other things, limiting or withdrawing the TPH organization’s DPM participation entitlement provided for under Rule 8.87, withdrawing the right of the TPH organization to act in the capacity of a DPM in a particular security or securities which have been allocated to the TPH organization, and/or requiring the relocation of the TPH organization’s DPM operation on the Exchange’s trading floor.

(d) If a TPH organization’s approval to act as a DPM is terminated, conditioned, or otherwise limited by the Exchange pursuant to this Rule, the TPH organization may seek review of that decision under Chapter XIX of the Rules.

Approved June 30, 2000 (98-54); amended March 21, 2006 (06-15); May 23, 2008 (08-02); June 18, 2010 (10-058).

Section D: Allocation of Securities and Location of Trading Crowds and DPMs (Rule 8.95)

Rule 8.95. Allocation of Securities and Location of Trading Crowds and DPMs

(a) The Exchange shall determine for each security traded on the Exchange (i) whether the security should be allocated to a trading crowd or to a DPM and (ii) which trading crowd or DPM should be allocated the security. The Exchange shall also determine the location on the Exchange’s trading floor of each trading crowd, each DPM, and each security traded on the Exchange.

(b) The Exchange may consider any information which the Exchange believes will be of assistance to it in making determinations pursuant to paragraph (a) of this Rule. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: performance, volume, capacity, market performance commitments, operational
factors, efficiency, competitiveness, environment in which the security will be traded, expressed preferences of issuers, and recommendations of Exchange committees.

(c) During the first twelve (12) months following the allocation of a security to a trading crowd or DPM, the Exchange may remove the allocation, and may reallocate the applicable security pursuant to paragraph (a) of this Rule, if the trading crowd or DPM fails to adhere to any market performance commitments made by the trading crowd or DPM in connection with receiving the allocation. Any determination made pursuant to paragraph (a) of this Rule may also be changed by the Exchange at any time if the Exchange concludes that a change is in the best interest of the Exchange based on operational factors or efficiency.

(d) Prior to taking any action pursuant to paragraph (c) of this Rule, except when expeditious action is required, the Exchange, shall notify the trading crowd or DPM involved of the reasons the Exchange is considering taking action pursuant to paragraph (c) and the kind of action that is under consideration, and shall either convene one or more informal meetings with the trading crowd or DPM to discuss the matter, or shall provide the trading crowd or DPM with the opportunity to submit a written statement to the Exchange. Ordinarily, neither counsel for the Exchange nor counsel for the trading crowd or DPM shall be invited to any such informal meetings, and no verbatim record of the meetings shall be kept.

(e) The allocation of a security to a trading crowd or DPM and the location of a trading crowd or DPM on the Exchange’s trading floor does not convey ownership rights in such allocation or location or in the order flow associated with such allocation or location.

(f) No option classes opened for trading prior to May 1, 1987 shall be allocated to a DPM except to the extent authorized by a Trading Permit Holder vote. Notwithstanding the foregoing, pursuant to a membership vote taken in November, 1989, if a trading crowd indicates that it no longer wishes to trade an option class opened for trading prior to May 1, 1987, the option class may be reallocated to another trading crowd or to a DPM giving priority to trading crowd applications over DPM applications, provided that the Exchange, as applicable, determines that the trading crowd’s commitment to market quality is competitive and that operational considerations are satisfied.

(g) In allocating and reallocating securities to trading crowds and DPMs, the Exchange shall act in accordance with any limitation or restriction on the allocation of securities that is established pursuant to another Exchange Rule.

Approved April 16, 1998 (98-03); amended June 30, 2000 (38-54); September 5, 2002 (02-32); March 21, 2006 (06-15); May 23, 2008 (08-02); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 Subject to Rule 8.83(f), the Exchange will reallocate a security pursuant to paragraph (a) of this Rule in the event that the security is removed pursuant to another Exchange Rule from the trading crowd or DPM to which the security has been allocated or in the event that for some other reason the trading crowd or DPM to which the security has been allocated no longer retains such allocation.
.02 The Exchange will relocate a trading crowd or DPM pursuant to paragraph (a) of this Rule in the event that the trading crowd or DPM is required to be relocated pursuant to another Exchange Rule.

.03 A trading crowd may indicate that it no longer wishes to trade an option class opened for trading prior to May 1, 1987, for purposes of paragraph (f) of Rule 8.95 by means of a voting procedure as described in this Interpretation and Policy. Members of a trading crowd eligible to participate in the vote shall include those market-makers and floor brokers who have transacted at least 80% of their market-maker contracts (in the case of market-makers) or orders (in the case of floor brokers) in each of the three immediately preceding calendar months in option classes traded in the trading crowd, and who continue to be present in the trading crowd in the capacity of a market maker or floor broker at the time of the vote. Eligible market-makers and floor brokers shall each have one vote, and shall vote together as a single class. A trading crowd shall be deemed to have indicated that it no longer wishes to trade a designated option class if a majority of the trading crowd participates in the vote and if a majority of the total votes cast are in favor of the proposition. Any member of a trading crowd eligible to vote on whether the crowd wishes to trade an option class may request that such a vote be held by submitting a written request to that effect to the Secretary of the Exchange.

The Exchange shall post a notice at the trading station of the time and date of any vote to be taken for purposes of Rule 8.95(f) at least 24 hours prior to the time of the vote. The Exchange shall determine all other administrative procedures pertaining to the vote.

Amended March 21, 2006 (06-15); May 23, 2008 (08-02).

.04 Notwithstanding paragraph (a) of this Rule, the Exchange shall have the authority to relocate all of the securities traded at a trading station operated by a DPM organization to another trading station operated by the same DPM organization pursuant to Interpretation .01 of Rule 8.84.

Adopted June 24, 1999 (99-31); amended June 16, 2004 (04-05); March 21, 2006 (06-15); May 23, 2008 (08-02).

.05 The Exchange may make temporary allocations of securities either to a DPM or a non-DPM trading crowd by explicitly indicating to such DPM or non-DPM trading crowd at the time of allocation that the allocation is temporary. The Exchange at any time during the first twelve months following the granting of the temporary allocation may determine it is in the best interest of the Exchange to reallocate the security such that: (i) a security initially allocated to a DPM is reallocated to a non-DPM trading crowd; or (ii) a security initially allocated to a non-DPM trading crowd is reallocated to a DPM.

Amended January 10, 2005 (05-03); March 21, 2006 (06-15); May 23, 2008 (08-02).
.06 In the event an existing DPM is authorized to act as an Off-Floor DPM in one or more option classes, this will be considered a reallocation of securities pursuant to this rule.

Amended June 11, 2007 (07-57).
CHAPTER IX. DOING BUSINESS WITH THE PUBLIC

Rule 9.1. Exchange Approval

An individual Trading Permit Holder may not transact business with the public. A TPH organization may transact business with the public after an application, submitted on a form prescribed by the Exchange, has been approved by the Exchange. Approval to transact business with the public shall be based on a TPH organization’s meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Chapter XIII of the Rules, and such approval may be withdrawn if any of the requirements cease to be met.

Amended June 2, 1980; July 19, 2000, effective August 18, 2000 (99-15); November 22, 2005 (05-69); May 23, 2008 (08-02); June 18, 2010 (10-058).

Rule 9.2. Registration of Options Principals

No TPH organization shall be approved to transact options business with the public until those persons associated with it who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the supervision of options sales practices or a person to whom the designated general partner or executive officer (pursuant to Rule 9.8) or another Registered Options Principal delegates the authority to supervise options sales practices shall be designated as Options Principals. In connection with their registration, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with Web CRD, shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business and of the Rules of the Exchange, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation.

Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with Web CRD. Termination of employment or affiliation of any Registered Options Principal in such capacity shall be promptly electronically reported to Web CRD together with a brief statement of the reason for such termination on Form U-5.

Amended October 19, 1990 (90-08); June 11, 2002 (01-66); December 14, 2007 (07-106); June 18, 2010 (10-058); amended November 12, 2010 (10-084).

Interpretations and Policies:

.01 Individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principals Examination (Series 4) or the Sales Supervision Examination (Series 9/10).

Adopted December 14, 2007 (07-106)

.02 Individuals who are delegated responsibility pursuant to Rule 9.8 for reviewing the acceptance of discretionary accounts, for approving exceptions to a TPH organization’s criteria or standards for uncovered options accounts, and for approval of communications, shall be designated
as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4).

Adopted December 14, 2007 (07-106); amended June 18, 2010 (10-058).

Rule 9.3. Registration and Termination of Representatives

(a) Registration. No TPH organization shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been approved by and registered with the Exchange. Persons who perform duties for the TPH organization which are customarily performed by sales representatives, solicitors, or branch office managers shall be designated as Representatives. In connection with their registration, Representatives shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with Web CRD by appropriately checking the Cboe Options as a requested registration on the electronic U-4 filing, and shall successfully complete an examination for the purpose of demonstrating an adequate knowledge of the securities business, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation. Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with Web CRD.

(b) Termination - Filing of U-5’s. The discharge or termination of employment of any registered person, together with the reasons therefor, shall be electronically reported to Web CRD by a TPH organization immediately following the date of termination, but in no event later than thirty (30) days following termination, on a Uniform Termination Notice for Securities Industry Registration (Form U-5). A copy of the Form U-5 shall be provided concurrently to the person whose association has been terminated.

(c) Termination - Filing of amended U-5’s. The TPH organization shall electronically report to Web CRD, by means of an amendment to the Form U-5 filed pursuant to paragraph (b) above, in the event that the TPH organization learns of facts or circumstances causing any information set forth in the Form U-5 to become inaccurate or incomplete. Such amendment shall be provided concurrently to the person whose association has been terminated no later than thirty (30) days after the TPH organization learns of the facts or circumstances giving rise to the need for the amendment.

Amended June 11, 2002 (01-66); June 18, 2010 (10-058); amended November 12, 2010 (10-084).

. . . Interpretations and Policies:

.01 A person accepting orders from non-Trading Permit Holder customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Representatives Examination (Series 7) and pass the Securities Industry Essentials Examination ("SIE").

Deleted June 11, 2002 (01-66); adopted December 14, 2007 (07-106); amended June 18, 2010 (10-058); amended October 1, 2018 (18-064).
.02 Any person who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

Adopted October 1, 2018 (18-064).

Rule 9.3A. Continuing Education for Registered Persons

(a) Regulatory Element—No Trading Permit Holder or TPH organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty days after the person’s registration anniversary date. A person’s initial registration date, also known as the “base date”, shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule.

(1) Failure to complete—Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration.

The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(2) Disciplinary Actions—Unless otherwise determined by the Exchange, a registered person will be required to re-take the Regulatory Element and satisfy all of its requirements in the event such person:

(i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of $5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or
(iii) is ordered as a sanction in a disciplinary action to re-take the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A re-taking of the Regulatory Element shall commence with participation within one hundred twenty days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person’s new base date for purposes of this Rule.

(3) Required Programs -- For purposes of this Rule, the Exchange offers the following Regulatory Elements for Exchange registered persons: the S201 Supervisor Program for registered principals and supervisors; the S106 Series 6 Program for Series 6 registered persons; until January 4, 2016, the S501 Series 56 Proprietary Trader Continuing Education Program for Series 56 registered persons, and the S101 General Program for Series 7, Series 57, and all other registered persons.

(b) Delivery of Regulatory Element —Effective January 4, 2016, the continuing education Regulatory Element set forth in paragraph (a) of this Rule will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange.

(c) Firm Element

(1) Persons Subject to the Firm Element—The requirements of Section (c) of this Rule shall apply to any registered person who prior to January 4, 2016 has a Series 56 registration or, effective January 4, 2016, any registered person who has a Series 57 registration or any associated person who has direct contact with customers in the conduct of the Trading Permit Holder’s or TPH organization’s securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, “covered registered persons”).

(2) Standards

(i) Each Trading Permit Holder and TPH organization must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each Trading Permit Holder and TPH organization shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the Trading Permit Holder’s and TPH organization’s size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a Trading Permit Holder or TPH organization’s analysis determines a need for supervisory training for persons with supervisory responsibilities such training must be included in the Trading Permit Holder or TPH organization’s training plan.
(ii) Minimum Standards for Training Programs—Programs used to implement a Trading Permit Holder’s or TPH organization’s training plan must be appropriate for the business of the Trading Permit Holder or TPH organization and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the Trading Permit Holder or TPH organization:

(a) General investment features and associated risk factors;

(b) Suitability and sales practice considerations; and

(c) Applicable regulatory requirements.

(iii) Administration of Continuing Education Program—Each Trading Permit Holder and TPH organization must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) Participation in the Firm Element—Covered registered persons included in a Trading Permit Holder’s or TPH organization’s plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Trading Permit Holder or TPH organization.

(4) Specific Training Requirements—The Exchange may require a Trading Permit Holder or TPH organization, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

Approved February 8, 1995 (94-49); amended March 3, 1998 (97-68); January 15, 2003 (03-01); November 3, 2004 (04-62); June 18, 2010 (10-058); July 22, 2013 (13-076); October 4, 2013 (13-098); October 30, 2015 (15-084).

. . . Interpretations and Policies:

.01 For purposes of this Rule, the term “registered person” means any Trading Permit Holder, registered representative or other person registered or required to be registered under Exchange rules.

Approved February 8, 1995 (94-49); amended June 18, 2010 (10-058); amended November 12, 2010 (10-084).

.02 For purposes of this Rule, the term “customer” means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a Trading Permit Holder or TPH organization.
.03 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassOCIated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary—and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity.

Any former registered person who becomes reassOCIated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program’s requirements in their entirety on three occasions, based on the most recent registration date.

.04 A registration that is deemed inactive for a period of two calendar years pursuant to section (a)(2) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of Exchange rules.

Rule 9.4. Other Affiliations of Registered Associated Persons

(a) No person associated with a Trading Permit Holder in any registered capacity shall be employed by, or accept compensation from, any other person or entity as a result of any business activity, other than a passive investment, outside the scope of his/her relationship with his/her employer firm, unless the person has provided prompt written notice to the Trading Permit Holder and has received prior written consent of the Trading Permit Holder.

(b) Except with the prior written consent of the Trading Permit Holder and prompt written notice to the Exchange, every Registered Options Principal, Sales Supervisor, and Financial/Operations Principal registered with a Trading Permit Holder for which the Exchange is the DEA shall devote his/her entire time during business hours to the business of the TPH organization employing or compensating him/her.

Amended May 8, 2003 (03-02); June 18, 2010 (10-058); May 10, 2019 (19-017).

Rule 9.5. Discipline, Suspension, Expulsion of Registered Persons

The Exchange may discipline, suspend or terminate the registration of any Registered Representative or Registered Options Principal for violation of the Bylaws or Rules of the Exchange or the Rules of the Clearing Corporation.

Amended June 18, 2010 (10-058).
Rule 9.6. Branch Offices of TPH Organizations

(a) Every TPH organization approved to do options business with the public under this Chapter shall file with the Exchange and keep current a list of each of its branch offices showing the location of each such office and the name of the manager of each such office.

(b) No branch office of a TPH organization shall transact options business with the public unless the manager of such branch office has been qualified as a Registered Options Principal; provided, that this requirement shall not apply to branch offices in which not more than three Registered Representatives are located so long as the TPH organization can demonstrate that the options activities of such branch offices are appropriately supervised by a Registered Options Principal.

Amended March 26, 1980; October 19, 1990; June 18, 2010 (10-058).

...Interpretations and Policies:

.01 Definition of Branch Office. — A “branch office” is any location where one or more associated persons of a Trading Permit Holder or TPH organization regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(A) any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;

(B) any location that is the associated person’s primary residence; provided that: (i) only one associated person, or multiple associated persons, who reside at that location and are members of the same immediate family, conduct business at the location; (ii) the location is not held out to the public as an office and the associated person does not meet with customers at the location; (iii) neither customer funds nor securities are handled at that location; (iv) the associated person is assigned to a designated branch office, and such branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; (v) the associated person’s correspondence and communications with the public are subject to all supervisory provisions of the Exchange’s rules; (vi) electronic communications (e.g., e-mail) are made through the Trading Permit Holder’s or TPH organization’s electronic system; (vii) all orders are entered through the designated branch office or an electronic system established by the Trading Permit Holder or TPH organization that is reviewable at the branch office; (viii) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the Trading Permit Holder or TPH organization; and (ix) a list of the locations is maintained by the Trading Permit Holder or TPH organization;

(C) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the Trading Permit Holder or TPH organization complies with the provisions of (ii) through (viii) of paragraph (B) above;

(D) an office of convenience, where the associated person occasionally and exclusively by appointment meets with customers, which is not held out to the public as a branch office (where
such location is on bank premises, however, only signage required by the Interagency Statement (Statement on Retail Sales of Nondeposit Investment Products required under Banking Regulations) may be displayed);

(E) any location that is used primarily to engage in non-securities activities and from which the associated person effects no more than 25 securities transactions in any one calendar year; provided that any advertisements or sales literature identifying such location also sets forth the address and telephone number of the location from which the associated person conducting business at the non-branch locations are directly supervised;

(F) the Floor of a registered national securities exchange where a Trading Permit Holder or TPH organization conducts a direct access business with public customers; or

(G) a temporary location established in response to the implementation of a business continuity plan.

Notwithstanding the exclusions in subparagraphs .01(A) - (G) above, any location that is responsible for supervising the activities of persons associated with a Trading Permit Holder or TPH organization at one or more non-branch locations of such Trading Permit Holder or TPH organization is considered to be a branch office.

For purposes of this Rule, the term “business day” shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

For purposes of this Rule, the term “associated person of a Trading Permit Holder or TPH organization” is defined as a Trading Permit Holder or employee associated with a Trading Permit Holder or TPH organization.

For purposes of .01(B)(viii) above, written supervisory procedures shall include criteria for on-site for cause reviews of an associated person’s primary residence. Such reviews must utilize risk-based sampling or other techniques designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

For purposes of .01(B)(viii) and (C) above, written supervisory procedures for such residences and other remote locations must be designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

Factors which should be considered when developing risk-based sampling techniques to determine the appropriateness of on-site for cause reviews of selected residences and other remote locations shall include, but not be limited to, the following: (i) the firm’s size; (ii) the firm’s organizational structure; (iii) the scope of business activities; (iv) the number and location of offices; (v) the number of associated persons assigned to a location; (vi) the nature and complexity of products and services offered; (vii) the volume of business done; (viii) whether the location has a Series 9/10-qualified person on-site; (ix) the disciplinary history of the registered persons or associated persons, including a review of such person’s customer complaints and Forms U4 and U5; and (x) the nature and extent of a registered person’s or associated person’s outside business activities, whether or not related to the securities business.
Adopted December 14, 2007 (07-106); amended June 18, 2010 (10-058).

Rule 9.7. Opening of Accounts

(a) Approval Required. No TPH organization shall accept an order from a customer to purchase or write an option contract unless the customer’s account has been approved for options transactions in accordance with the provisions of this rule.

(b) Diligence in Opening Account. In approving a customer’s account for options transactions, a TPH organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information which shall be retained in accordance with Rule 9.8. Based upon such information, the branch office manager or other Registered Options Principal shall approve in writing the customer’s account for options transactions; provided, that if the branch office manager is not a Registered Options Principal, his approval shall within a reasonable time be confirmed by a Registered Options Principal.

(c) Verification of Customer Background and Financial Information. The background and financial information upon which the account of every new customer that is a natural person has been approved for options trading, unless the information is included in the customer’s account agreement, shall be sent to the customer for verification within fifteen (15) days after the customer’s account has been approved for options transactions. A copy of the background and financial information on file with the TPH organization shall also be sent to the customer for verification within fifteen (15) days after the TPH organization becomes aware of any material change in the customer’s financial situation.

(d) Agreements to Be Obtained. Within 15 days after a customer’s account has been approved for options transactions, a TPH organization shall obtain from the customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Rules 4.11 and 4.12.

(e) Options Disclosure Documents to Be Furnished. At or prior to the time a customer’s account is approved for options transactions, a TPH organization shall furnish the customer with one or more current options disclosure documents in accordance with the requirements of Rule 9.15.

(f) Every TPH organization transacting business with the public in uncovered option contracts shall develop, implement and maintain specific written procedures governing the conduct of such business which shall include, at least, the following:

1. Specific criteria and standards to be used in evaluating the suitability of a customer for uncovered short option transactions;

2. Specific procedures for approval of accounts engaged in writing uncovered short option contracts, including written approval of such accounts by a Registered Options Principal;
3. Designation of a specific Registered Options Principal qualified individual(s) as the person(s) responsible for approving accounts which do not meet the specific criteria and standards for writing uncovered short option transactions and for maintaining written records of the reasons for every account so approved;

4. Establishment of specific minimum net equity requirements for initial approval and maintenance of customer uncovered option accounts; and

5. Requirements that customers approved for writing uncovered short options transactions be provided with a special written description of the risks inherent in writing uncovered short option transactions, at or prior to the initial uncovered short option transaction. See Rule 9.15(c).

Amended May 1, 1973; January 3, 1975; March 26, 1980; October 19, 1982; June 21, 1989, effective March 1, 1990 (89-01); December 14, 2007 (07-106); June 18, 2010 (10-058).

... Interpretations and Policies:

.01 In fulfilling its obligations pursuant to paragraph (b) of Rule 9.7 with respect to options customers that are natural persons, a TPH organization shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

1. Investment objectives (e.g., safety of principal, income, growth, trading profits, speculation)

2. Employment status (name of employer, self-employed or retired)

3. Estimated annual income from all sources

4. Estimated net worth (exclusive of family residence)

5. Estimated liquid net worth (cash, securities, other)

6. Marital status; number of dependents

7. Age

8. Investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

In addition, the customer’s account records shall contain the following information, if applicable:

a. Source or sources of background and financial information (including estimates) concerning the customer

b. Discretionary trading authorization: agreement on file, name, relationship to customer and experience of person holding trading authority
c. Date(s) options disclosure document(s) furnished to customer

d. Nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions)

e. Name of registered representative

f. Name of ROP approving account; date of approval

g. Dates of verification of currency of account information.

The TPH organization should consider utilizing a standard account approval form so as to ensure the receipt of all the required information.

Issued March 26, 1980; October 19, 1982; amended June 18, 2010 (10-058).

.02 Refusal of a customer to provide any of the information called for in Interpretation .01 shall be so noted on the customer’s records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

Issued March 26, 1980.

.03 The requirement of paragraph (c) of Rule 9.7 for the initial and subsequent verification of customer background and financial information is to be satisfied by sending to the customer the information required in Items 1 through 6 of Interpretation .01 above as contained in the Trading Permit Holder’s records and providing the customer with an opportunity to correct or complete the information. In all cases, absent advice from the customer to the contrary, the information will be deemed to be verified.

Issued March 26, 1980; amended June 18, 2010 (10-058).

.04 For purposes of Rule 9.7 (Opening of Accounts), Rule 9.8 (Supervision of Accounts) and Rule 9.15 (Delivery of Current Options Disclosure Documents), the term writing uncovered short option positions shall include combinations and any transactions which involve naked writing.

Approved June 21, 1989, effective March 1, 1990 (89-01); amended March 10, 2004 (03-56).

Rule 9.8. Supervision of Accounts

(a) Duty to Supervise. The general partners or directors of each TPH organization that conducts a non-Trading Permit Holder customer business shall provide for appropriate supervisory control and shall designate a general partner or executive officer, who shall be identified to the Exchange, to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations. This person, who may be the same individual designated pursuant to substantially similar New York Stock Exchange or National Association of Securities Dealers rules, shall:
1. Delegate to qualified employees responsibilities and authority for supervision and control of each office, department or business activity, and shall provide for appropriate written procedures of supervision and control.

2. Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

3. Develop and implement written policies and procedures reasonably designed to independently supervise the activities of accounts serviced by branch office managers, sales managers, regional/district sales managers or any person performing a similar supervisory function. Such supervisory reviews must be performed by a qualified Registered Options Principal who:

   i. Is either senior to, or otherwise independent of, the producing manager under review. For purposes of this Rule, an “otherwise independent” person: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager’s customer activity that represents more than 10% of the designated person’s gross income derived from the TPH organization over the course of a rolling twelve-month period, the TPH organization must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

   ii. If a TPH organization is so limited in size and resources that there is no qualified Registered Options Principal senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to paragraph (a)(3)(i) of this Rule (for instance, the TPH organization has only one office, or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a Registered Options Principal in compliance with paragraph (a)(3)(i) of this Rule to the extent practicable.

   iii. A TPH organization relying on paragraph (a)(3)(ii) of this Rule must document the factors used to determine that complete compliance with all of the provisions of paragraph (a)(3)(i) of this Rule is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of paragraph (a)(3)(i) of this Rule to the extent practicable.

   iv. A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraphs (a)(3)(i), (a)(3)(ii) and (a)(3)(iii) of this Rule will be deemed to have met such requirements.
(b) Maintenance of Customer Records.

1. Background and financial information of customers who have been approved for options transactions shall be maintained at both the branch office servicing the customer’s account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers shall be maintained at both the branch office supervising the accounts and the principal supervisory office having jurisdiction over that branch for the most recent six-month period. With respect to the record retention responsibility of principal supervisory offices, customer information and account statements may be maintained at a location off premises so long as the records are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts shall be maintained at a place easily accessible both to the branch office servicing the customer’s account and to the principal supervisory office having jurisdiction over that branch office.

2. Upon the written instructions of a customer, a Trading Permit Holder may hold mail for a customer who will not be at his or her usual address for the period of his or her absence, but (A) not to exceed two months if the Trading Permit Holder is advised that such customer will be on vacation or traveling or (b) not to exceed three months if the customer is going abroad.

3. Before any customer order is executed, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a Trading Permit Holder or a person(s) designated by the designated general partner or executive officer (pursuant to Rule 9.8). Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the Trading Permit Holder. The essential facts relied upon by the person approving the change must be documented in writing and preserved for a period of not less than three years, the first two years in an easily accessible place, as the term “easily accessible place” is used in SEC Rule 17a-4.

For purposes of this paragraph (b)(3), a person(s) designated by the designated general partner or executive officer (pursuant to Rule 9.8) must be a Registered Options Principal.

(c) Internal Controls.

(i) TPH organizations must develop and maintain adequate controls over each of its business activities. Such controls must provide for the establishment of procedures for verification and testing of those business activities. An ongoing analysis, based upon appropriate criteria, may be employed to assess and prioritize those business activities requiring independent verification and testing. A review of each TPH organization’s efforts with respect to internal controls, including a summary of tests conducted and significant exceptions identified, must be included in the annual report required by paragraph (g) of this Rule.
(ii) A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (c)(i) of this Rule will be deemed to have met such requirements.

(d) Annual Branch Office Inspections.

1. Each branch office that supervises one or more non-branch locations must be inspected no less often than once each calendar year unless:

   (i) it has been demonstrated to the satisfaction of the Exchange that because of proximity, special reporting or supervisory practice, other arrangements may satisfy this Rule’s requirements for a particular branch office; or

   (ii) based upon the written policies and procedures of such TPH organization providing for a systematic risk-based surveillance system, the TPH organization submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to paragraph (e) of this Rule.

2. Every branch office, without exception, must be inspected at least once every three calendar-years. All required inspections must be conducted by a person who is independent of the direct supervision and control of the branch office in question (i.e., not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). Written reports reflecting the results of such inspections are to be maintained at the TPH organization for the longer of three years or until the next branch office inspection.

3. A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (d)(1) and (d)(2) of this Rule as well as to related requirements in paragraphs (e) and (f) of this Rule will be deemed to have met such requirements.

(e) Risk-Based Surveillance and Branch Office Identification.

1. Any TPH organization seeking an exemption, pursuant to Rule 9.8(d)(1)(ii), from the annual branch office inspection requirement must submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices. Such policies and procedures should reflect, among other factors, the TPH organization’s business model and product mix. Such policies and procedures must also, at a minimum, provide for:

   (i) The inspection of branches where developments during the year require a reconsideration of such branch’s exemption;

   (ii) A requirement that no less than half of the branch offices inspected each year on a cycle basis be done on an unannounced basis; and

   (iii) A system to enable employees to report compliance issues on a confidential basis outside of the branch office chain of command.
2. For purposes of paragraph (e)(1) of this Rule, the risk-based factors to be considered should include, but not necessarily be limited to, the following:

   (i) Number of Registered Representatives;

   (ii) A significant increase in the number of Registered Representatives;

   (iii) Number of customers and volume of transactions;

   (iv) A significant increase in branch office revenues;

   (v) Incidence of concentrated securities positions in customer’s accounts;

   (vi) Aggregate customer assets held;

   (vii) Nature of the business conducted and the sales practice risk to investors associated with the products sold, and product mix (e.g. options, equities, mutual funds, annuities, etc.);

   (viii) Numbers of accounts serviced on a discretionary basis;

   (ix) Compliance and regulatory history of the branch, including:

      (A) Registered Representatives subject to special supervision by the TPH organization, self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission in years other than the previous or current year;

      (B) Complaints, arbitrations, internal discipline, or prior inspection findings; and

      (C) Persons subject to recent disciplinary actions by self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission.

   (x) Operational factors, such as the number of errors and account designation changes per Registered Representative;

   (xi) Incidence of accommodation mailing addresses (e.g., post office boxes and “care of” accounts);

   (xii) Whether the branch office permits checks to be picked up by customers or hand delivery of checks to customers;

   (xiii) Experience, function (producing or non-producing) and compensation structure of branch office manager;

   (xiv) Branch offices recently opened or acquired; and
(xv) Changes in branch location, status or management personnel.

3. Notwithstanding any policies or procedures implemented pursuant to this Rule, branch offices that meet any of the following criteria must be inspected no less often than once each calendar year:

   (i) Offices with one or more Registered Representatives subject to special supervision as required by a self-regulatory authority or state regulatory authority during the current or immediately preceding year.

   (ii) Offices with 25 or more registered individuals;

   (iii) Offices in the top 20% of production or customer assets for the TPH organization;

   (iv) Any branch office not inspected within the previous two calendar years; and

   (v) Any branch office designated as exercising supervision over another branch office.

(f) Criteria for Inspection Programs. An annual branch office inspection program must include, but is not limited to, testing and independent verification of internal controls related to the following areas:

   1. Safeguarding of customer funds and securities;

   2. Maintaining books and records;

   3. Supervision of customer accounts serviced by branch office managers;

   4. Transmittal of funds between customers and Registered Representatives and between customers and third parties;

   5. Validation of customer address changes; and

   6. Validation of changes in customer account information.

(g) Written Report. By April 1 of each year, each TPH organization that conducts a non-Trading Permit Holder customer business shall submit to the Exchange a written report on the TPH organization’s supervision and compliance effort during the preceding year and on the adequacy of the TPH organization’s ongoing compliance processes and procedures. Each TPH organization that conducts a public customer options business shall also specifically include its options compliance program in the report. The report shall include, but not be limited to, the following:

   1. A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations.
2. Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the proceeding year’s efforts of this nature.

3. Discussion of the preceding year’s compliance efforts, new procedures, educational programs, etc. in each of the following areas: (i) antifraud and trading practices; (ii) investment banking activities; (iii) sales practices; (iv) books and records; (v) finance and operations; (vi) supervision; (vii) internal controls, and (viii) anti-money laundering. If any of these areas do not apply to the TPH organization, the report shall so state.

4. For each TPH organization, the designation of a general partner or principal executive officer as Chief Compliance Officer (which designation shall be updated on Schedule A of Form BD).

5. A certification signed by the TPH organization’s Chief Executive Officer (or equivalent), that:

   (i) The TPH organization has in place processes to:

       (A) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,

       (B) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and

       (C) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

   (ii) In TPH organizations, the Chief Executive Officer (or equivalent officer) conducted one or more meetings with the organization’s Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the organization’s prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

   (iii) In TPH organizations, the processes described in paragraph (g)(5)(i) of this Rule, are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the organization may deem necessary to make this certification, and submitted to the organization’s board of directors and audit committee (if such committee exists) on or before April 1st of each year.

   (iv) In TPH organizations, the Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers
referenced in paragraph (g)(5)(iii) of this Rule and such other employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

A TPH organization that specifically includes its options compliance program in a report that complies with substantially similar requirements of the New York Stock Exchange or the National Association of Securities Dealers will be deemed to have met the requirements of this Rule 9.8(g) and Rule 9.8(h).

(h) Reports to Control Persons. By April 1 of each year, each TPH organization shall submit a copy of the report that Rule 9.8(g) requires the TPH organization to prepare to its one or more control persons or, if the TPH organization has no control person, to the audit committee of its board of directors or its equivalent committee or group. In the case of a control person that is an organization (a “controlling organization”), the TPH organization shall submit the report to the general counsel of the controlling organization and to the audit committee of the controlling organization’s board of directors or its equivalent committee or group. For the purpose of this paragraph, “control person” means a person who controls the TPH organization.

Amended January 26, 1977; March 26, 1980; June 21, 1989, effective March 1, 1990 (89-01); October 26, 1994 (94-30); December 14, 2007 (07-106); June 18, 2010 (10-058); May 10, 2019 (19-017).

...Interpretations and Policies:

.01 Each TPH organization that conducts a non-Trading Permit Holder customer business shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-Trading Permit Holder customer accounts, and all orders in such accounts.

Such written procedures shall specifically identify the titles and positions of individuals who have been delegated authority and responsibility for an identified segment of the TPH organization’s business, including option compliance functions. The procedures shall also include the registration status and location of all such supervisory and compliance personnel. Each TPH organization shall also develop and implement specific written procedures concerning the manner of supervision of customer accounts maintaining uncovered short option positions, and specifically providing for frequent supervisory review of such accounts.

Issued May 1, 1973; amended January 26, 1977; December 14, 2007 (07-106); June 18, 2010 (10-058).

.02 Each TPH organization shall maintain at the principal supervisory office having jurisdiction over the office servicing the customer’s account, or shall have readily accessible and promptly retrievable, information to permit review of each customer’s options account on a timely basis to determine (i) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved; (ii) the size and frequency of options transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any options class or classes and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.
Issued March 26, 1980, effective June 24, 1980; amended October 26, 1994 (94-30); December 14, 2007 (07-106); June 18, 2010 (10-058).

.03 Documentation evidencing the annual written report required by paragraph (g) of this rule, must be maintained in a place that is easily accessible and shall be provided to the Exchange upon request.

Adopted December 14, 2007 (07-106).

Rule 9.9. Suitability of Recommendations

Every Trading Permit Holder, Registered Options Principal or Registered Representative who recommends to a customer the purchase or sale (writing) of any option contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such customer on the basis of the information furnished by such customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such Trading Permit Holder, Registered Options Principal or Registered Representative.

No Trading Permit Holder, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any option contract unless the person making the recommendation has a reasonable basis for believing at the time of making the recommendation that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the option contract.

Amended June 3, 1977; March 26, 1980; June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 No Trading Permit Holder, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any Delayed Start Option Series unless the customer previously has engaged in an options transaction.

Adopted November 28, 2007 (06-90); amended June 18, 2010 (10-058).

Rule 9.10. Discretionary Accounts

(a) Authorization and Approval Required. No TPH organization shall exercise any discretionary power with respect to trading in options contracts in a customer’s account unless such customer has given prior written authorization and the account has been accepted in writing by a Registered Options Principal. Each firm shall designate specific Registered Options Principal qualified individuals pursuant to Rule 9.8 to review discretionary accounts. A Registered Options Principal qualified person specifically delegated such responsibilities under Rule 9.8 (who is an individual other than the Registered Options Principal who accepted the account) shall review the acceptance of each discretionary account to determine that the Registered Options Principal accepting the account had a reasonable basis for believing that the customer was able to understand and bear the risks of the strategies or transactions proposed, and he shall maintain a record of the basis for his determination. Every discretionary order shall be identified as discretionary on the
order at the time of entry. Discretionary accounts shall receive frequent appropriate supervisory
review by a Registered Options Principal qualified person specifically delegated such
responsibilities under Rule 9.8, who is not exercising the discretionary authority.

(b) Record of Transactions. A record shall be made of every option transaction for an
account in respect to which a TPH organization is vested with any discretionary power, such record
to include the name of the customer, the designation, number of contracts and premium of the
option contracts, and the date and time when such transaction took place.

(c) Excessive Transactions Prohibited. No TPH organization shall effect with or for
any customer’s account in respect to which such TPH organization is vested with any discretionary
power any transactions of purchase or sale of option contracts which are excessive in size or
frequency in view of the financial resources and character of such account.

d) Discretion as to Price or Time Excepted. This rule shall not apply to discretion as
to the price at which or the time when an order given by a customer for the purchase or sale of a
definite number of option contracts in a specified security shall be executed, except that the
authority to exercise time and price discretion will be considered to be in effect only until the end
of the business day on which the customer granted such discretion, absent a specific, written
contrary indication signed and dated by the customer. This limitation shall not apply to time and
price discretion exercised in an institutional account, as defined below, pursuant to valid Good-
Till-Cancelled instructions issued on a “not held” basis. Any exercise of time and price discretion
must be reflected on the order ticket. As used in this paragraph (d) the term “institutional account”
shall mean the account of: (i) a bank, savings and loan association, insurance company, or
registered investment company; (ii) an investment adviser registered either with the Securities and
Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state
securities commission (or any agency or office performing like functions); or (iii) any other entity
(whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least
$50 million.

(e) Options Programs. Where the discretionary account utilizes options programs
involving the systematic use of one or more options strategies, the customer shall be furnished
with a written explanation, meeting the requirements of Rule 9.21, of the nature and risks of such
programs.

Amended August 26, 1977; March 26, 1980; October 19, 1990 (90-08); December 14, 2007 (07-
106); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 Any TPH organization that does not utilize computerized surveillance tools for the frequent
and appropriate review of discretionary account activity must establish and implement procedures
to require Registered Options Principal qualified individuals who have been designated to review
discretionary accounts to approve and initial each discretionary order on the day entered.

Adopted December 14, 2007 (07-106); amended June 18, 2010 (10-058).
Rule 9.11. Confirmation to Customers

Every TPH organization shall promptly furnish to each customer a written confirmation of each transaction in option contracts which shall show the underlying security type of option expiration month, exercise price, number of option contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale, whether the transaction was an opening or a closing transaction and whether a principal or agency transaction. The confirmation shall by appropriate symbols distinguish between Exchange transactions and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

Amended September 17, 1973; June 3, 1977; November 19, 2008 (08-61); May 4, 2010 (10-035); June 18, 2010 (10-058).

Rule 9.12. Statements of Accounts to Customers

Every TPH organization shall send to its customers statements of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations. With respect to options customers having a general (margin) account, such statement shall also provide the mark-to-market price and market value of each option position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. The statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed option transactions has been included in confirmations of such transactions previously furnished to the customer, and that such information will be made available to the customer promptly upon request. The statement shall also bear a legend requesting the customer to promptly advise the Trading Permit Holder of any material change in the customer’s investment objectives or financial situation. Such statements of account shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

Amended March 26, 1980; June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 For purposes of the foregoing rule, general (margin) account equity shall be computed by subtracting the total of the “short” security values and any debit balance from the total of the “long” security values and any credit balance.

Issued March 26, 1980, effective September 22, 1980.

Rule 9.13. Statements of Financial Condition to Customers

Every TPH organization shall send to each of its customers statements of the TPH organization’s financial condition as required by Rule 17a-5 under the Securities Exchange Act of 1934.
Amended June 18, 2010 (10-058).


No TPH organization shall address any communications to a customer in care of any other person unless either (a) the customer, within the preceding 12 months, has instructed the TPH organization in writing to send communications in care of such other persons, or (b) duplicate copies are sent to the customer at some other address designated in writing by him.

Amended June 18, 2010 (10-058).

Rule 9.15. Delivery of Current Options Disclosure Documents

(a) Options Disclosure Documents. Every TPH organization shall deliver a current options disclosure document to each customer, at or prior to the time such customer’s account is approved for options transactions. A copy of each amendment to an options disclosure document shall be furnished to each customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. Where such customer is a broker or dealer, the TPH organization shall take reasonable steps to see to it that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by him in order to enable him to comply with the requirements of this Rule. The Exchange will advise Trading Permit Holders when an options disclosure document is amended. The term “current options disclosure document” means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Securities Exchange Act of 1934.

(b) The written description of risks required by Rule 9.7(f)5 shall be in a format prescribed by the Exchange or in a format developed by the TPH organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

Amended May 1, 1973; October 19, 1982; April 30, 1986; June 21, 1989, effective March 1, 1990 (89-01); March 10, 2004 (03-56); June 18, 2010 (10-058).

Sample Risk Description for Use by Firms to Satisfy Requirements of Exchange Rule 9.15(b)

Special Statement for Uncovered Option Writers

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.
2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

3. Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer’s options position, the investor’s broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor’s account, with little or no prior notice in accordance with the investor’s margin agreement.

4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

Approved June 21, 1989, effective March 1, 1990 (89-01).

(c) The special written disclosure statement describing the nature and risks of portfolio margining and acknowledgement for customer signature, required by Rule 12.4(c)(2) shall be in a format prescribed by the Exchange or in a format developed by the TPH organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

Amended July 14, 2005 (02-03); December 12, 2006 (06-14); June 18, 2010 (10-058).

Rule 9.16. Restrictions on Pledge and Lending of Customers’ Securities

(a) No TPH organization shall lend, either to itself or to others, securities carried for the account of any customer, unless such TPH organization shall first have obtained a separate written authorization from such customer permitting the lending of such by such TPH organization; and, regardless of any agreement between a TPH organization and a customer authorizing the TPH organization to lend or pledge such securities, no TPH organization shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the customer to such TPH organization except such lending as may be specifically authorized under paragraph (b) hereof.
(b) No TPH organization shall lend securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be loaned in view of the indebtedness of the customer, unless such TPH organization shall first have obtained from such customer a separate written authorization designating the particular securities to be loaned.

(c) No TPH organization shall hold securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be pledged in view of the indebtedness of the customer, unless such securities are segregated and identified by a method which clearly indicates the interest of such customer in those securities.

Amended June 18, 2010 (10-058).

Rule 9.17. Transactions of Certain Customers

No TPH organization shall execute any transaction in securities or carry a position in any security in which (a) an officer or employee of the Exchange, or an officer or employee of a corporation in which the Exchange owns the majority of the capital stock is directly or indirectly interested, without the prior written consent of the Exchange, or (b) a partner, officer, director, principal shareholder or employee of another TPH organization is directly or indirectly interested, without the consent of such other TPH organization. Where the required consent has been granted, duplicate reports of the transaction and position shall be promptly sent to the Exchange or TPH organization, as the case may be.

Amended January 3, 1975; October 19, 1990 (90-08); February 4, 2004 (03-55); June 18, 2010 (10-058).

Rule 9.18. Prohibition Against Guarantees and Sharing in Accounts

(a) **Prohibition Against Guarantees.** No TPH organization or person associated with a Trading Permit Holder shall guarantee a customer against loss in his account or in any transaction effected with or for such customer.

(b) **Sharing in Accounts; Extent Permissible**

(1)

(A) Except as provided in paragraph (2), no Trading Permit Holder or person associated with a Trading Permit Holder shall share directly or indirectly in the profits or losses in any account of a customer carried by the Trading Permit Holder or any other Trading Permit Holder; provided, however, that a Trading Permit Holder or person associated with a Trading Permit Holder may share in the profits or losses in such an account if:

(i) such person associated with a Trading Permit Holder obtains prior written authorization from the Trading Permit Holder employing the associated person;
(ii) such Trading Permit Holder or person associated with a Trading Permit Holder obtains prior written authorization from the customer; and

(iii) such Trading Permit Holder or person associated with a Trading Permit Holder shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the Trading Permit Holder or person associated with a Trading Permit Holder.

(B) Exempt from the direct proportionate share limitation of paragraph (1)(A)(iii) are accounts of the immediate family of such Trading Permit Holder or person associated with a Trading Permit Holder. For purposes of this Rule, the term “immediate family” shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Trading Permit Holder or person associated with a Trading Permit Holder otherwise contributes directly or indirectly.

(2) Notwithstanding the prohibition of paragraph (1), a Trading Permit Holder or person associated with a Trading Permit Holder that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:

(A) such person associated with a Trading Permit Holder seeking such compensation obtains prior written authorization from the Trading Permit Holder employing the associated person;

(B) such Trading Permit Holder or person associated with a Trading Permit Holder seeking such compensation obtains prior written authorization from the customer; and

(C) all of the conditions in Rule 205-3 of the Investment Advisers Act (as the same may be amended from time to time) are satisfied.

Amended October 19, 1990 (90-08); May 4, 2010 (10-035); June 18, 2010 (10-058).

Rule 9.19. Assuming Losses

No TPH organization shall assume for its own account any position in a security traded on the Exchange, where such position was established for a customer, after a loss to the customer has been established or ascertained, unless the contract was made by the TPH organization’s mistake or unless approval of the Exchange has first been obtained.

Amended October 19, 1990 (90-08); June 18, 2010 (10-058).

Rule 9.20. Transfer of Accounts

(a) When a customer whose securities account is carried by a TPH organization (the “carrying organization”) wants to transfer the entire account to another TPH organization (the
“receiving organization”) and gives written notice of that fact to the receiving organization, both
TPH organizations must expedite and coordinate activities with respect to the transfer.

(b)

(1) Upon receipt from the customer of a signed broker-to-broker transfer
instruction to receive such customer’s securities account, the receiving organization will
immediately submit such instruction to the carrying organization. The carrying
organization must, within five business days following receipt of such instruction, (i)
validate and return the transfer instruction (with an attachment reflecting all positions and
money balances as shown on its books) to the receiving organization, or (ii) take exception
to the transfer instruction for reasons other than securities positions or money balance
discrepancies and advise the receiving organization of the exception taken.

(2) The carrying organization and the receiving organization must promptly
resolve any exceptions taken to the transfer instruction.

(3) Within five business days following the validation of a transfer instruction,
the carrying organization must complete the transfer of the customer’s securities account
to the receiving organization. The carrying organization and the receiving organization
must establish fail to receive and fail to deliver contracts at then current market values upon
their respective books of account against the long/short positions (including options) in the
customer’s securities account that have not been physically delivered/received and the
receiving/carrying organization must debit/credit the related money account. The
customer’s securities account shall thereupon be deemed transferred.

(c) Any fail contracts resulting from this account transfer procedure must be closed out
within ten business days after their establishment.

(d) Any discrepancies relating to positions or money balances that exist or occur after
transfer of a customer’s securities account must be resolved promptly.

(e) When both the carrying organization and the receiving organization are participants
in a Clearing Corporation having automated customer securities account transfer capabilities, the
account transfer procedure, including the establishing and closing out of fail contracts, must be
accomplished in accordance with the provisions of this Rule and pursuant to the rules of and
through such Clearing Corporation.

(f) The Exchange may exempt from the provisions of this Rule, either unconditionally
or on specified terms and conditions, (i) any TPH organization or class of TPH organizations, or
(ii) any type of account, security or financial instrument.

(g) Unless an exemption has been granted pursuant to paragraph (f) of this Rule, the
Exchange may impose upon a TPH organization a fee of up to $100 per securities account for each
day such TPH organization fails to adhere to the time frames or procedures required by this Rule
and related published interpretations.

Amended October 19, 1990 (90-08); June 18, 2010 (10-058).
. . . Interpretations and Policies:

.01 For purposes of this Rule, the term “securities account” shall be deemed to include any and all of the account’s money market fund positions or the redemption value thereof.

Approved October 19, 1990 (90-08).

.02 Transfer instructions and reports required by this Rule shall be in such form as may be prescribed by the Exchange.

Approved October 19, 1990 (90-08).

Rule 9.21. Options Communications

(a) Definitions. For purposes of this Rule and any interpretation thereof, “options communications” consist of:

(i) Correspondence. The term “correspondence” shall include any written (including electronic) communication distributed or made available to 25 or fewer retail customers within any 30 calendar-day period.

(ii) Institutional Communication. The term “institutional communication” shall include any written (including electronic) communication concerning options that is distributed or made available only to institutional investors, but does not include a Trading Permit Holder’s internal communications. The term institutional investor shall mean any qualified investor as defined in Section 3(a)(54) of the Securities Exchange Act of 1934.

(iii) Retail Communication. The term “retail communication” means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

(b) Approval by Registered Options Principal.

(i) All retail communications (except completed worksheets) issued by a Trading Permit Holder or TPH organization pertaining to options shall be approved in advance by a Registered Options Principal designated by the Trading Permit Holder or TPH organization’s written supervisory procedures.

(ii) Correspondence need not be approved by a Registered Options Principal prior to use. All correspondence is subject to the supervision and review requirements of Rule 9.8.

(iii) Institutional communications. Each Trading Permit Holder or TPH organization shall establish written procedures that are appropriate to its business, size, structure, and customers for review by a Registered Options Principal of institutional communications used by the Trading Permit Holder or TPH organization.
(iv) Copies of the options communications shall be retained by the Trading Permit Holder or TPH organization in accordance with Rule 17a-4 under the Securities Exchange Act of 1934. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein shall be retained by the Trading Permit Holder or TPH organization and kept in the form and for the time periods required for options communications by Rule 17a-4.

(c) Exchange Approval Required. In addition to the approval required by paragraph (b) of this Rule, retail communications of a Trading Permit Holder or TPH organization pertaining to standardized options that is not accompanied or preceded by the applicable current options disclosure document (“ODD”) shall be submitted to the Exchange at least ten calendar days prior to use (or such shorter period as the Exchange may allow in particular instances) for approval and, if changed or expressly disapproved by the Exchange, shall be withheld from circulation until any changes specified by the Exchange have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, Exchange approval. The requirements of this paragraph shall not be applicable to:

(i) options communications submitted to another self-regulatory organization having comparable standards pertaining to such communications and

(ii) communications in which the only reference to options is contained in a listing of the services of the TPH organization;

(iii) the ODD; and

(iv) the prospectus.

(d) General Rule. No Trading Permit Holder or member organization or associated person shall use any options communication which:

(i) Contains any untrue statement or omission of a material fact or is otherwise false or misleading.

(ii) Contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labeled as forecasts.

(iii) Contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the materials.

(iv) Contains statements suggesting the certain availability of a secondary market for options.

(v) Fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies.
(vi) Fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary.

(vii) Fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics, or other technical data, will be supplied upon request.

(viii) would constitute a prospectus as that term is defined in the Securities Act of 1933, unless it meets the requirements of Section 10 of the Securities Act of 1933. Paragraphs

(ix) Paragraphs (vi) and (vii) shall not apply to institutional communications as defined in this Rule 9.21. Any statement in any options communications referring to the potential opportunities or advantages presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided.

Paragraphs (vi) and (vii) shall not apply to institutional sales material as defined in this Rule 9.21.

(e) Standards Applicable to Options Communications

(i) Unless preceded or accompanied by the ODD, options communications shall:

(A) Be limited to general descriptions of the options being discussed.

(B) Contain contact information for obtaining a copy of the ODD.

(C) Not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities.

(ii) Options communications used prior to ODD delivery may:

(A) Contain a brief description of options, including a statement that identifies registered clearing agencies for options. The text may also contain a brief description of the general attributes and method of operation of the exchanges on which options are traded, including a discussion of how an option is priced.

(B) Include any statement required by any state law or administrative authority.

(C) Include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics, provided such material is not misleading.
Interpretations and Policies:

.01 The Rule 9.21(e)(i)(B) requirement to include contact information for obtaining a copy of the ODD may be satisfied by providing a name and address or one or more telephone numbers from which the current options disclosure document may be obtained; directing existing clients to contact their registered representative; or including a response card through which a current options disclosure document may be obtained. An internet address may also be used, however, such an address must be accompanied by either a telephone number or mailing address for use by those investors who do not have access to the internet.

Issued April 15, 1973; amended March 26, 1980; October 26, 1982; September 13, 1991 (90-27); October 21, 2008 (07-30).

.02 Projections.

Options communications may contain projected performance figures (including projected annualized rates of return), provided that:

(i) All such communications are accompanied or preceded by the ODD.

(ii) No suggestion of certainty of future performance is made.

(iii) Parameters relating to such performance figures are clearly established (e.g., to indicate exercise price of option, purchase price of the underlying stock and its market price, option premium, anticipated dividends, etc.).

(iv) All relevant costs, including commissions, fees and interest charges (as applicable) are disclosed.

(v) Such projections are plausible and are intended as a source of reference or a comparative device to be used in the development of a recommendation.

(vi) All material assumptions made in such calculations are clearly identified (e.g., “assume option expires”, “assume option unexercised”, “assume option exercised,” etc.).

(vii) The risks involved in the proposed transactions are also discussed.

(viii) In communications relating to annualized rates of return, that such returns are not based upon any less than a sixty-day experience; any formulas used in making calculations are clearly displayed; and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

Amended October 21, 2008 (07-30).
.03 Historical Performance

Options communications may feature records and statistics which portray the performance of past recommendations or of actual transactions, provided that:

(i) All such communications are accompanied or preceded by the ODD.

(ii) Any such portrayal is done in a balanced manner, and consists of records or statistics that are confined to a specific “universe” that can be fully isolated and circumscribed and that covers at least the most recent 12-month period.

(iii) Such communications include the date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics, in lieu of the complete record there may be included the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request.

(iv) All relevant costs, including commissions, fees, and interest charges (as applicable) are disclosed.

(v) Whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed.

(vi) An indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid.

(vii) Such communications state that the results presented should not and cannot be viewed as an indicator of future performance.

(viii) A Registered Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the report.

Amended October 21, 2008 (07-30).

.04 Options Programs. In communications regarding an options program (i.e., an investment plan employing the systematic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.

Issued March 26, 1980; October 26, 1982; amended September 13, 1991 (90-27); February 18, 2000 (99-27); October 21, 2008 (07-30).
Rule 9.22. Brokers’ Blanket Bonds

Every TPH organization approved to transact business with the public under this Chapter and every Clearing Trading Permit Holder shall carry Brokers’ Blanket Bonds covering their officers and employees in such form and in such amounts as the Exchange may require.

Amended October 15, 1976; June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 The Exchange has determined that all Trading Permit Holders subject to the provisions of Rule 9.22 shall maintain Brokers’ Blanket Bonds as follows:

(a) Coverage Required

(1) Maintain a Brokers’ Blanket Bond similar to the standard form established by the Surety Association of America, covering officers and employees which provides against loss and has agreements covering at least the following:

A. Fidelity
B. On Premises
C. In Transit
D. Misplacement
E. Forgery and Alteration (including check forgery)
F. Securities Loss (including securities forgery)
G. Fraudulent Trading
H. A Cancellation Rider providing that the insurance carrier will promptly notify the Cboe Exchange, Inc., Inc. of cancellation, termination or substantial modification of the bond

(2) Maintain minimum coverage for all insuring agreements required in this paragraph (a) of not less than $25,000.

(3) Maintain required coverage for Fidelity, On Premises, In Transit, Misplacement, and Forgery and Alteration insuring agreements of not less than 120% of its required net capital under SEC Rule 15c3-1 up to $600,000. Minimum coverage for required net capital in excess of $600,000 shall be determined by reference to the following table:
Net Capital Requirement Under SEC Rule 15c3-1 | Minimum Coverage
---|---
$600,001-$1,000,000 | $750,000
$1,000,001-$2,000,000 | $1,000,000
$2,000,001-$3,000,000 | $1,500,000
$3,000,001-$4,000,000 | $2,000,000
$4,000,001-$5,000,000 | $3,000,000
$6,000,001-$12,000,000 | $4,000,000
$12,000,001- and above | $5,000,000

(4) Maintain Fraudulent Trading coverage of not less than $25,000 or 50% of the coverage required in paragraph (a)(3) whichever is greater, up to $500,000;

(5) Maintain Securities Forgery coverage of not less than $25,000 or 25% of the coverage required in paragraph (a)(3), whichever is greater, up to $250,000.

(b) Deductible Provision

(1) A deductible provision may be included in the bond of up to $5,000 or 10% of the minimum insurance requirement established hereby, whichever is greater.

(2) If a Trading Permit Holder desires to maintain coverage in excess of the minimum insurance requirement, then a deductible provision may be included in the bond of up to $5,000 or 10% of the amount of blanket bond coverage provided in the bond purchased, whichever is greater. However, the excess of any such deductible amount over the maximum permissible deductible amount described in subparagraph (1) above must be deducted from the Trading Permit Holder’s net worth in the calculation of the Trading Permit Holder’s net capital for purposes of SEC Rule 15c3-1.

(3) When the Trading Permit Holder is covered under the Brokers’ Blanket Bond of an affiliate, the Trading Permit Holder must deduct from its net capital the deductible provision in excess of the maximum permissible amount described in subparagraph (1) above.

(c) Annual Review of Coverage

(1) In determining the initial minimum coverage amount, the Trading Permit Holder is to use the highest required net capital during the twelve-month period immediately preceding (and make) the issuance of the Brokers’ Blanket Bond. This amount
shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subparagraphs (a)(3), (4), and (5).

(2) Each Trading Permit Holder, shall review, as of the anniversary date of the issuance of the bond, the adequacy thereof by reference to the highest required net capital during the immediately preceding twelve-month period, which amount shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subparagraphs (a)(2), (3), (4), and (5).

(3) Each Trading Permit Holder shall make required adjustments not more than thirty days after the anniversary date of the issuance of such bond.

(d) Notification of Change

Each Trading Permit Holder shall report the cancellation, termination or substantial modification of the bond to the Exchange within ten business days of such occurrences.

(e) Trading Permit Holders Subject to Other Bonding Rules

Trading Permit Holders subject to a bonding rule of another registered national securities exchange, the Securities and Exchange Commission, or a registered national securities association which imposes requirements that are equal to or greater than the requirements imposed by the Rule shall be deemed to be in compliance with the provisions of this Rule.

Issued October 15, 1976; amended June 8, 2001 (01-23); June 18, 2010 (10-058).

Rule 9.23. Customer Complaints

Every TPH organization conducting a non-Trading Permit Holder customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved. The term “options-related complaint” shall mean any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with listed options. The central file shall be located at the principal place of business of the TPH organization or such other principal office as shall be designated by the TPH organization. At a minimum, the central file shall include: (i) identification of complainant, (ii) date complaint was received, (iii) identification of Registered Representative servicing the account, (iv) a general description of the matter complained of, and (v) a record of what action, if any, has been taken by the TPH organization with respect to the complaint. Each options-related complaint received by a branch office of a TPH organization shall be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office. A copy of every options-related complaint shall be maintained at the branch office that is the subject of the complaint.

Adopted March 26, 1980, effective May 26, 1980; amended June 18, 2010 (10-058).
Rule 9.24. Telemarketing

(a) Telemarketing Restrictions. No Trading Permit Holder or associated person shall make an outbound telephone call to:

(1) any person’s residence at any time other than between 8 a.m. and 9 p.m. local time at the called person’s location;

(2) any person that previously has stated that he or she does not wish to receive any outbound telephone calls made by or on behalf of the Trading Permit Holder; or

(3) any person who has registered his or her telephone number on the Federal Trade Commission’s national do-not-call registry.

(b) Caller Disclosures. No Trading Permit Holder or associated person shall make an outbound telephone call to any person without disclosing truthfully, promptly and in a clear and conspicuous manner to the called person the following information:

(1) the identity of the caller and the TPH organization;

(2) the telephone number or address at which the caller may be contacted; and

(3) that the purpose of the call is to solicit the purchase of securities or related services.

The telephone number provided may not be a 900 number or any other number for which charges exceed local or long-distance transmission charges.

(c) Exceptions. The prohibition of paragraph (a)(1) does not apply to outbound telephone calls by a Trading Permit Holder or an associated person if:

(1) the Trading Permit Holder has received that person’s express prior consent;

(2) the Trading Permit Holder has an established business relationship with the person; or

(3) the person called is a broker or dealer.

(d) Trading Permit Holder’s Firm-Specific Do-Not-Call List.

(1) Each Trading Permit Holder shall make and maintain a centralized list of persons who have informed the Trading Permit Holder or any of its associated persons that they do not wish to receive outbound telephone calls.
(2) Prior to engaging in telemarketing, a Trading Permit Holder must institute procedures to comply with paragraphs (a) and (b). Such procedures must meet the following minimum standards:

(A) Written policy. Trading Permit Holders must have a written policy for maintaining the do-not-call list described under paragraph (d)(1).

(B) Training of personnel engaged in telemarketing. Personnel engaged in any aspect of telemarketing must be informed and trained in the existence and use of the do-not-call list.

(C) Recording, disclosure of do-not-call requests. If a Trading Permit Holder receives a request from a person not to receive calls from that Trading Permit Holder, the Trading Permit Holder must record the request and place the person’s name, if provided, and telephone number on the Trading Permit Holder’s firm-specific do-not-call list at the time the request is made. Trading Permit Holders must honor a person’s do-not-call request within a reasonable time from the date such request is made. This period may not exceed 30 days from the date of such request. If such requests are recorded or maintained by a party other than the Trading Permit Holder on whose behalf the outbound telephone call is made, the Trading Permit Holder on whose behalf the outbound telephone call is made will be liable for any failures to honor the do-not-call request.

(D) Identification of telemarketers. A Trading Permit Holder or associated person making an outbound telephone call must make the caller disclosures set forth in paragraph (b).

(E) Affiliated persons or entities. In the absence of a specific request by the person to the contrary, a person’s do-not-call request shall apply to the Trading Permit Holder making the call, and shall not apply to affiliated entities unless the consumer reasonably would expect them to be included given the identification of the caller and the product being advertised.

(F) Maintenance of do-not-call lists. A Trading Permit Holder making outbound telephone calls must maintain a record of a person’s request not to receive further calls.

(e) Do-Not-Call Safe Harbors.

(1) A Trading Permit Holder or associated person making outbound telephone calls will not be liable for violating paragraph (a)(3) if:

(A) the Trading Permit Holder has an established business relationship with the called person. A person’s request to be placed on the Trading Permit Holder’s firm-specific do-not-call list terminates the established business relationship exception to the national do-not-call registry provision for that Trading Permit Holder even if the person continues to do business with the Trading Permit Holder;
(B) the Trading Permit Holder has obtained the person’s prior express written consent. Such consent must be clearly evidenced by a signed, written agreement (which may be obtained electronically under the E-Sign Act) between the person and the Trading Permit Holder, which states that the person agrees to be contacted by the Trading Permit Holder and includes the telephone number to which the calls may be placed; or

(C) the Trading Permit Holder or associated person making the call has a personal relationship with the called person.

(2) A Trading Permit Holder or associated person making outbound telephone calls will not be liable for violating paragraph (a)(3) if the Trading Permit Holder or associated person demonstrates that the violation is the result of an error and that as part of the Trading Permit Holder’s routine business practice:

(A) the Trading Permit Holder has established and implemented written procedures to comply with paragraphs (a) and (b);

(B) the Trading Permit Holder has trained its personnel, and any entity assisting in its compliance, in the procedures established pursuant to paragraph (e)(2)(A);

(C) the Trading Permit Holder has maintained and recorded a list of telephone numbers that it may not contact in compliance with paragraph (d); and

(D) the Trading Permit Holder uses a process to prevent outbound telephone calls to any telephone number on the Trading Permit Holder’s firm-specific do-not-call list or the national do-not-call registry, employing a version of the national do-not-call registry obtained from the Federal Trade Commission no more than 31 days prior to the date any call is made, and maintains records documenting this process.

(f) Wireless Communications. The provisions set forth in this Rule are applicable to Trading Permit Holders and associated persons making outbound telephone calls to wireless telephone numbers.

(g) Outsourcing Telemarketing. If a Trading Permit Holder uses another appropriately registered or licensed entity or person to perform telemarketing services on its behalf, the Trading Permit Holder remains responsible for ensuring compliance with all provisions contained in this Rule.

(h) Billing Information. For any telemarketing transaction, no Trading Permit Holder or associated person shall cause billing information to be submitted for payment, directly or indirectly, without the express informed consent of the customer. Each Trading Permit Holder or associated person must obtain the express informed consent of the person to be charged and to be charged using the identified account.
In any telemarketing transaction involving preacquired account information, the following requirements must be met to evidence express informed consent:

(1) In any telemarketing transaction involving preacquired account information and a free-to-pay conversion feature, the Trading Permit Holder or associated person must:

   (A) obtain from the customer, at a minimum, the last four digits of the account number to be charged;

   (B) obtain from the customer an express agreement to be charged and to be charged using the account number pursuant to paragraph (h)(1)(A); and

   (C) make and maintain an audio recording of the entire telemarketing transaction.

(2) In any other telemarketing transaction involving preacquired account information not described in paragraph (h)(1), the Trading Permit Holder or associated person must:

   (A) identify the account to be charged with sufficient specificity for the customer to understand what account will be charged; and

   (B) obtain from the customer an express agreement to be charged and to be charged using the account number identified pursuant to paragraph (h)(2)(A).

(i) Caller Identification Information.

   (1) Any Trading Permit Holder that engages in telemarketing must transmit or cause to be transmitted the telephone number and, when made available by the Trading Permit Holder’s telephone carrier, the name of the Trading Permit Holder to any caller identification service in use by a recipient of an outbound telephone call.

   (2) The telephone number so provided must permit any person to make a do-not-call request during regular business hours.

   (3) Any Trading Permit Holder that engages in telemarketing is prohibited from blocking the transmission of caller identification information.

(j) Unencrypted Consumer Account Numbers. No Trading Permit Holder or associated person shall disclose or receive, for consideration, unencrypted consumer account numbers for use in telemarketing. The term “unencrypted” means not only complete, visible account numbers, whether provided in lists or singly, but also encrypted information with a key to its decryption. This paragraph will not apply to the disclosure or receipt of a customer’s billing information to process pursuant to a telemarketing transaction.

(k) Abandoned Calls.
(1) No Trading Permit Holder or associated person shall “abandon” any outbound telephone call. An outbound telephone call is “abandoned” if a called person answers it and the call is not connected to a Trading Permit Holder or associated person within two seconds of the called person’s completed greeting.

(2) A Trading Permit Holder or associated person shall not be liable for violating paragraph (k)(1) if:

(A) the Trading Permit Holder or associated person employs technology that ensures abandonment of no more than three percent of all outbound telephone calls answered by a person, measured over the duration of a single calling campaign, if less than 30 days, or separately over each successive 30-day period or portion thereof that the campaign continues;

(B) the Trading Permit Holder or associated person, for each outbound telephone call placed, allows the telephone to ring for at least 15 seconds or 4 rings before disconnecting an unanswered call;

(C) whenever a Trading Permit Holder or associated person is not available to speak with the person answering the outbound telephone call within two seconds after the person’s completed greeting, the Trading Permit Holder or associated person promptly plays a prerecorded message that states the name and telephone number of the Trading Permit Holder or associated person on whose behalf the call was placed; and

(D) the Trading Permit Holder or associated person retains records establishing compliance with paragraph (k)(2).

(l) Prerecorded Messages.

(1) No Trading Permit Holder or associated person shall initiate any outbound telephone call that delivers a prerecorded message, other than a prerecorded message permitted for compliance with the call abandonment safe harbor in paragraph (k)(2)(C), unless:

(A) the Trading Permit Holder has obtained from the called person an express agreement, in writing, that:

(i) the Trading Permit Holder obtained only after a clear and conspicuous disclosure that the purpose of the agreement is to authorize the Trading Permit Holder to place prerecorded calls to such person;

(ii) the Trading Permit Holder obtained without requiring, directly or indirectly, that the agreement be executed as a condition of purchasing any good or service;
(iii) evidences the willingness of the called person to receive calls that deliver prerecorded messages by or on behalf of the Trading Permit Holder; and

(iv) includes such person’s telephone number and signature (which may be obtained electronically under the E-Sign Act);

(B) the Trading Permit Holder allows the telephone to ring for a least 15 seconds or four rings before disconnecting an unanswered call and, within two seconds after the completed greeting of the called person, plays a prerecorded message that promptly provides the disclosures in paragraph (b), followed immediately by a disclosure of one or both of the following:

(i) in the case of a call that could be answered in person, that the called person can use an automated interactive voice and/or keypress-activated opt-out mechanism to assert a firm-specific do-not-call request pursuant to the Trading Permit Holder’s procedures instituted under paragraph (d)(2)(C) at any time during the message. The mechanism must automatically add the number called to the Trading Permit Holder’s firm-specific do-not-call list; once invoked, immediately disconnect the call; and be available for use at any time during the message; and

(ii) in the case of a call that could be answered by an answering machine or voicemail service, that the call recipient can use a toll-free telephone number to assert a firm-specific do-not-call request pursuant to the Trading Permit Holder’s procedures instituted under paragraph (d)(2)(C). The number provided must connect directly to an automated interactive voice or keypress-activated opt-out mechanism that automatically adds the number called to the Trading Permit Holder’s firm-specific do-not-call list; immediately thereafter disconnects the call; and is accessible at any time throughout the duration of the telemarketing campaign; and

(C) the Trading Permit Holder complies with all other requirements of this Rule and other applicable federal and state laws.

(2) Any call that complies with all applicable requirements of paragraph (l) shall not be deemed to violate paragraph (k).

(m) Credit Card Laundering. Except as expressly permitted by the applicable credit card system, no Trading Permit Holder or associated person shall:

(1) present to or deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the Trading Permit Holder;
employ, solicit, or otherwise cause a merchant, or an employee, representative or agent of the merchant, to present to or to deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the merchant; or

obtain access to the credit card system through the use of a business relationship or an affiliation with a merchant, when such access is not authorized by the merchant agreement or the applicable credit card system.

(n) Definitions. For purposes of this Rule:

(1) The term “account activity” includes, but is not limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the Trading Permit Holder.

(2) The term “acquirer” means a business organization, financial institution, or an agent of a business organization or financial institution that has authority from an organization that operates or licenses a credit card system to authorize merchants to accept, transmit, or process payment by credit card through the credit card system for money, goods or services, or anything else of value.

(3) The term “billing information” means any data that enables any person to access a customer’s or donor’s account, such as a credit or debit card number, a brokerage, checking, or savings account number, or a mortgage loan account number. A “donor” means any person solicited to make a charitable contribution. A “charitable contribution” means any donation or gift of money or any other thing of value, for example a transfer to a pooled income fund.

(4) The term “broker-dealer of record” refers to the broker or dealer identified on a customer’s account application for accounts held directly at a mutual fund or variable insurance product issuer.

(5) The term “caller identification service” means a service that allows a telephone subscriber to have the telephone number and, where available, name of the calling party transmitted contemporaneously with the telephone call, and displayed on a device in or connected to the subscriber’s telephone.

(6) The term “cardholder” means a person to whom a credit card is issued or who is authorized to use a credit card on behalf of or in addition to the person to whom the credit card is issued.

(7) The term “credit” means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.
(8) The term “credit card” means any card, plate, coupon book, or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.

(9) The term “credit card sales draft” means any record or evidence of a credit card transaction.

(10) The term “credit card system” means any method or procedure used to process credit card transactions involving credit cards issued or licensed by the operator of that system.

(11) The term “customer” means any person who is or may be required to pay for goods or services through telemarketing.

(12) The term “established business relationship” means a relationship between a Trading Permit Holder and a person if:

(A) the person has made a financial transaction or has a security position, a money balance, or account activity with the Trading Permit Holder or at a clearing firm that provides clearing services to such Trading Permit Holder within the 18 months immediately preceding the date of an outbound telephone call;

(B) the Trading Permit Holder is the broker-dealer of record for an account of the person within the 18 months immediately preceding the date of an outbound telephone call; or

(C) the person has contacted the Trading Permit Holder to inquire about a product or service offered by the Trading Permit Holder within the three months immediately preceding the date of an outbound telephone call.

A person’s established business relationship with a Trading Permit Holder does not extend to the Trading Permit Holder’s affiliated entities unless the person would reasonably expect them to be included. Similarly, a person’s established business relationship with a Trading Permit Holder’s affiliate does not extend to the Trading Permit Holder unless the person would reasonably expect the Trading Permit Holder to be included.

(13) The term “free-to-pay conversion” means, in an offer or agreement to sell or provide any goods or services, a provision under which a customer receives a product or service for free for an initial period and will incur an obligation to pay for the product or service if he or she does not take affirmative action to cancel before the end of that period.

(14) The term “merchant” means a person who is authorized under a written contract with an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.
(15) The term “merchant agreement” means a written contract between a merchant and an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.

(16) The term “outbound telephone call” means a telephone call initiated by a telemarketer to induce the purchase of goods or services or to solicit a charitable contribution from a donor.

(17) The term “person” means any individual, group, unincorporated association, limited or general partnership, corporation, or other business entity.

(18) The term “personal relationship” means any family member, friend, or acquaintance of the person making an outbound telephone call.

(19) The term “preacquired account information” means any information that enables a Trading Permit Holder or associated person to cause a charge to be placed against a customer’s or donor’s account without obtaining the account number directly from the customer or donor during the telemarketing transaction pursuant to which the account will be charged.

(20) The term “telemarketer” means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a customer or donor.

(21) The term “telemarketing” means consisting of or relating to a plan, program, or campaign involving at least one outbound telephone call, for example cold-calling. The term does not include the solicitation of sales through the mailing of written marketing materials, when the person making the solicitation does not solicit customers by telephone but only receives calls initiated by customers in response to the marketing materials and during those calls takes orders only without further solicitation. For purposes of the previous sentence, the term “further solicitation” does not include providing the customer with information about, or attempting to sell, anything promoted in the same marketing materials that prompted the customer’s call.

Approved December 13, 1995 (95-63); amended October 6, 1997 (97-39); June 18, 2010 (10-058); March 15, 2012 (12-024).

... Interpretations and Policies:

.01 Trading Permit Holders and associated persons that engage in telemarketing also are subject to the requirements of relevant state and federal laws and rules, including but not limited to the Telemarketing and Consumer Fraud and Abuse Prevention Act, the Telephone Consumer Protection Act, and the rules of the Federal Communications Commission (“FCC”) relating to telemarketing practices and the rights of telephone consumers.

Approved December 13, 1995 (95-63); amended October 6, 1997 (97-39); June 18, 2010 (10-058); March 15, 2012 (12-024).
.02 It is considered conduct inconsistent with just and equitable principles of trade and a violation of Exchange Rule 4.1 for any Trading Permit Holder or associated person to: (1) call a person repeatedly or continuously in a manner likely to annoy or be offensive; or (2) use threats, intimidation, or profane or obscene language in calling any person.

Approved October 6, 1997 (97-39); amended June 18, 2010 (10-058).

Rule 9.25. Borrowing From or Lending to Customers

(a) No person associated with a Trading Permit Holder or TPH organization in any registered capacity may borrow money from or lend money to any customer of such person unless:

(1) The Trading Permit Holder or TPH organization has written procedures allowing the borrowing and lending of money between such registered persons and customers of the Trading Permit Holder or TPH organization; and

(2) the lending or borrowing arrangement meets one of the following conditions:

(A) the customer is a member of such person’s immediate family;

(B) the customer is a financial institution regularly engaged in the business of providing credit, financing, or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business;

(C) the customer and the registered person are both registered persons of the same member organization;

(D) the lending arrangement is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the associated person not maintained a relationship outside of the broker/customer relationship; or

(E) the lending arrangement is based on a business relationship outside of the broker/customer relationship;

(b) Procedures.

(1) Trading Permit Holders or TPH organizations must pre-approve in writing the lending or borrowing arrangements described in subparagraphs (a)(2)(C), (D), and (E) above.

(2) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(A) above, a Trading Permit Holder or TPH organization’s written procedures may indicate that registered persons are not required to notify the Trading Permit Holder or TPH organization, or receive Trading Permit Holder or TPH organization approval either prior to or subsequent to entering into such lending or borrowing arrangements.
(3) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(B) above, a Trading Permit Holder or TPH organization’s written procedures may indicate that registered persons are not required to notify the Trading Permit Holder or TPH organization or receive their approval either prior to or subsequent to entering into such lending or borrowing arrangements, provided that the loan has been made on commercial terms that the customer generally makes available to members of the public similarly situated as to need, purpose, and creditworthiness. For purposes of this subparagraph, the Trading Permit Holder or TPH organization may rely on the registered person’s representation that the terms of the loan meet the above-described standards.

(c) The term immediate family shall include parents, grandparents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and shall also include any other person whom the registered person supports, directly or indirectly, to a material extent.

Approved December 22, 2004 (04-66); amended June 18, 2010 (10-058).
CHAPTER X. CLOSING TRANSACTIONS

Part A - Options Contracts (Rules 10.1-10.3)

Rule 10.1. Disagreement on Unmatched Trade

When an unmatched Exchange transaction cannot be resolved under Rule 6.61, the transaction shall be promptly closed out by the parties in the following manner. The Trading Permit Holder representing the purchaser in the unmatched Exchange transaction shall promptly enter into a new purchase transaction on the floor of the Exchange to purchase the option contract that was the subject of the unmatched Exchange transaction, and the Trading Permit Holder representing the writer in the unmatched Exchange transaction shall promptly enter into a new writing transaction on the floor of the Exchange to write the option contract that was the subject of the unmatched Exchange transaction. Any money difference resulting from such transactions shall be settled between the Trading Permit Holders involved, either by mutual agreement or by arbitration pursuant to these Rules, for their own accounts and not for the accounts of their respective customers. Notwithstanding the foregoing, if either Trading Permit Holder is acting for a firm account in the unmatched Exchange transaction, and not for the account of a customer, such Trading Permit Holder need not enter into a new transaction, in which event money differences will be based solely on the closing transaction of the other party to the unmatched transaction.

Amended April 14, 1980; June 18, 2010 (10-058).

Rule 10.2. Contracts of Suspended Trading Permit Holders

When a Trading Permit Holder, other than a Clearing Trading Permit Holder, is suspended pursuant to Chapter XVI of these Rules, all open short positions of the suspended Trading Permit Holder in option contracts and all open positions resulting from exercise of option contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the Rules of the Clearing Corporation, shall be closed without unnecessary delay by all TPH organizations carrying such positions for the account of the suspended Trading Permit Holder; provided that the Chief Executive Officer or President may cause the foregoing requirement to be temporarily waived for such period as he may determine if he shall deem such temporary waiver to be in the interest of the public or the other Trading Permit Holder. No temporary waiver hereunder by the Chief Executive Officer or President shall relieve the suspended Trading Permit Holder of its obligations or of damages, nor shall it waive the close out requirements of any other Rule. When a Clearing Trading Permit Holder is suspended pursuant to Chapter XVI of these Rules, the positions of such Clearing Trading Permit Holder shall be closed out in accordance with the Rules of the Clearing Corporation.

Amended January 3, 1975; June 18, 2010 (10-058); July 12, 2016 (16-047).

Rule 10.3. Failure to Pay Premium

When the Clearing Corporation shall reject an Exchange transaction because of the failure of the Clearing Trading Permit Holder acting on behalf of the purchaser to pay the aggregate premiums due thereon as required by the Rules of the Clearing Corporation, the Trading Permit Holder acting as or on behalf of the writer shall have the right either to cancel the transaction by giving notice
thereof to the Clearing Trading Permit Holder or to enter into a closing writing transaction in respect of the same option contract that was the subject of the rejected Exchange transaction for the account of the defaulting Clearing Trading Permit Holder. Such action shall be taken as soon as possible, and in any event not later than 10:00 A.M. on the business day following the day the Exchange transaction was rejected by the Clearing Corporation.

Amended June 18, 2010 (10-058).

Rule 10.10. Deleted

Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

Rule 10.11. Deleted

Approved October 19, 1990 (90-08); amended July 19, 2000, effective August 18, 2000 (99-15); June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

Rule 10.12. Deleted

Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); June 2, 2015 (15-027); deleted May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Deleted

Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

.02 Deleted

Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); June 2, 2015 (15-027); deleted May 10, 2019 (19-017).

.03 Deleted

Approved October 19, 1990 (90-08); deleted May 10, 2019 (19-017).

.04 Deleted

Approved October 19, 1990 (90-08); Deleted May 10, 2019 (19-017).
.05 Deleted
Approved October 19, 1990 (90-08); amended June 2, 2015 (15-027); deleted May 10, 2019 (19-017).

Rule 10.13. Deleted

Deleted
Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

Rule 10.14. Deleted
Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); June 2, 2015 (15-027); deleted May 10, 2019.

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.01 Deleted
Approved October 19, 1990 (90-08); deleted May 10, 2019 (19-017).

.02 Deleted
Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); June 2, 2015 (15-027); deleted May 10, 2019 (19-017).

.03 Deleted
Approved October 19, 1990 (90-08); deleted May 10, 2019 (19-017).

Rule 10.15. Deleted

Deleted
Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

Rule 10.16. Deleted

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Approved October 19, 1990 (90-08); amended October 10, 2008 (08-101); deleted May 10, 2019 (19-017).

Rule 10.17. Deleted

Deleted
Approved October 19, 1990 (90-08); amended June 18, 2010 (10-058); deleted May 10, 2019 (19-017).

Rule 10.18. Deleted

Rule 10.19. Deleted

Rule 10.20. Deleted

Rule 10.21. Deleted

Rule 10.22. Deleted

Approved October 19, 1990 (90-08); deleted May 10, 2019 (19-017).
CHAPTER XI. EXERCISES AND DELIVERIES

Rule 11.1. Exercise of Option Contracts

(a) Subject to the restrictions set forth in Rule 4.12 and to such restrictions as may be imposed pursuant to Rule 4.16 or pursuant to the Rules of the Clearing Corporation, an outstanding option contract may be exercised during the time period specified in the Rules of the Clearing Corporation by the tender to the Clearing Corporation of an exercise notice in accordance with the Rules of the Clearing Corporation. An exercise notice may be tendered to the Clearing Corporation only by the Clearing Trading Permit Holder in whose account such option contract is carried with the Clearing Corporation.

(b) The Exchange may establish procedures and cutoff times for the submission of exercise advices to the Exchange for noncash-settled equity options. Such procedures and cutoff times will be set forth in an Exchange Regulatory Circular.

(c)

(1) In the event the Exchange provides advance notice, on or before 4:30 p.m. on the business day immediately prior to the last business day before the expiration date, indicating that a modified time for close of Regular Trading Hours in noncash-settled equity options on the last business day before expiration will occur, the deadline to make a final decision to exercise or not exercise an expiring option shall be 1 hour 30 minutes following the time announced for the close of Regular Trading Hours on that day.

(2) A Contrary Exercise Advice ("CEA", also known as “Expiring Exercise Declaration” or “EED”) is a communication either: (A) to not exercise an option that would be automatically exercised under the Clearing Corporation’s Ex-by-Ex procedure, or (B) to exercise an option that would not be automatically exercised under the Clearing Corporation’s Ex-by-Ex procedure.

(i) A CEA may be submitted to the Exchange by a Trading Permit Holder by using the Exchange’s Contrary Exercise Advice Form, the Clearing Corporation’s ENCORE system, a Contrary Exercise Advice form of any other national securities exchange of which the Trading Permit Holder also has membership or participant privileges and where the option is listed, or such other method as the Exchange may prescribe. A CEA may be canceled by filing an “Advice Cancel” with the Exchange or may be resubmitted at any time up to the submission cut-off times specified below.

(3) Trading Permit Holders and TPH organizations must deliver a CEA or Advice Cancel to the Exchange within 3 hours 30 minutes following the time announced for the close of Regular Trading Hours in noncash-settled equity options on that same day if such TPH organization employs an electronic submission procedure with time stamp for the submission of exercise instructions. For non-customer accounts, Trading Permit Holders and TPH organizations that do not employ an electronic procedure with time stamp for the submission of exercise instructions must deliver a CEA or Advice Cancel to the Exchange within 3 hours 30 minutes following the time announced for the close of Regular Trading Hours in noncash-settled equity options on that same day.
instructions are required to deliver a CEA or Advice Cancel within 1 hour and 30 minutes following the time announced for the close of Regular Trading Hours on that day.

(d)

(1) The Exchange may establish extended cutoff times for decisions to exercise or not exercise an expiring noncash-settled equity option and for the submission of CEAs on a case-by-case basis due to unusual circumstances. For the purposes of Rule 11.1(d)(1), examples of unusual circumstances would include, but not be limited to: increased market volatility; significant bid/offer spreads in underlying securities; or, internal system malfunctions affecting market quotes and/or deliver orders.

(2) If the Exchange provides advance notice by 12 noon (CST) on the previous business day, the Exchange may establish a reduced cutoff time for the decision to exercise or not exercise an expiring noncash-settled equity option and for the submission of CEAs on a case-by-case basis due to unusual circumstances; provided, however, that under no circumstances should the exercise cutoff time and the time for submission of a CEA be before the close of trading. For the purposes of Rule 11.1(d)(2), examples of unusual circumstances would include, but not be limited to, a significant news announcement scheduled to be released after the close of a business day immediately prior to expiration and that pertains to an underlying security.

Amended January 3, 1975; May 1, 1975; September 12, 1983; October 7, 1994, effective February 17, 1995 (94-06); January 15, 1999 (98-33); April 17, 2000 (99-03); February 18, 2004 (03-47); June 18, 2010 (10-058); August 12, 2010 (10-074); November 28, 2014 (14-062).

. . . Interpretations and Policies:

.01 For purposes of this Rule 11.1, the terms “customer account” and “non-customer account” have the same meanings as defined in OCC By-Laws Article I(C)(25) and Article I(N)(2), respectively.

Issued May 1, 1975; amended September 12, 1983; October 7, 1994, effective February 17, 1995 (94-06); January 15, 1999 (98-33); February 18, 2004 (03-47).

.02 Each TPH organization shall prepare a memorandum of every exercise instruction received showing the time when such instruction was so received. Such memoranda shall be subject to the requirements of SEC Rule 17a-4(b).

Amended June 18, 2010 (10-058).

.03 Clearing Trading Permit Holders must follow the procedures of the Clearing Corporation when exercising American-style cash-settled index option contracts issued or to be issued in any account at the Clearing Corporation. Trading Permit Holders must also follow the procedures set forth below with respect to American-style cash-settled index options:
(a) For all contracts exercised by the Trading Permit Holder or by any customer of the Trading Permit Holder on a business day, an “Exercise Advice” must be delivered by the Trading Permit Holder in such form or manner prescribed by the Exchange to a place designated by the Exchange no later than 3:20 p.m. (CT), or if trading hours are extended or modified in the applicable option class, no later than five (5) minutes after the close of Regular Trading Hours on that business day.

(b) Subsequent to the delivery of an “Exercise Advice”, should the Trading Permit Holder or a customer of the Trading Permit Holder determine not to exercise all or part of the advised contracts, the Trading Permit Holder must also deliver an “Advice Cancel” in such form or manner prescribed by the Exchange to a place designated by the Exchange no later than 3:20 p.m. (CT), or if trading hours are extended or modified in the applicable option class, no later than five (5) minutes after the close of Regular Trading Hours on that business day.

(c) The President or his designee may determine to extend the applicable deadline for the delivery of “Exercise Advice” and “Advice Cancel” notifications pursuant to this Interpretation .3 if unusual circumstances are present.

(d) No Trading Permit Holder may prepare, time stamp or submit an “Exercise Advice” prior to the purchase of the contracts to be exercised if the Trading Permit Holder knew or had reason to know that the contracts had not yet been purchased.

(e) The procedures set forth in subparagraphs (a)-(b) of this Interpretation .03 do not apply (i) on the business day prior to expiration in series expiring on a day other than a business day or (ii) on the expiration day in series expiring on a business day.

(f) Exercises of American-style, cash-settled index options (and the submission of corresponding “Exercise Advice” and “Advice Cancel” forms) shall be prohibited during any time when trading in such options is delayed, halted, or suspended, subject to the following exceptions:

(i) The exercise of an American-style, cash-settled index option may be processed and given effect in accordance with and subject to OCC rules while trading in the option is delayed, halted, or suspended if it can be documented, in a form prescribed by the Exchange, that the decision to exercise the option was made during allowable time frames prior to the delay, halt, or suspension. Acceptable documentation shall ordinarily be limited to an “Exercise Advice” previously transmitted via OCC’s electronic communications system or a Trading Permit Holder’s copy of an “Exercise Advice” previously submitted to the Exchange.

(ii) Exercises of expiring American-style, cash-settled index options shall not be prohibited on the last business day prior to their expiration.

(iii) Exercises of American-style, cash-settled index options shall not be prohibited during a trading halt that occurs at or after 3:00 p.m. (CT). In the event of such a trading halt, exercises may occur through 3:20 p.m. (CT). In addition, if trading resumes following such a trading halt (such as by closing rotation), exercises may occur during the resumption of trading and for five (5) minutes after the close of the resumption of trading.
The provisions of this subparagraph (iii) are subject to the authority of the Board to impose restrictions on transactions and exercises pursuant to Rule 4.16(a).

(iv) The President or his designee may determine to permit the exercise of American-style, cash-settled index options while trading in such options is delayed, halted, or suspended.

In the case of an American-style, cash-settled FLEX Index Option, the references in this paragraph (h) to a trading delay, halt, suspension, resumption, or closing rotation shall mean the occurrence of the applicable condition in the standardized option on the index underlying the FLEX Index Option (rather than the occurrence of the applicable condition in the FLEX Index Option itself).

Adopted March 1, 1988 (87-50); amended October 25, 1991 (91-28); October 7, 1994, effective February 17, 1995 (94-06); January 15, 1999 (98-33); April 17, 2000 (99-03); February 18, 2004 (03-47); June 18, 2010 (10-058); November 28, 2014 (14-062).

.04 The failure of any Trading Permit Holder to follow the procedures in this Rule 11.1, or a Regulatory Circular issued pursuant to Rule 11.1, may be referred pursuant to Chapter XVII of the Rules and result in the assessment of a fine, which may include but is not limited to disgorgement of potential economic gain obtained or loss avoided by the subject exercise, as determined pursuant to Chapter XVII.

Amended May 23, 2008 (08-02); June 18, 2010 (10-058).

.05 Preparing or submitting an exercise instruction, Exercise Advice, CEA, or Advice Cancel after the applicable deadline on the basis of material information released after such deadline, in addition to constituting a violation of this Rule, is activity inconsistent with just and equitable principles of trade.

.06 The filing of an exercise instruction, Exercise Advice, CEA, or Advice Cancel with the Exchange as required by this rule or a regulatory circular issued pursuant to this rule does not serve to substitute as the effective notice to OCC for the exercise or non-exercise of expiring options.

Approved October 7, 1994, effective February 17, 1995 (94-06); amended January 15, 1999 (98-33); April 17, 2000 (99-03); February 18, 2004 (03-47).

.07 An exercise instruction, Exercise Advice, CEA or Advice Cancel that is prepared, time stamped, submitted or accepted in violation of the applicable cutoff time may be processed and given effect in accordance with and subject to the rules of OCC, but the Trading Permit Holder violating the cutoff time will be subject to discipline in accordance with the Rules.

Approved October 7, 1994, effective February 17, 1995 (94-06); amended January 15, 1999 (98-33); February 18, 2004 (03-47); June 18, 2010 (10-058).
Rule 11.2. Allocation of Exercise Notices

(a) Each TPH organization shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in such TPH organization’s customers’ accounts. The allocation shall be on a “first in, first out”, or automated random selection basis that has been approved by the Exchange, or on a manual random selection basis that has been specified by the Exchange. Each TPH organization shall inform its customers in writing of the method it uses to allocate exercise notices to its customers’ accounts, explaining its manner of operation and the consequences of that system.

(b) Each TPH organization shall report its proposed method of allocation to the Exchange and obtain the Exchange’s prior approval thereof, and no TPH organization shall change its method of allocation unless the change has been reported to and approved by the Exchange. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved by another self-regulatory organization having comparable standards pertaining to methods of allocation.

(c) Each TPH organization shall preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

Amended June 3, 1977; March 26, 1980; June 18, 2010 (10-058).

Rule 11.3. Delivery and Payment

Delivery of the underlying security upon the exercise of an option contract, and payment of the aggregate exercise price in respect thereof, shall be in accordance with the Rules of the Clearing Corporation. As promptly as possible after the exercise of an option contract by a customer, the TPH organization shall require the customer to make full cash payment of the aggregate exercise price in the case of a call option contract, or to deposit the underlying security in the case of a put option contract, or to make the required margin deposit in respect thereof if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board. As promptly as practicable after the assignment to a customer of an exercise notice the TPH organization shall require the customer to deposit the underlying security in the case of a call option contract if the underlying security is not carried in the customer’s account, or to make full cash payment of the aggregate exercise price in the case of a put option contract, or in either case to deposit the required margin in respect thereof if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board.

Amended June 3, 1977; June 18, 2010 (10-058).

Rule 11.4. Settlement When Delivery of Underlying Stock Is Restricted

CHAPTER XII. MARGINS

Rule 12.1. General Rule

No TPH organization may effect a transaction or carry an account for a customer, whether a Trading Permit Holder or non-Trading Permit Holder, without proper and adequate margin in accordance with this Chapter XII, all other applicable rules of the Exchange, and Regulation T of the Federal Reserve Board.

Amended June 2, 1997 (97-17); June 18, 2010 (10-058).

Rule 12.2. Time Margin Must Be Obtained

(a) Securities Other Than Security Futures Contracts. The amount of initial margin, or payment in respect of cash account transactions, required by this Rule shall be obtained as promptly as possible and in any event within one payment period as defined in Section 220.2 of Regulation T of the Board of Governors of the Federal Reserve System. The amount of maintenance margin required by this Rule shall be obtained as promptly as possible and in any event within 15 business days.


Rule 12.3. Margin Requirements

(a) Definitions. For purposes of this Rule, the following terms shall have the meanings specified below.

(1) The term “bank” means a U.S. bank or trust company (but not a bank holding company) supervised and examined by state or federal authority.

(2) The term “current market value” is as defined in Section 220.3 of Regulation T of the Board of Governors of the Federal Reserve System. At any other time, in the case of options, stock index warrants, currency index warrants and currency warrants, it shall mean the closing price of that series of options or warrants on the Exchange on any day with respect to which a determination of current market value is made. In the case of other securities, it shall mean the preceding business day’s closing price as shown by any regularly published reporting or quotation service. If there is no closing price on the option or on another security, a TPH organization may use a reasonable estimate of the current market value of the security as of the close of business on the preceding business day.

(3) The term “escrow agreement”, when used in connection with non cash settled call or put options carried short, means any agreement issued in a form acceptable to the Exchange under which a bank holding the underlying security (in the case of a call option) or required cash, cash equivalents or a combination thereof (in the case of a put option), is obligated to deliver to the creditor (in the case of a call option) or accept from the creditor (in the case of a put option) the underlying
security against payment of the exercise price in the event the call or put is assigned an exercise notice.

The term “escrow agreement”, when used in connection with cash settled call or put options, stock index warrants, currency index warrants or currency warrants carried short, means any agreement issued in a form acceptable to the Exchange under which a bank holding cash, cash equivalents, one or more qualified equity securities or a combination thereof in the case of a call option or warrant; or cash, cash equivalents or a combination thereof in the case of a put option or warrant; is obligated (in the case of an option) to pay the creditor the exercise settlement amount in the event an option is assigned an exercise notice or (in the case of a warrant) the funds sufficient to purchase a warrant sold short in the event of a buy-in.

(4) The term “exempted security” or “exempted securities” has the same meaning as in Section 3(a)(12) of the Securities Exchange Act of 1934.

(5) For the purpose of this rule, the term “spread” means an equivalent long and short position in different call option series, different put option series, or combinations thereof, that collectively have a limited risk/reward profile, and meet the following conditions 1) all options must have the same underlying security or instrument, 2) all options must be either all American style or all European style, 3) all options must be either all listed or all OTC, 4) within option type(s), the long and short options must have equal aggregate underlying contract values and 5) the short option(s) must expire on or before the expiration date of the long option(s).

(6) The term “box spread” means an aggregation of positions in a long call option and short put option with the same exercise price (“buy side”) coupled with a long put option and short call option with the same exercise price (“sell side”) all of which have the same underlying component or index and time of expiration, and are based on the same aggregate current underlying value, and are structured as either: A) a “long box spread” in which the sell side exercise price exceeds the buy side exercise price or B) a “short box spread” in which the buy side exercise price exceeds the sell side exercise price.

(7) The term “underlying stock basket” means a group of securities which includes each of the component securities of the applicable index and which meets the following conditions (i) the quantity of each stock in the basket is proportional to its representation in the index, (ii) the total market value of the basket is equal to the underlying index value of the index options or warrants to be covered, (iii) the securities in the basket cannot be used to cover more than the number of index options or warrants represented by that value and (iv) the securities in the basket shall be unavailable to support any other option or warrant transaction in the account.

(8) The term “cash equivalent” is as defined in Section 220.2 of Regulation T of the Board of Governors of the Federal Reserve System.
(9) The term “listed” for purposes of this Chapter 12 means a security traded on a registered national securities exchange or automated facility of a registered national securities association or issued and guaranteed by the Clearing Corporation and shall include OCC cleared OTC options contracts.

(10) The term “OTC margin bond” for purposes of this Chapter 12 means (1) any debt securities not traded on a national securities exchange that meet all of the following requirements (a) at the time of the original issue, a principal amount of not less than $25,000,000 of the issue was outstanding; (b) the issue was registered under Section 5 of the Securities Act of 1933 and the issuer either files periodic reports pursuant to the Act or is an insurance company under Section 12(g)(2)(G) of the Act; or (c) at the time of the extension of credit the creditor has a reasonable basis for believing that the issuer is not in default on interest or principal payments; or (2) any private pass-through securities (not guaranteed by a U.S. government agency) that meet all of the following requirements: (a) an aggregate principal amount of not less than $25,000,000 was issued pursuant to a registration statement filed with the Commission; and (b) current reports relating to the issue have been filed with the Commission; and (c) at the time of the credit extension, the creditor has a reasonable basis for believing that mortgage interest, principal payments and other distributions are being passed through as required and that the servicing agent is meeting its material obligations under the terms of the offering.

(11) The term “Investment Grade” in respect of any Corporate Debt Security, as that term is defined in Rule 28.1, means, if rated by only one nationally recognized statistical rating organization (“NRSRO”), is rated in one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated in one of the four highest generic rating categories by all or a majority of such NRSROs; provided that if the NRSROs assign ratings that are evenly divided between (i) the four highest generic ratings and (ii) ratings lower than the four highest generic ratings, the Exchange will classify the Corporate Debt Security as Non-Investment Grade.

(12) The term “Non-Investment Grade” in respect of any Corporate Debt Security, as that term is defined in Rule 28.1, means, if rated by only one NRSRO (as defined in Rule 12.3(a)(15)), is rated lower than one of the four highest generic rating categories; or if rated by more than one NRSRO, is rated lower than one of the four highest generic rating categories by all or a majority of such NRSROs.

(13) The term “Convertible” in respect of any Corporate Debt Security, as that term is defined in Rule 28.1, means, notwithstanding the classification of a Corporate Debt Security as Investment Grade or Non-Investment Grade, means any Corporate Debt Security that may be exchanged for shares of the issuer’s common or preferred stock.

(14) The term “OTC option” as used with reference to a call or put option contract in this Chapter 12 means an over-the-counter option contract that is issued
and guaranteed by the carrying broker-dealer and not traded on a national securities exchange or issued and guaranteed by the Clearing Corporation.

(b) Customer Margin Accounts—General Rule. Subject to the exceptions set forth in parts (c) and (k) hereof, the minimum amount of margin which must be maintained in margin accounts of customers having positions in securities shall be as follows:

1. Long Positions. 25% of the current market value of all “long” in the account; plus

2. Short Positions.

   (A) $2.50 per share or 100% of the current market value, whichever amount is greater, of each security “short” in the account which has a current market value of less than $5.00 per share; plus

   (B) $5.00 per share or 30% of the current market value, whichever amount is greater, of each security “short” in the account which has a current market value of $5 per share or more.

3. Short Bonds. 5% of the principal amount or 30% of the current market value, whichever amount is greater, of each bond “short” in the account.

(c) Customer Margin Account—Exception. The foregoing requirements are subject to the following exceptions. Nothing in this paragraph (c) shall prevent a broker-dealer from requiring margin from any account in excess of the amounts specified in these provisions.

1. Exempted Securities.

   (A) Obligations of the United States. On net “long” or net “short” positions in obligations (including zero coupon bonds, i.e., bonds with coupons detached or non-interest bearing bonds) issued or guaranteed as to principal or interest by the United States Government or issued or guaranteed by corporations in which the United States has a direct or indirect interest as shall be designated for exemption by the Secretary of the Treasury, the margin to be maintained shall be the percentage of the current market value of such obligations as specified in the applicable category below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year to maturity</td>
<td>1%</td>
</tr>
<tr>
<td>One year but less than three years to maturity</td>
<td>2%</td>
</tr>
<tr>
<td>Three years but less than five years to maturity</td>
<td>3%</td>
</tr>
<tr>
<td>Five years but less than ten years to maturity</td>
<td>4%</td>
</tr>
<tr>
<td>Ten years but less than twenty years to maturity</td>
<td>5%</td>
</tr>
</tbody>
</table>
Notwithstanding the above, on zero coupon bonds with five years or more to maturity the margin to be maintained shall not be less than 3% of the principal amount of the obligation.

When such obligations other than United States Treasury bills are due to mature in thirty calendar days or less, a TPH organization, at its discretion, may permit the customer to substitute another such obligation for the maturing obligation to reduce the margin required on the new obligation, provided the customer has given the TPH organization irrevocable instructions to redeem the maturing obligations.

(B) All Other Exempted Securities. On any long position in an exempted security other than an obligation of the United States, the margin to be maintained shall be 15% of the current market value or 7% of the principal amount of such exempt security, whichever amount is greater.

(2) Non-Convertible Debt Securities. On any long position in a non-convertible debt security that is listed or that qualifies as an “OTC margin bond”, the margin to be maintained shall be 20% of the current market value or 7% of the principal amount, whichever amount is greater.

(3) Security Offset. Listed and OTC.

(A) When a security (with the exception of options) carried in a long position is exchangeable or convertible within ninety days, without restriction other than the payment of money, into a security carried in a short position for the same customer, the minimum margin required on such positions shall be 10% of the current market value of the “long” securities. In determining such margin requirement short positions shall be marked to the market or to the amount of money payable upon such exchange or conversion, whichever is the greater.

(B) When an account has offsetting long and short positions in the same security, the minimum margin shall be 5% of the current market value of the “long” securities. In determining such margin requirements “short” positions shall be marked to the market.

(4) Initial and Maintenance Margin Requirements on Long Options, Stock Index Warrants, Currency Index Warrants and Currency Warrants. Options and warrants carried “long” in a customer’s account shall be margined as follows:

(A) Listed or OTC Options Expiring in 9 Months or Less. In the case of any put or call option, stock index warrant, currency index warrant or currency warrant which expires in 9 months or less, initial margin must be deposited and maintained equal to at least 100% of the current market value of the option or warrant.
Listed Options and Warrants With An Expiration Exceeding 9 Months. In the case of a listed put or call option on a stock or stock index, and a stock index warrant, expiring in more than 9 months, margin must be deposited and maintained equal to at least 75% of the current market value of the option or warrant.

OTC Options and Warrants With An Expiration Exceeding 9 Months. In the case of an OTC put or call option on a stock or stock index, and a stock index warrant, expiring in more than 9 months, margin must be deposited and maintained equal to at least 75% of the option or warrant’s in-the-money amount plus 100% of the amount, if any, by which the current market value of the option or warrant exceeds its in-the-money amount provided also that the option or warrant:

1. is guaranteed by the carrying broker-dealer,
2. has an American style exercise provision and

Initial and Maintenance Margin Requirements on Short Options, Stock Index Warrants, Currency Index Warrants and Currency Warrants.

Listed. General Rule. The initial and maintenance margin required on any listed put, call, stock index warrant, currency index warrant or currency warrant carried “short” in a customer’s account shall be 100% of the current market value of the option or warrant plus the percentage of the current “underlying component value” (as described in column IV of the table below) specified in column II of the table below reduced by any “out-of-the-money” amount as defined in this subparagraph (c)(5)(A) below.

Notwithstanding the margin required above, the minimum margin for each such call option or call warrant shall not be less than 100% of the current market value of the option or warrant plus the percentage of the current market value of the underlying component specified in column III of the table below, and for each such put option or put warrant, shall not be less than 100% of the current market value of the option or warrant plus the percentage of the option or warrant’s aggregate exercise price amount specified in column III of the table below.

<table>
<thead>
<tr>
<th>I. Type of Option</th>
<th>II. Initial and/or Maintenance Margin Required</th>
<th>III. Minimum Margin Required</th>
<th>IV. Underlying Component Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stock</td>
<td>20%</td>
<td>10%</td>
<td>The equivalent number of shares at current market prices.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>2.</td>
<td>Narrow based index as defined in Rule 24.1 and Micro Narrow-Based Index as defined in Rule 24.2(d)</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The product of the current index group value and the applicable index multiplier.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Broad-based index (including Capped-style options (CAPS &amp; QCAPS) Packaged Vertical Spreads and Packaged Butterfly Spreads) as defined in Rule 24.1</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The product of the current index group value and the applicable index multiplier.</td>
<td></td>
</tr>
</tbody>
</table>
| 4. | Corporate Debt Security, as defined in Rule 28.1 | Investment Grade: 10%  
Non-Investment Grade: 15%  
Convertible: 20% | Investment Grade: 5%  
Non-Investment Grade: 10%  
Convertible: 10% |
<p>|   |   | The aggregate contract value (current market value x 1000). |
| 5. | Interest Rate Contracts | 10% | 5% |
|   |   | The product of the index value and the applicable index multiplier. |
| 6. | U.S. Treasury bills - 95 days or less to maturity | .35% | 1/2% |
|   |   | The underlying principal amount. |
| 7. | U.S. Treasury notes | 3% | 1/2% |
|   |   | The underlying principal amount. |
| 8. | U.S. Treasury bonds | 3.5% | 1/2% |
|   |   | The underlying principal amount. |
| 9. | Foreign Currency Options Warrants |   | The product of units per foreign currency contract and the closing spot price. 3 |</p>
<table>
<thead>
<tr>
<th>Currency</th>
<th>Exercise Price</th>
<th>Dividend Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Dollar</td>
<td>4%</td>
<td>3/4%</td>
</tr>
<tr>
<td>British Pound</td>
<td>4%</td>
<td>3/4%</td>
</tr>
<tr>
<td>Canadian Dollar</td>
<td>4%</td>
<td>3/4%</td>
</tr>
<tr>
<td>German Mark</td>
<td>4%</td>
<td>3/4%</td>
</tr>
<tr>
<td>European Currency Unit</td>
<td>4%</td>
<td>3/4%</td>
</tr>
<tr>
<td>French Franc</td>
<td>4%</td>
<td>3/4%</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>4%</td>
<td>3/4%</td>
</tr>
<tr>
<td>Swiss Franc</td>
<td>4%</td>
<td>3/4%</td>
</tr>
</tbody>
</table>

10. Currency Index Warrants
- Exercise Price: 3%
- Dividend Price: A percentage of the aggregate exercise price as specified by the Exchange and approved by the SEC
- Notation: The product of the index value and the applicable index multiplier.

11. Stock Index Warrants (broad-based)
- Exercise Price: 15%
- Dividend Price: 10%
- Notation: The product of the index value and the applicable index multiplier.

12. Stock Index Warrants (narrow-based)
- Exercise Price: 20%
- Dividend Price: 10%
- Notation: The product of the index value and the applicable index multiplier.

13. Registered investment companies based on a broad-based index or portfolio of securities.
- Exercise Price: 15%
- Dividend Price: 10%
- Notation: The equivalent number of shares at current market prices.

14. Registered investment companies based on a narrow-based index or portfolio of securities.
- Exercise Price: 20%
- Dividend Price: 10%
- Notation: The equivalent number of shares at current market prices.
<table>
<thead>
<tr>
<th>15. Volatility Indexes</th>
<th></th>
<th>The product of the current (spot or cash) index value and the applicable index multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cboe Volatility Index</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cboe Russell 2000 Volatility Index</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cboe Gold ETF Volatility Index</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cboe Crude Oil ETF Volatility Index</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cboe Emerging Markets ETF Volatility Index</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cboe Brazil ETF Volatility Index</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Cboe Short-Term Volatility Index</td>
<td>40%</td>
<td>20%</td>
</tr>
<tr>
<td>Other Volatility Indexes identified in Rules 24.9(a)(3) and 24.9(a)(4)</td>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

16. Single Stock Dividend Options 20% 10% The product of the forward expected dividend amount for the accrual period (as adjusted for any contract scaling factor) and the applicable multiplier.

1 In any event, the maximum margin required on a capped style index option (CAPS and Q-CAPS), Packaged Vertical Spread and Packaged Butterfly Spread as defined in Rule 24.1 need not
exceed the aggregate cap interval, vertical spread interval and butterfly spread interval, respectively. Cap interval, vertical spread interval and butterfly spread interval shall have the meanings defined in Rule 24.1.

2 In respect of a capped-style index option, Packaged Vertical Spread and Packaged Butterfly Spread as defined in Rule 24.1 which is out-of-the-money, the minimum margin required is as follows: CALLS - the lesser of a) 100% of the current market value of the option plus 10% of the underlying index value or b) the aggregate cap, vertical spread or butterfly spread interval, respectively, PUTS - the lesser of a) 100% of the current market value of the option plus 10% of the aggregate put exercise price or b) the aggregate cap, vertical spread or butterfly spread interval, respectively. Cap interval, vertical spread interval and butterfly spread interval shall have the meanings defined in Rule 24.1.

3 The term “spot price” in respect of a currency warrant on a particular business day means the noon buying rate in U.S. dollars on such day in New York City for cable transfers of the particular underlying currency as certified for customs purposes by the Federal Reserve Bank of New York.

For purposes of this subparagraph (c)(5)(A), “out-of-the-money” amounts are determined as follows:

<table>
<thead>
<tr>
<th>Option or Warrant Issue</th>
<th>Call</th>
<th>Put</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Options, Registered Investment Company Options</td>
<td>Any excess of the aggregate exercise price of the option over the current market value of the equivalent number of shares of the underlying security.</td>
<td>Any excess of the current market value of the equivalent number of shares of the underlying security over the aggregate exercise price of the option.</td>
</tr>
<tr>
<td>U.S. Treasury Options</td>
<td>Any excess of the aggregate exercise price of the option over the current market value of the underlying principal amount.</td>
<td>Any excess of the current market value of the underlying principal amount over the aggregate exercise price of the option.</td>
</tr>
<tr>
<td>Corporate Debt Security Options</td>
<td>Any excess of the aggregate exercise price of the option over the current market value of the equivalent quantity of the underlying security.</td>
<td>Any excess of the current market value of the equivalent quantity of the underlying security over the aggregate exercise price of the option.</td>
</tr>
<tr>
<td>Index stock options, Volatility Indexes options, currency index warrants and stock index warrants</td>
<td>Any excess of the aggregate exercise price of the option or warrant over the product of the current (spot or cash) index value and the applicable multiplier over the aggregate</td>
<td>Any excess of the product of the current (spot or cash) index value and the applicable multiplier over the aggregate</td>
</tr>
</tbody>
</table>
index value and the applicable multiplier.

exercise price of the option or warrant.

Any excess of the aggregate exercise price of the option or warrant over the product of units per foreign currency contract and the closing spot prices.

Any excess of the product of units per foreign currency contract and the closing spot prices over the aggregate price of the option or warrant.

Any excess of the aggregate exercise price of the option or warrant over the product of the current interest rate measure value and the applicable multiplier.

Any excess of the product of the current interest rate measure value and the applicable multiplier over the aggregate exercise price of the option.

(B) OTC Options. General Rule. The initial and maintenance margin required on any put, call, stock index warrant, currency index warrant, or currency warrant that is not listed and carried “short” in a customer’s account shall be any in-the-money amount plus the percentage of the current “underlying component value” (as described in column IV of the table below) specified in column II of the table below reduced by any “out-of-the-money” amount (as defined in subparagraph (c)(5)(A) above).

Notwithstanding the margin required above, the minimum margin for each such call option or call warrant shall not be less than the percentage of the current value of the underlying component specified in column III of the table below, and for each such put option or put warrant, shall not be less than the percentage of the option’s or the warrant’s aggregate exercise price amount specified in column III of the table below.

<table>
<thead>
<tr>
<th>I. Type of Option</th>
<th>II. Initial and/or Maintenance Margin Required</th>
<th>III. Minimum Margin Required</th>
<th>IV. Underlying Aggregate Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stock and Convertible Corporate Debt.</td>
<td>30%</td>
<td>10%</td>
<td>The equivalent number of shares times current market price per share for stocks or the underlying principal amount for convertible corporate debt securities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>----------------------</td>
<td>--------</td>
<td>------------------</td>
</tr>
<tr>
<td>2. Narrow-based index and Micro Narrow-Based index as defined in Rule 24.2(d)</td>
<td>30%</td>
<td>10%</td>
<td>The product of the current index value and the applicable index multiplier.</td>
</tr>
<tr>
<td>3. Broad-based index</td>
<td>20%</td>
<td>10%</td>
<td>The product of the current index value and the applicable index multiplier.</td>
</tr>
<tr>
<td>5. Corporate debt securities registered on a national securities exchange and marginable OTC corporate debt securities as defined in paragraph 12.3(a)</td>
<td>15%</td>
<td>5%</td>
<td>The underlying principal amount.</td>
</tr>
<tr>
<td>6. All other OTC options not covered above</td>
<td>45%</td>
<td>20%</td>
<td>The current value of the underlying principal amount.</td>
</tr>
</tbody>
</table>

1 Option contracts under category (4) must be for a principal amount of not less than $500,000. If the principal amount is less than $500,000, category (6) will apply.

2 Option transactions on all other OTC margin bonds as defined in paragraph 12.3(a) are not eligible for the margin requirements contained in this provision. Margin requirements for such securities are to be computed pursuant to category (6).

For the purpose of this subparagraph (c)(5)(B), “in-the-money amounts” are determined as follows:

<table>
<thead>
<tr>
<th>Option Issue</th>
<th>Call</th>
<th>Put</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Stock Options

Any excess of the current market value of the equivalent number of shares of the underlying security over the aggregate exercise price of the option.

Any excess of the aggregate exercise price of the option over the current market value of the equivalent number of shares of the underlying security.

### Index options

Any excess of the product of the current index value and the applicable multiplier over the aggregate exercise price of the option.

Any excess of the aggregate exercise price of the option over the product of the current index value and the applicable multiplier.

### U.S. Government mortgaged related or corporate debt securities options

Any excess of the current value of the underlying principal amount over the aggregate exercise price of the option.

Any excess of the aggregate exercise price of the option over the current value of the underlying principal amount.

---

(C) Related Securities Positions—Listed or OTC Options. Unless otherwise specified, margin must be deposited and maintained in the following amounts for each of the following types of positions.

(1)

(A) Short Call Covered by a Convertible Security. No margin is required for a call option written on an equity security when the account holds a net “long” position in any security, other than a warrant, which can be immediately exchanged or converted without restriction (including the payment of money) into an equal or greater quantity of the security underlying the option provided (1) such net long position is adequately margined in accordance with this Rule and (2) the right to exchange or convert the net “long” position does not expire before the short call.

(B) Short Listed Call Covered by a Warrant. No margin is required for a call option written on an equity security when the account holds a net “long” position in a warrant which can be immediately exercised without restriction to purchase an equal or greater quantity of the security underlying the option provided that the warrant does not expire before the short call, and provided that the amount (if any) by which the exercise price of the warrant exceeds the exercise price of the short call is held in or deposited to the account. A warrant used in lieu of the required margin under this provision shall contribute no equity to the account.
(2) Covered Calls/Covered Puts.

(a) No margin is required for a call (put) option contract or warrant carried in a short position where there is carried in the same account a long (short) position in equivalent units of the underlying security.

(b) No margin is required for a call (put) index option contract or warrant carried in a short position where there is carried in the same account a long (short) position in an (i) underlying stock basket, (ii) index mutual fund, (iii) IPR, or (iv) IPS, that is based on the same index underlying the index option or warrant and having a market value at least equal to the aggregate current index value.

(c) In order for the exceptions in subparagraphs (a) and (b) above to apply, in computing margin on positions in the underlying security, underlying stock basket, index mutual fund, IPR or IPS, as applicable, (i) in the case of a call, the current market value to be used shall not be greater than the exercise price, and (ii) in the case of a put, margin shall be the amount required by subparagraph (b)(2) of this Rule, plus the amount, if any, by which the exercise price exceeds the current market value.

(3) Exceptions. The following paragraphs set forth the minimum amount of margin which must be maintained in margin accounts of customers having positions in components underlying options, stock index warrants, currency index warrants or currency warrant when such components are held in conjunction with certain positions in the overlying option or warrant. In respect of an option or warrant on a market index, an underlying stock basket is an eligible underlying component. The option or warrant must be listed or guaranteed by the carrying broker dealer. In the case of a call option or warrant carried in a short position, a related long position in the underlying component shall be valued at no more than the call option / warrant exercise price for margin equity purposes.

(A) Long Option Offset. When a component underlying an option or warrant is carried long (short) in an account in which there is also carried a long put (call) option or warrant specifying equivalent units of the underlying component, the minimum amount of margin which must be maintained on the underlying component is 10% of the option / warrant exercise price plus the out-of-the-money amount not to exceed the minimum maintenance required pursuant to paragraph (b) of this Rule.

(B) Conversion. When a call option or warrant carried in a short position is covered by a long position in equivalent units of the underlying component and there is also carried a long put option
or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the short call option or warrant, the minimum amount of margin which must be maintained for the underlying component shall be 10% of the exercise price.

(C) Reverse Conversion. When a put option or warrant carried in a short position is covered by a short position in equivalent units of the underlying component and there is also carried a long call option or warrant specifying equivalent units of the same underlying component and having the same exercise price and expiration date as the short put option or warrant, the minimum amount of margin which must be maintained for the underlying component shall be 10% of the exercise price plus the amount by which the exercise price of the put exceeds the current market value of the underlying, if any.

(D) Collar. When a call option or warrant carried in a short position is covered by a long position in equivalent units of the underlying component and there is also carried a long put option or warrant specifying equivalent units of the same underlying component and having a lower exercise price than, and same expiration date as, the short call option / warrant, the minimum amount of margin which must be maintained for the underlying component shall be the lesser of 10% of the exercise price of the put plus the put out-of-the-money amount or 25% of the call exercise price.

(4) Spreads.

(A) For spreads as defined in subparagraph (a)(5) of this Rule, the long options must be paid for in full. In addition, margin is required equal to the lesser of the amount required for the short option(s) by subparagraph (c)(5)(A) or (B), whichever is applicable, or the spread’s maximum potential loss, if any. To determine the spread’s maximum potential loss, first compute the intrinsic value of the options at price points for the underlying security or instrument that are set to correspond to every exercise price present in the spread. Then, net the intrinsic values at each price point. The maximum potential loss is the greatest loss, if any, from among the results. The proceeds for establishing the short options may be applied toward the cost of the long options and/or any margin requirement.

A spread involving a put (call) warrant combined with a put(call) option is permitted provided the spread conforms with the definition of a spread in subparagraph (a)(5) of this rule.
(B) Subparagraph (4)(A) above is not applicable to spreads involving Credit Options, Binary Options or Range Options. However, in respect of spreads involving Range Options, subparagraph (4)(A) above may be applied to pseudo positions in individual option series represented by each Range Option to derive a margin requirement provided that all Range Options expire at the same time, which margin requirement is subject to a maximum of the amount required by paragraph (n) of this Rule 12.3 for all Range Options.

(C) Capped-Style Index Option (CAPS & Q-CAPS), Packaged Vertical Spread and Packaged Butterfly Spread As Defined In Rule 24.1.

(1) The requirements set forth in subparagraph (4)(A) above apply to spreads composed of either CAPS, Q-CAPS, Packaged Vertical Spread or Packaged Butterfly Spread options provided the long and short option each have the same cap, vertical spread or butterfly spread interval (as applicable); except that the amount of margin required for a spread in CAPS, Q-CAPS or Packaged Vertical Spread options need not exceed the lesser of 1) any maximum potential loss as computed in accordance with subparagraph 4(A) above or 2) the cap, vertical spread or butterfly spread interval (as applicable). Cap interval, vertical spread interval and butterfly spread interval shall have the meanings defined in Rule 24.1.

(2) In respect of a short CAPS, Q-CAPS or Packaged Vertical Spread option offset by a long option that is not also a CAPS, Q-CAPS or Packaged Vertical Spread option, the amount of margin required is as set forth in subparagraph (4)(A) above; except that the amount of margin required need not exceed the lesser of 1) any maximum potential loss as computed in accordance with subparagraph (4)(A) above or 2) the cap, vertical spread or butterfly spread interval (as applicable).

(3) In respect of a long CAPS, Q-CAPS or Packaged Vertical Spread option which offsets a short option that is not also a CAPS, Q-CAPS or Packaged Vertical Spread option, each position must be margined separately in accordance with the applicable requirements of this Rule 12.3.

(4) In respect of any Packaged Butterfly Spread Option offset by, or which offsets, any option position that
is not also a Packaged Butterfly Spread option, each position must be margined separately in accordance with the applicable requirements of this Rule 12.3.

(5) Straddle/Combination.

(A) Listed Options. When a call option contract is carried in a short position, and there is carried for the same customer a short put option contract specifying the same underlying component or index and its aggregate current underlying value, the amount of margin required shall be the margin on the put or the call, whichever is greater, as required pursuant to subparagraph (c)(5)(A) above plus the current market value of the other option.

(B) OTC Options. When a call option contract is carried in a short position and there is carried for the same customer a short put option contract specifying the same underlying component or index and its aggregate value, the amount of margin required shall be the margin on the put or call, whichever is greater, as required pursuant to subparagraph (c)(5)(B) above, plus any unrealized loss (i.e., the “in-the-money amount”) on the other option provided that both the put and call are guaranteed by the carrying broker-dealer. In the event either the put or call is not guaranteed by the carrying broker-dealer, but is listed, the same requirement applies. If either or both the put or call are not guaranteed by the carrying broker-dealer or listed, then the put and call must be margined separately pursuant to subparagraph (c)(5)(A) or (B) above, whichever is applicable, except that the minimum margin shall not apply to the option with the lower requirement.

(C) Straddles and combinations involving stock index warrants, currency index warrants and currency warrants are subject to the same requirement set forth in subparagraphs (A) or (B) above, whichever is applicable. Options may be paired with warrants provided they have the same underlying component or index and equivalent aggregate current underlying value.

(6) Long Box Spread in European-Style Options. In respect of a long box spread as defined in subparagraph (a)(10) of this Rule, in which all component options have a European-style exercise provision and are listed or guaranteed by the carrying broker-dealer; margin must be deposited equal to at least 50% of the aggregate difference in the exercise prices. The net proceeds from the sale of short option components may be applied to the requirement. For margin purposes, the long box spread may be valued at an amount not to exceed 100% of the aggregate difference in the exercise prices.
(7) Vested Employee Options. No margin is required for a call option written on an equity security when an account holder possesses a “long” position in a vested employee stock option which can be immediately exercised without restriction (not including the payment of money) to purchase an equal or greater quantity of the security underlying the short call provided that:

(A) The vested employee stock option does not expire before the short call;

(B) The amount (if any) by which the exercise price of the vested employee stock option exceeds the exercise price of the short call is held in or deposited to the account; and

(C) The account holder, broker-dealer and issuer of the vested employee stock option complete such account documentation and comply with such terms and conditions proscribed by the Exchange in such form, format and procedures as may be established by the Exchange from time to time, including without limitation execution of an agreement by account holder, broker-dealer and issuer that requires:

(i) Account holder to pledge the vested employee stock options to broker-dealer (including any agreement that in the event account holder exercises any of the pledged vested employee stock options during the term of a transaction, the account holder will be required to pledge to broker-dealer the shares issued upon exercise to replace the vested employee stock options that were pledged before exercise);

(ii) Account holder to provide broker-dealer with an irrevocable power-of-attorney authorizing broker-dealer to exercise the vested employee stock options on the account holder’s behalf;

(iii) Issuer to promptly deliver the stock upon payment or receipt of the exercise notice from broker-dealer; and

(iv) Issuer to waive any transfer restrictions that would preclude a pledge of the vested employee stock options to broker-dealer. In addition, the issuer will represent that the vested employee options are covered by an effective registration statement on Form S-8. If the registration statement becomes ineffective the issuer will notify the broker-dealer immediately.
(d) Customer Cash Account—Short Options, Stock Index Warrants, Currency Index Warrants and Currency Warrants.

(1) Equity Options.

(A) Calls. A call option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is applicable:

(1) an equal or greater quantity of the underlying security specified by the option contract is held in or purchased for the account on the same day the call is written provided the option premium is held in the account until full cash payment for the underlying security is received,

(2) a security immediately convertible without the payment of money into an equal or greater quantity of the underlying security specified by the option contract, is held in, or purchased for the account on the same day the call is written, provided that:

   (i) the option premium is held in the account until full cash payment for the convertible security is received, and

   (ii) the ability to convert does not expire before the expiration of the short call, or

(3) in lieu of the underlying security, an escrow agreement is either held in the account at the time the call is written or is received in the account promptly thereafter.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement, the underlying security (or a security immediately convertible into the underlying security without the payment of money) and that the bank will promptly deliver to the TPH organization the underlying security in the event the account is assigned an exercise notice.

(B) Puts. A put option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is either held in the account at the time the put is written or is received into the account promptly thereafter:

(1) cash or cash equivalents in an amount not less than the aggregate exercise price, or

(2) an escrow agreement.

The escrow agreement must certify that (1) the bank holds for the account of the customer as security for the agreement cash,
cash equivalents or a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate exercise price amount and (2) that the bank will promptly pay the TPH organization the aggregate exercise price in the event the account is assigned an exercise notice.

(2) Index Options.

(A) Calls. A call option contract on a market index carried in a short position is deemed a covered position, and eligible for the cash account provided any one of the following offsets is applicable:

1. an underlying stock basket as defined in Rule 12.1 is held in or purchased for the account on the same day the call is written provided the option premium is held in the account until full cash payment for the stock basket is received, or

2. an escrow agreement is either held in the account at the time the call is written or received into the account promptly thereafter.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents, 3) one or more qualified equity securities, or 4) a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate current index value and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

(B) Puts. A put option contract on a market index carried in a short position is deemed a covered position and eligible for the cash account provided any one of the following is either held in the account at the time the put is written or received into the account promptly thereafter:

1. cash or cash equivalents in an amount not less than the aggregate exercise price or

2. an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate exercise price amount and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

(C) No margin is required in respect of a call option contract on a Standard and Poor’s 500 (S&P 500) market index carried in a short position where
there is carried for the same account a long position in the underlying open-end index mutual fund (which shall be specifically designated by the Exchange) having an aggregate market value at least equal to the underlying value of the S&P 500 contracts to be covered.

(3) Corporate Debt Security Options

(A) Calls. A call option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is applicable:

(1) an equal or greater quantity of the underlying security specified by the option contract is held in or purchased for the account on the same day the call is written provided the option premium is held in the account until full cash payment for the underlying security is received, or

(2) in lieu of the underlying security, an escrow agreement is either held in the account at the time the call is written or is received in the account promptly thereafter.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement, the underlying security (or, in the event the bond is called, cash equal to any aggregate in-the-money amount based upon the exercise settlement price of the bond as set by The Options Clearing Corporation) and that the bank will promptly deliver to the TPH organization the underlying security, or any aggregate in-the-money amount if the bond has been called, in the event the account is assigned an exercise notice.

(B) Puts. A put option contract carried in a short position is deemed a covered position, and eligible for the cash account, provided any one of the following offsets is either held in the account at the time the put is written or is received into the account promptly thereafter:

(1) cash or cash equivalents in an amount not less than the aggregate exercise price, or

(2) an escrow agreement.

The escrow agreement must certify that (1) the bank holds for the account of the customer as security for the agreement cash, cash equivalents or a combination thereof having an aggregate market value at the time the option is written of not less than 100% of the aggregate exercise price amount and (2) that the bank will promptly pay the TPH organization the aggregate exercise price in the event the account is assigned an exercise notice.
(4) Capped-Style Index Option (CAPS & Q-CAPS), Packaged Vertical Spread or Packaged Butterfly Spread As Defined in Rule 24.1. A CAPS, Q-CAPS or Packaged Vertical Spread put or call option contract, or Packaged Butterfly Spread option contract, carried in a short position is deemed a covered position and eligible for the cash account provided any one of the following is either held in the account at the time the CAPS, Q-CAPS, Packaged Vertical Spread or Packaged Butterfly Spread option contract is written or received into the account promptly thereafter:

(A) cash or cash equivalents of not less than the amount of the aggregate cap, vertical spread or butterfly spread interval (as applicable) as defined in Rule 24.1 or

(B) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the positions are established of not less than the aggregate cap interval, vertical spread interval or butterfly spread interval (as applicable) and that the bank will promptly pay the TPH organization such amount in the event the account is assigned an exercise notice. Cap interval, vertical spread interval and butterfly spread interval shall have the meanings defined in Rule 24.1.

(5) Stock Index Warrants and Currency Index Warrants.

(A) Calls. A call warrant on a market index carried in a short position is deemed a covered position and eligible for the cash account provided an escrow agreement is either held in the account at the time the call warrant is sold or received into the account promptly thereafter.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents, 3) one or more qualified equity securities, or 4) a combination thereof having an aggregate market value at the time the warrant is sold of not less than 100% of the aggregate current index value; and that the bank will promptly pay the TPH organization funds sufficient to purchase the warrant sold short in the event of a buy-in.

(B) Puts. A put warrant on a market index carried in a short position is deemed a covered position and eligible for the cash account provided any one of the following offsets is either held in the account at the time the put warrant is sold or received into the account promptly thereafter:

(1) cash or cash equivalents in an amount not less than the aggregate exercise price or

(2) an escrow agreement.

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The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the warrant is sold of not less than 100% of the aggregate exercise price, and that the bank will promptly pay the TPH organization funds sufficient to purchase the warrant sold short in the event of a buy-in.

(e) Customer Cash Account—Spreads. A spread as defined in subparagraph (a)(5) of this Rule, if composed of European-style cash-settled index options that expire at the same time, is deemed a covered position, and eligible for the cash account, provided the long option component(s) is(are) held in or purchased for the account on the same day as the short component(s) and provided:

1. either there is held in the account at the time the positions are established or received into the account promptly:

   A) cash or cash equivalents of not less than the amount required by subparagraph (c)(5)(C)(4)(A), to which requirement the net proceeds from the sale of the short position(s) may be applied or

   B) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement 1) cash, 2) cash equivalents or 3) a combination thereof having an aggregate market value at the time the positions are established of not less than the amount required by subparagraph (c)(5)(C)(4)(A) of this Rule and that the bank will promptly pay the TPH organization such amount in the event the account is assigned an exercise notice or that the bank will promptly pay the TPH organization funds sufficient to purchase a warrant sold short in the event of a buy-in.

2. The provisions of subparagraph (e)(1) are also applicable to put and call warrants. A long warrant and a short option contract or a long option contract and a short warrant are eligible for the provisions of subparagraph (e)(1) if they qualify as spreads as defined in subparagraph (a)(5) of this Rule.

(f) Market-Maker and specialist accounts.

1. Definitions. For purposes of this section (f), the following terms shall have the meanings specified below.

   A) The term “related instrument” within an option class or product group means any related derivative product, including security futures contracts, that meets the offset level requirements for product groups under Rule 15c3-1 of the Exchange Act, or any applicable SEC staff interpretations or no-action positions (hereinafter referred to as SEC Rule 15c3-1).
The term “product group” means two or more option classes, related instruments, and qualified stock baskets for which it has been determined that a percentage of offsetting profits may be applied to losses in the determination of net capital as set forth in SEC Rule 15c3-1.

The term “option class” refers to all option contracts covering the same underlying instrument.

The term “underlying instrument” refers to long and short positions covering the same security, or a security which is exchangeable for or convertible into the underlying security within a period of 90 days. The term underlying instrument shall not be deemed to include securities options, futures contracts, options on futures contracts, security futures contracts, qualified stock baskets, or unlisted instruments.

The term “qualified stock basket” shall have the meaning as defined in SEC Rule 15c3-1.

The term “net liquidating equity” shall mean the sum of positive cash balances and long securities positions less negative cash balances and short securities positions held in the accounts.

The following positions of Trading Permit Holders may be carried upon a margin basis that is satisfactory to the Trading Permit Holder and the carrying broker or dealer:

(A) positions in which the Trading Permit Holder makes a market and permitted offset transactions as defined below and

(B) positions in security futures contracts that qualify for exclusion from the margin requirements of SEC and Commodity Futures Trading Commission (“CFTC”) regulations pursuant to SEC Rule 400(c)(2)(v) under the Exchange Act and CFTC Rule 41.42(c)(2) (v), and any permitted offset transactions designated by the exchange or association upon which the Trading Permit Holder trades the security futures contract.

Notwithstanding the other provisions of this paragraph (f), a TPH organization may clear and carry the Market-Maker permitted offset positions of one or more registered specialists, registered Market-Makers, or Designated Primary Market-Makers pursuant to the rules of a national securities exchange (all of which are deemed specialists for all purposes under the Exchange Act) (hereinafter referred to as “Market-Maker(s)”) upon a margin basis satisfactory to the concerned parties. The amount of any deficiency between the equity maintained by the Market-Maker and the haircuts specified in SEC Rule 15c3-1 shall be considered as a deduction from net worth in the net capital computation of the carrying broker or dealer.

(3) Permitted Offset Transactions.
(A) For purposes of this subparagraph (f)(3), a permitted offset position means, in the case of an option in which a market-maker makes a market, a position in the underlying instrument or other related instrument, and in the case of other securities in which a market-maker makes a market, a position in options overlying the securities in which a market-maker makes a market, if the account holds the following permitted offset positions:

(i) A long position in the underlying instrument or security futures contract offset by a short option position;

(ii) A short position in the underlying instrument or security futures contract offset by a long option position;

(iii) A stock position resulting from the assignment of a Market-Maker short option position or delivery in respect of a short security futures contract;

(iv) A stock position resulting from the exercise of a Market-Maker long option position or taking delivery in respect of a long security futures contract;

(v) A net long position in a security (other than an option) in which a Market-Maker makes a market;

(vi) A net short position in a security (other than an option) in which the Market-Maker makes a market; or

(vii) An offset position as defined in SEC Rule 15c3-1, including its appendices, or any applicable SEC staff interpretation or no-action position.

Permitted offset transactions must be effected for market-making purposes such as hedging, risk reduction, rebalancing of positions, liquidation, or accommodation of customer orders, or other similar Market-Maker purpose. The options Market-Maker must be able to demonstrate compliance with this provision.

For purposes of this subparagraph (f)(3), the term “overlying option” means a put option purchased or a call option written against a long position in an underlying instrument, or a call option purchased or a put option written against a short position in an underlying instrument.

(B) [Reserved]

(C)

(1) [Reserved]
(2) For any Trading Permit Holder which acts as a Market-Maker on the Exchange, the carrying TPH organization may combine all Market-Maker accounts in which the Market-Maker or its nominee(s) participates, with the exception of joint accounts in which the Market-Maker or its nominee are not the sole participants, for purpose of computing its requirements as prescribed by SEC Rule 15c3-1.

(3) On any business day on which positive net liquidating equity is not maintained in the account(s), the carrying TPH organization must make a call to the Trading Permit Holder for additional equity at least equal to the deficit and must notify the Exchange’s Department of Financial Compliance of the deficit. The carrying TPH organization may extend no further credit in the account(s) until the account(s) maintains a positive net liquidating equity and, if the TPH organization’s call for additional equity is not met, steps should be taken promptly to liquidate the positions in the account(s). If the deficit is not resolved by noon of the following business day the carrying TPH organization must send telegraphic notice to the Exchange as well as the regional and national offices of the Securities and Exchange Commission. However, nothing in this subparagraph (C) shall prohibit the carrying firm from effecting hedging transactions in the deficit account with the prior written approval of the carrying firm’s DEA.

(4) In the case of a joint account carried by a TPH organization for a Market-Maker or specialist in which the TPH organization participates, the margin deposited by the other participants may be in any amount which is mutually satisfactory.

(g)

(i) Broker-Dealer Account. A TPH organization may carry the proprietary account of another broker-dealer, which is registered with the SEC, upon a margin basis which is satisfactory to both parties, provided the requirements of Regulation T of the Board of Governors of the Federal Reserve System and, in respect of security futures contracts, SEC Rules 400 through 406 under the Exchange Act and CFTC Rules 41.42 through 41.48 are adhered to and the account is not carried in a deficit equity condition. The amount of any deficiency between the equity maintained in the account and the haircut requirements calculated pursuant to Rule 15c3-1 (Net Capital) of the Exchange Act shall be deducted in computing the Net Capital of the TPH organization under Rule 15c3-1 of the Exchange Act.

(ii) Requirements for Joint Back Office Participants. A TPH organization may carry the accounts of joint back office (“JBO”) participants upon a margin basis which is satisfactory to both parties, provided the requirements of Regulation T Section 220.7 and Cboe Options Rule 13.4 are adhered to and the account has a minimum equity of not less than $1,000,000. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days.
(h) Notwithstanding any provisions of paragraphs (b) through (g) and (k) hereof, the Exchange may at any time impose higher margin requirements in respect of positions in any security (including any series of options dealt in on an exchange) when it deems such higher margin requirements to be advisable in light of the price of the security or in light of existing market conditions pertaining generally or with respect to such security.

(i) For the purpose of effecting new securities transactions and commitments, the customer shall be required to deposit margin or have equity in cash and/or securities in the account which shall be at least the greater of:

1. the amount specified in Regulation T of the Board of Governors of the Federal Reserve System and, in respect of security futures contracts, SEC Rules 400 through 406 under the Exchange Act and CFTC Rules 41.42 through 41.48, or
2. the amount specified in paragraphs (b), (c) and (k) of this Rule, or
3. such greater amount as the Exchange may from time to time require for specific securities, or
4. equity of at least $2,000 except that cash need not be deposited in excess of the cost of any security purchased (this equity and cost of purchase provision shall not apply to “when distributed” securities in a cash account). The minimum equity requirement for a “pattern day trader” is $25,000 pursuant to Rule 12.3(j)(4).

Withdrawals of cash or securities may be made from any account which has a debit balance, “short” position or commitments, provided the account is in compliance with Regulation T of the Board of Governors of the Federal Reserve System and the security futures contract margin requirements pursuant to SEC Rules 400 through 406 under the Exchange Act and CFTC Rules 41.42 through 41.48, and after such withdrawal the equity in the account is at least the greater of $2,000 ($25,000 in the case of “pattern day traders”) or an amount sufficient to meet the maintenance margin requirements of this Rule.

(j) Day Trading.

1. The term “day trading” means the purchasing and selling, or the selling and purchasing, of the same security on the same day in a margin account except for:
   A. a long security position held overnight and sold the next day prior to any new purchases of the same security, or
   B. a short security position held overnight and purchased the next day prior to any new sales of the same security.

2. The term “pattern day trader” means any customer who executes four (4) or more day trades within five (5) business days. However, if the number of day trades is 6% or less of total trades for the five (5) business day period, the
customer will no longer be considered a pattern day trader and the special requirements under paragraph 12.3(j)(4) of this Rule will not apply.

(3) The term “day trading buying power” means the equity in a customer’s account at the close of business of the previous day, less any maintenance margin requirement as prescribed in paragraph (b) of this Rule, multiplied by four (4), for equity securities.

Whenever day trading occurs in a customer’s margin account, the special maintenance margin required for the day trades in equity securities shall be 25% of the cost of all the day trades made during the day. For non-equity securities, the special maintenance margin shall be as required pursuant to the other provisions of this Rule. Alternatively, when two or more day trades occur on the same day in the same customer’s account, the margin required may be computed utilizing the highest (dollar amount) open position during that day. To utilize the highest open position computation method, a record showing the “time and tick” of each trade must be maintained to document the sequence in which each day trade was completed.

(4) Special Requirements for Pattern Day Traders.

(A) Minimum Equity Requirement for Pattern Day Traders. The minimum equity required for the accounts of customers deemed to be pattern day traders shall be $25,000. This minimum equity must be maintained in the customer’s account at all times (see Interpretations and Policies .16 and .17 of this Rule).

(B) Pattern day traders cannot trade in excess of their day trading buying power as defined in paragraph (j)(3) above. In the event a pattern day trader exceeds its day trading buying power, which creates a special maintenance margin deficiency, the following actions will be taken by the TPH organization:

(1) The account will be margined based on the cost of all the day trades made during the day, and

(2) The customer’s day trading buying power will be limited to the equity in the customer’s account at the close of business of the previous day, less the maintenance margin required in paragraph (b) of this Rule, multiplied by two, for equity securities.

(C) Pattern day traders who fail to meet their special maintenance margin calls as required within five (5) business days from the date the margin deficiency occurs will be permitted to execute transactions only on a cash available basis for 90 days or until the special maintenance margin call is met.

(D) Pattern day traders are restricted from utilizing the guaranteed account provision under Rule 12.8 for meeting the requirements of this Rule 12.3(j).
(E) Funds, deposited into a pattern day trader’s account to meet the minimum equity or maintenance margin requirements of this Rule 12.3(j), cannot be withdrawn for a minimum of two (2) business days following the close of business on the day of deposit.

(5) When the equity in a customer’s account, after giving consideration to the other provisions of this Rule, is not sufficient to meet the requirements of Rule 12.3(j), additional cash or securities must be received into the account to meet any deficiency within five (5) business days of the trade date.

In addition, on the sixth business day only, TPH organizations are required to deduct from net capital the amount of unmet maintenance margin calls pursuant to SEC Rule 15c3-1.

(k) Security Futures Contracts. Nothing in this paragraph (k) or other rules of this Chapter XII shall be applicable to security futures contract transactions and positions in a futures account.

(1) General Rule. In relation to security futures contracts, no TPH organization may effect a transaction or carry an account for a customer, whether a Trading Permit Holder or non-Trading Permit Holder, without proper and adequate margin in accordance with this Chapter XII, all other applicable rules of the Exchange, SEC Rules 400 through 406 under the Exchange Act and CFTC Rules 41.42 through 41.48. No transaction in a security futures contract may be effected, nor may a position in a security futures contract be carried, in a securities cash account.

(2) Time Allowed for Obtaining Margin. If initial or maintenance margin owed is not obtained prior to the day on which the account is deemed undermargined for purposes of SEC Rule 15c3-1(c)(2)(xii), TPH organizations must comply with the provisions of paragraph (k)(3) below. Extensions of time shall be unavailable.

(3) Net Capital. In computing its net capital, a TPH organization shall deduct any initial or maintenance margin deficiency attributable to security futures contracts in accordance with the undermargined account provision of SEC Rule 15c3-1(c)(2)(xii).

(4) Day Trading. Day trading rules shall not be applicable to security futures contracts.

(5) Definitions. For the purposes of this paragraph (k), the following terms shall have the meanings specified below.

(A) The term “security futures contract” means a “security future” as defined in Section 3(a)(55) of Exchange Act.
The term “current market value”, with respect to security futures contracts, means “current market value” as defined in SEC Rule 401(4)(i)(A) or 4(i)(B), whichever is applicable, under the Exchange Act and CFTC Rule 41.43(4)(i)(A) or (4)(i)(B), whichever is applicable.

The term “underlying security” means, in the case of physically settled security futures contracts, the security that is delivered upon expiration of the contract, and, in the case of cash settled security futures contracts, the security or securities index the price or level of which determines the final settlement price for the security futures contract upon its expiration. The term “underlying security” also means, in the case of a securities index, an underlying stock basket, or equivalent units of a registered investment company meeting the criteria set forth in Cboe Options Rule 5.3 and the Interpretations and Policies thereunder.

The term “underlying basket” means, in the case of a securities index, a group of securities futures contracts where the underlying securities as defined in paragraph (C) above include each of the component securities of the applicable index and which meets the following conditions (i) the quantity of each underlying security is proportional to its representation in the index, (ii) the total market value of the underlying securities is equal to the aggregate value of the applicable index, (iii) the basket cannot be used to offset more than the number of contracts or warrants represented by its total market value, and (iv) the security futures contracts shall be unavailable to support any other contract or warrant transaction in the account.

Exceptions. For the offsetting positions specified in the table below, TPH organizations may apply the corresponding initial and maintenance margin requirement minimums, notwithstanding the margin required on a security futures contract pursuant to paragraph (k)(1) above, or on other securities pursuant to paragraphs (b) and (c) of this Rule.

All options referred to mean options on the underlying security, not the security futures contract.

All requirements that are expressed in terms of an option’s exercise price, in-the-money amount, and out-of-the-money amount mean the aggregate amount (i.e., multiply by number of shares per contract or the contract multiplier).

<table>
<thead>
<tr>
<th>SECURITY FUTURES CONTRACT TYPE</th>
<th>MARGIN ACCOUNT INITIAL REQUIREMENT</th>
<th>MARGIN ACCOUNT MAINTENANCE REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long and Short Security Futures Contract</td>
<td>Single Stock, Narrow-Based Index</td>
<td>5% of the current market value of the long or short security</td>
</tr>
<tr>
<td>Description</td>
<td>Single Stocks vs. Narrow-Based Index 1</td>
<td>Single Stocks, Narrow-Based Index</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>same underlying</td>
<td>futures contract, whichever is greater.</td>
<td>5% of the current market value of the long or short security futures contract(s), whichever is greater.</td>
</tr>
<tr>
<td>different expiration months same or different market(s)</td>
<td>Single Stocks vs. Narrow-Based Index 1</td>
<td>Same as initial.</td>
</tr>
<tr>
<td><strong>Long and Short Security Futures Contract</strong></td>
<td>Single Stock, Narrow-Based Index</td>
<td>3% of the current market value of the long or short security futures contract, whichever is greater.</td>
</tr>
<tr>
<td>same underlying same expiration month different markets 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long Security Futures Contract and Short Underlying</strong></td>
<td>Single Stock, Narrow-Based Index</td>
<td>None required on long security futures contract. Short sale proceeds plus 50% requirement on short stock position.</td>
</tr>
<tr>
<td>same underlying</td>
<td></td>
<td>None required on long security futures contract. Short sale proceeds plus 50% requirement on short stock position.</td>
</tr>
<tr>
<td><strong>Long Security Futures Contract and Short Call</strong></td>
<td>Single Stock, Narrow-Based Index</td>
<td>20% of the current market value of the long security futures contract plus any call in-the-money amount.</td>
</tr>
<tr>
<td>same underlying</td>
<td></td>
<td>None required on short call. Proceeds from the call sale may be applied.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>None required on long security futures contract. Short sale proceeds plus 50% requirement on short stock basket.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20% of the current market value of the long basket of security futures contracts plus any call in-the-money amount.</td>
</tr>
<tr>
<td>Security Futures Contract and Long Put</td>
<td>Single Stock, Narrow-Based Index</td>
<td>20% of the current market value of the long security futures contract. Pay for long put in full.</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>----------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Short Security Futures Contract and Long Underlying</td>
<td>Single Stock</td>
<td>None required on the short security futures contract. 50% requirement on long stock position.</td>
</tr>
<tr>
<td><strong>Short Security Futures Contract and Long Call 6</strong></td>
<td><strong>Single Stock</strong></td>
<td><strong>20% of the current market value of the short security futures contract. Pay for long call in full.</strong></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Single Stocks 4 vs. Narrow-Based Index Call Option Narrow-Based Indices 4 vs. Broad-Based Index Call Option</strong></td>
<td><strong>20% of the current market value of the short basket of security futures contracts. Pay for long index call in full.</strong></td>
<td><strong>10% of the index call exercise price plus any call out-of-the-money amount or 20% of the current market value of the short basket of security futures contracts, whichever is lower.</strong></td>
</tr>
<tr>
<td><strong>Short Security Futures Contract and Short Put</strong></td>
<td><strong>Same underlying</strong></td>
<td><strong>20% of the current market value of the short security futures contract plus any put in-the-money amount. None required on short put. Proceeds from the put sale may be applied.</strong></td>
</tr>
<tr>
<td><strong>Single Stocks 4 vs. Narrow-Based Index Put Option Narrow-Based Indices 4 vs. Broad-Based Index Put Option</strong></td>
<td><strong>20% of the current market value of the short basket of security futures contracts plus any put in-the-money amount. None required on short index put. Proceeds from the index put sale may be applied.</strong></td>
<td><strong>20% of the current market value of the short basket of security futures contracts plus any put in-the-money amount.</strong></td>
</tr>
<tr>
<td><strong>Long Security Futures Contract</strong></td>
<td><strong>Single Stock Narrow Based Index Single Stocks 4 vs.</strong></td>
<td><strong>20% of the current market value of the long security futures</strong></td>
</tr>
</tbody>
</table>
### Short Call and Long Put
same underlying put and call must have same exercise price

<table>
<thead>
<tr>
<th>Narrow-Based Index Options Narrow-Based Indices 4 vs. Broad-Based Index Options</th>
<th>contract(s) plus any call in-the-money amount. Pay for long put in full. None required on short call. Proceeds from call sale may be applied.</th>
</tr>
</thead>
</table>

### Long Security Futures Contract, Short Call and Long Put
same underlying put exercise price must be below call exercise price

<table>
<thead>
<tr>
<th>Single Stock Narrow-Based Index Single Stocks 4 vs. Narrow-Based Index Options Narrow-Based Indices 4 vs. Broad-Based Index Options</th>
<th>20% of the current market value of the long security futures contract(s) plus any call in-the-money amount. Pay for long put in full. None required on short call. Proceeds from call sale may be applied.</th>
</tr>
</thead>
</table>

| 10% of the put exercise price plus any put out-of-the-money amount, or 20% of the call exercise price plus any call in-the-money amount, whichever is lower. |

### Short Security Futures Contract, Long Call and Short Put
same underlying put and call must have same exercise price

<table>
<thead>
<tr>
<th>Single Stock Narrow-Based Index Single Stocks 4 vs. Narrow-Based Index Options Narrow-Based Indices 4 vs. Broad-Based Index Options</th>
<th>20% of the current market value of the short security futures contract(s) plus any put in-the-money amount. Pay for long call in full. None required on short put. Proceeds from put sale may be applied.</th>
</tr>
</thead>
</table>

| 10% of the exercise price plus any put in-the-money amount. |

(1) A long (short) basket of security futures contracts on individual equities offset with a short (long) security futures contract on a narrow-based index. A basket of security futures contracts must qualify as an “underlying basket” in accordance with Cboe Options Rule 12.3(k)(5)(D).

(2) Contract specifications must be substantively identical.

(3) The stock basket must qualify as an “underlying stock basket” in accordance with Cboe Options Rule 12.3(a)(7).

(4) A basket of security futures contracts must qualify as an “underlying basket” in accordance with Cboe Options Rule 12.3(k)(5)(D).
(5) The convertible security must be immediately exchangeable for or convertible into, without restriction (including the payment of money), the security underlying the single stock future.

(6) A long warrant (issued by the issuer of the underlying security) is also permitted (single stock futures only). The long warrant must be paid for in full and shall have no value for margin purposes.

(l) Credit Options.

(1) Risk Monitoring Procedures and Guidelines

Trading Permit Holders are required to monitor the risk of customer and broker-dealer accounts with exposure to Credit Options and must implement and maintain a comprehensive written risk analysis methodology for assessing the potential risk to the Trading Permit Holder’s capital over a specified range of possible market movements over a specified time period. For purposes of complying with this rule, Trading Permit Holders must employ the risk monitoring procedures and guidelines set forth below in sub-paragraphs (i) through (viii) of this Rule 12.3(l)(1). The Trading Permit Holder must review, in accordance with the Trading Permit Holder’s written procedures, at reasonable periodic intervals, the Trading Permit Holder’s credit extension activities for consistency with the risk monitoring procedures and guidelines set forth in this Rule 12.3(l)(1), and must determine whether the data necessary to apply the risk monitoring procedures and guidelines is accessible on a timely basis and information systems are available to adequately capture, monitor, analyze and report relevant data, including:

(i) obtaining and reviewing the required account documentation and financial information necessary for assessing the amount of credit to be extended to customers and broker-dealers;

(ii) assessing the determination, review and approval of credit limits to each customer and broker-dealer, and across all customers and broker-dealers, engaging in Credit Option transactions;

(iii) monitoring credit risk exposure to the Trading Permit Holder from Credit Options, including the type, scope and frequency of reporting to senior management;

(iv) the use of stress testing of accounts containing Credit Option contracts in order to monitor market risk exposure from individual accounts and in the aggregate;

(v) managing the impact of credit extended related to Credit Option contracts on the Trading Permit Holder’s overall risk exposure;

(vi) determining the need to collect margin from a particular customer or broker-dealer in addition to the amount required by this Rule 12.3(l), including
whether such determination was based upon the credit worthiness of the customer or broker-dealer and/or the risk of the specific Credit Option contracts;

(vii) monitoring the credit exposure resulting from concentrated positions within both individual accounts and across all accounts containing Credit Option contracts; and

(viii) maintaining sufficient margin in each customer and broker-dealer account to protect against the default of the largest individual exposure in the account as measured by computing the largest maximum possible loss.

(2) Requiring Additional Margin. Trading Permit Holders shall, based on the risk monitoring procedures and guidelines required above, determine whether the margin required by this Rule 12.3(l) is adequate with respect to their customer and broker-dealer accounts and, where appropriate, increase such requirements.

(3) Margin Account—Credit Default Options.

(i) The initial and maintenance margin required on a Credit Default Option carried long in a customer or broker-dealer’s account is a percentage of the option’s cash settlement amount (as defined in Rule 29.1) according to the table below.

<table>
<thead>
<tr>
<th>Average Credit Default Swap (“CDS”) Spread* for the Reference Entity Underlying the Credit Default Option</th>
<th>Length of Time Until Expiration of the Option</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Year or Less</td>
</tr>
<tr>
<td>0 - 100</td>
<td>.5%</td>
</tr>
<tr>
<td>100 – 300</td>
<td>1%</td>
</tr>
<tr>
<td>300 – 500</td>
<td>2.5%</td>
</tr>
<tr>
<td>500 – 700</td>
<td>5%</td>
</tr>
<tr>
<td>700 &amp; above</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

* Over LIBOR, in basis points.
(ii) Alternative Table. As an alternative to the table under paragraph (l)(3)(i) above, Trading Permit Holders may use the table below.

**Length of Time Until Expiration of the Option**

<table>
<thead>
<tr>
<th>Average Credit Default Swap (&quot;CDS&quot;) Spread* for the Reference Entity Underlying the Credit Default Option</th>
<th>12 Mos. or Less</th>
<th>Greater Than 12 Mos. / Less Than or Equal to 24 Mos.</th>
<th>Greater Than 24 Mos. / Less Than or Equal to 36 Mos.</th>
<th>Greater Than 36 Mos. / Less Than or Equal to 48 Mos.</th>
<th>Greater Than 48 Mos. / Less Than or Equal to 60 Mos.</th>
<th>Greater Than 60 Mos. / Less Than or Equal to 72 Mos.</th>
<th>Greater Than 72 Mos. / Less Than or Equal to 84 Mos.</th>
<th>Greater Than 84 Mos. / Less Than or Equal to 120 Mos.</th>
<th>Greater Than 121 Mos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 100</td>
<td>0.50%</td>
<td>0.75%</td>
<td>1.00%</td>
<td>1.50%</td>
<td>2.00%</td>
<td>2.75%</td>
<td>3.50%</td>
<td>4.25%</td>
<td>5.00%</td>
</tr>
<tr>
<td>100 - 300</td>
<td>1.00%</td>
<td>1.75%</td>
<td>2.50%</td>
<td>3.00%</td>
<td>3.50%</td>
<td>4.25%</td>
<td>5.00%</td>
<td>7.50%</td>
<td>10.00%</td>
</tr>
<tr>
<td>300 - 400</td>
<td>2.50%</td>
<td>3.75%</td>
<td>5.00%</td>
<td>6.25%</td>
<td>7.50%</td>
<td>8.75%</td>
<td>10.00%</td>
<td>11.25%</td>
<td>12.50%</td>
</tr>
<tr>
<td>400 - 500</td>
<td>3.75%</td>
<td>5.00%</td>
<td>6.25%</td>
<td>7.50%</td>
<td>8.00%</td>
<td>10.00%</td>
<td>11.25%</td>
<td>12.50%</td>
<td>13.75%</td>
</tr>
</tbody>
</table>
(iii) The initial and maintenance margin required on any Credit Default Option carried short in a customer or broker-dealer’s account is a percentage of the option’s cash settlement amount (as defined in Rule 29.1) according to the table below.

**Length of Time Until Expiration of the Option**

<table>
<thead>
<tr>
<th>Average Credit Default Swap (&quot;CDS&quot;) Spread* for the Reference Entity Underlying the Credit Default Option</th>
<th>1 Year or Less</th>
<th>Greater than 1 Year/Less Than or Equal to 3 Years</th>
<th>Greater Than 3 Years/Less Than or Equal to 7 Years</th>
<th>Greater Than 7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 100</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>100 - 300</td>
<td>2%</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>300 - 500</td>
<td>5%</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>500 - 700</td>
<td>10%</td>
<td>15%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>700 &amp; above</td>
<td>15%</td>
<td>20%</td>
<td>25%</td>
<td>30%</td>
</tr>
</tbody>
</table>

* Over LIBOR, in basis points.

(iv) Alternative Table. As an alternative to the table under paragraph (l)(3)(iii) above, Trading Permit Holders may use the table below.

**Length of Time Until Expiration of the Option**
Average Credit Default Swap ("CDS") Spread* for the Reference Entity Underlying the Credit Default Option

<table>
<thead>
<tr>
<th></th>
<th>Greater Than 12 Mos. / Less Than or Equal to 24 Mos.</th>
<th>Greater Than 24 Mos. / Less Than or Equal to 36 Mos.</th>
<th>Greater Than 36 Mos. / Less Than or Equal to 48 Mos.</th>
<th>Greater Than 48 Mos. / Less Than or Equal to 60 Mos.</th>
<th>Greater Than 60 Mos. / Less Than or Equal to 72 Mos.</th>
<th>Greater Than 72 Mos. / Less Than or Equal to 84 Mos.</th>
<th>Greater Than 84 Mos. / Less Than or Equal to 120 Mos.</th>
<th>Greater Than 121 Mos. / Less Than or Equal to 120 Mos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 100</td>
<td>1.00%</td>
<td>1.50%</td>
<td>2.00%</td>
<td>3.00%</td>
<td>4.00%</td>
<td>5.50%</td>
<td>7.00%</td>
<td>8.50%</td>
</tr>
<tr>
<td>100 - 300</td>
<td>2.00%</td>
<td>3.50%</td>
<td>5.00%</td>
<td>6.00%</td>
<td>7.00%</td>
<td>8.50%</td>
<td>10.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>300 - 400</td>
<td>5.00%</td>
<td>7.50%</td>
<td>10.00%</td>
<td>12.50%</td>
<td>15.00%</td>
<td>17.50%</td>
<td>20.00%</td>
<td>22.50%</td>
</tr>
<tr>
<td>400 - 500</td>
<td>7.50%</td>
<td>10.00%</td>
<td>12.50%</td>
<td>15.00%</td>
<td>16.00%</td>
<td>20.00%</td>
<td>22.50%</td>
<td>25.00%</td>
</tr>
<tr>
<td>500 - 700</td>
<td>10.00%</td>
<td>12.50%</td>
<td>15.00%</td>
<td>17.50%</td>
<td>20.00%</td>
<td>22.50%</td>
<td>27.50%</td>
<td>30.00%</td>
</tr>
<tr>
<td>700 above</td>
<td>15.00%</td>
<td>17.50%</td>
<td>20.00%</td>
<td>22.50%</td>
<td>25.00%</td>
<td>27.50%</td>
<td>30.00%</td>
<td>40.00%</td>
</tr>
</tbody>
</table>

* Over LIBOR, in basis points.
(v) Debt Security Offset. If an account is short a Credit Default Option and also has a short position in a debt security issued by the Reference Entity underlying the option, and the principal amount of the debt security is equal to: the cash settlement amount of the option multiplied by 1.33, no margin is required on the Credit Default Option.

(4) Margin Account - Credit Default Basket Options.

(i) The initial and maintenance margin required on a Credit Default Basket Option carried long in a customer or broker-dealer’s account is a percentage of the option’s cash settlement amount (as defined in Rule 29.1) according to the table below. In the case of a Single Payout Credit Default Basket Option, the cash settlement amount to be used is the one that is the highest among the basket components, and in the case of a Multiple Payout Credit Default Basket Option, the cash settlement amount to be used is 50% of the sum of each basket component’s cash settlement amount.

Length of Time Until Expiration of the Option

<table>
<thead>
<tr>
<th>Average Credit Default Swap (&quot;CDS&quot;) Spread* of the Basket Component</th>
<th>Reference Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 1 Year/Less Than or Equal to 3 Years</td>
<td>Greater than 3 Years/Less Than or Equal to 5 Years</td>
</tr>
<tr>
<td>0 - 200</td>
<td>0.50%</td>
</tr>
<tr>
<td>200 - 500</td>
<td>1%</td>
</tr>
</tbody>
</table>
* Over LIBOR, in basis points.

(ii) Alternative Table. As an alternative to the table under paragraph (1)(4)(i) above, Trading Permit Holders may use the table below.

<table>
<thead>
<tr>
<th>Length of Time Until Expiration of the Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Credit Default Swap (&quot;CDS&quot;) Spread* of the Basket Component Reference Entities</td>
</tr>
<tr>
<td>Greater Than 1 Year / Less Than or Equal to 2 Years</td>
</tr>
<tr>
<td>0 - 200</td>
</tr>
<tr>
<td>200 - 500</td>
</tr>
<tr>
<td>500 &amp; above</td>
</tr>
</tbody>
</table>

(iii) The initial and maintenance margin required on a Credit Default Basket Option carried short in a customer or broker-dealer’s account is a percentage
of the option’s cash settlement amount (as defined in Rule 29.1) according to the table below. In the case of a Single Payout Credit Default Basket Option, the cash settlement amount to be used is the one that is the highest among the basket components, and in the case of a Multiple Payout Credit Default Basket Option, the cash settlement amount to be used is 50% of the sum of each basket component’s cash settlement amount.

**Length of Time Until Expiration of the Option**

<table>
<thead>
<tr>
<th>Average Credit Default Swap (“CDS”) Spread* of the Basket Component Reference Entities</th>
<th>1 Year or Less</th>
<th>Greater than 1 Year/Less or Equal to 3 Years</th>
<th>Greater than 3 Years/Less Than or Equal to 5 Years</th>
<th>Greater Than 5 Years/Less Than or Equal to 7 Years</th>
<th>Greater Than 7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 200</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>200 - 500</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>500 &amp; above</td>
<td>3%</td>
<td>5%</td>
<td>10%</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

* Over LIBOR, in basis points.

(iv) Alternative Table. As an alternative to the table under paragraph (l)(4)(iii) above, Trading Permit Holders may use the table below.

**Length of Time Until Expiration of the Option**
<table>
<thead>
<tr>
<th>Average Credit Default Swap (&quot;CDS&quot;) Spread* of the Basket Component Reference Entities</th>
<th>Greater Than 1 Year / Less Than or Equal to 2 Years</th>
<th>Greater Than 2 Years / Less Than or Equal to 3 Years</th>
<th>Greater Than 3 Years / Less Than or Equal to 4 Years</th>
<th>Greater Than 4 Years / Less Than or Equal to 5 Years</th>
<th>Greater Than 5 Years / Less Than or Equal to 6 Years</th>
<th>Greater Than 6 Years / Less Than or Equal to 7 Years</th>
<th>Greater Than 7 Years / Less Than or Equal to 8 Years</th>
<th>Greater Than 8 Years / Less Than or Equal to 9 Years</th>
<th>Greater Than 9 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 200</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1.50%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>4.50%</td>
<td>5%</td>
</tr>
<tr>
<td>200 - 500</td>
<td>2%</td>
<td>2.50%</td>
<td>3%</td>
<td>3.50%</td>
<td>4%</td>
<td>4.50%</td>
<td>5%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>500 &amp; above</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>7.50%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
<td>13%</td>
<td>14%</td>
</tr>
</tbody>
</table>

(5) Spreads. If an account is short a Credit Option and is also long a Credit Option with the same underlying Reference Obligation(s), and the long option is paid for in full, and the long option does not expire before the short option, no margin is required.

(6) Credit Option margin requirements may be satisfied by a deposit of cash or marginable securities.

(7) Concentrations. If, across all accounts, the maximum exposure in Credit Option contracts overlying any single Reference Entity exceeds the Trading Permit Holder’s tentative net capital, the Trading Permit Holder must deduct from net capital an amount equal to the aggregate margin requirement for all such accounts on the Credit Option contracts (including Credit Default Basket Options having the subject Reference Entity as a component) overlying such single Reference Entity, as specified in this Rule 12.3(l). This deduction from net capital
may be reduced by the amount of excess margin held in such customer and broker-dealer accounts.

(8) Cash Account—Credit Default Options. A Credit Default Option carried short in a customer’s account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(i) cash or cash equivalents equal to 100% of the cash settlement amount as defined in Rule 29.1; or

(ii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the cash settlement amount as defined in Rule 29.1 and that the bank will promptly pay the TPH organization the cash settlement amount in the event of a Credit Event as defined in Rule 29.1.

(9) Cash Account - Credit Default Basket Options. A Credit Default Basket Option carried short in a customer’s account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(i) For Multiple Payout Credit Default Basket Options, cash or cash equivalents equal to 50% of the sum of each Basket Component’s cash settlement amount as defined in Rule 29.1;

(ii) For Single Payout Credit Default Basket Options, cash or cash equivalents equal to 100% of the Basket Component cash settlement amount as defined in Rule 29.1 that is the highest; or

(iii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the sum of each Basket Component’s cash settlement amount as defined in Rule 29.1 in the case of Multiple Payout Credit Default Basket Option or 100% of the Basket Component cash settlement amount as defined in Rule 29.1 that is the highest in the case of a Single Payout Credit Default Basket Option and that the bank will promptly pay the TPH organization the cash settlement amount in the event of a Credit Event as defined in Rule 29.1.
Duration of the Credit Option Margin Pilot Program. The Credit Option Margin Pilot Program shall be through July 18, 2019.

Binary Options.

1. Margin Account. Except as provided below, no binary option carried for a customer shall be considered of any value for purposes of computing the margin required in the account of such customer.

   (i) The initial and maintenance margin required on any binary option carried long in a customer’s account is 100% of the purchase price of such binary option.

   (ii) The initial and maintenance margin required on any binary option carried short in a customer’s account is the exercise settlement amount.

2. Spreads. No margin is required on a binary call option (put option) carried short in a customer’s account that is offset by a long binary call option (put option) for the same underlying security or instrument that expires at the same time and has an exercise price that is less than (greater than) the exercise price of the short call (put). The long call (put) must be paid for in full.

3. Straddle/Combination. When a binary call option is carried short in a customer’s account and there is also carried a short binary put option for the same underlying security or instrument that expires at the same time and has an exercise price that is less than or equal to the exercise price of the short call, the initial and maintenance margin required is the exercise settlement amount applicable to one contract.

Cash Account. A binary option carried short in a customer’s account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

   (i) cash or cash equivalents equal to 100% of the exercise settlement amount; or

   (ii) a long binary option of the same type (put or call) for the same underlying security or instrument that is paid for in full and expires at the same time, and has an exercise price that is less than the exercise price of the short in the case of a call or greater than the exercise price of the short in the case of a put; or

   (iii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the exercise settlement amount.
and that the bank will promptly pay the TPH organization the exercise settlement amount in the event the account is assigned an exercise notice.

(n) Range Options.

(1) Margin Account. Except as provided below, no Range Option carried for a customer shall be considered of any value for purposes of computing the margin requirement in the account of such customer, and each Range Option carried for a customer shall be margined separately.

(i) The initial and maintenance margin required on any Range Option carried long in a customer’s account is 100% of the purchase price of such Range Option.

(ii) The initial and maintenance margin required on any Range Option carried short in a customer’s account is the Maximum Range Exercise Value times the contract multiplier.

(2) Cash Account. A Range Option carried short in a customer’s account is deemed a covered position, and eligible for the cash account, provided any one of the following either is held in the account at the time the option is written or is received into the account promptly thereafter:

(i) cash or cash equivalents equal to 100% of the Maximum Range Exercise Value times the contract multiplier; or

(ii) an escrow agreement.

The escrow agreement must certify that the bank holds for the account of the customer as security for the agreement (A) cash, (B) cash equivalents, (C) one or more qualified equity securities, or (D) a combination thereof having an aggregate market value of not less than 100% of the Maximum Range Exercise Value times the contract multiplier and that the bank will promptly pay the TPH organization the cash settlement amount in the event the account is assigned an exercise notice.

Amended December 15, 1973; February 1, 1975; April 1, 1976; June 3, 1977; January 31, 1986; June 6, 1988; October 28, 1991 (91-21); March 31, 1995, effective June 7, 1995 (94-40); June 2, 1997 (97-17); July 27, 1999, effective August 23, 1999 (97-67); February 24, 2000 (97-58); April 3, 2001 (01-11); October 24, 2002 (02-59); December 19, 2002 (02-70); March 26, 2003 (02-67); June 28, 2004 (02-24); May 31, 2005 (04-54); December 12, 2005 (04-53); June 6, 2007 (06-84); June 28, 2007 (03-41); August 17, 2007 (07-26); February 25, 2008 (07-104); May 22, 2008 (06-105); June 17, 2009 (08-55); May 19, 2010 (10-018); June 18, 2010 (10-058); February 2, 2011 (10-106); May 26, 2011 (11-026); July 14, 2011 (11-068); January 17, 2012 (12-007); August 29, 2012 (12-043); November 14, 2012 (12-112); January 16, 2013 (12-125); January 13, 2014 (13-123); June 25, 2014 (14-039); January 1, 2015 (14-091); November 18, 2015 (15-077); December 23, 2015 (15-118); December 9, 2016 (16-089); July 22, 2017 (17-051); July 18, 2018 (18-052); May 10, 2019 (19-017).
. . . Interpretations and Policies:

.1 [Reserved]


.2 In determining the “current market value” of a security including an option, if there is no closing price or if trading was halted before and through the normal end of the trading day or if the closing price was outside the last bid and offer that was established after the closing price, then a TPH organization may use a reasonable estimate of the market value of the security based upon the then current bids and offers from publicly available vendors or services.

Approved June 2, 1997 (97-17); amended June 18, 2010 (10-058).

.3 Generally, for purposes of the rules of this Chapter 12 and any other Exchange margin rules, unless otherwise specified, index warrants shall be treated as if they were index options.

Approved June 2, 1997 (97-17).

.4 [Reserved]

.5 If the escrow agreement is forwarded to OCC, Trading Permit Holders should be aware that the OCC may have a different definition of “cash equivalent” than does Regulation T.

Approved June 2, 1997 (97-17); amended June 18, 2010 (10-058); amended May 10, 2019 (19-017).

.6 Under normal circumstances, Cboe Options Clearing Trading Permit Holders are prohibited from extending credit for opening transactions to market-makers whose net liquidating equity computed as described in 12.3(f)(1)(F) is in deficit. Situations may arise, however, whereby the last sale price of a stock is disseminated after the overlying options cease trading at 3:00 p.m., causing a discrepancy between the last sale price of the underlying stock and the closing quotes and the last sale price of the option series.

In situations where this discrepancy causes a market-maker’s account to liquidate to a deficit, Clearing Trading Permit Holders are permitted to adjust the market-maker’s equity to correct the disparity, and extend credit for opening trades. The adjustments must be documented, filed with, and approved by the Department of Financial and Sales Practice Compliance. The adjustments should be filed with the Department before the next day’s opening (or at least before the firm may extend credit for opening transactions) and must be approved by the Department before opening trades may be financed. Additionally, all information regarding the adjustment(s) must be retained by the Clearing Trading Permit Holder and the Exchange.

Approved January 25, 1999 (98-11; amended February 7, 2006 (05-104); June 18, 2010 (10-058).

.7 The term “aggregate current index value” means the current index value times the index multiplier; the term “aggregate exercise price” means the exercise price times the index multiplier;
and the term “exercise settlement amount” means the difference between the aggregate exercise price and the aggregate current index value (as such terms are defined in the OCC By-Laws).


.8 For purposes of Rule 12.3 the bank or trust company issuing escrow agreements must be approved by The Options Clearing Corporation if the escrow agreements to be forwarded to the Corporation for the purpose of meeting margin requirements.


.9 A security is qualified if: (a) Exchange securities: it is a listed equity security (with the exception of warrants, rights and options) or (b) OTC securities: it is an equity security (with the exception of warrants, rights and options) listed on the current list of Marginable Over-the-Counter Stocks published by the Board of Governors of the Federal Reserve System.


.10 When one or more securities are substituted for securities held by the bank or trust company the substitution should not impair the value of the collateral held by the bank at the time the substitution is made.


.11 An index option escrow receipt is no longer deemed to be an acceptable deposit in lieu of the margin required to be maintained by the broker-dealer upon notification that the collateral value is below 50% of the current aggregate index value. If the collateral is not promptly supplemented to a level in excess of 55% of the current aggregate index value, the broker-dealer must take steps to promptly liquidate the short index call(s) covered by the receipt.


.12 The margin requirements set forth in this Rule are applicable only to stock index warrants, currency index warrants and currency warrants listed on or after August 29, 1995.


.13 Reserved


.14 When due to a merger or acquisition a security underlying an option ceases to trade and the registered clearing agency or party which issues the option has announced that all outstanding call options will settle for cash equal to any amount by which a fixed settlement price exceeds the exercise price and all outstanding put options will settle for cash equal to any amount by which the exercise price exceeds a fixed settlement price, no margin is required on such an option carried short if it is out-of-the-money. If such an option carried short is in-the-money, margin must be maintained equal to 100% of the aggregate in-the-money amount.

.15    Under the provisions of Regulation T Section 220.7 a clearing broker may extend good faith financing to an owner of the clearing broker under certain conditions. Such financing is typically provided under what is termed a joint back office arrangement.

.16    In the event that the TPH organization at which a customer seeks to open an account, or resume day trading in an existing account, knows or has a reasonable basis to believe that the customer will engage in pattern day trading, then the minimum equity required under Rule 12.3(j)(4)(A) must be deposited in the account prior to commencement of day trading.

Amended June 18, 2010 (10-058).

.17    When a customer engages in pattern day trading, the minimum equity required under Rule 12.3(j)(4)(A) must be deposited in the account before such customer may continue day trading.

.18    For purposes of Rule 12.3(j)(3), “time and tick” (i.e., calculating margin utilizing each trade in the sequence that it is executed, using the highest open position during the day) may not be used for a pattern day trader who exceeds their day trading buying power.

.19    For purposes of Rules 12.3(j)(3) and 12.3(j)(4)(B)(2) above, the day trading buying power for non-equity securities shall, at a minimum, be computed using the applicable maintenance margin requirements pursuant to Rule 12.3.

Approved February 24, 2000 (97-58); amended December 19, 2002 (02-70); July 29, 2011 (11-039); October 31, 2014 (14-073).

Rule 12.4. Portfolio Margin

As an alternative to the transaction / position specific margin requirements set forth in Rule 12.3 of this Chapter 12, a TPH organization may require margin for all margin equity securities (as defined in Section 220.2 of Regulation T), listed options, unlisted derivatives, security futures products, and index warrants in accordance with the portfolio margin requirements contained in this Rule 12.4.

In addition, a TPH organization, provided it is a Futures Commission Merchant (“FCM”) and is either a clearing member of a futures clearing organization or has an affiliate that is a clearing member of a futures clearing organization, is permitted under this Rule 12.4 to combine a customer’s related instruments (as defined below), listed index options, unlisted derivatives, options on exchange traded funds, index warrants, and underlying instruments and compute a margin requirement for such combined products on a portfolio margin basis.

Application of the portfolio margin provisions of this Rule 12.4 to IRA accounts is prohibited.

(a) Definitions.

(1) The term “listed option” for purposes of this Rule shall mean any equity (or equity index- based) option traded on a registered national securities
exchange or automated facility of a registered national securities association or issued and guaranteed by the Clearing Corporation and shall include OCC cleared OTC options contracts.

(2) The term “security future” means a contract of sale for future delivery of a single security or of a narrow-based security index, including any interest therein or based on the value thereof, to the extent that that term is defined in Section 3(a)(55) of the Securities Exchange Act of 1934.

(3) The term “security futures product” means a security future, or an option on any security future.

(4) The term “unlisted derivative” for purposes of this Rule means any equity-based (or equity index-based) unlisted option, forward contract or swap that can be valued by a theoretical pricing model approved by the Securities and Exchange Commission and does not include OCC cleared OTC options contracts.

(5) The term “option series” means all option contracts of the same type (either a call or a put) and exercise style, covering the same underlying instrument with the same exercise price, expiration date, and number of underlying units.

(6) The term “class” refers to all listed options, unlisted derivatives, security futures products, and related instruments that are based on the same underlying instrument, and the underlying instrument itself.

(7) The term “portfolio” means products of the same class grouped together.

(8) The term “related instrument” within a class or product group means index futures contracts and options on index futures contracts covering the same underlying instrument, but does not include security futures products.

(9) The term “underlying instrument” means a security or security index upon which any listed option, unlisted derivative, security futures product or related instrument is based. The term underlying instrument shall not be deemed to include, futures contracts, options on futures contracts or underlying stock baskets except that, for the purpose of calculating theoretical gains and losses for a listed option, unlisted derivative, or security futures product overlying a volatility index pursuant to this Rule, the price of a futures contract referencing the same volatility index may be utilized in lieu of the current (spot or cash) index value.

(10) The term “product group” means two or more portfolios of the same type for which it has been determined by Rule 15c3-1a(b)(ii) under the Securities Exchange Act of 1934 that a percentage of offsetting profits may be applied to losses at the same valuation point.

(11) The terms “theoretical gains and losses” means the gain and loss in the value of each eligible position at 10 equidistant intervals (valuation points)
ranging from an assumed movement (both up and down) in the current market value of the underlying instrument.

The magnitude of the valuation point range shall be as follows:

<table>
<thead>
<tr>
<th>Portfolio Type</th>
<th>Up / down market move (high &amp; low valuation points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Capitalization, Broad-based Market Index</td>
<td>+6%/-8%</td>
</tr>
<tr>
<td>Non-High Capitalization, Broad-based Market Index</td>
<td>+/-10%</td>
</tr>
<tr>
<td>Narrow-based Index</td>
<td>+/-15%</td>
</tr>
<tr>
<td>Individual Equity</td>
<td>+/-15%</td>
</tr>
<tr>
<td>Volatility Index (30-day implied)</td>
<td>+/-20%</td>
</tr>
<tr>
<td>Volatility Index (9-day implied)</td>
<td>+/-40%</td>
</tr>
</tbody>
</table>

(b) Eligible Participants.

Any TPH organization intending to apply the portfolio margin provisions of this Rule 12.4 to its accounts must receive prior approval from its DEA. The TPH organization will be required to, among other things, demonstrate compliance with Rule 15.8A - Risk Analysis of Portfolio Margin Accounts, and with the net capital requirements of Rule 13.5 - Customer Portfolio Margin Accounts.

The application of the portfolio margin provisions of this Rule 12.4 is limited to the following customers:

(1) any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934;

(2) any member of a national futures exchange to the extent that listed index options, unlisted derivatives, options on exchange traded funds, index warrants or underlying instruments hedge the member’s related instruments, and

(3) any person or entity not included in (b)(1) or (b)(2) above that is approved for writing uncovered options. However, such persons or entities may not establish or maintain positions in unlisted derivatives unless minimum equity of at least five million dollars is established and maintained with the TPH organization. For purposes of the five million dollar minimum equity requirement, all securities and futures accounts carried by the TPH organization for the same customer may
be combined provided ownership across the accounts is identical. A guarantee by any other account for purposes of the minimum equity requirement is not permitted.

(c) Opening of Accounts.

(1) Only customers that, pursuant to Rule 9.7, have been approved for writing uncovered options are permitted to utilize a portfolio margin account.

(2) On or before the date of the initial transaction in a portfolio margin account, a Trading Permit Holder shall:

A. furnish the customer with a special written disclosure statement describing the nature and risks of portfolio margining and which includes an acknowledgement for all portfolio margin account owners to sign, attesting that they have read and understood the disclosure statement, and agree to the terms under which a portfolio margin account is provided, and

B. obtain a signed acknowledgement from the customer and record the date of receipt.

(d) Establishing Account and Eligible Positions.

(1) For purposes of applying the portfolio margin requirements provided in this Rule 12.4, TPH organizations are to establish and utilize a dedicated securities margin account, or sub-account of a margin account, clearly identified as a portfolio margin account that is separate from any other securities account carried for a customer.

(2) A margin deficit in the portfolio margin account of a customer may not be considered as satisfied by excess equity in another account. Funds and/or securities must be transferred to the deficient account and a written record created and maintained. In the case of a portfolio margin account carried as a sub-account of a margin account, excess equity in the margin account may be used to satisfy a margin deficiency in the portfolio margin sub-account without transferring funds and/or securities to the portfolio margin sub-account.

(3) Eligible Positions

(i) a margin equity security (including a foreign equity security and option on a foreign equity security, provided the foreign equity security is deemed to have a “ready market” under SEC Rule 15c3-1 or a no-action position issued thereunder; and a control or restricted security, provided the security has met the requirements in a manner consistent with SEC Rule 144 or an SEC no-action position issued thereunder, sufficient to permit the sale of the security, upon exercise of any listed option or unlisted derivative written against it, without restriction)
(ii) a listed option on an equity security, index of equity securities, or volatility index referencing either such equity instrument,

(iii) a security futures product,

(iv) an unlisted derivative on an equity security or index of equity securities,

(v) a warrant on an equity security or index of equity securities, and

(vi) a related instrument.

(4) Positions other than those listed in (3) above are not eligible for portfolio margin treatment. However, positions not eligible for portfolio margin treatment (except for ineligible related instruments) may be carried in a portfolio margin account subject to the margin required pursuant Rule 12.3 of this Chapter 12. Shares of a money market mutual fund may be carried in a portfolio margin account subject to the margin required pursuant to Exchange Rule 12.3 of this Chapter 12 provided that:

(i) the customer waives any right to redeem the shares without the TPH organization’s consent,

(ii) the TPH organization (or, if the shares are deposited with a Clearing Trading Permit Holder, the Clearing Trading Permit Holder) obtains the right to redeem the shares in cash upon request,

(iii) the fund agrees to satisfy any conditions necessary or appropriate to ensure that the shares may be redeemed in cash, promptly upon request, and

(iv) the TPH organization complies with the requirements of Section 11(d)(1) of the Securities Exchange Act of 1934 and Rule 11d1-2 thereunder.

(e) Initial and Maintenance Margin Required. The amount of margin required under this Rule 12.4 for each portfolio shall be the greater of:

1) the amount for any of the ten equidistant valuation points representing the largest theoretical loss as calculated pursuant to paragraph (f) below or

2) $.375 for each listed option, unlisted derivative, security futures product, and related instrument multiplied by the contract or instrument’s multiplier, not to exceed the market value in the case of long positions.

(f) Method of Calculation.

1) Long and short positions in eligible positions are to be grouped by class; each class group being a “portfolio”. Each portfolio is categorized as one of the portfolio types specified in paragraph (a)(11) above.
For each portfolio, theoretical gains and losses are calculated for each position as specified in paragraph (a)(11) above. For purposes of determining the theoretical gains and losses at each valuation point, TPH organizations shall obtain and utilize the theoretical value of a listed option, unlisted derivative, security futures product, underlying instrument, and related instrument rendered by a theoretical pricing model that has been approved by the Securities and Exchange Commission.

Offsets. Within each portfolio, theoretical gains and losses may be netted fully at each valuation point.

Offsets between portfolios within the High Capitalization, Broad-Based Index Option, Non-High Capitalization, Broad-Based Index Option and Narrow-Based Index Option product groups may then be applied as permitted by Rule 15c3-1a under the Securities Exchange Act of 1934.

After applying paragraph (3) above, the sum of the greatest loss from each portfolio is computed to arrive at the total margin required for the account (subject to the per contract minimum).

In addition, if a security that is convertible, exchangeable, or exercisable into a security that is an underlying instrument requires the payment of money or would result in a loss if converted, exchanged, or exercised at the time when the security is deemed an underlying instrument, the full amount of the conversion loss is required.

Minimum Equity Deficiency. If, as of the close of business, the equity in the portfolio margin account declines below the five million dollar minimum equity required under Paragraph (b) of this Rule 12.4 and is not restored to the required level within three (3) business days by a deposit of funds or securities, or through favorable market action; TPH organizations are prohibited from accepting new orders beginning on the fourth business day, except that new orders entered for the purpose of reducing market risk may be accepted if the result would be to lower margin requirements. This prohibition shall remain in effect until such time as:

1. the required minimum account equity is re-established or
2. all unlisted derivatives are liquidated or transferred from the portfolio margin account to the appropriate account.

In computing net capital, a deduction in the amount of a customer’s equity deficiency may not serve in lieu of complying with the above requirements.

Determination of Value for Margin Purposes. For the purposes of this Rule 12.4, all eligible positions shall be valued at current market prices. Account equity for the purposes of this Rule 12.4 shall be calculated separately for each portfolio margin account by adding the current market value of all long positions, subtracting the current market value of all short positions, and adding the credit (or subtracting the debit) balance in the account.
Additional Margin.

1. If, as of the close of business, the equity in any portfolio margin account is less than the margin required, the customer may deposit additional margin or establish a hedge to meet the margin requirement within three business days. After the three business day period, TPH organizations are prohibited from accepting new orders, except that new orders entered for the purpose of reducing market risk may be accepted if the result would be to lower margin requirements. In the event a customer fails to deposit additional margin in an amount sufficient to eliminate any margin deficiency or hedge existing positions after three business days, the TPH organization must liquidate positions in an amount sufficient to, at a minimum, lower the total margin required to an amount less than or equal to account equity.

TPH organizations should not permit a customer to make a practice of meeting a portfolio margin deficiency by liquidation. TPH organizations must have procedures in place to identify accounts that periodically liquidate positions to eliminate margin deficiencies, and a TPH organization is expected to take appropriate action when warranted. Liquidations to eliminate margin deficiencies that are caused solely by adverse price movements may be disregarded.

Guarantees by any other account for purposes of margin requirements is not permitted.

2. Pursuant to Rule 13.5 - Customer Portfolio Margin Accounts, if additional margin required is not obtained by the close of business on T+1, TPH organizations must deduct in computing net capital any amount of the additional margin that is still outstanding until such time as the additional margin is obtained or positions are liquidated pursuant to (i)(1) above.

3. A deduction in computing net capital in the amount of a customer’s margin deficiency may not serve in lieu of complying with the requirements of (i)(1) above.

4. A TPH organization may request from its DEA an extension of time for a customer to deposit additional margin. Such request must be in writing and will be granted only in extraordinary circumstances.

5. The day trading restrictions promulgated under Rule 12.3(j) shall not apply to portfolio margin accounts that establish and maintain at least five million dollars in equity, provided a TPH organization has the ability to monitor the intra-day risk associated with day trading. Portfolio margin accounts that do not establish and maintain at least five million dollars in equity will be subject to the day trading restrictions under Rule 12.3(j), provided the TPH organization has the ability to apply the applicable day trading restrictions under that Rule. However, if the position or positions day traded were part of a hedge strategy, the day trading restrictions will not apply. A “hedge strategy” for the purpose of this rule means a
transaction or a series of transactions that reduces or offsets a material portion of
the risk in a portfolio. TPH organizations are also expected to monitor these
portfolio margin accounts to detect and prevent circumvention of the day trading
requirements. In the event day trades executed in a portfolio margin account exceed
the day trading buying power, the day trade margin deficiency that is created must
be met by the deposit of cash and/or securities within three business days.

(j) Portfolio Margin Accounts - Requirement to Liquidate.

(1) A TPH organization is required immediately either to liquidate, or
transfer to another broker-dealer eligible to carry related instruments within
portfolio margin accounts, all customer portfolio margin accounts with positions in
related instruments if the Trading Permit Holder is:

(i) insolvent as defined in section 101 of title 11 of the United States
    Code, or is unable to meet its obligations as they mature;

(ii) the subject of a proceeding pending in any court or before any
    agency of the United States or any State in which a receiver, trustee, or liquidator
    for such debtor has been appointed;

(iii) not in compliance with applicable requirements under the Securities
    Exchange Act of 1934 or rules of the Securities and Exchange Commission or any
    self-regulatory organization with respect to financial responsibility or
    hypothecation of customers’ securities; or

(iv) unable to make such computations as may be necessary to establish
    compliance with such financial responsibility or hypothecation rules.

(2) Nothing in this paragraph (j) shall be construed as limiting or
    restricting in any way the exercise of any right of a registered clearing agency to
    liquidate or cause the liquidation of positions in accordance with its by-laws and
    rules.

Amended July 14, 2005 (02-03); December 12, 2006 (06-14); July 30, 2008 (08-74); June 18, 2010
(10-058); June 25, 2014 (14-039); October 31, 2014 (14-073).

Rule 12.5. Determination of Value for Margin Purposes

Positions in active securities, except security futures contracts, dealt in on a recognized exchange
(including option contracts) shall, for margin purposes, be valued at current market value prices;
provided that only the following may be deemed to have market value for the purposes of Rule
12.3(c): (a) whether or not dealt in on an exchange, only those options contracts on a stock or stock
index, or a stock index warrant, having an expiration that exceeds 9 months and which are listed
or guaranteed by the carrying broker-dealer, or (b) a Credit Option as defined in Rule 29.1. Security
futures contracts shall have no value for margin purposes. Positions in other securities shall be
valued conservatively in the light of current market prices and the amount of anticipated realization
upon a liquidation of the entire position. Substantial additional margin must be required in all cases.
where the securities carried are subject to unusually rapid or violent changes in value, or where the amount carried is such that they cannot be liquidated promptly.

Amended February 1, 1975; June 2, 1997 (97-17); July 27, 1999, effective August 23, 1999 (97-67); March 26, 2003 (02-67); June 6, 2007 (06-84); August 17, 2007 (07-26); amended February 2, 2011 (10-106).

Rule 12.6. Options Contracts Not Dealt In on Exchange


Rule 12.7. “When Issued” and “When Distributed” Securities

(a) The minimum amount of margin on any transaction or net position in each “when issued” security shall be the same as if such security were issued. Each position in a “when issued” security shall be margined separately and any unrealized profit shall be of value only in providing the amount of margin required on that particular position. When an account has a “short” position in a “when issued” security and there are held in the account securities in respect of which the “when issued” security may be issued, such “short” position shall be marked to the market and the balance in the account shall for the purpose of this rule be adjusted for any unrealized loss in such “short” position.

(b) In connection with any transaction or net position resulting from contracts for a “when issued” security in an account other than that of a TPH organization or non-Trading Permit Holder broker or dealer, bank, trust company, insurance company, investment trust, charitable or nonprofit education institution, deposits shall be required equal to the margin required were such transactions or position in a margin account.

In connection with any net position resulting from contracts for a “when issued” security made for or with a non-Trading Permit Holder broker or dealer, no margin need be required, but such net position must be marked to the market. In connection with any net position resulting from contracts for a “When issued” security made for a TPH organization or for or with a bank, trust company, insurance company, investment trust, charitable or nonprofit education institution, no margin need be required and such net position need not be marked to the market. However, where such net position is not marked to the market, an amount equal to the loss at the market in such position shall be considered as cash required to provide margin in the computation of the net capital of the TPH organization under the Exchange’s capital requirements.

(c) The term “when issued” as used herein also means “when distributed.” Amended June 18, 2010 (10-058).

Rule 12.8. Guaranteed Accounts

Any account guaranteed by another account may be consolidated with such other account and the required margin may be determined on the net position of both accounts, provided the guarantee is in writing and permits the TPH organization carrying the account, without restriction, to use the money and securities in the guaranteeing account to carry the guaranteed account or to pay any deficit therein; and provided further that such guaranteeing account is not owned directly or
indirectly by the TPH organization or an Approved Person of the TPH organization carrying the account or any other Trading Permit Holder, TPH organization or Approved Person of a TPH organization having a definite arrangement for participating in the commissions earned on the guaranteed account.

Amended June 18, 2010 (10-058).

**Rule 12.9. Meeting Margin Calls by Liquidation Prohibited**

No TPH organization shall permit a customer to make a practice of effecting transactions requiring initial or additional margin or full cash payment and then furnishing such margin or making such full cash payment by liquidation of the same or other commitments. The provisions of this Rule shall not apply to margin calls attributable to security futures contract transactions nor to any account maintained for another broker or dealer, exclusive of the partners, officers and directors of such other broker or dealer, provided such other broker or dealer is a TPH organization or has agreed in good faith with the TPH organization carrying the account that he will maintain a record equivalent to that referred to in Rule 12.12 of these Rules.

Amended March 26, 2003 (02-67); June 18, 2010 (10-058).

**Rule 12.10. Margin Required Is Minimum**

The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby; but nothing in these Rules shall be construed to prevent a TPH organization from requiring margin in an amount greater than that specified. The Exchange may at any time impose higher margin requirements in respect of such positions when it deems such higher margin requirements to be advisable.

Amended January 31, 1986; June 18, 2010 (10-058).

**Rule 12.11. Compliance with Margin Requirements of New York Stock Exchange**

In lieu of meeting the margin requirements set forth in Rules 12.3 through 12.9 of this Chapter and margin rules in other chapters, a TPH organization that is a member of the New York Stock Exchange may elect to be bound by the initial and maintenance requirements of the New York Stock Exchange as the same may be in effect from time to time. Such election shall be made in writing by a notice filed with the Exchange and shall remain effective until the TPH organization shall file with the Exchange a written notice of revocation. Upon the filing of such election, a TPH organization shall be bound to comply with the margin rules of the New York Stock Exchange as though such rules were part of these Rules.

Amended June 2, 1997 (97-17); June 18, 2010 (10-058).

**Rule 12.12. Daily Margin Record**

Each TPH organization carrying margin accounts for customers shall make and maintain a daily record of every case in which, pursuant to the Rules of the Exchange or regulations of the Federal Reserve Board, initial or additional margin must be obtained in a customer’s account because of
the transactions effected in such account. This record shall be preserved for at least 12 months and shall show for each account the amount of margin so required and the time and manner in which such margin is furnished or obtained. This record shall be in a form approved by the Exchange and shall contain such additional information as the Exchange may from time to time prescribe. The Exchange may exempt any TPH organization which is a member or member organization of another national securities exchange having a substantially comparable rule with which such TPH organization is required to comply.

Amended June 18, 2010 (10-058).
CHAPTER XIII. NET CAPITAL REQUIREMENTS

Rule 13.1. Minimum Requirements

Each Trading Permit Holder or TPH organization subject to Rule 15c3-1 promulgated under the Securities Exchange Act of 1934 shall comply with the capital requirements prescribed therein and with the additional requirements of this Chapter 13.

Amended August 29, 1980; June 18, 2010 (10-058).

Rule 13.2. “Early Warning” Notification Requirements

Every Trading Permit Holder or TPH organization subject to the reporting or notification requirements of Rule 17a-11 promulgated under the Securities Exchange Act of 1934 or the “early warning” reporting, business restriction or business reduction requirements of another national securities exchange, registered securities association or registered securities clearing organization shall promptly notify the Exchange in writing and shall thereafter file with the Exchange such reports and financial statements as may be required by an officer of the Exchange.


Rule 13.3. Power of President to Impose Restrictions

Whenever it shall appear to the President of the Exchange that a TPH organization obligated to give notice to the Exchange under Rule 13.2 is unable within a reasonable period to reduce the ratio of its aggregate indebtedness to net capital, or to increase its net capital, to a point where it is no longer subject to such notification obligations, or that such TPH organization is engaging in any activity which casts doubt upon its continued compliance with the net capital requirements the President may impose such conditions and restrictions upon the operations, business and expansion of such TPH organization and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determines to be necessary or appropriate for the protection of investors, other Trading Permit Holders and the Exchange.

Amended April 17, 1978; August 29, 1980; June 18, 2010 (10-058).

Rule 13.4. Joint Back Office Participants

(a) Requirements for Joint Back Office Participants. Every Trading Permit Holder or TPH organization that maintains a joint back office (“JBO”) arrangement with a clearing broker dealer subject to the requirements of Regulation T Section 220.7 of the Federal Reserve System shall comply with the requirements prescribed below:

1. Each JBO participant must be registered as a broker-dealer pursuant to Section 15 of the Exchange Act and subject to the capital requirements prescribed by Rule 15c3-1 therein; and shall not be eligible to operate under the provisions of SEC Rule 15c3-1(b)(i).
2. Each JBO participant must meet and maintain a minimum account equity requirement of $1,000,000 with each clearing broker-dealer where a JBO account is carried. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Rule 12.3.

3. Each JBO participant must meet and maintain the ownership standards established by the clearing broker-dealer; and

4. Each JBO participant must employ (or have access to) a qualified Series 27 principal.

(b) Requirements for Clearing Trading Permit Holders Carrying the Accounts of JBO Participants. Every Clearing Trading Permit Holder carrying JBO accounts in accordance with Regulation T, Section 220.7 of the Federal Reserve Board is subject to the requirements outlined below:

1. Each TPH organization which carries JBO accounts shall not allow its (i) tentative net capital to fall below $25 million; or in the alternative its (ii) net capital to fall below $7 million for a period in excess of three (3) consecutive business days, provided that the broker-dealer has as its primary business the clearance of options market maker accounts and provided that at least 60% of the sum of gross haircuts calculated for all options market maker and JBO participant accounts, without regard to related account equity or Clearing Trading Permit Holder net capital charges, is attributable to options market maker transactions. In addition, the firm operating pursuant to (ii) must include the gross deductions calculated for all JBO participant accounts in the Clearing Trading Permit Holder’s ratio of gross options market maker deductions to adjusted net capital in accordance with the provisions of SEC Rule 15c3-1.

2. Each TPH organization which maintains JBO accounts shall require and maintain equity of $1,000,000 for each participant, over all related accounts. If equity is below $1,000,000 the carrying organization must issue a call for additional funds or securities which shall be obtained within five business days. If funds or securities sufficient to eliminate the deficiency are not received within 5 business days, the carrying organization must margin the account in accordance with the requirements prescribed for a customer in Regulation T and Rule 12.3.

3. Each TPH organization which maintains JBO accounts shall adjust its net worth daily by deducting any deficiency between a JBO participant’s account equity and the proprietary haircut calculated pursuant to SEC Rule 15c3-1 for the positions maintained in such account.

4. Each TPH organization which maintains JBO accounts shall establish and maintain written ownership standards for JBO accounts.
5. The TPH organization must develop risk analysis standards which are acceptable to the Exchange. At minimum these standards must comply with the requirements of Rule 15.8.

6. Each TPH organization which maintains JBO accounts must notify its DEA, in writing, of its intention to carry such accounts.

7. If at any time a Clearing Trading Permit Holder operating pursuant to paragraphs 1(i) or (ii) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such Clearing Trading Permit Holder shall immediately notify the Exchange of such deficiency by telegraphic or facsimile notice; and be subject to the prohibitions against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment, and repayment of subordination agreements set forth in paragraph (b)(1) of SEC Rule 15c3-1d, as if such broker or dealer’s net capital were below the minimum standards specified by each of these paragraphs.

Approved February 24, 2000 (97-58); amended June 18, 2010 (10-058); amended May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 JBO participants shall not be considered self-clearing for any purpose other than the extension of credit under Rule 12.3 or under the comparable rules of another self regulatory organization.

Approved February 24, 2000 (97-58); amended May 10, 2019 (19-017).

Rule 13.5. Customer Portfolio Margin Accounts

(a) No TPH organization that requires margin in any customer accounts pursuant to Rule 12.4 - Portfolio Margin shall permit gross customer portfolio margin requirements to exceed 1,000 percent of its net capital for any period exceeding three business days. The TPH organization shall, beginning on the fourth business day of any non-compliance, cease opening new portfolio margin accounts until compliance is achieved.

(b) If, at any time, a TPH organization’s gross customer portfolio margin requirements exceed 1,000 percent of its net capital, the TPH organization shall immediately transmit telegraphic or facsimile notice of such deficiency to the Office of Market Supervision, Division of Market Regulation, Securities and Exchange Commission, 100 F Street, NE, Washington, DC, 20549; to the district or regional office of the Commission for the district or region in which the TPH organization maintains its principal place of business; and to its DEA.

(c) If any customer portfolio margin account becomes subject to a call for additional margin, and all of the additional margin is not obtained by the close of business on T+1, TPH organizations must deduct in computing net capital any amount of the additional margin that is still outstanding until such time as it is obtained or positions are liquidated pursuant to Rule 12.4(i)(1).
CHAPTER XIV. RESERVED

Rule 14.1. Deleted
Deleted May 15, 1975; Deleted May 10, 2019 (19-017).

Rule 14.2. Deleted
Amended November 22, 2005 (05-69); Deleted May 10, 2019 (19-017).

Rule 14.3. Deleted
Amended December 15, 1973; April 1, 1975; May 15, 1975; November 22, 2005 (05-69); Deleted May 10, 2019 (19-017).

Rule 14.4. Deleted
Deleted May 15, 1975; Deleted May 10, 2019 (19-017).

Rule 14.5. Deleted
Amended September 1, 1973; April 15, 1975; May 15, 1975; September 1, 1976; November 22, 2005 (05-69); Deleted May 10, 2019 (19-017).

Rule 14.6. Deleted
Deleted March 7, 1997 (96-63); Deleted May 10, 2019 (19-017).

Rule 14.7. Deleted
Deleted August 1, 1974; Deleted May 10, 2019 (19-017).

Rule 14.8. Deleted
Deleted May 15, 1975; Deleted May 10, 2019 (19-017).
CHAPTER XV. RECORDS, REPORTS AND AUDITS

Rule 15.1. Maintenance, Retention and Furnishing of Books, Records and Other Information

Each Trading Permit Holder shall make, keep current and preserve such books and records as the Exchange may prescribe and as may be prescribed by the Exchange Act as though such Trading Permit Holder were a broker or dealer registered pursuant to Section 15 of such Act. No Trading Permit Holder shall refuse to make available to the Exchange such books, records or other information as may be called for under the Rules or as may be requested in connection with an investigation by the Exchange.

Amended June 18, 2010 (10-058); amended May 10, 2019 (19-017).

... Interpretations and Policies:

.01 The following Rules contain specific requirements with regard to the maintenance and retention of books, records and other information: Rules 3.4, 3.6, 8.9, 9.6, 9.7, 9.8, 9.10, 9.21, 9.23, 11.2, 12.12 and Chapter XV. In addition, the following Rules contain specific requirements with regard to the furnishing of information to the Exchange: Rules 3.7, 3.9, 3.17, 3.18, 3.20, 3.21, 3.23, 3.25, 4.9, 4.13, 6.49, 6.51, 6.56, 6.59, 6.71, 6.72, 7.2, 7.3, 7.6, 8.2, 8.3, 8.5, 8.10, 8.11, 9.1, 9.2, 9.3, 12.11, 13.4, 14.2 and 19.2. The foregoing list is not intended to be exhaustive and Trading Permit Holders must comply with all applicable recordkeeping and reporting requirements whether or not listed above.


.02 Each TPH organization that clears stock transactions and for which the Exchange is the DEA shall maintain records of short stock positions in all customer and proprietary firm accounts for securities listed on a United States registered national securities exchange or for securities whose bids and offers are reported on the automated quotation system operated by the National Association of Securities Dealers, Inc. (“NASD”). Each such Trading Permit Holder that is not required to report short interest data to another stock exchange or to the NASD as a result of being a Trading Permit Holder of such organization shall report these short stock positions to either a stock exchange or to the NASD, as the Exchange so directs. The form, manner, and time of such report shall be specified by the appropriate exchange or the NASD.

Approved January 27, 1995 (94-55); amended June 18, 2010 (10-058); amended May 10, 2019 (19-017).

.03 In addition to the existing obligations under Exchange rules regarding the production of books and records, a Market-Maker in non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, shall make available to the Exchange such books, records or other information pertaining to transactions in non-U.S. currency and the applicable non-U.S. currency, non-U.S. currency options, futures or options on futures on such currency, or any other derivatives on such currency, as may be requested by the Exchange.
Amended November 2, 2006 (06-74).

.04 In addition to the existing obligation under Exchange rules regarding the production of books and records, a Market-Maker in options on Commodity Pool Units, shall make available to the Exchange such books, records or other information pertaining to transactions in the applicable physical commodity, physical commodity options, commodity futures contracts, options on commodity futures contracts, or any other derivatives on such commodity, as may be requested by the Exchange.

Amended April 13, 2007 (07-21).

Rule 15.2. Reports of Transactions

Each Trading Permit Holder shall submit to the Exchange on each business day a report of all transactions made by it during said business day. The Exchange may, in its discretion, deem this requirement to be satisfied by the reports required to be filed under the provisions of Rule 6.51(d).

Amended January 3, 1975; June 18, 2010 (10-058).

Rule 15.3. Reports of Uncovered Short Positions

Upon request of the Exchange, each Trading Permit Holder shall submit to the Department of Compliance a report of the total uncovered short positions in each option contract of a class dealt in on the Exchange showing: (a) positions carried by such Trading Permit Holder for its own account and (b) positions carried by such Trading Permit Holder for the accounts of customers; provided that the Trading Permit Holders shall not report positions carried for the accounts of other Trading Permit Holders where such other Trading Permit Holders report the positions themselves. Such report shall be submitted not later than the second business day following the date the request is made.

Amended May 1, 1973; January 3, 1975; October 24, 1980; June 18, 2010 (10-058).

Rule 15.4. Reserved

Reserved


Rule 15.5. Financial Reports

Each Trading Permit Holder shall submit to the Exchange answers to financial questionnaires, reports of income and expenses and additional financial information in the type, form, manner and time prescribed by the Exchange.

See Rule 17.50(g)(2).

Amended June 18, 2010 (10-058).
. . . Interpretations and Policies:

.01 Trading Permit Holders who are net capital computing must file electronically with the Exchange any required monthly and quarterly FOCUS Reports utilizing the system or software prescribed by the Exchange, which will be announced via Regulatory Circular.

Amended June 18, 2010 (10-058); May 15, 2015 (15-040).

.02 Trading permit Holders who file an annual FOCUS Report and who are not net capital computing must file electronically with the Exchange the annual FOCUS Report and Schedule 1 utilizing the system or software prescribed by the Exchange, which will be announced via Regulatory Circular.

Adopted February 20, 1998 (98-08); amended April 23, 2007 (07-33); June 18, 2010 (10-058); May 15, 2015 (15-040).

Rule 15.6. Audits

(a) Annual Audit. Each TPH organization approved to do business with the public in accordance with Chapter IX of the Rules and each registered Market-Maker shall file a report of its financial condition as of a date within each calendar year prepared in accordance with the requirements of SEC Rule 17a-5 and Form X-17A-5 and containing the information called for by that form. The report of each Trading Permit Holder approved to do business with the public shall be certified by an independent public accountant, and on or before January 10 of each year, each such Trading Permit Holder shall notify the Exchange of the name of the independent public accountant appointed for that year and the date as of which the report will be made. Such report of financial condition, together with answers to an Exchange financial questionnaire based upon the report, shall be filed with the Exchange not later than 60 days after the date as of which the financial condition of the Trading Permit Holder is reported, or such other period as the Exchange may individually require. Any such Trading Permit Holder may file in lieu of the report required by this Rule a copy of any financial statement which he is, or has been required to file with any other national securities exchange or national securities association of which he is a member, or with any agency of any State as a condition of doing business in securities therein, and which is acceptable to the Exchange as containing substantially the same information as Form X-17A-5.

(b) Additional Audits. In addition to the annual report required of certain Trading Permit Holders pursuant to paragraph (a) of this Rule, the Exchange may require any Trading Permit Holder to cause an audit of its financial condition to be made by an independent public accountant in accordance with the audit requirements of SEC Form X-17A-5 as of the date of an answer to a financial questionnaire, and to file a statement to the effect that such audit has been made and whether it is in accord with the answer to the questionnaire. Such statement shall be signed by two general partners in the case of a TPH organization, by two executive officers in the case of a Trading Permit Holder corporation or by an individual Trading Permit Holder and it shall be attested by the independent public accountant who certified the audit. The original report of the audit signed by the independent public accountant shall be retained as part of the books and records of the Trading Permit Holder.

Amended June 18, 2010 (10-058).
Rule 15.7. Automated Submission of Trading Data

A Trading Permit Holder or TPH organization shall submit the trade data elements specified below in such automated format as may be prescribed by the Exchange from time to time, in regard to such transaction or transactions that are the subject of a particular request for information made by the Exchange:

(a) if the transaction was a proprietary transaction effected or caused to be effected by the Trading Permit Holder or TPH organization for any account in which such Trading Permit Holder or TPH organization, or any member, allied member, approved person, partner, officer, director, or employee thereof, is directly or indirectly interested, such Trading Permit Holder or TPH organization shall submit or cause to be submitted the following information:

1. Clearing house number, or alpha symbol as used by the Trading Permit Holder or the TPH organization submitting the data;
2. Clearing house number(s), or alpha symbol(s) as may be used from time to time, of the Trading Permit Holder(s) or TPH organization(s) on the opposite side of the transaction;
3. Identifying symbol assigned to the security and where applicable for options the month and series symbols;
4. Date transaction was executed;
5. Number of option contracts for each specific transaction and whether each transaction was an opening or closing purchase or sale; and where applicable the number of shares traded or held by accounts for which option data is submitted; and where applicable the number of shares for each specific transaction and whether each transaction was a purchase, sale or short sale;
6. Transaction price;
7. Account number; and
8. Market center where transaction was executed.

(b) If the transaction was effected or caused to be effected by the TPH organization for any customer account, such TPH organization shall submit or cause to be submitted the following information:

1. Data elements (1) through (8) as contained in paragraph (a) above;
2. Customer name, address(es), branch office number, registered representative number, whether order was solicited or unsolicited, date account opened and employer name and the tax identification number(s); and
3. If the transaction was effected for a Trading Permit Holder broker-dealer customer, whether the broker-dealer was acting as a principal or agent on the transaction or transactions that are the subject of the Exchange’s request.

(c) In addition to the above trade data elements, a Trading Permit Holder or TPH organization shall submit such other information in such automated format as may be prescribed by the Exchange, as may from time to time be required.

(d) The Exchange may grant exceptions, in such cases and for such time periods as it deems appropriate, from the requirement that the data elements prescribed in paragraphs (a) and (b) above be submitted to the Exchange in an automated format.

Adopted November 1, 1988 (88-18); amended June 18, 2010 (10-058).

Rule 15.8. Risk Analysis of Market-Maker Accounts

(a) Each TPH organization which clears or guarantees the transactions of options Market-Makers pursuant to Exchange Rule 8.5, shall establish and maintain written procedures for assessing and monitoring the potential risks to the TPH organization’s capital over a specified range of possible market movements of positions maintained in such options Market-Maker accounts and such related accounts as the Exchange shall from time to time direct. Current procedures shall be filed and maintained with the Department of Financial Compliance. The procedures shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained and the position(s) within the organization responsible for the risk function.

(b) Upon direction by the Department of Financial Compliance, each affected TPH organization shall provide to the Department such information as the Department may reasonably require with respect to the TPH organization’s risk analysis for any or all of its options Market-Maker accounts.

Approved April 21, 1989, effective September 1, 1989; amended June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 Each affected TPH organization shall at a minimum assess and monitor its own potential risk of loss from options Market-Maker accounts each business day as of the close of business the prior day through use of an Exchange approved computerized risk analysis program. The program shall comply with at least the minimum standards specified below and such other standards as from time to time may be prescribed by the Exchange in written memoranda to all affected TPH organizations:

(i) The estimated loss to the Clearing TPH organization for each Market-Maker account (potential account deficit) shall be determined given the impact of broad market movements in reasonable intervals over a range from negative 15% to positive 15%.
(ii) The TPH organization shall calculate volatility using a method approved by the Exchange, with volatility updated at least weekly. The program must have the capability of expanding volatility when projecting losses throughout the range of broad market movements.

(iii) Options prices shall be estimated through use of recognized options pricing models such as, but not limited to, Black-Scholes and Cox-Reubenstein.

(iv) At a minimum, written reports shall be generated which describe for each market scenario: the projected loss per options class by account; the projected total loss per options class for all accounts; the projected deficits per account and in aggregate.

Approved April 21, 1989, effective September 1, 1989; amended June 18, 2010 (10-058).

Rule 15.8A. Risk Analysis of Portfolio Margin Accounts

(a) Each TPH organization that maintains any portfolio margin accounts for customers shall establish and maintain a comprehensive written risk analysis methodology for assessing and monitoring the potential risk to the TPH organization’s capital over a specified range of possible market movements of positions maintained in such accounts. The risk analysis methodology shall specify the computations to be made, the frequency of computations, the records to be reviewed and maintained, and the person(s) within the organization responsible for the risk function. This risk analysis methodology must be filed with the TPH organization’s DEA and submitted to the SEC prior to the implementation of portfolio margining.

(b) Upon direction by the Department of TPH Organization Regulation, each affected TPH organization shall provide to the Department such information as the Department may reasonably require with respect to the TPH organization’s risk analysis for any or all of the portfolio margin accounts it maintains for customers.

(c) In conducting the risk analysis of portfolio margin accounts required by this Rule 15.8A, each TPH organization shall include in the written risk analysis methodology required pursuant to paragraph (a) above procedures and guidelines for

1. obtaining and reviewing the appropriate customer account documentation and financial information necessary for assessing the amount of credit extended to customers,

2. the determination, review and approval of credit limits to each customer, and across all customers, utilizing a portfolio margin account,

3. monitoring credit risk exposure to the TPH organization from portfolio margin accounts, on both an intra-day and end of day basis, including the type, scope and frequency of reporting to senior management,

4. the use of stress testing of portfolio margin accounts in order to monitor market risk exposure from individual accounts and in the aggregate,
(5) the regular review and testing of these risk analysis procedures by an independent unit such as internal audit or other comparable group,

(6) managing the impact of credit extension on the TPH organization’s overall risk exposure,

(7) the appropriate response by management when limits on credit extensions have been exceeded,

(8) determining the need to collect additional margin from a particular eligible participant, including whether that determination was based upon the creditworthiness of the participant and/or the risk of the eligible position(s), and

(9) monitoring the credit exposure resulting from concentrated positions within both individual portfolio margin accounts and across all portfolio margin accounts.

Moreover, management must periodically review, in accordance with written procedures, the TPH organization’s credit extension activities for consistency with these guidelines. Management must periodically determine if the data necessary to apply this Rule 15.8A is accessible on a timely basis and information systems are available to capture, monitor, analyze and report relevant data.

Approved July 14, 2005 (02-03); amended December 12, 2006 (06-14); July 30, 2008 (08-74); June 18, 2010 (10-058); May 10, 2019 (19-017).

Rule 15.9. Regulatory Cooperation

(a) The Exchange may enter into agreements with domestic and foreign self-regulatory organizations, associations and contract markets, the regulators of such markets, and the Public Company Accounting Oversight Board, which provide for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes.

(b) The Exchange may enter into one or more agreements with another self-regulatory organization to provide regulatory services to the Exchange to assist the Exchange in discharging its obligations under Section 6 and Section 19(g) of the Securities Exchange Act of 1934. Any action taken by another self-regulatory organization, or its employees or authorized agents, acting on behalf of the Exchange pursuant to a regulatory services agreement shall be deemed to be an action taken by the Exchange; provided, however, that nothing in this provision shall affect the oversight of such other self-regulatory organization by the Securities and Exchange Commission. Notwithstanding the fact that the Exchange may enter into one or more regulatory services agreements, the Exchange shall retain ultimate legal responsibility for, and control of, its self-regulatory responsibilities, and any such regulatory services agreement shall so provide.

(c) So long as a Trading Permit Holder or person associated with a Trading Permit Holder remains subject to the disciplinary jurisdiction of the Exchange as set forth in Rule 17.1, such Trading Permit Holder or person associated with a Trading Permit Holder shall be obligated
to furnish testimony, documentary evidence or other information to the full extent provided in Rule 17.2(b), whether or not an investigation has been initiated by the Exchange against any person pursuant to Rule 17.2(a), if such information is requested by the Exchange in connection with any inquiry resulting from an agreement entered into by the Exchange pursuant to paragraphs (a) or (b) of this Rule. Whenever information is requested by the Exchange pursuant to this Rule, the Trading Permit Holder or person associated with a Trading Permit Holder from whom the information is requested shall have the same rights and procedural protections in responding to such request as such person would have in the case of any other request for information initiated by the Exchange pursuant to Rule 17.2(b).

Approved October 1, 1990 (90-23); amended February 22, 1995 (94-39); May 18, 2006 (06-46); June 18, 2010 (10-058); June 7, 2014 (2014-044).

Rule 15.10. Fingerprint-Based Background Checks of Exchange Directors, Officers, Employees and Others

(a) In order to enhance the security of the facilities, systems, data, and records of the Exchange (collectively, “facilities and records”), the Exchange conducts fingerprint-based criminal records checks of (i) directors, officers and employees of the Exchange, and (ii) temporary personnel, independent contractors, consultants, vendors and service providers who have or are anticipated to have access to its facilities and records (collectively, “contractors”). The Exchange also conducts fingerprint-based criminal records checks of Exchange director candidates that are not already serving on the Exchange’s Board before they are formally nominated and of employee candidates after an offer of employment has been made by the Exchange. The Exchange may choose to not obtain fingerprints from, or to seek fingerprint-based information with respect to, any contractor due to that contractor’s limited, supervised, or restricted access to facilities and records, or the nature or location of his or her work or services, or if the contractor’s employer conducts fingerprint-based criminal records checks of its personnel.

(b) The Exchange shall submit fingerprints obtained pursuant to this rule to the Attorney General of the United States or his or her designee for identification and processing. The Exchange shall at all times maintain the security of all fingerprints provided to, and all criminal history record information received from, the Attorney General or his or her designee. The Exchange shall redisseminate fingerprints and criminal history record information only to the extent permitted by applicable law.

(c) The Exchange shall evaluate information received from the Attorney General or his or her designee and otherwise administer this rule in accordance with Exchange fingerprint procedures as in effect from time to time and the provisions of applicable law. Fingerprint-based criminal record information that reflects felony or misdemeanor convictions will be a factor in making employment decisions; engaging or retaining any contractors; or permitting any fingerprinted person access to facilities and records.

(d) Any employee who refuses to submit to fingerprinting will be subject to progressive discipline up to and including the termination of employment. Any person who is given an offer of employment with the Exchange who refuses to submit to fingerprinting will have the offer
withdrawn. A contractor who refuses to submit to fingerprinting will be denied access to facilities and records.

New rule adopted April 18, 2013 (13-044).

Approved September 2, 1994 (94-10); amended January 10, 1995 (94-27); January 26, 1995 (94-38); December 2, 1997 (97-61); September 3, 2008 (08-94).
CHAPTER XVI. SUMMARY SUSPENSION

Rule 16.1. Imposition of Suspension

A Trading Permit Holder or person associated with a Trading Permit Holder who has been and is expelled or suspended from any self-regulatory organization or barred or suspended from being associated with a Trading Permit Holder of any self-regulatory organization, or a Trading Permit Holder which is in such financial or operating difficulty that the Chief Executive Officer or the President determines that the Trading Permit Holder cannot be permitted to continue to do business as a Trading Permit Holder with safety to investors, creditors, other Trading Permit Holders, or the Exchange, may be summarily suspended by the Chief Executive Officer or the President. In addition, the Chief Executive Officer or the President may limit or prohibit any person with respect to access to services offered by the Exchange if any of the criteria or the foregoing sentence is applicable to such person or, in the case of a person who is not a Trading Permit Holder, if the Chief Executive Officer or the President determines that such person does not meet the qualification requirements or other prerequisites for such access with safety to investors, creditors, Trading Permit Holders, or the Exchange. In the event a determination is made to take summary action, as described above, notice thereof will be sent to the Securities and Exchange Commission. Any person aggrieved by any summary action taken under this Rule shall be promptly afforded an opportunity for a hearing by the Exchange in accordance with the provisions of Chapter XIX. In addition, the Securities and Exchange Commission may on its own motion order or such a person may apply to the Securities and Exchange Commission for a stay of such summary action pending the results of a hearing pursuant to Chapter XIX.

Amended April 17, 1978; September 19, 1978; October 20, 1978; October 24, 2002 (02-48); June 18, 2010 (10-058); amended March 25, 2011, effective May 17, 2011 (11-010); July 12, 2016 (16-047).

Rule 16.2. Investigation Following Suspension

Every Trading Permit Holder or person associated with a Trading Permit Holder against which action has been taken in accordance with the provisions of this Chapter shall immediately afford every facility required by the Exchange for the investigation of his affairs and shall forthwith file with the Secretary a written statement covering all information requested, including a complete list of creditors and the amount owing to each and a complete list of each open long and short position in Exchange option contracts maintained by the Trading Permit Holder and each of his customers. The foregoing includes, without limitation, the furnishing of such of the books and records of the Trading Permit Holder or person associated with a Trading Permit Holder and the giving of such sworn testimony as may be requested by the Exchange.

Amended September 19, 1978; June 18, 2010 (10-058).

Rule 16.3. Reinstatement

(a) General. A Trading Permit Holder, person associated with a Trading Permit Holder or other person suspended or limited or prohibited with respect to access to services offered by the Exchange under the provisions of this Chapter may apply for reinstatement within the time period set forth below. The Exchange may approve an application for reinstatement if it finds that the
applicant is operationally and financially able to conduct his business with safety to investors, creditors, Trading Permit Holders, and the Exchange.

(b) Suspension Due to Operating Difficulty. An applicant who, by reason of operating difficulty, has been suspended or limited or prohibited with respect to Exchange services, must file any application for reinstatement within six months from the date of such action. Such application must include a statement of all actions taken by the applicant to remedy the operational difficulty in question. If the applicant fails to receive the Exchange approval required for reinstatement, or if the application is not approved by the Exchange within ninety days of its submission, the applicant shall be afforded an opportunity for a hearing in accordance with the provisions of Chapter XIX.

(c) Suspension Due to Financial Difficulty. An applicant who, by reason of financial difficulty, has been suspended or limited or prohibited with respect to Exchange services, must file any application for reinstatement within thirty days of such action. Such application must include a list of all creditors of the applicant, a statement of the amount originally owing and the nature of the settlement in each case, and such other information as may be requested by the Exchange. The Trading Permit of a Trading Permit Holder summarily suspended by reason of financial difficulty may not be revoked by the Exchange until that Trading Permit Holder has been afforded an opportunity for a hearing respecting such summary suspension pursuant to the provisions of Chapter XIX.

Amended September 19, 1978; February 15, 1979; May 23, 2008 (08-02); July 17, 2008 (08-40); June 18, 2010 (10-058); February 24, 2014 (14-009).

Rule 16.4. Failure to Obtain Reinstatement

If a Trading Permit Holder suspended under the provisions of this Chapter fails or is unable to apply for reinstatement in accordance with Rule 16.3, or fails to obtain reinstatement as therein provided, his Trading Permit shall be revoked by the Exchange.

Amended September 19, 1978; February 15, 1979; July 17, 2008 (08-40); June 18, 2010 (10-058).

Rule 16.5. Termination of Rights by Suspension

A Trading Permit Holder suspended under the provisions of this Chapter shall be deprived during the term of his suspension of all rights and privileges of being a Trading Permit Holder.

Amended June 18, 2010 (10-058).
CHAPTER XVII. DISCIPLINE

Rule 17.1. Disciplinary Jurisdiction

(a) A Trading Permit Holder or a person associated with a Trading Permit Holder (the “Respondent”) who is alleged to have violated or aided and abetted a violation of any provision of the Exchange Act, the Rules, or the Bylaws, or any interpretation thereof or resolution of the Board of the Exchange regulating the conduct of business on the Exchange shall be subject to the disciplinary jurisdiction of the Exchange under this Chapter, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a Trading Permit Holder, suspension or revocation of one or more of the Respondent’s Trading Permits or any other fitting sanction, in accordance with provisions of the Chapter.

An individual Trading Permit Holder, nominee or other person associated with a TPH organization may be charged with any violation committed by employees under his supervision or by the TPH organization with which he is associated, as though such violation were his own. A TPH organization may be charged with any violation committed by its employees or by a Trading Permit Holder or other person who is associated with such TPH organization, as though such violation were its own.

(b) Any Trading Permit Holder or person associated with a Trading Permit Holder shall continue to be subject to the disciplinary jurisdiction of the Exchange following such person’s termination as a Trading Permit Holder or associated person with respect to matters that occurred prior to such termination or with respect to the failure to honor an arbitration award pursuant to Chapter XVIII of the Rules; provided that written notice of the commencement of an inquiry into such matters is given by the Exchange to such former Trading Permit Holder or former associated person within one year of receipt by the Exchange or such other exchange or association recognized for purposes of Rule 9.3 of the latest written notice of the termination of such person’s status as a Trading Permit Holder or person associated with a Trading Permit Holder. The foregoing notice requirement does not apply to a person who at any time after a termination again subjects himself to the disciplinary jurisdiction of the Exchange by becoming a Trading Permit Holder or a person associated with a Trading Permit Holder.

Amended March 31, 1977; April 17, 1978; March 26, 1980; April 30, 1982; August 23, 2001 (01-14); July 17, 2008 (08-40); June 18, 2010 (10-058); amended May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 A summary suspension or other action taken pursuant to Chapter XVI of the Rules shall not be deemed to be disciplinary action under this Chapter, and the provisions of this Chapter shall not be applicable to such action.

Issued March 31, 1977.

.02 The notice requirement in paragraph (b) of this Rule shall not apply in instances where the Exchange seeks to act under this Chapter XVII with respect to a former Trading Permit Holder or
person associated with a Trading Permit Holder for the failure to honor an arbitration award pursuant to Chapter XVIII of the Rules.

Approved August 23, 2001 (01-14); amended June 18, 2010 (10-058).

Rule 17.2. Complaint and Investigation

(a) Initiation of Investigation. The Regulatory staff, and any successor thereto, shall investigate or examine possible violations within the disciplinary jurisdiction of the Exchange whenever the Regulatory staff determines in its sole discretion there is a reasonable basis for it to do so. The Regulatory staff shall also determine in its discretion whether to investigate or examine any complaint it receives alleging possible violations within the disciplinary jurisdiction of the Exchange, provided such complaint specifies in reasonable detail the facts constituting the violation. Complaints, written or oral, may be submitted by any person or entity, including the Board, Exchange employees, and Trading Permit Holders (the “Complainant”).

(b) Requirement to Furnish Information. Each Trading Permit Holder and person associated with a Trading Permit Holder shall be obligated upon request by the Exchange to appear and testify, and to respond in writing to interrogatories and furnish documentary materials and other information requested by the Exchange in connection with (i) an investigation initiated pursuant to paragraph (a) of this Rule, (ii) a hearing or appeal conducted pursuant to this Chapter or preparation by the Exchange in anticipation of such a hearing or appeal, or (iii) an Exchange inquiry resulting from an agreement entered into by the Exchange pursuant to Rule 15.9. No Trading Permit Holder or person associated with a Trading Permit Holder shall impede or delay an Exchange investigation or proceeding conducted pursuant to this Chapter or an Exchange inquiry pursuant to Rule 15.9 nor refuse to comply with a request made by the Exchange pursuant to this paragraph. A Trading Permit Holder or person associated with a Trading Permit Holder is entitled to be represented by counsel during any such Exchange investigation, proceeding or inquiry.

(c) Report. Regulatory staff shall have the sole discretion to determine whether to request that the Chief Regulatory Officer (“CRO”) authorize the issuance of a statement of charges pursuant to Rule 17.4. In every instance where an investigation has been instituted as a result of a complaint, and in every other instance where an investigation results in the Regulatory staff finding that there are reasonable grounds to believe that a violation has been committed and a formal regulatory action (i.e., a Statement of Charges) is warranted, the Regulatory staff shall submit a written report of its investigation to the CRO. In those instances where an investigation results in the Regulatory staff finding that there are reasonable grounds to believe that a violation has been committed but non-formal regulatory action (i.e., a Letter of Information, a Letter of Caution or a Staff Interview) is warranted in lieu of the issuance of a statement of charges, the Regulatory staff may in its sole discretion determine to impose such non-formal regulatory action without the submission of a written report of its investigation to the CRO. In the event the Regulatory staff finds that there are not reasonable grounds to believe that a violation has been committed, the Regulatory staff may in its sole discretion determine to close the investigation (i.e., File Without Action) without the submission of a written report of its investigation to the CRO.
(d) Notice, Statement and Access. Prior to submitting its report, the Regulatory staff shall notify the person(s) who is the subject of the report (hereinafter Subject) of the general nature of the allegations and of the specific provisions of the Exchange Act, rules and regulations promulgated thereunder, Bylaws or Rules of the Exchange or any interpretation thereof or any resolution of the Board regulating the conduct of business on the Exchange, that appear to have been violated. Except when the CRO determines that expeditious action is required, a Subject shall have 25 days from the date of the notification described above to submit a written statement to the CRO concerning why no disciplinary action should be taken. To assist a Subject in preparing such a written statement, the Subject shall have access to any documents and other materials in the investigative file of the Exchange that were furnished by the Subject or the Subject’s agents. The 25-day period to submit a written statement shall toll while any request for access to the investigative file pursuant to this section is pending.

Amended March 31, 1977; October 2, 1978; February 27, 1981; February 22, 1995 (94-39); July 23, 2003 (03-15); June 18, 2010 (10-058); February 10, 2014 (14-001); June 2, 2015 (15-027); May 17, 2019 (19-025).

. . . Interpretations and Policies:

.01 Failure to furnish testimony, documentary evidence or other information requested by the Regulatory staff in the course of an Exchange inquiry, investigation, hearing or appeal conducted pursuant to this Chapter or in the course of preparation by the Regulatory staff in anticipation of such a hearing or appeal on the date or within the time period the Exchange specifies shall be deemed to be a violation of Rule 17.2.


.02 In lieu of, or in addition to, submitting a written statement concerning why no disciplinary action should be taken as permitted by paragraph (d) of this Rule, the Subject may submit a statement in the form of a videotaped response. Except when the CRO determines that expeditious action is required, the Subject shall have 25 days from the date of the notification described in paragraph (d) to submit the videotaped response. Videotaped responses shall not exceed 12 minutes and must be accompanied by a written transcript of the response.

Approved October 22, 1996 (96-47); May 17, 2019 (19-025).

.03 To assist the Regulatory staff in investigating possible violations within the Exchange’s disciplinary jurisdiction, Complainants should sign written complaints or identify themselves when making oral complaints pursuant to paragraph (a) of this Rule, and also identify the specific statutes, Bylaws, rules, interpretations or resolutions that allegedly were violated.

Amended July 23, 2003 (03-15); June 18, 2010 (10-058); February 10, 2014 (14-001).

.04 In addition to the existing obligation under Exchange rules regarding the production of books and records, each TPH or TPH organization shall furnish upon request, in the manner and standard electronic format prescribed by the Exchange, data concerning orders, transactions, and positions, including related hedges and offsets, in relation to a regulatory review conducted by the Regulatory staff.
Adopted November 6, 2012 (12-087); amended February 10, 2014 (14-001).

.05 References to “Regulatory staff” in Chapter XVII mean the Exchange’s employees in the Regulatory Division, and, as applicable, may also mean employees of FINRA who are performing regulatory services to the Exchange in accordance with the regulatory services agreement entered into between the Exchange and FINRA.

Adopted February 10, 2014 (14-001); amended June 2, 2015 (15-027); amended May 10, 2019 (19-017).

Rule 17.3. Expedited Proceeding

Upon receipt of the notification required by Rule 17.2(d), a Subject may seek to dispose of the matter through a letter of consent signed by the Subject. If a Subject desires to attempt to dispose of the matter through a letter of consent, the Subject must submit to the Regulatory staff within 25 days from the date of the notification required by Rule 17.2(d) a written notice electing to proceed in an expedited manner pursuant to this Rule 17.3. The Subject must then endeavor to reach agreement with the Regulatory staff upon a letter of consent which is acceptable to the Regulatory staff and which sets forth a stipulation of facts and findings concerning the Subject’s conduct, the violation(s) committed by the Subject and the sanction(s) therefor. The matter can only be disposed of through a letter of consent if the Regulatory staff and the Subject are able to agree upon terms of a letter of consent which are acceptable to the staff and the letter is signed by the Subject. At any point in the negotiations regarding a letter of consent, either the Regulatory staff may deliver to the Subject or the Subject may deliver to the staff a written declaration of an end to the negotiations. On delivery of such a declaration the Subject will then have 25 days to submit a written statement pursuant to Rule 17.2(d) and thereafter the Regulatory staff may bring the matter to the CRO for appropriate action. In the event that the Subject and the Regulatory staff are able to agree upon a letter of consent which is acceptable to the Regulatory staff, the Regulatory staff shall submit the letter of consent to the CRO. If the letter of consent is accepted by the CRO, the Exchange shall adopt the letter of consent as its decision and no further action shall be taken against the Subject respecting the matters that are the subject of the letter of consent. If the letter of consent is rejected by the CRO, the matter shall proceed as though the letter of consent had not been submitted. The CRO’s decision to accept or reject a letter of consent shall be final, and a Subject may not seek review thereof.

Adopted February 27, 1981; amended February 9, 1995 (94-35); February 10, 2014 (14-001); amended June 2, 2015 (15-027); amended May 17, 2019 (19-025).

Rule 17.4. Charges

(a) Determination Not to Initiate Charges. In those cases where notice has been provided pursuant to Rule 17.2(d) and whenever it shall appear to the CRO from the report of the Regulatory staff that no probable cause exists for finding a violation within the disciplinary jurisdiction of the Exchange, or if the CRO otherwise determines that no further action is warranted, the CRO shall direct the Regulatory staff to prepare and issue a written statement to that effect setting forth the CRO’s reasons for such finding, which shall be sent to the Subject and the Complainant, if any.
(b) Initiation of Charges. Whenever it shall appear to the CRO from the report of the Regulatory staff that there is probable cause for finding a violation within the disciplinary jurisdiction of the Exchange and that further proceedings are warranted, the CRO shall direct the Regulatory staff to prepare and issue a statement of charges against the person or organization alleged to have committed a violation (the “Respondent”) specifying the acts in which the Respondent is charged to have engaged and setting forth the specific provisions of the Securities Exchange Act of 1934, as amended, rules and regulations promulgated thereunder, Bylaws, rules, interpretations or resolutions of which such acts are in violation. A copy of the charges shall be served upon the Respondent in accordance with Rule 17.12. The Complainant, if any, shall be notified if further proceedings are warranted.

(c) Access to Documents. Provided that a Respondent has made a written request for access to documents within 25 days after a statement of charges has been served upon the Respondent in accordance with Rule 17.12, the Respondent shall have access to all documents concerning the case that are in the investigative file of the Exchange except for Regulatory staff investigation and examination reports and materials prepared by the Regulatory staff in connection with such reports or in anticipation of a disciplinary hearing. In providing such documents, the Regulatory staff may protect the identity of a Complainant.

Amended March 31, 1977; October 2, 1978; February 27, 1981; March 24, 1987; January 14, 1992 (91-39); December 11, 2002 (01-59); June 18, 2010 (10-058); February 10, 2014 (14-001); amended June 2, 2015 (15-027); May 17, 2019 (19-025).

Rule 17.5. Answer

The Respondent shall have 25 days after service of the charges to file a written answer thereto. The answer shall specifically admit or deny each allegation contained in the charges, and the Respondent shall be deemed to have admitted any allegation not specifically denied. The answer may also contain any defense which the Respondent wishes to submit and may be accompanied by documents in support of the Respondent’s answer or defense. In the event the Respondent fails to file an answer, the charges shall be considered to be admitted. The 25-day period to submit a written answer shall toll while any request for access to the investigative file pursuant to Rule 17.4(c) is pending.

Amended February 27, 1981; May 17, 2019 (19-025).

Rule 17.6. Hearing

(a) Participants. Subject to Rule 17.7 of this Chapter concerning summary proceedings, a hearing on the charges shall be held before a panel of either three or five members of the Business Conduct Committee (“BCC”) selected by the Chairperson of the BCC. The selected members of the BCC shall exercise the authority of the BCC in respect of matters pertaining to the hearing and for purposes of this Chapter shall be referred to as the “Hearing Panel.” The Exchange and the Respondent shall be the parties to the hearing. Where a TPH organization is a party, it shall be represented by one of the TPH organization’s nominees at the hearing. BCC Counsel may assist the Hearing Panel in preparing its written recommendations or judgments.
Impartiality of Hearing Panel Members. When any member of the Hearing Panel considers a disciplinary matter they are expected to function impartially and independently of the staff members who prepared and prosecuted the charges. If at any time a member of the Hearing Panel determines that they have a conflict of interest or bias or circumstances otherwise exist where their fairness might reasonably be questioned, the applicable member of the Hearing Panel shall notify the Chairperson of the BCC who shall issue and serve on the Parties a notice stating that the Hearing Panel member has withdrawn from the matter. In the event that a member of a Hearing Panel withdraws, is incapacitated, or otherwise is unable to continue service after being appointed, the Chairperson of the BCC shall appoint a replacement to serve on the Hearing Panel.

Motions for Disqualification. Within 15 days of the appointment of the Hearing Panel, the Respondent may move for disqualification of any member of the Hearing Panel sitting on such Panel based upon bias or conflict of interest. Such motions shall be made in writing and state with specificity the facts and circumstances giving rise to the alleged bias or conflict of interest. The motion papers shall be filed with the Chairperson of the BCC. The Exchange may file a brief in opposition to the Respondent’s motion within 15 days of service thereof.

Rulings on Motions for Disqualification. The Hearing Panel, excluding the applicable member of the Hearing Panel at issue, shall rule upon such motion no later than 30 days from filing by the Respondent. Prior adverse rulings against the Respondent or Respondent’s attorney in other matters shall not, in and of themselves, constitute grounds for disqualification. If the Hearing Panel believes the Respondent has provided satisfactory evidence in support of the motion to disqualify, the applicable member of the Hearing Panel shall remove themselves and request the Chairperson of the BCC to reassign the hearing to another member of the BCC. If the Hearing Panel determines that the Respondent’s grounds for disqualification are insufficient, it shall deny the Respondent’s motion for disqualification by setting forth the reasons for the denial in writing and the Hearing Panel will proceed with the hearing. The ruling by the Hearing Panel on such motions shall not be subject to interlocutory review.

Prehearing Procedures. Parties shall be given at least 15 business days’ notice of the time and place of the hearing. Hearings are typically held in Chicago, but, the Hearing Panel may decide to hold a hearing outside of Chicago to accommodate the parties, witnesses, Exchange staff, or the Hearing Panel members. Not less than ten (10) business days in advance of the scheduled hearing date, each party shall furnish to the Hearing Panel and to the other parties copies of all documentary evidence such party intends to present at the hearing and a list containing the names of all witnesses the party intends to present at a hearing. Where time and the nature of the proceeding permit, the parties shall meet in a pre-hearing conference for the purpose of clarifying and simplifying issues and otherwise expediting the proceeding. At such pre-hearing conference, the parties shall attempt to reach agreement respecting authenticity of documents, facts not in dispute, and any other items which will serve to expedite the hearing of the matter. At the request of any party, the Hearing Panel or Hearing Panel Chairperson shall hear and decide all pre-hearing issues not resolved among the parties. Interlocutory Board review of any decision made by the
Hearing Panel prior to completion of the hearing is generally prohibited. Such interlocutory review shall be permitted only if the Hearing Panel agrees to such review after determining that the issue is a controlling issue of rule or policy and that immediate Board review would materially advance the ultimate resolution of the case.

(c) Conduct of Hearing. The Hearing Panel shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the hearing. Formal rules of evidence shall not apply. The charges shall be presented by a representative of the Exchange who, along with Respondent and any other party, may present evidence and produce witnesses who shall testify under oath and are subject to being questioned by the Hearing Panel and the other parties. The Respondent and intervening parties are entitled to be represented by counsel who may participate fully in the hearing. A transcript of the hearing shall be made and shall become part of the record.

(d) Documents and Witnesses. The Hearing Panel may request the production of documentary evidence and witnesses. If the Exchange, a Trading Permit Holder, or a person associated with a Trading Permit Holder will not voluntarily produce non-privileged documents or hearing witnesses the Respondent has requested, the Respondent may submit a written request to the Hearing Panel asking the Hearing Panel to enter an order compelling the production of non-privileged documents by the Exchange, the Trading Permit Holder, or associated person or compelling the testimony of the Trading Permit Holder, associated person, or a person within the Exchange’s control. Before entering such order, the Hearing Panel must hear any objections raised by Exchange staff to the issuance of such an order. When deciding whether to issue the requested order, the Hearing Panel shall weigh the probative value of the documents or testimony against considerations such as undue delay, waste of time, confusion, unfair prejudice or needless presentation of cumulative evidence. As a condition to issuing such an order, the Hearing Panel may require the Respondent to pay the costs of complying with the requested order including a witness’s travel expenses. No Trading Permit Holder or person associated with a Trading Permit Holder shall refuse to furnish relevant testimony, documentary materials or other information requested or ordered by the Hearing Panel.

Amended March 31, 1977; October 2, 1978; February 27, 1981; September 17, 1996 (96-45); June 18, 2010 (10-058); May 17, 2019 (19-025).

.01 Intervention. Any person not otherwise a party may intervene as a party to the hearing upon demonstrating to the satisfaction of the Hearing Panel that that person has an interest in the subject of the hearing and that the disposition of the matter, may, as a practical matter, impair or impede that person’s ability to protect that interest. Also, the Hearing Panel may in its discretion permit a person to intervene as a party to the hearing when the person’s claim or defense and the main action have questions of law or fact in common. Any person wishing to intervene as a party to a hearing shall file with the Hearing Panel a notice requesting the right to intervene, stating the grounds therefor, and setting forth the claim or defense for which intervention is sought.

.02 The Hearing Panel, in exercising its discretion concerning intervention shall take into consideration whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties.


.03 Subject to Rule 17.7, the CRO shall have the authority to direct that a hearing be scheduled at any time, after the period to answer pursuant to Rule 17.5 has elapsed.

Issued May 17, 2019 (19-025).

Rule 17.7. Summary Proceedings

Notwithstanding the provision of Rule 17.6 of this Chapter, the CRO may make a determination without a hearing and may impose a penalty as to violations which the Respondent has admitted or has failed to answer or which otherwise do not appear to be in dispute. Notice of such summary determination, specifying the violations and penalty, shall be served upon the Respondent, who shall have ten (10) business days from the date of service to notify the CRO that the Respondent desires a hearing upon all or a portion of any charges not previously admitted or upon the penalty. Failure to so notify the CRO shall constitute admission of the violations and acceptance of the penalty as determined by the CRO and a waiver of all rights of review. If the Respondent requests a hearing, the matters which are the subject of the hearing shall be handled as if the summary determination had not been made.

Amended February 27, 1981; May 17, 2019 (19-025).

Rule 17.8. Offers of Settlement

(a) Submission of Offer. At any time following the date of service of a statement of charges upon the Respondent in accordance with Rule 17.12, the Respondent may submit to the CRO a written offer of settlement, signed by the Respondent, which shall contain a proposed stipulation of facts and shall consent to a specified sanction. Where the CRO accepts an offer of settlement, the CRO shall issue a decision, including findings and conclusions and imposing a sanction, consistent with the terms of such offer. Where the CRO rejects an offer of settlement, it shall notify the Respondent and the matter shall proceed as if such offer had not been made, and the offer and all documents relating thereto shall not become part of the record. A decision of the CRO issued upon acceptance of an offer of settlement as well as the determination of the CRO whether to accept or reject such an offer shall be final, and the Respondent may not seek review thereof.

(b) Submission of Statement. A Respondent may submit with an offer of settlement a written statement in support of the offer. In addition, if the Regulatory staff will not recommend acceptance of an offer of settlement to the CRO, a Respondent shall be notified and may appear before the CRO to make an oral statement in support of the offer. Finally, if the CRO rejects an offer that the Regulatory staff supports, a Respondent may appear before the CRO to make an oral statement concerning why [he]the Respondent believes the CRO should change the CRO’s decision and accept the Respondent’s offer. A Respondent must make a request for such an
appearance within five (5) days of being notified that [his] the Respondent’s offer was rejected or that Regulatory staff will not recommend acceptance.

Amended March 31, 1977; February 27, 1981; January 14, 1992 (91-39); February 9, 1995 (94-35); September 5, 1996 (96-46); February 10, 2014 (14-001); May 17, 2019 (19-025).

. . . Interpretations and Policies:

.01 Unless the CRO shall otherwise order, a Respondent shall be entitled to submit to the CRO a maximum of two written offers of settlement in connection with the statement of charges issued to that Respondent pursuant to Rule 17.4(b).

Approved January 14, 1992 (91-39); amended February 9, 1995 (94-35); September 5, 1996 (96-46); February 10, 2014 (14-001); amended June 2, 2015 (15-027); May 17, 2019 (19-025).

.02 Subject to Interpretation and Policy .01, a Respondent may propose a written offer of settlement during the course of any proceeding under this Chapter. If the Respondent wants to submit an offer of settlement subsequent to a hearing being scheduled pursuant to Rule 17.6, the Hearing Panel shall grant the parties leave from the hearing for the offer of settlement to be presented to the CRO for consideration under paragraph (a) of this rule.

Issued May 17, 2019 (19-025).

Rule 17.9. Decision

Following a hearing conducted pursuant to Rule 17.6 of this Chapter, the Hearing Panel shall issue a decision in writing, based solely on the record, determining whether the Respondent has committed a violation and imposing the sanction, if any, therefor. The decision shall include a statement of findings and conclusions, with the reasons therefor, upon all material issues presented on the record. Where a sanction is imposed under Rule 17.11, the decision shall include a statement specifying the acts or practices in which the Respondent has been found to have engaged, the specific provisions of the Securities Exchange Act of 1934, as amended, rules and regulations promulgated thereunder, Bylaws, rules, interpretations or resolutions of the Exchange of which the acts are deemed to be in violation, and a statement of the sanctions imposed and the reasons therefor. The Respondent and the Regulatory Division shall be promptly sent a copy of the decision. After Board review pursuant to Rule 17.10, or the time for such review has expired, the decision will be considered final, and the Exchange shall post the complete decision on the Cboe Options website.

Amended March 31, 1977; February 27, 1981; September 17, 1996 (96-45); December 11, 2002 (01-59); June 18, 2010 (10-058); February 24, 2014 (14-009); June 2, 2015 (15-027); May 17, 2019 (19-025).

Rule 17.10. Review

(a)
(1) Petition. Both the Respondent and the Regulatory Division shall have 15 days after service of notice of the decision made pursuant to Rule 17.9 of this Chapter to petition for review of the decision by filing a copy of the petition with the Secretary of the Exchange (“Secretary”) and with all other parties to the hearing. Such petition shall be in writing and shall specify the findings and conclusions to which exceptions are taken together with reasons for such exceptions. Any objections to a decision not specified by written exception shall be considered to have been abandoned.

(2) Written Submissions. Within 15 days after a petition for review has been filed with the Secretary of the Exchange pursuant to paragraph (a)(1) of this Rule, the other parties to the hearing may each submit to the Secretary a written response to the petition. A copy of the response must be served upon the petitioner. The petitioner has 15 days from the service of the response to file a reply with the Secretary and the other parties to the hearing.

(b) Conduct of Review. The review shall be conducted by the Board or a committee of the Board composed of at least three Directors whose decision must be ratified by the Board. Any Director who participated in a matter before the Hearing Panel or other Committee may not participate in any review of that matter by the Board. Unless the Board shall decide to open the record for the introduction of evidence or to hear argument, such review shall be based solely upon the record and the written exceptions filed by the parties. New issues may be raised by the Board; the parties to the hearing shall be given notice of and an opportunity to address any such new issues. The Board may affirm, reverse or modify, in whole or in part, the decision of the Hearing Panel. Such modification may include an increase or decrease of the sanction. The decision of the Board shall be in writing, shall be promptly served on the Respondent and the Regulatory Division, and shall be final.

(c) Review on Motion of Board. The Board may on its own initiative order review of a decision made pursuant to Rule 17.7 or 17.9 of this Chapter within 30 days after notice of the decision has been served on the Respondent and the Regulatory Division. Such review shall be conducted in accordance with the procedure set forth in paragraph (b) of this Rule.

Amended April 31, 1977; October 2, 1978; February 27, 1981; March 24, 1987; August 29, 1996 (96-49); December 11, 2002 (01-59); March 1, 2005 (04-82); February 10, 2014 (14-001); June 2, 2015 (15-027); May 17, 2019 (19-025).

Rule 17.11. Judgment and Sanction

(a) Sanctions. Trading Permit Holders and persons associated with Trading Permit Holders shall (subject to any rule or order of the Securities and Exchange Commission) be appropriately disciplined by the Hearing Panel or the CRO, as applicable, for violations under these Rules by expulsion, suspension, limitation of activities, functions and operations, fine, censure, being suspended or barred from being associated with a Trading Permit Holder, suspension or revocation of one or more Trading Permits, or any other fitting sanction.
(b) Effective Date of Judgment. Sanctions imposed under this Chapter shall not become effective until the Exchange review process is completed or the decision otherwise becomes final. Pending effectiveness of a decision imposing a sanction on the Respondent, the Hearing Panel or the CRO, as applicable, may impose such conditions and restrictions on the activities of the Respondent as the Hearing Panel or the CRO, as applicable, considers reasonably necessary for the protection of investors and the Exchange.

Amended March 31, 1977; October 2, 1978; February 27, 1981; June 18, 2010 (10-058); May 17, 2019 (19-025).

. . . Interpretations and Policies:

.01 To promote consistency and uniformity in the imposition of penalties, the following Principal Considerations in Determining Sanctions should be considered in connection with the imposition of sanctions in all cases in determining appropriate remedial sanctions through the resolution of disciplinary matters through offers of settlement or after formal disciplinary hearings.

Principal Considerations In Determining Sanctions

(1) Disciplinary sanctions are remedial in nature. The Hearing Panel or the CRO, as applicable, should design sanctions to prevent and deter future misconduct by wrongdoers, to discourage others from engaging in similar misconduct, and to improve overall business standards of Cboe Options Trading Permit Holders. Pursuant to Exchange Rule 17.11, the Hearing Panel or the CRO, as applicable, may impose sanctions including expulsion, suspension, limitation of activities, fine, censure, suspension or revocation of one or more Trading Permits, or any other fitting sanction.

(2) An important objective of the disciplinary process is to deter future misconduct by imposing progressively escalating sanctions on recidivists. The Hearing Panel or the CRO, as applicable, should consider a party’s relevant disciplinary history in determining sanctions.

(3) Relevant Precedent. The Hearing Panel or the CRO, as applicable, should consider prior similar disciplinary decisions (relevant precedent) in determining an appropriate sanction and may consider relevant precedent from other self-regulatory organizations.

(4) The Hearing Panel or the CRO, as applicable, should tailor sanctions to address the misconduct at issue. The Hearing Panel or the CRO, as applicable, should impose sanctions tailored to the misconduct at issue. For example, the Hearing Panel or the CRO, as applicable, may require a Trading Permit Holder or TPH organization to, among other things: retain a qualified independent consultant to improve future compliance with regulatory requirements; disclose disciplinary history to new and/or existing clients; implement heightened supervision of certain employees; or requalify by examination in any or all registered capacities.

(5) Aggregation of violations may be appropriate in certain instances for purposes of determining sanctions. The Hearing Panel or the CRO, as applicable, may aggregate individual violations of particular rules and treat such violations as a single offense for purposes of determining sanctions. Aggregation may be appropriate when the Exchange utilizes a comprehensive surveillance program in the detection of potential rules violations. Aggregation
may also be appropriate where the Exchange has reviewed activity over an extensive time period
during the course of an investigation of matters disclosed either through a routine examination of
the Trading Permit Holder or as the result of a complaint. Similarly, where no exceptional
circumstances are present, the Exchange may impose a fine based upon a determination that there
exists a pattern or practice of violative conduct. The Exchange also may aggregate similar
violations generally if the conduct was unintentional, there was no injury to public investors, or
the violations resulted from a single systemic problem or cause that has been corrected.

(6) The Hearing Panel or the CRO, as applicable, should evaluate appropriateness of
disgorgement and/or restitution. The Hearing Panel or the CRO, as applicable, should evaluate
the appropriateness of disgorgement and/or restitution in those cases where the amount of harm is
quantifiable and the harmed party is identifiable.

(7) The Hearing Panel or the CRO, as applicable, should consider contributions or
settlements by a respondent or any related Trading Permit Holder or TPH organization to the
harmed party as it relates to the conduct that is the subject of the disciplinary matter.

(8) The Hearing Panel or the CRO, as applicable, may consider a party’s inability to
pay in connection with the imposition of monetary sanctions.

 Adopted March 15, 2002 (01-71); Amended June 18, 2010 (10-058); amended May 17, 2019 (19-
025).

Rule 17.12. Service of Notice

Any charges, notices or other documents may be served upon the Respondent either personally or
by leaving the same at the Respondent’s place of business or by deposit in the United States post
office, postage prepaid via registered or certified mail addressed to the Respondent at the
Respondent’s address as it appears on the books and records of the Exchange. If service is made
by registered or certified mail, three days shall be added to the prescribed period for response.

Amended October 2, 1978; February 27, 1981; November 18, 1994 (94-33); May 17, 2019 (19-
025).

Rule 17.13. Extension of Time Limits

Any time limits imposed under this Chapter for the submission of answers, petitions or other
materials may be extended by permission of the authority at the Exchange to or by whom such
materials are to be submitted.

Formerly Rule 17.12(b), renumbered November 18, 1994 (94-33).

Rule 17.14. Reporting to the Central Registration Depository

The Exchange shall report to the Central Registration Depository (“CRD”) the following
information concerning formal Exchange disciplinary proceedings: (i) the issuance of a statement
of charges pursuant to Exchange Rule 17.4(b) and (ii) all significant changes in the status of such
proceedings while such proceedings are pending.
Approved November 18, 1994, effective January 1, 1995 (94-33); amended May 17, 2019 (19-025).

...Interpretations and Policies:

.01 For the purposes of this Rule:

(i) A formal Exchange disciplinary proceeding shall be considered to be pending from the time that a statement of charges is issued in such proceeding pursuant to Exchange Rule 17.4(b) until the outcome of the proceeding becomes final.

(ii) An Exchange disciplinary proceeding shall be considered to be a formal disciplinary proceeding if it is initiated by the Exchange pursuant to Exchange Rule 17.2 et seq.

(iii) Significant changes in the status of a formal Exchange disciplinary proceeding shall include, but not be limited to, the scheduling of a disciplinary hearing, the issuance of a decision by the Hearing Panel or CRO, as applicable, the filing of an appeal to the Board of Directors of the Exchange, and the issuance of a decision by the Board of Directors of the Exchange.

Approved November 18, 1994, effective January 1, 1995 (94-33); amended May 17, 2019 (19-025).

Rule 17.15. *Ex Parte* Communications

(a) Unless on notice and opportunity for all parties to participate:

(1) No Trading Permit Holder, person associated with a Trading Permit Holder or Exchange staff member shall make or knowingly cause to be made an ex parte communication relevant to the merits of a proceeding with any member of the Hearing Panel, Business Conduct Committee, Board or committee of the Board who is participating in a decision with respect to that proceeding (an “Adjudicator”); and

(2) No Adjudicator shall make or knowingly cause to be made an ex parte communication with any Trading Permit Holder, person associated with a Trading Permit Holder or Exchange staff member relevant to the merits of that proceeding.

(b) An Adjudicator who receives, makes, or knowingly causes to be made a communication prohibited by this Rule shall place in the record of the proceeding:

(1) all such written communications;

(2) memoranda stating the substance of all such oral communications; and

(3) all written responses and memoranda stating the substance of all oral responses to all such communications.
If a prohibited ex parte communication has occurred, the Board or a committee of the Board may take whatever action it deems appropriate in the interests of justice, the policies underlying the Act, and the Exchange By-Laws and Rules, including dismissal or denial of the offending party’s interest or claim. All participants to a proceeding may respond to any allegations or contentions contained in a prohibited ex parte communication placed in the record. Such responses shall be placed in the record.

The prohibitions of this Rule shall apply beginning with the initiation of an investigation as provided in Rule 17.2(a), unless the person responsible for the communication has knowledge that the investigation shall be initiated, in which case the prohibitions shall apply beginning at the time of his or her acquisition of such knowledge.

“Ex parte communication” means an oral or written communication made without notice to all parties, that is, Regulatory staff and Subjects of investigations or Respondents in proceedings. A written communication is ex parte unless a copy has been previously or simultaneously delivered to all interested parties. An oral communication is ex parte unless it is made in the presence of all interested parties except those who, on adequate prior notice, declined to be present.

No violation of Rule 17.6(e) shall be deemed to occur if the ex parte communication deals solely with procedural matters rather than the merits of the investigation or proceeding.

No person shall be deemed to violate this Rule if they refuse an attempted communication concerning the merits of an investigation or proceeding as soon as it becomes apparent that the communication concerns the merits. In order for this paragraph (g) to apply, the person refusing the attempted communication must promptly notify the Regulatory staff about the attempted communication and how the person responded to it. The Regulatory staff shall memorialize this information in the regulatory record of the investigation or disciplinary proceeding.

Adopted May 17, 2019 (19-025).

Rule 17.50. Imposition of Fines for Minor Rule Violations

In lieu of commencing a disciplinary proceeding pursuant to Exchange Rule 17.2 et seq., the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed $5,000, on any Trading Permit Holder or person associated with or employed by a Trading Permit Holder with respect to any rule violation listed in section (g) of this Rule. For purposes of imposing fines pursuant to Rule 17.50(g)(4) and (g)(5), the Exchange may aggregate individual violations of particular rules and treat such violations as a single offense, provided that such aggregation is based upon a comprehensive automated surveillance program. In other instances, the Exchange may, if no exceptional circumstances are present, impose a fine based upon a determination that there exists a pattern or practice of violative conduct. The Exchange also may aggregate similar violations generally if the conduct was unintentional, there was no injury to public investors, or the violations resulted from a single systemic problem or cause that has been corrected. Any fine imposed pursuant to this Rule that (i) does not exceed $2,500 and (ii) is not contested, shall be reported by the Exchange to the Securities and Exchange Commission (“SEC”) on a periodic,
rather than a current, basis, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority.

(b) In any action taken by the Exchange pursuant to this Rule, any person against whom a fine is imposed shall be served, as provided in Exchange Rule 17.12, with a written statement, prepared by the Exchange, setting forth: (i) the rule(s) allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than thirty (30) days after the date of service of such written statement. The issuance of a fine, a Trading Permit Holder’s failure to contest the fine, or a Trading Permit Holder’s submission and/or the Exchange’s acceptance of an offer of settlement in accordance with the provisions of Rule 17.50 do not constitute an admission.

(c)

(1) Any person against whom a fine is imposed pursuant to section (g) of this Rule may contest the Exchange’s determination by filing with the Office of the Secretary of the Exchange, on or before the date specified pursuant to subsection (b)(iv) of this Rule, a written answer as provided in Exchange Rule 17.5, at which point the matter shall become subject to review by a Hearing Panel. The filing must include a request for a hearing, if a hearing is desired. Hearings will be conducted in accordance with the provisions of Exchange Rule 17.6. If a hearing is not requested, the review will be based on written submissions and will be conducted in a manner to be determined by a Hearing Panel.

(2) If after a hearing or review based on written submissions pursuant to subsection (c)(1) of this Rule the Hearing Panel determines that the conduct serving as the basis for the action under review is in violation of the rule charged, the Hearing Panel (i) may impose any one or more of the disciplinary sanctions authorized by the Exchange's Bylaws and Rules and (ii) shall impose a forum fee against the person charged in the amount of one hundred dollars ($100) if the determination was reached without a hearing, or in the amount of three hundred dollars ($300) if a hearing was conducted. However, notwithstanding the foregoing, in the event that the Hearing Panel determines that the person charged has been found to have committed one or more rule violations and the sole disciplinary sanction imposed by the Hearing Panel for such rule violation(s) is a fine which is less than the total fine initially imposed by the Exchange pursuant to this Rule, the Hearing Panel shall have the discretion to waive the imposition of a forum fee.

(3) The committee or department of the Exchange that commenced the action under this Rule, the person charged, and the Board of Directors of the Exchange may require a review by the Board of any determination by a Hearing Panel under this Rule by proceeding in the manner described in Exchange Rule 17.10. For the purposes of such an appeal by the committee or department of the Exchange that commenced the action under this Rule, such committee or department of the Exchange shall have the same rights a Respondent under Exchange Rule 17.10.
In the event that a fine imposed pursuant to this Rule is subsequently upheld by a Hearing Panel or, if applicable, on appeal, such fine, plus all interest that has accrued thereon since the date specified pursuant to subsection (b)(iv) of this Rule, and any forum fee imposed hereunder, shall be immediately due and payable.

(d) Reserved.

(e) Fines imposed pursuant to this Rule shall be billed to the Clearing Trading Permit Holder previously designated by the person fined pursuant to Exchange Rule 3.23. Fines billed to a Clearing Trading Permit Holder shall be collected by the Exchange by drafting the appropriate Clearing Trading Permit Holder’s account at the Clearing Corporation. The amount of such fine shall be an obligation payable to the Exchange by the billed Clearing Trading Permit Holder regardless of whether the Clearing Trading Permit Holder actually collected the fine from the person against whom the fine was imposed; provided that, if as of the billing date, (i) the person against whom the fine was imposed does not have an active account with the billed Clearing Trading Permit Holder, or (ii) the equity in such person’s account with that Clearing Trading Permit Holder is less than the amount of the fine, and the Clearing Trading Permit Holder notifies the Exchange in writing within fifteen (15) days after the billing date that the condition described in subsection (i) or (ii) hereof exists, the Exchange shall bill such person directly. In the event that the person against whom the fine is imposed contests the fine within the time period specified pursuant to this Rule, but after the fine has been collected pursuant to this section (e), the Exchange shall promptly refund to the applicable Clearing Trading Permit Holder’s account the amount collected.

(f) The Exchange shall issue regulatory circulars to the Trading Permit Holders from time to time listing the Exchange Bylaws and rule provisions as to which the Exchange may impose fines as provided by this Rule. Such list shall indicate the specific dollar amount that may be imposed as a fine hereunder with respect to any violation of any such rule. The fines authorized below for violations of a first or second offense may be imposed in the case of a first or second offense if warranted under the circumstances. Nothing in this Rule shall require the Exchange to impose a fine pursuant to this Rule with respect to the violation of any rule included in any such listing. In addition, the Exchange may, whenever it determines that any violation is intentional, egregious, or otherwise not minor in nature, proceed under the Exchange’s formal disciplinary rules as set forth in Exchange Rule 17.2 et seq., rather than under this Rule.

(g) The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant to, this Rule:

(1) Violation of position and exercise limit rules. (Rule 4.11 and Rule 4.12)

* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.
<table>
<thead>
<tr>
<th>Number of Cumulative Violations In Any Twenty-Four (24) Month Rolling Period *</th>
<th>Fine Amount (imposed on Exchange TPH organization or violations occurring in all other accounts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Offense</td>
<td>$500</td>
</tr>
<tr>
<td>Second Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>Third Offense</td>
<td>$2,500</td>
</tr>
<tr>
<td>Fourth and Each Subsequent Offense</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

(2) Failure to file Focus reports in a timely manner. (Rule 15.5)

Each Trading Permit Holder shall file with the Exchange a report of financial condition on SEC Form X-17A-5 as required by Exchange Act Rules 17a-5 and 17a-10. Any Trading Permit Holder who fails to file in a timely manner such report of financial condition pursuant to Exchange Act Rules 17a-5 or 17a-10 shall be subject to the following fines:

<table>
<thead>
<tr>
<th>Days Late</th>
<th>Sanction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 30</td>
<td>$200</td>
</tr>
<tr>
<td>31 – 60</td>
<td>$400</td>
</tr>
<tr>
<td>61 +</td>
<td>$800</td>
</tr>
</tbody>
</table>

(3) Failure to respond in a timely manner to a request for automated submission of trading data (“Blue Sheets”). (Rule 15.7)

Any Trading Permit Holder who fails to respond within ten (10) days to a request by the Exchange for submission of Blue Sheets shall be subject to the following fines:

<table>
<thead>
<tr>
<th>Number of Violations in Any Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$2,500</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$5,000</td>
</tr>
</tbody>
</table>
(4) Failure to Submit Trade Information on Time and Failure to Submit Trade Information to the Price Reporter. (Rule 6.51)

A fine shall be imposed upon a Market-Maker or Floor Broker who fails to submit trade information in accordance with Rule 6.51. Such fines shall be imposed on the basis of the following schedule:

* For purposes of this Rule 17.50(g)(4), an "offense" is defined as an instance in which a pattern or practice of late reporting or failure to report without exceptional circumstances has been determined.

<table>
<thead>
<tr>
<th>Number of Offenses * in Any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$1,000 - $2,500</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$2,000 - $5,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

(5) A fine shall be imposed upon a Market-Maker or Floor Broker in accordance with the fine schedule set forth below for the following conduct ¹:

- Failure to honor the firm quote requirements of Rule 8.51;
- Failure to honor the priority of marketable priority customer orders pursuant to Rule 6.45; and
- Failure to use due diligence in the execution of orders for which the floor Trading Permit Holder maintains an agency obligation pursuant to Rule 6.73.

<table>
<thead>
<tr>
<th>Number of Offenses In Any Rolling Twenty-Four Month “Look-Back” Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500 - $1,500</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$1,000 - $3,000</td>
</tr>
<tr>
<td>3rd Offense</td>
<td>$2,000 - $5,000</td>
</tr>
</tbody>
</table>
Subsequent Offenses | $3,500 - $5,000

(6) Violations of Trading Conduct and Decorum Policies. (Rule 6.20)

The Exchange’s trading conduct and decorum policies shall be distributed to the Trading Permit Holders periodically and shall set forth the specific dollar amounts that may be imposed as a fine hereunder with respect to any violations of those policies. If warranted under the circumstances in the view of two Floor Officials, the fine authorized under those policies for a second, third or subsequent offense may be imposed for a first offense and the fine authorized for a third or subsequent offense may be imposed for a second offense.

Amended November 13, 2002 (02-39); November 18, 2005 (05-46); December 4, 2006 (06-81); May 23, 2008 (08-02); June 18, 2010 (10-058); July 29, 2010 (10-069); February 10, 2014 (14-001); May 17, 2019 (19-025).

(7) Failure to Submit Trade Data on Trade Date (“As of Adds”). (Rule 6.51)

(a) Any individual Trading Permit Holder who fails for more than 5% of the Trading Permit Holder’s transactions in any month to submit on the date that a transaction is executed the trade information required by Rule 6.51 shall be subject to the following fines:

<table>
<thead>
<tr>
<th>Number of Violations In Any Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>Letter of Information</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>Letter of Caution</td>
</tr>
<tr>
<td>3rd Offense</td>
<td>$500</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

(b) Under unusual circumstances affecting the ability of a significant number of Trading Permit Holders to submit trade information to the Exchange on a timely basis, the Exchange may suspend application of subsection (g)(7)(a) of this Rule for a period not to exceed seven (7) calendar days at any one time (which may be extended by subsequent suspensions implemented in each case in accordance with the procedures required by this subsection). Such a suspension order, which may be retroactive, shall be in writing and state the reasons therefor. It shall be communicated to the Trading Permit Holders by Exchange publication, which may
be issued after the effective date and shall be kept on record by the Secretary of the Exchange.

(8) Violations of Exercise and Exercise Advice Rules for Noncash-Settled Equity Options (Rule 11.1)

Any Trading Permit Holder who fails to submit to the Exchange in a timely manner pursuant to Rule 11.1 or a Regulatory Circular issued pursuant to Rule 11.1, “Advice Cancel”, or exercise instruction relating to the exercise or nonexercise of a noncash-settled equity option shall be subject to the following fines:

<table>
<thead>
<tr>
<th>Number of Violations in Any Rolling Twenty-Four Month Period</th>
<th>Individual Fine Amount</th>
<th>Member Organization Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500</td>
<td>$1,000</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$1,000</td>
<td>$2,5000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,5000</td>
<td>$5,0000</td>
</tr>
</tbody>
</table>

(9) Violations of Exercise and Exercise Advice Rules for American-Style, Cash-Settled Index Options (Rule 11.1, Interpretation and Policy .03)

A Trading Permit Holder shall be subject to the fines listed below if the Trading Permit Holder commits any of the following violations of Rule 11.1, Interpretation and Policy .03 with respect to an American-style, cash-settled index option: failure to submit an Exercise Advice; the submission of an advice and no subsequent exercise; the submission of an Exercise Advice after the designated cut-off time; the submission of an Exercise Advice for an amount different than the amount exercised; and the time-stamping of an advice or exercise instruction memorandum prior to purchasing contracts.

<table>
<thead>
<tr>
<th>Number of Violations in Any Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>3rd Offense</td>
<td>$2,500</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$5,000</td>
</tr>
</tbody>
</table>
Communications to the Exchange or the Clearing Corporation (Rule 4.22)

A fine shall be imposed upon a Trading Permit Holder, person associated with a Trading Permit Holder or applicant for Trading Permit Holder, as applicable, who violates Rule 4.22. Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

Trading in Restricted Classes (Rule 5.4)

A fine shall be imposed upon a Trading Permit Holder and/or person associated with a Trading Permit Holder, as applicable, who enters into an opening transaction in a restricted class in violation of Exchange Rule 5.4: Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$2,500</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

Order Protection Violations (Rule 6.81)

A fine shall be imposed upon a Trading Permit Holder and/or person associated with a Trading Permit Holder, as applicable, who engages in a pattern or practice of trading
through better prices available on other exchanges, unless one or more of the exceptions set forth in Rule 6.81(b) apply. Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500 to $1,000</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$1,000 to $2,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,500 to $5,000 and a Staff Interview</td>
</tr>
</tbody>
</table>

(13) Locked or Crossed Market Violations (Rule 6.82)

A fine shall be imposed upon a Trading Permit Holder and/or person associated with a Trading Permit Holder, as applicable, who engages in a pattern or practice of locking or crossing a market in violation of Rule 6.82. Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500 to $1,000</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$1,000 to $2,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,500 to $5,000 and a Staff Interview</td>
</tr>
</tbody>
</table>

Amended July 29, 2010 (10-069); amended May 17, 2019 (19-025).

(14) Failure to Meet Exchange Quoting Obligations

A fine shall be imposed upon a Market-Maker, Designated Primary Market-Maker or Lead Market Maker (as applicable) in accordance with the fine schedule set forth below for the following conduct:

- Failure to meet the continuous quoting obligation (Rule 8.7, 8.15, and 8.85);
- Failure to meet the applicable quote width requirements (Rule 8.7);
- Failure to meet the initial quote volume requirements (Rule 8.7); and
• Failure of a Lead Market-Maker or Designated Primary Market-Maker to enter opening quotes within one minute following the initiation of an opening rotation (e.g. 8:31 a.m. (CT)) in a series in its appointed or allocated class, respectively, that is not open due to the lack of a quote (see Rule 6.2(d)(i)(A) or (ii)(A), as applicable) (Rules 8.15 and 8.85), respectively.

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$2,000 - $4,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$4,000 - $5,000</td>
</tr>
</tbody>
</table>

(15) Failure to Accurately Report Position and Account Information (Rule 4.13)

A fine shall be imposed upon a Trading Permit Holder who violates Rule 4.13. Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$500</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>3rd Offense</td>
<td>$2,500</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

(16) Failure to Provide Prior Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934)

A fine shall be imposed upon a Trading Permit Holder who fails to provide prior notification of capital withdrawal in accordance with Rule 15c3-1(e) under the Securities Exchange Act of 1934. Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$2,500</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$5,000</td>
</tr>
</tbody>
</table>
Failure to Provide Post Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934)

A fine shall be imposed upon a Trading Permit Holder who fails to provide notification following a capital withdrawal in accordance with Rule 15c3-1(e) under the Securities Exchange Act of 1934. Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

Failure to Designate a Person or Persons Responsible for Implementing and Monitoring a Trading Permit Holder’s Anti-Money Laundering Compliance Program (Rule 4.20)

A fine shall be imposed upon a Trading Permit Holder who fails to designate and identify to the Exchange a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the Trading Permit Holder’s Anti-Money Laundering Compliance Program and/or who fails to provide prompt notification to the Exchange regarding any change in such designation in violation of Rule 4.20:

<table>
<thead>
<tr>
<th>Number of Offenses in any Rolling Twenty-Four Month Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,500</td>
</tr>
</tbody>
</table>

Failure to Conduct or Participate in Mandatory Systems Testing (Rule 6.23A(e)) A fine shall be imposed upon a Trading Permit Holder who fails to conduct or participate in the testing of computer systems or fails to provide required reports or maintain required documentation in violation of Rule 6.23A(e). Such fines shall be imposed on the basis of the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses in One Calendar Year</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Offense</td>
<td>$250</td>
</tr>
<tr>
<td>2nd Offense</td>
<td>$500</td>
</tr>
<tr>
<td>Offense</td>
<td>Fine</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>3rd Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

Amended February 13, 2004 (03-54); August 25, 2005 (05-28); August 12, 2009 (09-037); June 18, 2010 (10-058); July 29, 2010 (10-069); November 23, 2012 (12-100); January 2, 2014 (13-110); April 7, 2016 (16-009); December 9, 2016 (16-071); January 3, 2018 (18-010); May 17, 2019 (19-025).

... Interpretations and Policies:

.01 Any Trading Permit Holder who is issued a summary fine notice for the same conduct covered in sub-paragraph (g)(5) that meets one of the levels below shall have the opportunity to submit one written offer of settlement to the CRO in accordance with the provisions of Rule 17.8(a)—Submission of Offer, provided, however, that the Interpretation and Policies to Rule 17.8 shall not apply to an offer made hereunder and the Trading Permit Holder must submit the offer within 30 days of the date of service of the written notice informing the Trading Permit Holder of the fine(s) imposed. The Trading Permit Holder may also appear once before the CRO to make an oral statement in support of the offer. In considering an offer of settlement, the CRO shall consider the Principal Considerations in Determining Sanctions as set forth in Interpretation and Policy .01 of Rule 17.11. A Trading Permit Holder may make one offer:

1) When the summary fine amount would be greater than $2,500 but not more than $5,000 for a single offense, regardless of whether the single offense is the result of one violation or multiple violations aggregated; or

2) When the total fine for multiple offenses, would be greater than $10,000 in the aggregate and not more than $5,000 for any single offense, again regardless of whether any single offense is the result of one violation or multiple violations aggregated.

A decision of the CRO accepting an offer of settlement hereunder shall be reported on a current basis pursuant to Rule 19d-1 under the Securities Exchange Act of 1934. The Trading Permit Holder shall report a decision accepting an offer of settlement on the Trading Permit Holder’s broker-dealer and Form U-4 (uniform application for securities industry registration or transfer) forms as a decision in a contested Exchange disciplinary proceeding.

Approved February 21, 1992; effective March 2, 1992 (91-25); amended February 18, 1994 (93-48); March 25, 1997 (96-57); July 1, 1997 (97-19); March 15, 2002 (01-71); amended March 1, 2004 (03-58); August 12, 2009 (09-037); June 18, 2010 (10-058); May 17, 2019 (19-025).

.02

(a) The Exchange shall attempt to serve Trading Permit Holders fined pursuant to subsection (g)(4) of this Rule with a written statement in accordance with section (b) of this Rule within the month immediately following the month in which the violations were alleged to have
occurred. Such Trading Permit Holders may, within fifteen (15) days after such service was
effected, request verification of the fine by the Exchange.

(b) Notwithstanding the provisions of Interpretation and Policy .02 (a) above, there
shall be a cap on the number of transactions during a particular month with respect to which a
Trading Permit Holder fined pursuant to subsection (g)(4) of this Rule may request verification.
Such cap shall be imposed pursuant to the following schedule:

<table>
<thead>
<tr>
<th>Number of Offenses Within a Rolling Twenty-Four Month Period</th>
<th>Maximum Number of Transactions During a Particular Month With Respect to Which Verification May Be Requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 2</td>
<td>No Limit</td>
</tr>
<tr>
<td>3+</td>
<td>The greater of (i) 50 transactions or (ii) 10% of the number of transactions deemed not to be in compliance with Rule 17.50(g) (4)</td>
</tr>
</tbody>
</table>

(c) The Exchange shall attempt to serve Trading Permit Holders fined pursuant to
subsection (g)(7) of this Rule with a written statement in accordance with section (b) of this Rule
on or before the tenth (10th) day of the month immediately following the month in which the
violations were alleged to have occurred. Such Trading Permit Holders may, on or before the
twenty-fifth (25th) day of the month in which such service was effected, request verification of the
fine by the Exchange.

(d) Verification requests pursuant to sections (a) and (c) of this Interpretation and
Policy .02 shall be made in the manner and form required by the Exchange, and shall deal solely
with factual issues. Exchange employees shall verify the accuracy of the fine for which a request
for verification has been made and determine whether the fine should remain as imposed or should
be modified or eliminated. During the verification process, the Exchange may require or permit
the Trading Permit Holder requesting verification to produce substantiating evidence or other
information within ten (10) days after notice of that deadline is sent to such Trading Permit Holder.
The Trading Permit Holder requesting verification shall have the burden of producing such
evidence or information. Notice of the determination shall be given in writing to the Trading Permit
Holder requesting verification. For purposes of sections (c) and (d) of this Rule, a Trading Permit
Holder filing a request for verification may contest the fine subject to verification within thirty
(30) days after the date the Exchange sent such Trading Permit Holder notice of the determination.

Approved February 21, 1992; effective March 2, 1992 (91-25); amended January 31, 1995 (94-46); amended September 5, 1996, effective October 1, 1996 (96-24); January 15, 1999, effective January 29, 1999 (98-33); amended and renumbered March 7, 2001 (00-37), formerly Interpretation .03; amended September 18, 2007 (07-84); June 18, 2010 (10-058).
.03 Any fine imposed pursuant to subsection (g)(6) that (i) does not exceed $1,000 and (ii) is not contested, shall not be reported by the Exchange to the SEC, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority.

Approved February 21, 1992; effective March 2, 1992 (91-25); amended January 15, 1999 (98-33); renumbered March 7, 2001 (00-37), formerly Interpretation .04.

Approved September 13, 1996 (96-48); renumbered March 7, 2001 (00-37), formerly Interpretation .05; deleted February 10, 2014 (14-001).

1 Minor Rule Violation fines imposed under this provision may be issued by Exchange Floor Officials.
CHAPTER XVIII. ARBITRATION

Rule 18.1. Matters Subject to Arbitration

(a) Any dispute, claim or controversy, arising between parties who are Trading Permit Holders * or persons associated with a Trading Permit Holder which arises out of the Exchange business of such parties shall, at the request of any such party and the approval of the Exchange’s Director of Arbitration, be submitted for arbitration in accordance with these rules.

(b) Any dispute, claim or controversy, arising between a non-Trading Permit Holder and a Trading Permit Holder or persons associated with a Trading Permit Holder which arises out of the Exchange business of such Trading Permit Holder or a person associated with a Trading Permit Holder shall, at the request of such non-Trading Permit Holder and the approval of the Exchange’s Director of Arbitration, be submitted for arbitration in accordance with these rules.

(c) If a party to a dispute, in an Answer, Reply, or other written response to a request for arbitration, has challenged the appropriateness of submitting a matter to arbitration under this Chapter, the Director of Arbitration shall serve upon the parties written notice of his decision to accept or reject the matter for arbitration. The decision by the Director of Arbitration to accept or reject a matter for arbitration shall, at the request of any party to the dispute, be subject to review by the Board of Directors or a panel of the Board composed of at least three Directors. Requests for review must be submitted in writing to the Secretary of the Exchange within ten calendar days from receipt of notice of the Director of Arbitration’s decision.

(d) The arbitration provisions of this Chapter shall not constitute a prospective waiver of any right of action that may arise under the federal securities laws.

Amended June 1, 1975; February 2, 1977 (76-23); June 22, 1978 (78-11); February 25, 1980 (80-02); June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 For purposes of this Chapter, the terms Trading Permit Holder and a person associated with a Trading Permit Holder shall be deemed to encompass those persons who were former (a) Trading Permit Holders, (b) Exchange members, or persons treated the same as members, under the Constitution and Rules of the Exchange in effect immediately prior to the Restructuring Transaction, (c) persons associated with a Trading Permit Holder, or (d) persons associated with a member, or a person treated the same as a member, under the Constitution and Rules of the Exchange in effect immediately prior to the Restructuring Transaction.

Issued February 2, 1977 (76-23); amended February 25, 1980 (80-02); June 18, 2010 (10-058).

.02 It may be deemed conduct inconsistent with just and equitable principles of trade for a Trading Permit Holder or a person associated with a Trading Permit Holder to fail to submit a dispute for arbitration on demand under the provisions of this Chapter, or to fail to provide any document in his possession or control as directed pursuant to the provisions of this Chapter or to fail to honor an award of arbitrators properly rendered pursuant to the provisions of this Chapter
where a timely motion has not been made to vacate or modify such award pursuant to applicable law.

Issued February 2, 1977 (76-23); amended February 25, 1980 (80-02); June 18, 2010 (10-058).

.03

(a) For the purposes of Rule 18.1(a), the term “Exchange business” does not include a dispute, claim or controversy alleging employment discrimination, including sexual harassment.

(b) Notwithstanding the policy set forth in paragraph (a), the Exchange may make its arbitration facilities available for the resolution of employment discrimination, including sexual harassment, claims if the parties mutually agree to arbitrate the claim after the claim has arisen. Any determination pursuant to this paragraph will be made by the Director of Arbitration.


.04 Rules 18.1 through 18.37, with the exception of Rule 18.1A, apply only to arbitrations filed prior to April 30, 2015 and are otherwise of no force or effect. All arbitrations filed prior to April 30, 2015 shall, until concluded, continue to be administered by the Exchange.

Amended April 30, 2015 (15-037).

*The term “Trading Permit Holder” as defined in the Bylaws and used in the Rules includes a nominee of a TPH organization unless the context otherwise requires.

Rule 18.1A. FINRA Jurisdiction over Arbitrations against Trading Permit Holders

(a) General. The Rule 12000 Series and Rule 13000 Series of the FINRA Manual (Code of Arbitration Procedures for Customer Disputes and Code of Arbitration Procedures for Industry Disputes) (the “FINRA Code of Arbitration”), as the same may be in effect from time to time, shall govern Exchange arbitrations except as may be specified in this Rule 18.1A. Definitions in the FINRA Code of Arbitration shall have the same meaning as that prescribed therein, and procedures contained in the FINRA Code of Arbitration shall have the same application as toward Exchange arbitrations.

(b) Jurisdiction. As of [insert Effective Date], any dispute, claim or controversy arising out of or in connection with the Exchange business of any Trading Permit Holder or person associated with a Trading Permit Holder may be arbitrated under this Rule 18.1A except that (1) a dispute, claim, or controversy alleging employment discrimination (including a sexual harassment claim) in violation of a statute may only be arbitrated if the parties have agreed to arbitrate it after the dispute arose; and (2) any type of dispute, claim, or controversy that is not permitted to be arbitrated under the FINRA Code of Arbitration, such as class action claims, shall not be eligible for arbitration under this Rule 18.1A.

(c) Predispute Arbitration Agreements. The requirements of FINRA Rule 2268 shall apply to predispute arbitration agreements between Trading Permit Holders and their customers.
(d) Referrals. If any matter comes to the attention of an arbitrator during and in connection with the arbitrator’s participation in a proceeding, either from the record of the proceeding or from material or communications related to the proceeding, that the arbitrator has reason to believe may constitute a violation of the Exchange’s Rules or the federal securities laws, the arbitrator may initiate a referral of the matter to the Exchange for disciplinary investigation pursuant to Rule 12104 or Rule 13104 (as applicable) of the FINRA Code of Arbitration.

(e) Payment of Awards. Any Trading Permit Holder, or person associated of a Trading Permit Holder, who fails to honor an award of arbitrators appointed in accordance with Rule 18.1A shall be subject to disciplinary proceedings in accordance with Chapter 17 of Exchange Rules.

(f) Other Exchange Actions. The submission of any matter to arbitration under this Chapter shall in no way limit or preclude any right, action or determination by the Exchange which it would otherwise be authorized to adopt, administer or enforce.

Adopted April 30, 2015 (15-037).

... Interpretations and Policies:

.01 For purposes of this Rule 18.1A, the terms Trading Permit Holder and a person associated with a Trading Permit Holder shall be deemed to encompass those persons who were former Trading Permit Holders and former persons associated with a Trading Permit Holder.

Adopted April 30, 2015 (15-037).

Rule 18.2. Procedures in Trading Permit Holder Controversies

The following procedures shall apply in any dispute, claim or controversy between parties who are Trading Permit Holders or persons associated with a Trading Permit Holder which is submitted for arbitration pursuant to Rule 18.1(a):

(a) Selection of Arbitrators. The arbitration panel shall be selected by the Director of Arbitration and shall consist of not less than three arbitrators. The arbitrators shall be selected from the Arbitration Committee or, if necessary, from a roster provided by FINRA of qualified non-public arbitrators and/or non-public chairperson-qualified arbitrators, as defined by FINRA’s rules governing arbitration industry disputes.

(b) Challenges. Each party to the dispute may peremptorily challenge any person appointed to the arbitration panel. There shall be no fixed limit on the number of peremptory challenges by a party; however, no party may assert an unreasonable number of challenges. The Director of Arbitration shall deny peremptory challenges if both the Director of Arbitration and the Chairman of the Arbitration Committee agree that the number of such challenges by a party has been unreasonable. Unless extended by the Director of Arbitration, a party wishing to exercise a peremptory challenge must do so by notifying the Director of Arbitration in writing within five (5) business days of notification of the identity of the person(s) named under Rule 8.11 or Rule 18.22 (d) or (e), whichever comes first. There shall be unlimited challenges for cause.
(c) In any arbitration concerning the alleged failure to pay for floor brokerage services, the following additional provisions shall apply:

1. In order to commence such a proceeding, the claimant shall include with his statement of claim the following: (i) copies of billing copies of order tickets relating to the unpaid brokerage; (ii) copies of monthly bills reflecting the unpaid brokerage; (iii) copies of evidence reflecting the claimant’s post-billing efforts to collect the unpaid brokerage; and (iv) a certification of any efforts, not reflected in writing, made to collect the unpaid brokerage.

2. If the arbitrators find that the respondent knowingly and purposefully failed to pay for floor brokerage services, and such failure was without sufficient justification or excuse, then the arbitrators have the authority to award up to two times the amount of the brokerage bill, in addition, to whatever determinations the arbitrators may ordinarily make concerning arbitration fees, interest, and attorney’s fees or other expenses.

(d) General. Subject to the foregoing provisions of this Rule, the other Rules of Chapter 18 shall apply to arbitrations between Trading Permit Holders except for those provisions specifically applicable to arbitrations involving public customers.

Adopted February 25, 1980; amended January 15, 1987; November 9, 1995 (95-61); June 18, 2010 (10-058); December 5, 2013 (13-114); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 In any arbitration concerning the alleged failure to honor a trade, each party to the arbitration shall promptly provide copies of all documents filed or received in the arbitration by that party to the Clearing Trading Permit Holder(s) that guaranteed that party’s Exchange transactions when the alleged trade took place.

Approved July 19, 2000, effective August 18, 2000 (99-15); amended June 18, 2010 (10-058).

Uniform Arbitration Code

Rule 18.3. Arbitration

(a) Any dispute, claim or controversy between a customer or non-Trading Permit Holder and a Trading Permit Holder and/or associated person arising in connection with the business of such Trading Permit Holder and/or associated person in connection with his activities as an associated person shall be arbitrated under the Rules of the Exchange, as provided by any duly executed and enforceable written agreement or upon the demand of the customer or non-Trading Permit Holder.

(b) Under this Code, the Exchange shall have the right to decline the use of its arbitration facilities in any dispute, claim or controversy, where—having due regard for the purposes of the Exchange and the intent of this Code—such dispute, claim or controversy is not a proper subject matter for arbitration.
(c) Claims which arise out of transactions in a readily identifiable market may, with the consent of the Claimant, be referred to the arbitration forum for that market by the Director of Arbitration.


... Interpretations and Policies:

.01 Any determination pursuant to Rule 18.3(b) shall be made by the Exchange’s Director of Arbitration and shall be subject to review as provided in Rule 18.1(c).

Rule 18.3A. Class Action Claims

(a) A claim submitted as a class action shall not be eligible for arbitration under this Code at the Exchange.

(b) 

(1) Any claim filed by a member or members of a putative or certified class action is also ineligible for arbitration at the Exchange if the claim is encompassed by a putative or certified class action filed in federal or state court, or is ordered by a court to an arbitral forum not sponsored by a self regulatory organization for a classwide arbitration. However, such claims shall be eligible for arbitration in accordance with Rule 18.1 or 18.3 or pursuant to the parties’ contractual agreement, if any, if a claimant demonstrates that it has elected not to participate in the putative or certified class action or, if applicable, has complied with any conditions for withdrawing from the class prescribed by the court.

(2) Disputes concerning whether a particular claim is encompassed by a putative or certified class action shall be referred by the Director of Arbitration to a panel of arbitrator(s) appointed in accordance with Rule 18.4 or Rule 18.10, as applicable. Either party may elect instead to petition the court with jurisdiction over the putative or certified class action to resolve such disputes. Any such petition to the court must be filed within ten (10) business days of receipt of notice that the Director of Arbitration is referring the dispute to a panel of arbitrator(s).

(c) No Trading Permit Holder and/or associated person shall seek to enforce any agreement to arbitrate against a customer, other Trading Permit Holder or persons associated with a Trading Permit Holder who has initiated in court a putative class action or is a member of a putative or certified class with respect to any claims encompassed by the class action unless and until:

(i) the class certification is denied;

(ii) the class is decertified;

(iii) the customer, other Trading Permit Holder or person associated with a Trading Permit Holder is excluded from the class by the court; or
(iv) the customer, other Trading Permit Holder or person associated with a Trading Permit Holder elects not to participate in the putative or certified class action, or, if applicable, has complied with any conditions for withdrawing from the class prescribed by the court.

(d) No Trading Permit Holder and/or associated person shall be deemed to have waived any of its rights under this Code or under any agreement to arbitrate to which it is party except to the extent stated in this paragraph.

Approved January 23, 1995 (94-51); amended June 18, 2010 (10-058).

Rule 18.4. Simplified Arbitration

(a) Any dispute, claim or controversy, arising between a public customer(s) and an associated person or a Trading Permit Holder subject to arbitration under this Code involving a dollar amount not exceeding $10,000, exclusive of attendant costs and interest, shall be arbitrated as hereinafter provided.

(b) The Claimant shall file with the Director of Arbitration an executed Submission Agreement and a copy of the Statement of Claim of the controversy in dispute and the required deposit, together with documents in support of the claim. Sufficient additional copies of the Submission Agreement and the Statement of Claim and supporting documents shall be provided to the Director of Arbitration for each party and the arbitrator. The Statement of Claim shall specify the relevant facts, the remedies sought and whether a hearing is demanded.

(c) The Claimant shall pay a non-refundable filing fee and remit a hearing deposit as specified in Rule 18.33, Schedule of Fees, upon filing of the Submission Agreement. The final disposition of the fee or deposit shall be determined by the arbitrator.

(d) The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the Respondent(s) one (1) copy of the Submission Agreement and one (1) copy of the Statement of Claim. Within twenty (20) calendar days from receipt of the Statement of Claim, Respondent(s) shall serve each party with an executed Submission Agreement and a copy of Respondent’s Answer. Respondent’s executed Submission Agreement and Answer shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s) along with any forum fees required under Rule 18.33, Schedule of Fees. The Answer shall designate all available defenses to the Claim and may set forth any related Counterclaim and/or related Third-Party Claim the Respondent(s) may have against the Claimant or any other person. If the Respondent(s) has interposed a Third-Party Claim, the Respondent(s) shall serve the Third-Party Respondent with an executed Submission Agreement, a copy of Respondent’s Answer containing the Third-Party Claim and a copy of the original Claim filed by the Claimant. The Third-Party Respondent shall respond in the manner herein provided for response to the Claim. If the Respondent(s) files a related Counterclaim exceeding $10,000, the arbitrator may refer the Claim, Counterclaim and/or Third-Party Claim, if any, to a panel of no less than three (3) arbitrators in accordance with Rule 18.10 of this Code, or he may dismiss the Counterclaim and/or Third-Party Claim, without prejudice to the Counterclaimant(s) and/or Third-Party Claimant(s) pursuing the Counterclaim.
and/or Third-Party Claim in a separate proceeding. The costs to the Claimant under either proceeding shall in no event exceed the total amount specified in Rule 18.33.

(e) All parties shall serve promptly by mail or otherwise on all other parties and the Director of Arbitration, with sufficient additional copies for the arbitrators, a copy of the Answer, Counterclaim, Third-Party Claim or other responsive pleading, if any. The Claimant, if a Counterclaim is asserted against him, shall within ten (10) calendar days either:

(i) serve on each party and on the Director of Arbitration, with sufficient additional copies for the arbitrators, a Reply to any Counterclaim, or

(ii) if the amount of the Counterclaim exceeds the Claim, shall have the right to file a statement withdrawing the Claim. If the Claimant withdraws the Claim, the proceedings will be discontinued without prejudice to the rights of the parties.

(f) The dispute, claim or controversy shall be submitted to a single public arbitrator knowledgeable in the securities industry selected by the Director of Arbitration. Unless the public customer demands or consents to a hearing, or the arbitrator calls a hearing, the arbitrator shall decide the dispute, claim or controversy solely upon the pleadings and evidence filed by the parties. If a hearing is necessary, such hearing shall be held as soon as practicable at a locale selected by the Director of Arbitration.

(g) The Director of Arbitration may grant extensions of time to file any pleading upon a showing of good cause.

(h)

(i) The arbitrator shall be authorized to require the submission of further documentary evidence as he, in his sole discretion, deems advisable.

(ii) If a hearing is demanded or consented to in accordance with paragraph (f) of this Rule, the General Provisions Governing a Pre-Hearing proceeding under Rule 18.22 shall apply.

(iii) If no hearing is demanded or consented to, all requests for document production shall be submitted in writing to the Director of Arbitration within ten (10) business days of notification of the identity of the arbitrator selected to decide the case. The requesting party shall serve simultaneously its requests for document production on all parties. Any response or objection to the requested document production shall be served on all parties and filed with the Director of Arbitration within five (5) business days of receipt of the request for production. The selected arbitrator shall resolve all requests under this paragraph on the papers submitted.

(i) Upon the request of the arbitrator, the Director of Arbitration shall appoint two (2) additional arbitrators to the panel that shall decide the matter in controversy.

(j) In any case where there is more than one (1) arbitrator, the majority will be public arbitrators.
(k) In his discretion, the arbitrator may, at the request of any party, permit such party to submit additional documentation relating to the pleadings.

(l) Except as otherwise provided herein, the general arbitration rules of the Exchange shall be applicable to proceedings instituted under this Rule.

Amended November 19, 1984; August 2, 1989 (89-06); January 23, 1995 (94-51); June 18, 2010 (10-058).

Hearing Requirements

Rule 18.5. Waiver of Hearing

(a) Any dispute, claim or controversy, except as provided in Rule 18.4 (Simplified Arbitration), shall require a hearing unless all parties waive such hearing in writing and request that the matter be resolved solely upon the pleadings and documentary evidence.

(b) Notwithstanding a written waiver of a hearing by the parties, a majority of the arbitrators may call for and conduct a hearing. In addition, any arbitrator may request the submission of further evidence.

Rule 18.6. Time Limitation Upon Submission

No dispute, claim or controversy shall be eligible for submission to arbitration under this Code where six (6) years shall have elapsed from the occurrence or event giving rise to the act or the dispute, claim or controversy. This section shall not extend applicable statutes of limitations, nor shall it apply to any case which is directed to arbitration by a court of competent jurisdiction.

Amended November 19, 1984.

Rule 18.7. Dismissal or Termination of Proceedings

At any time during the course of an arbitration, the arbitrators may either upon their own initiative or at the request of a party, dismiss the proceeding and refer the parties to the remedies provided by law. The arbitrators shall upon the joint request of the parties dismiss the proceeding.

Rule 18.8. Settlements

All settlements upon any matter submitted shall be at the election of the parties.

Rule 18.9. Tolling of Time Limitation(s) for the Institution of Legal Proceedings and Extension of Time Limitation(s) for Submission to Arbitration

(a) Where permitted by law, the time limitation(s) which would otherwise run or accrue for the institution of legal proceedings shall be tolled when a duly executed Submission Agreement is filed by the Claimant(s). The tolling shall continue for such period as the Exchange shall retain jurisdiction upon the matter submitted.
(b) The six (6) year time limitation upon submission to arbitration shall not apply when the parties have submitted the dispute, claim or controversy to a court of competent jurisdiction. The six (6) year time limitation shall not run for such period as the court shall retain jurisdiction upon the matter submitted.

Amended November 19, 1984.

Rule 18.10. Designation of Number of Arbitrators

(a)

(1) In all arbitration matters involving public customers and non-Trading Permit Holders where the amount in controversy exceeds $10,000 or where the matter in controversy does not involve or disclose a money claim, the Director of Arbitration shall appoint an arbitration panel that shall consist of no less than three (3) arbitrators, at least a majority of whom shall not be from the securities industry, unless the public customer or non-Trading Permit Holder requests a panel consisting of at least a majority from the securities industry.

(2) An arbitrator will be deemed as being from the securities industry if he or she:

   (i) is a person associated with a Trading Permit Holder, broker/dealer, government securities broker, government securities dealer, municipal securities dealer, or registered investment adviser; or

   (ii) has been associated with any of the above within the past five (5) years; or

   (iii) is retired from or spent a substantial part of his or her business career in any of the above; or

   (iv) is an attorney, accountant or other professional who has devoted twenty (20) percent or more of his or her professional work effort to securities industry clients within the last two (2) years.

   (v) is an individual who is registered under the Commodities Exchange Act or is a member of a registered futures association or any Commodities Exchange or is associated with any such person(s).

(3) An arbitrator who is not from the securities industry shall be deemed a public arbitrator. A person will not be classified as a public arbitrator if he or she has a spouse or other member of the household who is a person associated with a registered broker, dealer, municipal securities dealer, government securities broker, government securities dealer, or investment adviser.
(b) Composition of Panels. The individuals who shall serve on a particular arbitration panel shall be determined by the Director of Arbitration. The Director of Arbitration may name the chairman of each panel.

(c) Arbitrator Restrictions. The following restrictions shall apply to persons who serve on the Arbitration Committee.

   (i) No member of the Arbitration Committee shall represent a party as counsel in any dispute, claim or controversy submitted for Cboe Options arbitration (“Cboe Options Arbitration”) while that member is serving on the Arbitration Committee and for a period of six months after the date on which that member ceases being a member of the Arbitration Committee and,

   (ii) if a Committee member is appointed as an arbitrator in a pending Cboe Options Arbitration (“Pending Cboe Options Arbitration”) and subsequently ceases being a member of the Committee, but continues to serve as an arbitrator in the Pending Cboe Options Arbitration, that person cannot represent a party as counsel in a separate Cboe Options Arbitration until he or she has ceased serving as an arbitrator in the Pending Cboe Options Arbitration.

Amended July 29, 1986; August 2, 1989 (89-06); January 23, 1995 (94-51); April 12, 2006 (04-65); June 18, 2010 (10-058).

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Guidelines for Classification of Arbitrators

These Guidelines will be Used by the Cboe Exchange, Inc. in Applying Rule 18.10.

In order to insure continued investor confidence in the arbitration process, the Cboe Exchange, Inc. has adopted the following policies with regard to the classification of securities industry and public arbitrators and to the exercise of challenges for cause:

(1) Individuals with close securities industry ties such as attorneys, accountants or other professionals who routinely represent industry firms or individuals, will either be reclassified as industry arbitrators or not be used.

(2) Individuals who have spent a substantial part of their business careers in the securities industry shall always be classified as industry arbitrators.

(3) Individuals who have spent a relatively minor portion of their career in the securities industry shall not be classified as public arbitrators until at least five (5) years have elapsed from the date of their last industry affiliation. All such past affiliations shall be disclosed and challenges for cause based upon such past affiliations shall be sustained.

(4) Close family relationships with broker/dealers shall be disclosed and challenges for cause based on such relationships shall be honored.
(5) Attorneys, accountants and other professionals whose firms have close securities industry ties will still be classified as public arbitrators provided the attorney or other professional does not routinely represent industry firms or individuals. Challenges for cause based on such industry ties will be honored.

(6) All arbitrators shall read and become familiar with the Code of Ethics for Arbitrators developed by the American Bar Association and the American Arbitration Association.

(7) Any close question on arbitrator classification or on challenges for cause shall be decided in favor of public customer.

(8) Spouses of securities industry personnel may not serve as public arbitrators.

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Approved August 2, 1989 (89-06).

Rule 18.11. Notice of Selection of Arbitrators

The Director of Arbitration shall inform the parties of the names and employment histories of the arbitrators for the past ten (10) years, as well as information disclosed pursuant to Rule 18.13, at least eight (8) business days prior to the date fixed for the initial hearing session. A party may make further inquiry of the Director of Arbitration concerning an arbitrator’s background. In the event that any arbitrator, after appointment and prior to the first hearing session, should resign, die, withdraw, be disqualified or otherwise be unable to perform as an arbitrator, the Director of Arbitration shall appoint a new member to the panel to fill any vacancy. The Director of Arbitration shall inform the parties of the name and employment history of the replacement arbitrator for the past ten (10) years, as well as information disclosed pursuant to Rule 18.13, as soon as possible. A party may make further inquiry of the Director of Arbitration concerning the background of replacement arbitrators and within the time remaining prior to the first hearing session or the five (5) day period provided under Rule 18.12, whichever is shorter, may exercise its right to challenge the replacement arbitrator as provided in Rule 18.12.

Amended August 2, 1989 (89-06).

Rule 18.12. Challenges

(a) In any arbitration proceeding, each party shall have the right to one (1) peremptory challenge. In arbitrations where there are multiple Claimants, Respondents and/or Third-Party Respondents, the Claimants shall have one (1) peremptory challenge, the Respondents shall have one (1) peremptory challenge and the Third-Party Respondents shall have one (1) peremptory challenge, unless the Director of Arbitration determines that the interests of justice would best be served by awarding additional peremptory challenges. Unless extended by the Director of Arbitration, a party wishing to exercise a peremptory challenge must do so by notifying the Director of Arbitration in writing within five (5) business days of notification of the identity of the person(s) named under Rule 18.11 or Rule 18.22 (d) or (e), whichever comes first.

(b) There shall be unlimited challenges for cause.
Rule 18.13. Disclosures Required of Arbitrators

(a) Each arbitrator shall be required to disclose to the Director of Arbitration any circumstances which might preclude such arbitrator from rendering an objective and impartial determination. Each arbitrator shall disclose:

   (1) Any direct or indirect financial or personal interest in the outcome of the arbitration.

   (2) Any existing or past financial, business, professional, family or social relationships which are likely to affect impartiality or which might reasonably create an appearance of partiality or bias. Persons requested to serve as arbitrators should disclose any such relationships which they personally have with any party or its counsel, or with any individual whom they have been told will be a witness. They should also disclose any such relationship involving members of their families or their current employers, partners or business associates.

(b) Persons who are requested to accept appointment as arbitrators should make a reasonable effort to inform themselves of any interests or relationships described in Paragraph (a) above.

(c) The obligation to disclose interests, relationships, or circumstances which might preclude an arbitrator from rendering an objective and impartial determination described in Subsection (a) hereof is a continuing duty which requires a person who accepts appointment as an arbitrator to disclose, at any stage of the arbitration, any such interests, relationships, or circumstances which arise, or which are recalled or discovered.

(d) Removal by the Director.

   (1) The Director of Arbitration may remove an arbitrator based on information that is required to be disclosed pursuant to this Rule.

   (2) After the beginning of (A) the first pre-hearing conference or (B) the first hearing session, whichever is earlier, the Director of Arbitration may remove an arbitrator based on information not known to the parties when the arbitrator was selected.

   (3) The Director of Arbitration will grant a party’s request to disqualify an arbitrator if it is reasonable to infer, based on information known at the time of the request that the arbitrator is biased, lacks impartiality, or has an interest in the outcome of the arbitration. The interest or bias must be direct, definite, and capable of reasonable demonstration, rather than remote or speculative.

   (4) The Director of Arbitration shall inform the parties to an arbitration proceeding of any information disclosed to the Director of Arbitration under this Rule unless either the arbitrator who disclosed the information withdraws
voluntarily as soon as the arbitrator learns of any interest, relationship, or circumstances described in paragraph (a) that might preclude the arbitrator from rendering an objective and impartial determination in the proceeding, or the Director of Arbitration removes the arbitrator.

Amended August 2, 1989 (89-06); April 12, 2006 (04-65).

Rule 18.14. Disqualification or Other Disability of Arbitrators

(a) Disqualification by Director of Arbitration Due to Conflict of Interest or Bias. After the appointment of an arbitrator and prior to the beginning of (A) the first pre-hearing conference or (B) the first hearing session, whichever is earlier, if the Director of Arbitration or a party objects, pursuant to Rule 18.12(b), to the continued service of an arbitrator, the Director shall determine if the arbitrator should be disqualified. If the Director of Arbitration determines that an arbitrator should be disqualified then the Director of Arbitration will notify both parties of the decision. The parties will have 5 days to retain the arbitrator, notwithstanding the Director of Arbitration’s decision to disqualify the arbitrator. The parties must agree to retain the arbitrator unanimously and convey their decision to the Director of Arbitration in writing not later than 5 days after the Director of Arbitration’s notice to disqualify.

(b) Removal by Director. After the beginning of (A) the first pre-hearing conference or (B) the first hearing session, whichever is earlier, the Director of Arbitration may remove an arbitrator from an arbitration panel based on information that is required to be disclosed pursuant to Rule 18.13 and that was not previously disclosed.

(c) Standards for Deciding Challenges for Cause. The Director of Arbitration will grant a party’s request to disqualify an arbitrator if it is reasonable to infer, based on information known at the time of the request, that the arbitrator is biased, lacks impartiality, or has an interest in the outcome of the arbitration. The interest or bias must be direct, definite, and capable of being reasonable of demonstration, rather than remote or speculative.

(d) Vacancies. In the event that any arbitrator, after the beginning of the first hearing session and prior to the rendition of the award, should resign, die, withdraw, be disqualified or otherwise be unable to perform as an arbitrator, the remaining arbitrator(s) may continue with the hearing and determination of the controversy, unless such continuation is objected to by any party within five (5) days of notification of such resignation, death, withdrawal, disqualification, or other inability. Upon objection, the Director of Arbitration shall appoint a new member to the panel to fill any vacancy. The Director of Arbitration shall inform the parties as soon as possible of the name and employment history of the replacement arbitrator pursuant to Rule 18.11, as well as any other information disclosed pursuant to Rule 18.13. A party may make further inquiry of the Director of Arbitration concerning the replacement arbitrator’s background and within the time remaining prior to the next scheduled hearing session or the five (5) day period provided under Rule 18.12, whichever is shorter, may exercise its right to challenge the replacement arbitrator as provided in Rule 18.12.

Amended August 2, 1989 (89-06); April 12, 2006 (04-65).
Rule 18.15.  Initiation of Proceedings

Except as otherwise provided herein, an arbitration proceeding under this Code shall be instituted as follows:

(a)  Statement of Claim. The Claimant shall file with the Director of Arbitration an executed Submission Agreement, a Statement of Claim, together with documents in support of the Claim, and the required non-refundable filing fee and hearing session deposit set forth under Rule 18.33, Schedule of Fees. Sufficient additional copies of the Submission Agreement and the Statement of Claim and supporting documents shall be provided to the Director of Arbitration for each party and for each arbitrator(s). The Statement of Claim shall specify the relevant facts and the remedies sought. The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the Respondent(s) one (1) copy of the Submission Agreement and one (1) copy of the Statement of Claim.

(b)  Service and Filing with the Director of Arbitration. For purposes of the Code of Arbitration Procedure, service may be effected by mail or other means of delivery. Service and filing are accomplished on the date of mailing either by first-class postage pre-paid or by means of overnight mail service, or in the case of other means of service, on the date of delivery. Filing with the Director of Arbitration shall be made on the same date as service.

(c)  Answer-Defenses, Counterclaims and/or Cross-Claims.

(1)  Within twenty (20) business days from receipt of the Statement of Claim, the Respondent(s) shall serve each party with an executed Submission Agreement and a copy of the Respondent’s Answer. Respondent’s executed Submission Agreement and Answer shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s), along with any forum fees required under Rule 18.33. The Answer shall specify all available defenses and relevant facts that will be relied upon at hearing and may set forth any related Counterclaim the Respondent(s) may have against the Claimant, any Cross-Claim the Respondent(s) may have against any other named Respondent(s), and any Third-Party Claim against any other party or person based upon any existing dispute, claim or controversy subject to arbitration under this Code.

(2)  

(i)  A Respondent, Responding Claimant, Cross-Claimant, Cross-Respondent or Third-Party Respondent who pleads only a general denial as an answer may, upon objection by a party, in the discretion of the arbitrators, be barred from presenting any facts or defenses at the time of the hearing.

(ii)  A Respondent, Responding Claimant, Cross-Claimant, Cross-Respondent or Third-Party Respondent who fails to specify all available defenses and relevant facts in such party’s Answer, may, upon objection by a party, in the discretion of the arbitrators, be barred from presenting the facts or defenses not included in such party’s Answer at the hearing.
(iii) A Respondent, Responding Claimant, Cross-Claimant, Cross-Respondent or Third-Party Respondent who fails to file an Answer within twenty (20) business days from receipt of service of a claim, unless the time to Answer has been extended pursuant to paragraph (c)(5), may, in the discretion of the arbitrators, be barred from presenting any matter, arguments or defenses at the hearing.

(3) Respondent(s) shall serve each party with a copy of any Third-Party Claim. The Third-Party Claim shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s), along with any forum fees required under Rule 18.33. Third-Party Respondent(s) shall answer in the manner provided for response to the Claim, as provided in (c)(1) and (2) above.

(4) The Claimant shall serve each party with a reply to a Counterclaim within ten (10) business days of the receipt of an Answer containing a Counterclaim. The reply shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s).

(5) The Director of Arbitration may extend any time period in this section whether such be denominated as a Claim, Answer, Counterclaim, Cross-Claim, Reply or Third-Party pleading.

(d) Joining and Consolidation—Multiple Parties.

(1) Permissive Joinder. All persons may join in one action as claimants if they assert any right to relief jointly, severally, or arising out of the same transaction, occurrence or series of transactions or occurrences and if any questions of law or fact common to all these claimants will arise in the action. All persons may be joined in one action as respondents if there is asserted against them jointly or severally, any right to relief arising out of the same transaction, occurrence, or series of transactions or occurrences and if any questions of law or fact common to all respondents will arise in the action. A claimant or respondent need not assert rights to or defend all the relief demanded. Judgment may be given for one or more of the claimants according to their respective rights to relief, and against one or more respondents according to their respective liabilities.

(2) In arbitrations where there are multiple Claimants, Respondents and/or Third-Party Respondents, the Director of Arbitration shall be authorized to determine preliminarily whether such parties should proceed in the same or separate arbitrations. Such determination will be considered subsequent to the filing of all responsive pleadings.

(3) The Director of Arbitration shall be authorized to determine preliminarily whether claims filed separately are related and shall be authorized to consolidate such claims for hearing and award purposes.
(4) Further determinations with respect to joining, consolidation and multiple parties under this subsection may be made by the arbitration panel and shall be deemed final.

Amended November 19, 1984; July 29, 1986; August 2, 1989 (89-06), effective for cases filed after September 1, 1989; May 1, 1991 (90-35); January 23, 1995 (94-51).

Rule 18.16. Designation of Time and Place of Hearings

Unless the law directs otherwise, the time and place for the initial hearing shall be determined by the Director of Arbitration and each hearing thereafter by the arbitrators. Notice of the time and place for the initial hearing shall be given at least eight (8) business days prior to the date fixed for the hearing by personal service, registered or certified mail to each of the parties unless the parties shall, by their mutual consent, waive the notice provisions under this section. Notice for each hearing, thereafter, shall be given as the arbitrators may determine. Attendance at a hearing waives notice thereof.

Rule 18.17. Representation by Counsel

All parties shall have the right to representation by counsel at any stage of the proceedings.

Rule 18.18. Attendance at Hearings

The attendance or presence of all persons at hearings including witnesses shall be determined by the arbitrators. However, all parties to the arbitration and their counsel shall be entitled to attend all hearings.

Rule 18.19. Failure to Appear

If any of the parties, after due notice, fails to appear at a hearing or at any continuation of a hearing, the arbitrators may, in their discretion, proceed with the arbitration of the controversy. In such cases, all awards shall be rendered as if each party has entered an appearance in the matter submitted.

Amended January 23, 1995 (94-51).

Rule 18.20. Adjournments

(a) The arbitrators may, in their discretion, adjourn any hearing(s) either upon their own initiative or upon the request of any party to the arbitration.

(b) Unless waived by the Director of Arbitration, a party requesting an adjournment after arbitrators have been appointed shall deposit, with the request for an adjournment, a fee equal to the initial deposit of hearing deposit fees for the first adjournment and twice the initial deposit of hearing deposit fees, not to exceed $1,000, for a second or subsequent adjournment requested by that party. If the adjournment is not granted, the deposit shall be refunded. If the adjournment is granted, the arbitrator(s) may direct the return of the adjournment fee.
(c) Upon receiving a third request consented to by all parties for an adjournment, the arbitrators may dismiss the arbitration without prejudice to either party. The Claimant may then file a new arbitration.

Amended July 29, 1986; May 1, 1991 (90-35); January 23, 1995 (94-51).

Rule 18.21. Acknowledgement of Pleadings

The arbitrators shall acknowledge to all parties present that they have read the pleadings filed by the parties.

Rule 18.22. General Provisions Governing Pre-Hearing Proceeding

(a) Requests for Documents and Information. The parties shall cooperate to the fullest extent practicable in the voluntary exchange of documents and information to expedite the arbitration. Any request for documents or other information should be specific, relate to the matter in controversy, and afford the party to whom the request is made a reasonable period of time to respond without interfering with the time set for the hearing.

(b) Document Production and Information Exchange.

1. Any party may serve a written request for information or documents (“information request”) upon another party twenty (20) business days or more after service of the Statement of Claim by the Director of Arbitration or upon filing of the Answer, whichever is earlier. The requesting party shall serve the information request on all parties and file a copy with the Director of Arbitration. The parties shall endeavor to resolve disputes regarding an information request prior to serving any objection to the request. Such efforts shall be set forth in the objection.

2. Unless a greater time is allowed by the requesting party, information requests shall be satisfied or objected to within thirty (30) calendar days from the date of service. Any objection to an information request shall be served by the objecting party on all parties and filed with the Director of Arbitration.

3. Any response to objections to information requests shall be served on all parties and filed with the Director of Arbitration within ten (10) calendar days of receipt of the objection.

4. Upon the written request of a party whose information request is unsatisfied, the matter will be referred by the Director of Arbitration to either a pre-hearing conference under paragraph (d) of this Rule or to a selected arbitrator under paragraph (e) of this Rule.

(c) Pre-Hearing Exchange.

At least twenty (20) calendar days prior to the first scheduled hearing date, all parties shall serve on each other copies of documents in their possession that they intend to present at the hearing. The parties may provide a list of those documents that have already been produced.
pursuant to the other provisions of Rule 18.22 in lieu of the actual documents. A list of such documents served under this paragraph shall be served on the Director of Arbitration at the same time and in the same manner as service on the parties. In addition, at least twenty (20) calendar days prior to the first scheduled hearing date, the parties also shall serve on each other a list identifying witnesses they intend to present at the hearing by name, address and business affiliation. A copy of the list of witnesses shall be served on the Director of Arbitration at the same time and in the same manner as service on the parties. The arbitrator(s) may exclude from the arbitration any documents not exchanged or identified or witnesses not identified in accordance with the requirements of this paragraph. This paragraph does not require service of copies of documents or identification of witnesses that parties may use for cross-examination or rebuttal.

(d) Pre-Hearing Conference.

(1) Upon the written request of a party, an arbitrator, or at the discretion of the Director of Arbitration, a pre-hearing conference shall be scheduled. The Director of Arbitration shall set the time and place of a pre-hearing conference and appoint a person to preside. The pre-hearing conference may be held by telephone conference call. The presiding person shall seek to achieve agreement among the parties on any issues that relate to the pre-hearing process or to the hearing, including but not limited to, the exchange of information, exchange or production of documents, identification of witnesses, identification and exchange of hearing documents, stipulations of facts, identification and briefing of contested issues, and any other matters that will expedite the arbitration proceedings.

(2) Any issues raised at the pre-hearing conference that are not resolved may be referred by the Director of Arbitration to a single member of the Arbitration Panel for decision.

(e) Decisions by Selected Arbitrator.

The Director of Arbitration may appoint a single member of the Arbitration Panel to decide all unresolved issues referred to under this Rule. In matters involving public customers, such single arbitrator shall be a public arbitrator, except the arbitrator may be either public or industry when the public customer has requested a panel consisting of a majority from the securities industry. Such arbitrator shall be authorized to act on behalf of the panel to issue subpoenas, direct appearances of witnesses and production of documents, set deadlines for compliance and issue any other ruling which will expedite the arbitration proceeding or is necessary to permit any party to develop fully its case. Decisions under this paragraph shall be made upon the papers submitted by the parties, unless the arbitrator calls a hearing. The arbitrator may elect to refer any issue under this paragraph to the full panel.

(f) Subpoena.

The arbitrators and any counsel of record to the proceeding shall have the power of the subpoena process as provided by law. All parties shall be given a copy of the subpoena upon its issuance. However, the parties shall produce witnesses and present proofs to the fullest extent possible without resort to the subpoena process.
(g) Power to Direct Appearances and Production of Documents.

The arbitrator(s) shall be empowered without resort to the subpoena process to direct the appearance of any Trading Permit Holder or person employed by or associated with any Trading Permit Holder or TPH organization of the Exchange, and/or the production of any records in the possession or control of such persons, Trading Permit Holders or TPH organizations. Unless the arbitrator(s) direct otherwise, the party requesting the appearance of a person or the production of documents under this section shall bear all reasonable costs of such appearance and/or production.

Renumbered Rule 18.15(e)(6), August 2, 1989 (89-06); amended June 18, 2010 (10-058).

Formerly Rule 18.15(e); amended January 23, 1995 (94-51); February 27, 1996 (96-06).

Rule 18.23. Power to Direct Appearances

Reserved.

Rule 18.24. Evidence

The arbitrators shall determine the materiality and relevance of any evidence proffered and shall not be bound by rules governing the admissibility of evidence.

Rule 18.25. Interpretation of Code and Enforcement of Arbitrator Rulings

The arbitrator(s) shall be empowered to interpret and determine the applicability of all provisions under this Code and to take appropriate action to obtain compliance with any ruling by the arbitrator(s). Such interpretations and actions to obtain compliance shall be final and binding upon the parties.

Amended January 23, 1995 (94-51).

Rule 18.26. Determinations of Arbitrators

All rulings and determinations of the panel shall be by a majority of the arbitrators.

Rule 18.27. Record of Proceedings

A verbatim record by stenographic reporter or tape recording of all arbitration hearings shall be kept. If a party or parties to a dispute elect to have the record transcribed, the cost of such transcription shall be borne by the party or parties making the request unless the arbitrators direct otherwise. The arbitrators may also direct that the record be transcribed. If the record is transcribed at the request of any party, a copy shall be provided to the arbitrators.

Amended August 2, 1989 (89-06).

Rule 18.28. Oaths of the Arbitrators and Witnesses

Prior to the commencement of the first session, an oath or affirmation shall be administered to the arbitrators. All testimony shall be under oath or affirmation.
Rule 18.29. Amendments

(a) After the filing of any pleadings, if a party desires to file a new or different pleading, such change must be made in writing and filed with the Director of Arbitration with sufficient additional copies for each arbitrator. The party filing a new or different pleading shall serve on all other parties a copy of the new or different pleading in accordance with the provisions set forth in Rule 18.15(b). The other parties may, within ten (10) business days from the receipt of service, file a response with the Director of Arbitration, with sufficient additional copies for each arbitrator, in accordance with Rule 18.15(b).

(b) After a panel has been appointed, no new or different pleading may be filed except for a responsive pleading as provided for in (a) above or with the panel’s consent.

Amended November 19, 1984; January 23, 1995 (94-51).

Rule 18.30. Reopening of Hearings

Where permitted by law, the hearings may be reopened by the arbitrators on their own motion or in the discretion of the arbitrators upon application of a party at any time before the award is rendered.

Rule 18.31. Awards

(a) All awards shall be in writing and signed by a majority of the arbitrators or in such manner as is required by law. Such awards may be entered as a judgment in any court of competent jurisdiction.

(b) Unless the law directs otherwise, all awards rendered pursuant to this Code shall be deemed final and not subject to review or appeal.

(c) The Director of Arbitration shall endeavor to serve a copy of the award:

(i) by registered or certified mail upon all parties, or their counsel, at the address of record;

(ii) by personally serving the award upon the parties; or

(iii) by filing or delivering the award in such manner as may be authorized by law.

(d) The arbitrator(s) shall endeavor to render an award within thirty (30) business days from the date the record is closed.

(e) The award shall contain the names of the parties, the name(s) of counsel, if any, a summary of the issues, including the type(s) of any security or product, in controversy, the damages and/or other relief requested, the damages and/or other relief awarded, a statement of any other issues resolved, the names of the arbitrators, the date that the claim was filed and the award
rendered, the numbers and date of hearing sessions, the locations of the hearing(s) and the signatures of the arbitrators concurring in the award.

(f) The awards shall be made publicly available provided, however, that the name of any customer party to the arbitration will not be publicly available if he or she so requests in writing.

(g) All monetary awards shall be paid within thirty (30) days of receipt unless a motion to vacate has been filed with a court of competent jurisdiction. If such a motion has been filed, either party may request the Chief Executive Officer or President to direct that the award be paid to an escrow account maintained by the Exchange. Such request shall be filed with the Secretary of the Exchange within thirty-five days of receipt of such award.

(h) An award shall bear interest from the date of the award:

(i) if not paid within thirty (30) days of receipt;

(ii) if the award is the subject of a motion to vacate which is denied; or

(iii) as specified by the arbitrator(s) in the award.

Interest shall be assessed at the legal rate, if any, then prevailing in the state where the award was rendered, or at a rate set by the arbitrator(s).

Amended August 2, 1989 (89-06), effective for cases filed after September 1, 1989; May 1, 1991 (90-35); January 23, 1995 (94-51); July 12, 2016 (16-047).

Rule 18.32. Miscellaneous

This Code shall be deemed a part of and incorporated by reference in every duly-executed Submission Agreement which shall be binding on all parties.

Rule 18.33. Schedule of Fees

(a) At the time of filing a Claim, Counterclaim, Third-Party Claim or Cross-Claim, a party shall pay a non-refundable filing fee and shall remit a hearing session deposit to the Exchange in the amounts indicated in the schedules below unless such fee or deposit is specifically waived by the Director of Arbitration.

Where multiple hearing sessions are required, the arbitrator(s) may require any of the parties to make additional hearing deposits for each additional hearing session. In no event shall the amount deposited by all parties per additional hearing session exceed the amount of the largest initial hearing deposit made by any party under the schedule below.

(b) A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less. The forum fee for a pre-hearing conference with a single arbitrator shall be the amount set forth in the schedules below.
(c) The arbitrator(s), in the award, may determine the amount chargeable to the parties as forum fees and shall determine who shall pay such forum fees. Forum fees are assessed to the parties on a per hearing session basis. The aggregate of the forum fee for each hearing session may equal but shall not exceed the amount of the largest initial hearing deposit deposited by any party, except in a case where claims have been joined subsequent to filing in which cases hearing session fees shall be computed as provided in paragraph (d). The arbitrators may determine in the award that a party shall reimburse to another party any non-refundable filing fee it has paid.

If a customer is assessed forum fees in connection with a Trading Permit Holder claim, forum fees assessed against the customer shall be based on the hearing deposit required under the Trading Permit Holder claims schedule for the amount awarded to Trading Permit Holder parties to be paid by the customer and not based on the size of the Trading Permit Holder claim. No fees shall be assessed against a customer in connection with a Trading Permit Holder claim that is dismissed; however, in cases where there is also a customer claim, the customer may be assessed forum fees based on the customer claim under the procedure set out above.

Amounts deposited by a party as hearing deposits shall be applied against forum fees, if any.

In addition to forum fees, the arbitrator(s) may determine in the award the amount of costs incurred pursuant to Rules 18.15(e), 18.20 and 18.27 and, unless applicable law directs otherwise, other costs and expenses of the parties. The arbitrator(s) shall determine by whom such costs shall be borne.

If the hearing session fees are not assessed against a party who had made a hearing deposit, the hearing deposit will be refunded unless the arbitrators determine otherwise.

(d) For claims filed separately and subsequently joined or consolidated under Rule 18.15(d), the hearing deposit and forum fees assessable per hearing session after joinder or consolidation shall be based on the cumulative amount in dispute. The arbitrator(s) shall determine by whom such forum fees shall be borne.

(e) If the dispute, claim or controversy does not involve, disclose or specify a money claim, the non-refundable filing fee will be $250 and the hearing session deposit to be remitted by a party shall be $600 or such greater or lesser amounts as the Director of Arbitration or the panel of arbitrators may require, but shall not exceed $1,500.

(f) The Exchange shall retain the total initial hearing session amount deposited by all the parties in any matter submitted and settled or withdrawn within eight (8) business days of the first scheduled hearing session other than a pre-hearing conference.

(g) Any matter submitted and thereafter settled or withdrawn subsequent to the commencement of the first hearing session, including a pre-hearing conference with an arbitrator, shall be subject to an assessment of forum fees and costs incurred pursuant to Rules 18.15(e), 18.20 and 18.27 based on hearing session(s) held and scheduled within eight (8) business days of the Exchange receiving notice that the matter has been settled or withdrawn. The arbitrator(s) shall determine by whom such forum fees and costs shall be borne.
(h) Schedule of Fees

For purposes of the schedule of fees the term claim includes Claims, Counterclaims, Third-Party Claims or Cross-Claims. Any such claim involving a customer and a Trading Permit Holder or person associated with a Trading Permit Holder is a customer claim. Any such claim submitted by a Trading Permit Holder or a person associated with a Trading Permit Holder against another Trading Permit Holder is a Trading Permit Holder claim.

CUSTOMER CLAIM FEE SCHEDULE

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TRADING PERMIT HOLDER CLAIM FEE SCHEDULE

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<th>Amount of Dispute (Exclusive of Interest and Expenses)</th>
<th>Filing Fee</th>
<th>Pre-Hearing Conference Fee</th>
<th>Hearing Deposit Fee Per Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1000 or less</td>
<td>$75</td>
<td>$15</td>
<td>$600</td>
</tr>
<tr>
<td>Amount Range</td>
<td>Payment1</td>
<td>Payment2</td>
<td>Payment3</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>$1,001 to $2,500</td>
<td>$75</td>
<td>$25</td>
<td>$600</td>
</tr>
<tr>
<td>$2,501 to $5,000</td>
<td>$100</td>
<td>$100</td>
<td>$600</td>
</tr>
<tr>
<td>$5,001 to $10,000</td>
<td>$500</td>
<td>$200</td>
<td>$600</td>
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<tr>
<td>$10,001 to $30,000</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$30,001 to $50,000</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$50,001 to $100,000</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$100,001 to $500,000</td>
<td>$750</td>
<td>$500</td>
<td>$750</td>
</tr>
<tr>
<td>$500,001 to $1,000,000</td>
<td>$1,000</td>
<td>$500</td>
<td>$1,000</td>
</tr>
<tr>
<td>Over $1,000,000</td>
<td>$1,500</td>
<td>$500</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

Amended November 19, 1984; July 8, 1987; August 2, 1989 (89-06); May 1, 1991 (90-35); June 18, 2010 (10-058).

Rule 18.34. Payment for Floor Brokerage Services

Moved to Rule 18.2.

Adopted January 15, 1987; amended November 9, 1995 (95-61).

Rule 18.35. Requirements when Using Pre-Dispute Arbitration Agreements with Customers

(a) Any pre-dispute arbitration clause shall be highlighted and shall be immediately preceded by the following disclosure language (printed in outline form as set forth herein) which shall also be highlighted:

1. Arbitration is final and binding on the parties.

2. The parties are waiving their right to seek remedies in court, including the right to jury trial.

3. Pre-arbitration discovery is generally more limited than and different from court proceedings.

4. The arbitrators’ award is not required to include factual findings or legal reasoning and any party’s right to appeal or to seek modification of rulings by the arbitrators is strictly limited.
(5) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

(b) Immediately preceding the signature line, there shall be a statement which shall be highlighted that the agreement contains a pre-dispute arbitration clause. This statement shall also indicate at what page and paragraph the arbitration clause is located.

(c) A copy of the agreement containing any such clause shall be given to the customer who shall acknowledge receipt thereof on the agreement or on a separate document.

(d) No agreement shall include any condition which limits or contradicts the rules of any self-regulatory organization or limits the ability of a party to file any claim in arbitration or limits the ability of the arbitrators to make any award.

(e) All agreements shall include a statement that:

“No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

(i) the class certification is denied; or

(ii) the class is decertified; or

(iii) the customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.”

(f) The requirements of paragraphs (a) through (d) of this Rule shall apply only to new agreements signed by an existing or new customer of a Trading Permit Holder or TPH organization after September 7, 1989. The requirements of paragraph (e) shall apply only to new agreements signed by an existing or new customer of a Trading Permit Holder or TPH organization after January 23, 1996.

Approved August 2, 1989 (89-06), effective September 7, 1989; Amended January 23, 1995 (94-51); June 18, 2010 (10-058).

Rule 18.36. Reserved

Rule 18.37. Failure to Honor Award

Any Trading Permit Holder, person associated with a Trading Permit Holder, or former Trading Permit Holder or associated person, who fails to honor an award of arbitrators appointed in
accordance with these rules shall be subject to disciplinary proceedings in accordance with Chapter 17 of Exchange Rules.

Approved May 1, 1991 (90-35); amended August 23, 2001 (01-14); June 18, 2010 (10-058).
CHAPTER XIX. HEARINGS AND REVIEW

Rule 19.1. Scope of Chapter

This Chapter provides the procedure for persons aggrieved by Exchange action, including, but not limited to, those persons or organizations who have been denied from becoming Trading Permit Holders, barred from becoming associated with a Trading Permit Holder, or prohibited or limited with respect to Exchange services, or the services of any Trading Permit Holder, taken pursuant to any contractual arrangement, the Bylaws or the Rules of the Exchange (other than disciplinary action for which review is provided in Chapter XVII and other than action of the Arbitration Committee, from which there is no review) to apply for an opportunity to be heard and to have the complained of action reviewed.

Amended April 15, 1976; June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 For purposes of this Chapter a person must be “aggrieved” in an economic sense. Issued April 15, 1976.

.02 Reserved


Rule 19.2. Submission of Application to Exchange

(a) The Application. A person who is aggrieved by any action of the Exchange within the scope of this Chapter and who desires to have an opportunity to be heard with respect to such action shall file a written application with the Secretary of the Exchange within thirty days after such action has been taken. The application shall state the action complained of and the specific reasons why the applicant takes exception to such action and the relief sought. In addition, if the applicant intends to submit any additional documents, statements, arguments or other material in support of the application, same should be so stated and identified.

The application for an extension and the reasons therefor must be filed with the Secretary of the Exchange in writing.

(b) Extensions of Time to File Applications. An application which is not filed within the time specified in paragraph (a) of this Rule shall not be considered by the Appeals Committee, unless the applicant files his application within such extension of time as allowed by the Chairman of the Appeals Committee. In order to obtain an extension of time within which to file an appeal, the applicant must, within the time specified in paragraph (a) of this Rule, file with the Secretary of the Exchange an application for an extension of time within which to submit the application. Such an application for an extension will be ruled upon by the Chairman of the Appeals Committee, and his ruling will be given in writing. Rulings on applications for extensions of time are not subject to appeal under Chapter XIX of the Rules.

Amended April 15, 1976; February 14, 1986.
Rule 19.3. Procedure Following Applications for Hearing

(a) Panel. Applications for hearing and review shall be referred by the Secretary to the Appeals Committee which shall appoint a hearing panel of no less than three persons. A record of the proceedings shall be kept.

(b) Documents. The panel so appointed will set a hearing date and shall be furnished with all material relevant to the proceeding at least 72 hours prior to the date of the hearing. Each party shall have the right to inspect and copy the other party’s material prior to the hearing.

(c) Notice. Parties to the proceeding shall be informed of the composition of the panel at least 72 hours prior to the scheduled hearing by the Secretary.

Amended April 15, 1976.

Rule 19.4. Hearing

(a) Participants. The parties to the hearing shall consist of the applicant and a representative of the Exchange who shall present the reasons for the action taken by the Exchange Committee or Department which allegedly aggrieved the applicant. In addition, any other person may intervene as a party in the hearing when the person claims an interest in the transaction which is the subject of the action and is so situated that the disposition of the action may, as a practical matter impair or impede that person’s ability to protect that interest unless it is adequately represented by existing parties. Also, the panel may, in its discretion, permit a person to intervene in the action as a party when the person’s claim or defense and the main action have a question of law and fact in common.

(b) The applicant is entitled to be accompanied, represented and advised by counsel at all stages of the proceeding.

(c) Procedure for Intervention. The person seeking intervention shall serve a motion to intervene on the Secretary which will be transmitted to the panel. The motion shall state the grounds therefor and shall set forth the claim or defense upon which the intervention is sought.

(d) Conduct of Hearing. The panel shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the hearing. Each of the parties shall be permitted to make an opening statement, present witnesses and documentary evidence, cross-examine opposing witnesses and present closing arguments orally or in writing as determined by the panel. The panel shall also have the right to question all parties and witnesses to the proceeding and a record shall be kept. The formal rules of evidence shall not apply.

(e) Decision. The Appeals Committee panel’s decision shall be made in writing and shall be sent to the parties to the proceedings. Such decision shall contain the reasons supporting the conclusions of the panel.

Amended April 15, 1976.

... Interpretations and Policies:
The panel, in exercising its discretion under Rule 19.4(a) shall consider whether the intervention will unduly delay or prejudice the adjudication or the rights of the original parties.

Issued April 15, 1976.

Rule 19.5. Review

(a) Petition. The decision of the panel of the Appeals Committee shall be subject to review by the Board either on its own motion within thirty days after issuance, upon written request submitted by the applicant below, by the President of the Exchange or by the Chairman of the committee whose action was subject to the prior review of the Appeals Committee, within fifteen days after issuance of the decision. Such petition shall be in writing and shall specify the findings and conclusions to which exceptions are taken together with the reasons for such exceptions. Any objection to a decision not specified by written exception shall be considered to have been abandoned and may be disregarded. Parties may petition to submit a written argument to the Board and may request an opportunity to make an oral argument before the Board. The Board, or a committee of the Board, will have sole discretion to grant or deny either request.

(b) Conduct of Review. The review shall be conducted by the Board or a Committee of the Board composed of at least three Directors (which review is subject to ratification by the Board). Any Director who participated in a matter before it was appealed to the Board shall not participate in any review action by the Board concerning that matter. The review shall be made upon the record and shall be made after such further proceedings, if any, as the Board or its designated Committee may order. An applicant shall be given notice of and a chance to address any issues raised by the Board on its own initiative. Based upon such record, the Board may affirm, reverse or modify in whole or in part, the decision below. The decision of the Board shall be in writing and sent to the parties to the proceeding.

Amended April 15, 1976; February 27, 1981.


(a) Service of Notice. Any notices or other documents may be served upon the applicant either personally or by leaving the same at his place of business or by deposit in the United States post office, postage prepaid via registered or certified mail addressed to the applicant at his last known business or residence address.

(b) Extension of Time Limits. Any time limits imposed under this Chapter for the submission of answers, petitions or other materials may be extended by permission of the Secretary of the Exchange. All papers and documents relating to review by the Appeals Committee, the Board or its designated committee must be submitted to the Secretary of the Exchange.

PART B—Verification Procedures (Rule 19.50-19.52)

Rule 19.50. Scope of Part B

Part B of this Chapter provides procedures for a Trading Permit Holder to seek verification of fees and other charges imposed on such Trading Permit Holder by the Exchange. The procedures of
Part B of this Chapter are separate from Part A and shall apply only if the Rule or other authority for imposing the relevant fee or charge expressly so provides.

Amended June 18, 2010 (10-058).

Rule 19.51. Definitions

For purposes of this Rule the following definitions shall apply.

(a) Charge.

“Charge” shall mean a fee or other charge imposed on a Trading Permit Holder by the Exchange.

(b) [Reserved.]

Approved temporarily January 22, 1991, effective July 1, 1991 (90-6); extended June 19, 1991 (91-16); approved permanently November 26, 1991 (90-6); amended June 18, 2010 (10-058).

Rule 19.52. Requests for Verification

(a) Deadlines; manner and form.

When a charge to which Part B of Chapter XIX applies is billed, the Exchange shall set a time period, which shall be no shorter than fifteen (15) days, for the Trading Permit Holder to request verification of the charge. Such requests shall be made in the manner and form required by the Exchange. During the verification process, the Exchange may require that substantiating evidence must be provided by the Trading Permit Holder requesting verification by a stated deadline which shall be no earlier than seven (7) days after notice of such deadline is sent to such Trading Permit Holder.

(b) Factual issues only.

Requests for verification shall deal solely with factual issues and the application thereto of the Rule or other authority under which the charge was imposed.

(c) Determinations.

Exchange employees shall verify the accuracy of the charge for which a request for verification was made and determine whether the charge should remain as billed or should be modified or eliminated. The Exchange may require the Trading Permit Holder who requested verification to submit documentary evidence or other information supporting the requester’s position. The burden shall be on such Trading Permit Holder to produce such pertinent evidence or information. The Exchange shall not be required to take extraordinary steps or spend an unreasonable amount of time in investigating any request for verification. Notice of the determination made shall be given in writing to the Trading Permit Holder who made the request.
(d) Appeal of request for verification.

A determination on a request for verification may be appealed under Part A of Chapter XIX of the Rules only if the Rule or other authority for imposing the relevant charge expressly so provides.

Approved temporarily January 22, 1991, effective July 1, 1991 (90-06); extended June 19, 1991 (91-16); approved permanently November 26, 1991 (90-06); amended June 18, 2010 (10-058).
CHAPTER XX. RANGE OPTION CONTRACTS

Introduction

The rules in this Chapter are applicable only to Range Options. Trading of Range Options shall also be subject to the rules in Chapters I through XIX, XXIV, and XXIVA, in some cases supplemented by the rules in this Chapter, except for rules that have been replaced by rules in this Chapter and except where context otherwise requires.

Rule 20.1. Definitions

The following terms as used in this Chapter shall, unless the context otherwise indicates, have the meanings herein specified.

Range Option

(a) The term “Range Option” means a European-style, cash-settled option contract that pays an exercise settlement amount if the settlement value of the underlying index at expiration falls within the specified Range Length.

Settlement Value

(b) The term “Settlement Value” means the underlying index value at expiration of the Range Option.

Range Length

(c) The term “Range Length” means the entire length of the range of values of the underlying index for which the option pays a positive amount if the Settlement Value of the underlying index falls within the specific Range Length at expiration. The Exchange sets the Range Length at listing.

Range Interval

(d) The term “Range Interval” means an interval amount that determines the range size of both the Low Range and the High Range. The minimum Range Interval amount is 5 index points. The Exchange sets the Range Interval at listing.

Low Range and Low Range Exercise Value

(e) The term “Low Range” means a segment of values along the Range Length (as determined by the Range Interval) that immediately precedes the Middle Range. For a Range Option, if the settlement value of the underlying index at expiration falls within the Low Range, the option will have a linear payout structure that increases as the index value increases within the Low Range. The “Low Range Exercise Value” is an amount that varies and begins at 0 and increases along the length of the Low Range and ends at a capped amount immediately preceding the start of the Middle Range (i.e., Maximum Range Exercise Value).
High Range and High Range Exercise Value

(f) The term “High Range” means a segment of values along the Range Length (as determined by the Range Interval) that immediately succeeds the Middle Range. For a Range Option, if the settlement value of the underlying index at expiration falls within the High Range, the option will have a linear payout structure that decreases as the index value increases within the High Range. The “High Range Exercise Value” is an amount that varies and begins at a capped amount immediately succeeding the end of the Middle Range (i.e., Maximum Range Exercise Value) and decreases along the length of the High Range and ends at 0.

Middle Range and Maximum Range Exercise Value

(g) The term “Middle Range” means a segment of values along the Range Length that lies between the Low Range and the High Range and its length is equal to the Range Length minus twice the Range Interval. For a Range Option, if the settlement value of the underlying index at expiration falls within the Middle Range, the “Maximum Range Exercise Value” will be a fixed amount that does not vary based on where in the Middle Range the settlement value of the underlying index falls and represents the maximum payout amount for Range Options. The Exchange sets the Maximum Range Exercise Value at listing.

Contract Multiplier

(h) The term “Contract Multiplier” as used in reference to Range Options means the multiple applied to the exercise value to arrive at the exercise settlement amount per contract. The Contract Multiplier is established on a class-by-class basis and shall be at least 1 and is expressed in a dollar amount.

Exercise Settlement Amount

(i) The term “Exercise Settlement Amount” as used in reference to a Range Option means the amount of cash that a holder will receive and a writer will be obligated to pay upon exercise of the contract. The Exercise Settlement Amount is equal to the exercise value (i.e., Low Range Exercise Value or High Range Exercise Value or Maximum Range Exercise Value) times the contract multiplier.

Exercise Price

(j) The term “Exercise Price” (i.e., strike price) as used in reference to a Range Option means the range of index values (i.e., Range Length) at which the option will be exercised at expiration. The exercise price for Range Options will be used to determine the degree that the option is in-the-money if the settlement value of the underlying index falls within either the High Range or Low Range of the Range Length. If the settlement value of the underlying index falls within the Middle Range, the option will be exercised at the Maximum Exercise Value.

Adopted February 25, 2008 (07-104).
Rule 20.2. Days and Hours of Business

Transactions in Range Options may be effected during normal Exchange option trading hours for other options on the same index.

Adopted February 25, 2008 (07-104).

Rule 20.3. Designation of Range Option Contracts

(a) The Exchange may from time to time, approve for listing and trading on the Exchange Range Option contracts that overlie any index that is eligible for options trading on the Exchange. Range Options are a separate class from other options overlying the same index.

(b) The Exchange may add new series of Range Options of the same class (i.e., overlying the same index) as provided for by the rules governing options on the same underlying index. Additional series of Range Options may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of Range Options on the Exchange will not affect any other series of options of the same class previously opened.

Adopted February 25, 2008 (07-104).

Rule 20.4. Maintenance Listing Standards

The maintenance listing standards with respect to options on indexes set forth in Rule 24.2 and the Interpretations and Policies thereunder shall be applicable to Range Options on indexes.

Adopted February 25, 2008 (07-104).

Rule 20.5. Limitation of Liability of Exchange and of Reporting Authority

(a) Rule 6.7 shall be applicable in respect of any class of Range Options.

(b) Rule 24.14 shall be applicable in respect of any reporting authority that is the source of values of any index underlying any class of Range Options.

Adopted February 25, 2008 (07-104).

Rule 20.6. Position Limits

(a) In determining compliance with Rules 4.11, 24.4, 24.4A, and 24.4B, cash-settled Range Option contracts shall have a position limit equal to those for options on the same underlying index.

(b) In determining compliance with the position limits set forth in paragraph (a), Range Options shall be aggregated with option contracts on the same underlying index, including other classes of Range Options overlying the same index.

Adopted February 25, 2008 (07-104).
Rule 20.7. Reports Related to Position Limits and Liquidation of Positions

Range Options shall be subject to the same reporting and other requirements triggered for options on the same underlying index. In computing reportable Range Options, Range Options shall be aggregated with option contracts on the same underlying index, including other classes of Range Options overlying the same index.

Adopted February 25, 2008 (07-104).

Rule 20.8. Exercise Limits

Exercise limits for Range Options shall be the same as those for options on the same underlying index.

Adopted February 25, 2008 (07-104).

Rule 20.9. Determination of the Settlement Value of the Underlying Index

Range Options that are “in-the-money,” or “out-of-the-money” are a function of whether the settlement value of the underlying index at expiration falls within or outside of the Range Length.

Adopted February 25, 2008 (07-104).

Rule 20.10. Premium Bids and Offers; Minimum Increments

(a) All bids or offers made for Range Option contracts shall be deemed to be for one contract unless a specific number of option contracts is expressed in the bid or offer. A bid or offer for more than one option contract, which is not made all-or-none, shall be deemed to be for that amount or any lesser number of option contracts. An all-or-none bid or offer shall be deemed to be made only for the amount stated.

(b) All bids or offers made for Range Option contracts shall be governed by the Rule 24.8.

Adopted February 25, 2008 (07-104).

Rule 20.11. Exercise of Range Options

Range Options will be exercised at expiration if the settlement value of the underlying index falls within the Range Length, and Range Options shall be subject to the exercise by exception processing procedures set forth in Rules 805 and 1804 of the Clearing Corporation.

Adopted February 25, 2008 (07-104).

Rule 20.12. FLEX Trading

Range Options on indexes that are eligible for options trading on the Exchange shall be eligible for trading as Flexible Exchange Options as provided for in Chapter XXIVA, even if the Exchange does not list and trade Non-FLEX Range Options or Non-FLEX traditional options on such
indexes. For purposes of Rule 24A.4, the parties shall designate the Range Length, Range Interval and Maximum Range Exercise Value. Rule 24A.9 and, regarding the minimum quote width, shall not apply to Range Options.

Adopted February 25, 2008 (07-104); amended May 23, 2008 (08-02); August 28, 2009 (09-053); January 3, 2018 (18-010).
CHAPTER XXI. GOVERNMENT SECURITIES OPTIONS

Introduction

The rules in this Chapter are applicable only to options where the underlying security is a Government security (as defined below). Certain of these rules apply to all options on Government securities; other rules, as indicated, apply only to options on Treasury notes and bonds; Rule 21.31 applies only to options on Treasury bills. In addition, the rules in Chapters I through XIX are also applicable to options where the underlying security is a Government security, in some cases supplemented by rules in this Chapter, except for rules that have been replaced in respect of Government security options by rules in this Chapter and except where the context otherwise requires. Whenever a rule in this Chapter supplements or, for purposes of this Chapter, replaces rules in Chapters I-XIX, that fact is indicated following the rule in this Chapter.

Rule 21.1. Definitions

Government Security

(a) The term “Government security” means a bond, note, bill, or other evidence of indebtedness that is a direct obligation of, or an obligation guaranteed as to principal or interest by, the United States or a corporation in which the United States has a direct or indirect interest (except debt securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association). Securities issued or guaranteed by individual departments or agencies of the United States are sometimes referred to by the title of the department or agency involved (e.g., “Treasury security” means a security issued by the United States Treasury).

Treasury Note

(b) The term “Treasury note” means a note issued by the U.S. Treasury with a term to maturity of at least two years but no more than ten years at the time of original issuance.

Treasury Bond

(c) The term “Treasury bond” means a bond issued by the U.S. Treasury with a term to maturity of more than ten years at the time of original issuance.

Put

(d) The term “put” means an option under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the principal amount of the underlying Government security covered by the option.

Call

(e) The term “call” means an option under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the principal amount of the underlying Government security covered by the option.
Specific Coupon Option (Treasury Bonds and Notes)

(f) The term “specific coupon option” means an option having a specifically identified underlying Government security, which is required to be delivered upon exercise.

Market Basket Option (Treasury Bonds and Notes)

(g) The term “market basket option” means an option having a designated hypothetical underlying Government security bearing a nominal rate of interest and remaining term to maturity in accordance with Rules designating the terms of the option, but where delivery upon exercise may be made in underlying securities of the same issuer bearing various qualified rates of interest and terms to maturity.

Exercise Price (Specific Coupon Option; Treasury Bonds and Notes)

(h) The term “exercise price” in respect of a specific coupon option means the specified percentage of the principal amount at which the underlying Government security may be purchased or sold upon the exercise of the option contract.

Nominal Exercise Price (Market Basket Option; Treasury Bonds and Notes)

(i) The term “nominal exercise price” in respect of a market basket option means the specified percentage of the principal amount at which the hypothetical underlying Government security may be purchased or sold upon the exercise of the option.

Aggregate Exercise Price (Specific Coupon Option; Treasury Bonds and Notes)

(j) The term “aggregate exercise price” in respect of a specific coupon option means the exercise price of an option contract multiplied by the principal amount of the underlying Government security covered by the option.

Adjusted Aggregate Exercise Price (Market Basket Option; Treasury Bonds and Notes)

(k) The term “adjusted aggregate exercise price” in respect of a market basket option means the nominal exercise price of the option, adjusted in accordance with Rule 21.24(b) to reflect the rate of interest and remaining term to maturity of the underlying Government security actually delivered upon exercise, multiplied by the principal amount of the underlying Government security delivered.

Covered

(l) The term “covered” in respect of a short position in a Government security call option contract means that the writer holds in the same account on a principal for principal basis: (1) a long position in underlying Government securities that qualify for delivery upon exercise; (2) a long Government security call option position for the same underlying security as the short call position where the expiration date of the long call position is the same as or subsequent to the expiration date of the short call position and the exercise price(s) of the long call position is equal to or less than the exercise price of the short call position; or (3) a custodial or Treasury security
escrow receipt meeting the conditions of Rule 21.25(f). The term “covered” in respect of a short position in a Government security put option contract means that the writer holds in the same account on a principal for principal basis: (1) a long Government security put option position for the same underlying security as the short put position where the expiration date of the long put position is the same as or subsequent to the expiration date of the short put position and the exercise price(s) of the long put position is equal to or greater than the exercise price of the short put position or (2) a Government security put guarantee letter meeting the conditions of Rule 21.25(f).

Rule 21.1 replaces corresponding definitions set forth in Rule 1.1.

Rule 21.2. Wire Connections

The Exchange will permit Trading Permit Holders to establish and maintain wire connections with other Trading Permit Holders and non-Trading Permit Holders for the purpose of obtaining timely information on price movements in Government securities on which options are dealt in on the Exchange. Written notice of each such wire connection shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such wire connection if the Board (or a Committee designated by the Board) deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Rule 21.2 replaces Rule 4.3.

Amended June 18, 2010 (10-058).

Rule 21.3. Position Limits (Treasury Bonds and Notes)

(a) Establishment of Position Limit. In determining compliance with Rule 4.11, options on a Treasury security shall be subject to a contract limitation (whether long or short) of the put type and the call type on the same side of the market covering a value no greater than 10% of the value of the initial or reopened public issuance, rounded to the next lower $100 million interval, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other lower amount of options as may be fixed from time to time by the Exchange as the position limit for one or more classes or series of options. Reasonable notice shall be given of each new position limit fixed by the Exchange, by posting notice thereof on the bulletin board of the Exchange. In no event shall the position limit exceed a position on either side of the market covering a value in excess of $1,200,000,000 of the underlying securities.

(b) Maintenance of Position Limit. In the event that any of the underlying Treasury Securities are reported as “separate trading of registered interest and principal of securities” (“strips”) in the Monthly Statement of the Public Debt of the United States Government (hereinafter “Monthly Report”), or such other report or compilation as may be selected from time to time by the Exchange, such stripping shall be taken into account in determining whether the position limit as initially established under paragraph (a) (“the established position limit”) can be maintained (the remaining non-stripped underlying securities are hereinafter referred to as “the non-stripped securities”). The established position limit may remain so long as the position limit covers a principal amount of underlying securities not in excess of 12% of the non-stripped securities. In the event that the established position limit covers a principal amount of securities in
excess of 12% of the non-stripped securities, the Exchange shall reestablish the position limit to cover a principal amount of underlying securities not in excess of 12% of the non-stripped securities. Revisions to the position limits as provided herein will become effective the Monday following the provision of notice thereof. Except as otherwise exempted under Rule 4.11, persons whose positions exceed revised position limits may only engage in liquidating transactions until their positions are lower than the revised position limits.

Amended December 6, 1983; December 9, 1985; June 10, 1986; March 13, 1996 (95-68); June 18, 2010 (10-058).

Rule 21.4. Exercise Limits (Treasury Bonds and Notes)

In determining compliance with Rule 4.12, exercise limits for options on a Treasury security shall be equivalent to the position limits prescribed in Rule 21.3.

Amended December 6, 1983; December 9, 1985.

Rule 21.5. Reports Related to Position Limits and Liquidation of Positions (Treasury Bonds and Notes)

For purposes of Rules 4.13 and 4.14, references to Rule 4.11 in connection with position limits shall be deemed, in the case of Treasury security options, to be to Rule 21.3. The reference in Rule 4.13(a) to reports required of positions of 200 or more options shall, in the case of Treasury security options, be revised to positions of options covering $20 million or more principal amount of underlying Treasury securities, for example, the 14% bonds due in the year 2011.


Government security options dealt in on the Exchange are designated by reference to the issuer of the underlying Government security, principal amount, expiration month (and year for the longest term option series), exercise price or nominal exercise price, type (put or call), stated or nominal rate of interest and stated date of maturity or nominal term to maturity (e.g. a specific coupon call option expiring in March and having an exercise price of 96% of the $100,000 principal amount of a 13 3/8% Treasury bond that matures on August 15, 2001, is designated as a Treasury 13 3/8%—8/15/01 March 96 call. A market basket call option expiring in March and having a nominal exercise price of 68% of the $100,000 principal amount of a hypothetical 8% Treasury bond with a 15-year remaining term to maturity is designated as a Market basket Treasury 8%—15-year March 68 call).

Rule 21.6 replaces Rule 5.1.

Rule 21.7. Approval of Underlying Treasury Securities for Specific Coupon Options (Treasury Bonds and Notes)

Treasury securities may be approved as underlying securities for Exchange transactions in specific coupon options by the Board (or the Committee designated by the Board) subject to such
requirements as to size of original issuance, aggregate principal amount outstanding, years to maturity or other characteristics as the Board (or the Committee designated by the Board) deems necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

**. . . Interpretations and Policies:**

.01 The original public sale of an underlying Treasury security shall be at least $1 billion principal amount.

.02 In order to limit underlying Treasury securities for specific coupon options to the most recently issued and actively traded issues, ordinarily the approval of such an underlying security will only extend for a period of no more than 15 months from the date of its initial approval, and series of options opened thereafter will relate to more recently issued Treasury securities; provided, however, that such approval may be extended in the event of the reopening of the underlying security by the Treasury, or in the event of issues where a reasonably active secondary market exists. Further, even prior to the end of such 15-month period, the Board (or the Committee designated by the Board) shall withdraw approval of an underlying Treasury security at any time if it determines on the basis of information made publicly available by the Treasury that the security has a public issuance of less than $750 million, excluding stripped securities.

.03 The Board (or the Committee designated by the Board) may determine, for any reason, to withdraw approval of any Treasury securities as underlying securities; and, after any announcement by the Exchange of any such withdrawal, each TPH organization shall, prior to effecting any option transaction for a customer in such Treasury securities, inform such customer of that fact.

Amended June 18, 2010 (10-058).

.04 The Exchange may list Treasury bonds that have never been listed on the Exchange or have been delisted when, based on information made publicly available by the Treasury, the bond has a public issuance of $1 billion, excluding stripped securities.

Rule 21.7 and Interpretations and Policies 21.7.01, .02, .03 and .04 replace Rules 5.3 and 5.4.

Amended December 22, 1986; February 20, 1987; December 13, 1988 (88-16).

**Rule 21.8. Terms of Treasury Security Options (Treasury Bonds and Notes)**

(a) General. A single Treasury security option covers $100,000 principal amount of the underlying security. The expiration month and exercise price of Treasury security options of each series shall be determined by the Board (or the Committee designated by the Board) at the time each series of options is first opened for trading.

(b) Expiration Months. Unless the Board (or the Committee designated by the Board) otherwise provides and so indicates at the post at which the option is traded, Treasury security options may expire at three-month intervals or in sequential monthly expiration. There may be up to five expiration months, none further out than fifteen months.
(c) Exercise Price. The exercise price of each series of Treasury security options shall be fixed at a percentage of principal amount which is an integral multiple of 0.5%. In the case of a specific coupon Treasury security option, the exercise price so determined shall be reasonably close to the percentage of principal amount at which the underlying security is traded in the primary market at the time the series of options is first opened for trading. The exercise price of such additional series will ordinarily be fixed at an integral multiple of 0.5%, but the Board (or the Committee designated by the Board), upon two business days’ notice, may fix exercise prices at different intervals, provided that all such exercise prices are reasonably close to the market prices of the underlying securities. Notice of any additional series opened for trading shall be given. In the case of market basket Treasury bond options, the exercise price so determined shall be a percentage of the principal amount of a hypothetical underlying Treasury bond bearing an 8% nominal rate of interest and a 15-year nominal term to maturity which results in a yield reasonably close to the highest market yield of Treasury bonds qualified for delivery upon exercise in accordance with Rule 21.24(b), as determined by the Exchange at the time the series of options is first opened for trading.

Rule 21.8 supplements Rule 5.5.

Amended July 12, 1985; January 31, 1986; December 22, 1986; February 20, 1987; December 13, 1988 (88-16); June 18, 2010 (10-058).


(a) Initial Series of Specific Coupon Options. The Board (or the Committee designated by the Board) may open for trading specific coupon Treasury security options at any time following the auction sale of the underlying security. At the time options are initially opened for trading on a newly auctioned underlying Treasury security, series of options on that security for up to five different expiration months will ordinarily be opened simultaneously, expiring in from 1 up to 15 months.

(b) Additional Series of Options to Reflect Price Changes. After a class of specific coupon Treasury security options has been opened for trading in accordance with paragraph (a) of this Rule, additional series of options of the same class may be opened to reflect substantial changes in prices of the underlying Treasury securities.

(c) Market Basket Options. Market basket Treasury bond options may be opened for trading in up to five expirations, expiring in from one to 15 months. Thereafter, additional series will be opened expiring in the most distant month, to replace expiring short-term options. Additional series will also be opened to reflect substantial changes in the yield of underlying Treasury bonds. Notice of any such additional series opened for trading shall be given.

Rule 21.9 replaces paragraph (a) of Rule 5.6 and supplements Rule 5.6(b). Amended June 18, 2010 (10-058).
Rule 21.10. Days and Hours of Business

Except under unusual conditions as may be determined by the Exchange, the hours during which Government securities options transactions may be made on the Exchange shall correspond to the hours during which underlying Government securities are normally traded.

Amended May 23, 2008 (08-02); amended May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Deleted May 10, 2019 (19-017)

Rule 21.11. Trading Rotations

(a) The opening rotation in each series of each class of Government securities options shall be overseen by an Exchange employee designated as the Post Coordinator for Government securities options and shall be held as promptly following availability of opening quotations on the quotation display mechanism(s) approved by the Exchange as the Post Coordinator deems appropriate under the circumstances. Generally, the Post Coordinator shall open first those series of a class with respect to which the greatest buying and selling interest has been expressed (deferring opening relatively inactive series); provided, however, that more than one series may be opened simultaneously. These procedures may be altered or supplemented by the Board (or its designee).

(b) In the event that current quotations are not available for Government securities underlying a class of specific coupon options or relating to a class of market basket options within a reasonable time after 8:00 a.m. (Chicago time), the Post Coordinator for that class shall report the delay to a Floor Official and an inquiry shall be made to determine the cause of the delay. The opening rotation for Government securities options of that class shall be delayed until such current quotations are available, unless two Floor Officials determine that the interests of a fair and orderly market are best served by opening trading.

Rule 21.11 Rule 6.2.

Amended May 23, 2008 (08-02).

Rule 21.12. Trading Halts and Suspension of Trading

Another factor that may be considered by Floor Officials in connection with the institution of trading halts in Government securities options is that current quotations for the underlying securities are unavailable or have become unreliable.

Rule 21.12 supplements Rule 6.3.

Meaning of Premium Bids and Offers (Treasury Bonds and Notes)

Bids and offers for Government securities options shall be expressed in thirty-seconds of a point (one point being equal to one percent of the principal amount of the underlying security), unless a different fraction of a point shall have been approved for this purpose by the Board (or its designee) for all Government securities options or a Government security option contract of a particular series.


Amended May 23, 2008 (08-02).

Priority of Bids and Offers

The following rules of priority shall be observed with respect to bids and offers for Government securities options:

(a) Priority of bids. The highest bid shall have priority, but where two or more bids for the same option contract represent the highest price, priority shall be afforded to such bids in the sequence in which they are made.

(b) Priority of offers. The lowest offer shall have priority, but where two or more offers for the same option contract represent the lowest price, priority shall be afforded to such offers in the sequence in which they are made.

(c) Openings. Any order present at the post at least five (5) minutes prior to commencement of the opening rotation for that series of Government securities options shall be entitled to participate in the opening.

. . . Interpretations and Policies:

.01 Deleted January 31, 1986.


Amended January 31, 1986.

Accommodation Trading

Accommodation trading under the applicable terms and conditions of Rule 6.54 shall be available in each series of government securities option contracts open for trading on the Exchange. However, bids or offers for opening transactions at a price of $1 per option contract may be executed only with closing transactions that cannot at that time in open outcry be executed with another closing transaction.

Amended August 1, 1988.

Rule 21.15 supplements Rule 6.54.
Rule 21.16. Reconciliation of Unmatched Trades

All Trading Permit Holders, Clearing Trading Permit Holders and their respective agents shall resolve unmatched trades in Government securities options from the previous day’s trading no later than 8:00 a.m. (Chicago time) of the following business day.

Rule 21.16 supplements Rule 6.61.

Amended June 18, 2010 (10-058).

Rule 21.17. Responsibilities of Floor Brokers

A Floor Broker handling a contingency order for Government securities options that is dependent upon quotations or prices other than those originating on the floor shall be responsible for satisfying the dependency requirement on the basis of the most reliable information reasonably available to him concerning such quotations and prices but, in no event, shall be held to an execution of such an order. Unless mutually agreed by the Trading Permit Holders involved, an execution or nonexecution that results shall not be altered by the fact that such information is subsequently found to have been erroneous.

Rule 21.17 replaces paragraph (b) of Rule 6.73. Amended June 18, 2010 (10-058).

Rule 21.18. Limit Order Book for Government Securities Options

Notwithstanding any provision in the Rules to the contrary, there shall be no limit order book for Government securities options.

Amended June 4, 2015 (15-042); amended May 10, 2019 (19-017).


Without limiting the general obligation to deal for his account as stated in Rule 8.7(b), a Market-Maker holding an Appointment in Government securities options, in the course of maintaining a fair and orderly market, is expected to bid and/or offer so as to create differences of:

(i) no more than .25 of a point between the bid and offer for each option contract for which the bid is less than 1 point;

(ii) no more than .50 of a point where the bid is 1 point or more but less than 5 points;

(iii) no more than .80 of a point where the bid is 5 points or more but less than 10 points;

and

(iv) no more than 1 point where the bid is 10 points or more,

provided that the Board (or its designee) may establish differences other than the above for all Government securities options or for one or more series of options.

Amended August 7, 2000 (00-07); May 23, 2008 (08-02).
Interpretations and Policies:

.01 The bid/ask differentials specified in Rule 21.19 shall apply only to the two nearest term series of each class of Government Security options. For all longer term series the maximum bid/ask differentials are double those listed above.

.02 The bid/ask differentials specified in Rule 21.19 and in Interpretation and Policy .01 thereto may be waived by the Board (or by its designee) in the interests of preserving a fair and orderly market as an alternative to halting trading in Government securities options under Rule 6.3 when conditions are present which otherwise would cause such a halt.

Amended November 3, 1997 (97-35); May 23, 2008 (08-02).

.03 Deleted January 31, 1986.

Rule 21.19 and Interpretations and Policies 21.19.01 and .02 supplement paragraph (b) of Rule 8.7.

Amended January 31, 1986.

Rule 21.19A. Doing Business with the Public

The rules in Chapter IX have a parallel application to Government securities options with the four additions described below. The following examples illustrate that parallel application for purposes of Chapter XXI. Rule 9.1 requires specific approval for a firm to conduct a public business in Government securities options. Rule 9.2 requires registration of Debt Registered Options Principals. Rule 9.7 requires that an account must be specifically approved in writing for transactions in Government securities options by a Debt Registered Options Principal. Rule 9.8 requires a TPH organization to designate and specifically identify to the Exchange a Senior Debt Registered Options Principal and a Compliance Debt Registered Options Principal. Rule 9.15 requires delivery of the current options disclosure document. The four additions referred to above are as follows.

First, approval of the accounts of customers shall be conducted in accordance with Rule 9.7 and, in the case of institutional options customers (i.e., customers that are not natural persons), a TPH organization shall seek to obtain the following information:

(i) evidence of authority for the institution to engage in Government securities options transactions (corporate resolutions, trust documents, etc.);

(ii) written designation of individuals within the institution authorized to act for it in connection with Government securities options transactions; and

(iii) basic financial information concerning the institution.

Second, as a general matter, supervisory qualifications of a Senior Debt Registered Options Principal may be demonstrated only by successful completion of a ROP examination and an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge
of Government securities options and the underlying Government securities. In exceptional circumstances, however, the President of the Exchange or his designee may, upon written request by a TPH organization, accept as a demonstration of equivalent knowledge other evidence of a Senior Debt Registered Options Principal’s supervisory qualifications. Advanced age, physical infirmity or experience in fields ancillary to the investment banking or securities business will not individually of themselves constitute sufficient grounds to excuse a Senior Debt Registered Options Principal from the general requirement that supervisory qualifications be shown by successful completion of an appropriate examination.

Third, the conduct of Government securities option business at a branch office of a TPH organization may be supervised by any Debt Registered Options Principal of the TPH organization.

Fourth, any sales personnel of a TPH organization who solicit or accept customer orders with regard to options on Government securities shall be deemed qualified with regard to such options after such person has successfully completed an examination prescribed by the Exchange for the purpose of demonstrating adequate knowledge of Government options and the underlying Government securities.


Amended June 1, 1983; October 25, 1983; February 22, 1985; April 30, 1986; March 10, 2004 (03-56); June 18, 2010 (10-058).

Rule 21.20. Opening of Accounts

Deleted October 25, 1983. See Rule 21.19A.


Deleted October 25, 1983. See Rule 21.19A.

Rule 21.22. Communications to Customers

Deleted October 25, 1983. See Rule 21.19A.

Rule 21.23. Allocation of Exercise Assignment Notices

In the case of Government securities options, the method of allocation of exercise notices established pursuant to Rule 11.2 may provide that an exercise notice of block size shall be allocated to a customer or customers having an open short position of block size and that an exercise notice of less than block size shall not be allocated, to the extent feasible, to a customer having a short position of block size; and provided further that, the TPH organization shall allocate an exercise notice pertaining to a call option contract to a customer who has made a specific deposit of the underlying security if it is directed to do so by the Clearing Corporation. For the purposes of this Rule, an exercise notice or a short position in a series of options where the total principal
amount is $1 million or more and where the underlying security is a Government security shall be deemed to be of “block size.”

Rule 21.23 supplements Rule 11.2.

Amended June 18, 2010 (10-058).

Rule 21.24. Delivery and Payment (Treasury Bonds and Notes)

(a) General. Payment of the aggregate exercise price or, in the case of market basket options, the adjusted aggregate exercise price, shall be accompanied by payment of accrued interest on the underlying Government security from but not including the last interest payment date to and including the exercise settlement date as specified in the Rules of the Clearing Corporation.

(b) Special Rules for Market Basket Treasury Bond Options. Delivery of underlying Treasury bonds upon exercise of a market basket Treasury bond option shall be made in accordance with the Rules of the Clearing Corporation, and shall consist of any outstanding issue of Treasury bonds that have a remaining term to maturity (to call date if callable) of not less than 15 years on the exercise settlement date, provided that the Exchange, at the time it opens additional series of market basket Treasury bond options in new expiration months, may designate particular issues of Treasury bonds that are not eligible for delivery upon exercise of options of those series. A TPH organization required to make delivery of Treasury bonds on behalf of a customer in connection with the exercise of a market basket Treasury bond option shall deliver the identical Treasury bonds that the customer furnished to the TPH organization for that purpose. A customer shall not be required to pay the adjusted aggregate exercise price until the customer has been informed by the TPH organization acting on his behalf of the precise amount of the adjusted aggregate exercise price, which depends on the identity of the specific Treasury bonds actually delivered. The adjusted aggregate exercise price is determined in the manner designated by the Exchange in order to provide the same yield to maturity (to call date if callable) as if the same principal amount of Treasury bonds bearing a nominal 8% interest rate and a 15-year term to maturity were delivered and paid for at the nominal exercise price. For purposes of the yield equivalence calculation, the term to maturity (to call date if callable) of the Treasury bonds actually delivered shall be rounded down to the nearest number of months evenly divisible by 3. (For example, Treasury bonds with 17 years, 5 months and 4 days to maturity shall be assumed to have 17 years and 3 months remaining term to maturity for purposes of the yield equivalence calculation.)

Amended June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 The Exchange has designated the yield equivalence tables prepared by Financial Publishing Company, Boston, Massachusetts (Publication No. ) for purposes of the calculation of adjusted aggregate exercise prices under Rule 21.24(b).

.02 Calculations of accrued interest on underlying Treasury securities shall be made in accordance with Treasury Circular 300.
Yield equivalence calculations shall be rounded in accordance with the Rule(s) of the Clearing Corporation.

Rule 21.24 and Interpretations and Policies 21.24.01, .02 and .03 supplement Rule 11.3.

Rule 21.25. Margin Requirements

(a) This rule sets forth the minimum amount of margin which must be deposited and maintained in margin accounts of customers having positions in Government securities options traded on a registered national securities exchange, or a registered securities association and issued by the Options Clearing Corporation. The initial deposit of margin required under this rule must be made within five full business days after the date on which a transaction giving rise to a margin requirement is effected. All long options must be paid in full within five full business days after the date on which the options are purchased. For purposes of this rule, the term “current market value” of an option shall mean the total cost or net proceeds of the option transaction on the day the option was purchased or sold and shall mean the closing price of that series of options on the Exchange on any other day with respect to which a determination of current market value is made.

(b) For each put or call contract on Treasury securities carried in a short position in the account, margin must be maintained equal to at least 100% of the current market value of the contract plus the percentage of the principal amount of the underlying Government security set forth below:

<table>
<thead>
<tr>
<th>Underlying Government Security</th>
<th>Applicable Percentage of Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Bills</td>
<td></td>
</tr>
<tr>
<td>95 days or less to maturity</td>
<td>.35%</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>3%</td>
</tr>
<tr>
<td>U.S. Treasury Bonds</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

In each case, the amount shall be decreased by any excess of the aggregate exercise price of the option over the current market value of the underlying Government security in the case of a call, or any excess of the current market value of the underlying Government security over the aggregate exercise price of the option in the case of a put; provided, however, that the minimum margin required on each Treasury Bill option contract shall not be less than .05% of the principal amount of the underlying Treasury Bill; and on each Treasury Note and Treasury Bond option contract shall not be less than .5% of the principal amount of the underlying Government security. As an exception to the foregoing, where both a put and a call option position for the same principal amount of the same underlying Government security are carried in a short position in an account, the amount of the margin required shall be the margin required on the put or call position, whichever amount is greater, increased by the amount of any unrealized loss on the other position. The requirements set forth in this paragraph are also subject to the exceptions set forth in Rule 12.3(b).
(c) Standard options. Short options offset by long options. This subparagraph 21.25(c) applies to an account carrying positions in long call options (or long put options) and short call options (or short put options) for the same Government security provided that the expiration date of the long calls (or long puts) is the same as or subsequent to the expiration date of the offsetting short calls (or short puts) and

(1) When the aggregate exercise price of the long call (short put) position is less than or equal to the aggregate exercise price of the offsetting short call (long put) position, no margin is required.

(2) When the aggregate exercise price of the long call (short put) position is greater than the aggregate exercise price of the short call (long put) position, margin is required equal to the difference in aggregate exercise price(s) on a principal for principal basis.

(3) Covered calls. No margin is required in respect of a call option contract carried in a short position which is covered by a long position in underlying Government securities within the meaning of Rule 21.1(1). Treasury bills having a term to maturity of less than one week on the next applicable exercise settlement date do not qualify as cover under this rule.

(4) Short options offset by long options. This subparagraph (c)(4) applies to accounts carrying positions in long call options (or long put options) which are offset by positions in short call options (or short put options) for the same principal amount of Government securities, provided that the expiration date of the long calls (or long puts) is the same as or subsequent to the expiration date of the offsetting short calls (or short puts).

(A) When the nominal exercise price of the long call options (or short put options) is less than or equal to the nominal exercise price of the offsetting short call options (or long put options), no margin is required.

(B) When the nominal exercise price of the long call options (or short put options) is greater than the nominal exercise price of the offsetting short call options (or long put options), margin is required equal to the difference in nominal exercise prices multiplied by the principal amount of the underlying Government securities covered by the options. The amount of margin required by this subparagraph (c)(4)(B) may be adjusted by the Exchange to reflect market conditions or other factors.

(5) Short put and short call. This subparagraph (c)(5) applies to accounts carrying positions in short put options which are offset by positions in short call options for the same principal amount of Government securities. The margin required for such a position shall be the margin required for the short put option contract or the margin required for the short call option contract, whichever is greater, plus the current market value of the other contract.
Recognized Government securities dealers who report to the Market Statistics Division of the Federal Reserve Bank of New York may extend credit to any customer with respect to positions in Government securities on a mutually agreed upon basis; provided, however, that if the amount of margin agreed upon is less than the proprietary haircut deductions required for such positions under SEC Rule 15c3-1, subparagraph (c)(2)(vi)(A), then a deduction in computing the dealer’s net capital must be made to the extent that the equity in the customer’s account is less than the amount of such proprietary haircut deductions.

No margin is required in respect of Government security options carried in a short position where the customer has delivered, within five full business days after the options are written, to the TPH organization with which such position is maintained a custodial or Treasury security escrow receipt or letter of guarantee, in a form satisfactory to the Exchange, issued by a bank pursuant to specific authorization from the customer which certifies that:

1. in the case of a custodial or Treasury security escrow receipt (covering calls), the bank maintains an Exchange approved position in a Government security, as specified in Exchange interpretation .02 below, for the account of the customer, and the bank certifies that the bank will deliver the underlying Government securities at the order of the TPH organization against payment of the exercise price of the calls in accordance with the terms of the custodial receipt; or

2. in the case of a letter of guarantee (covering puts), the bank holds cash for the account of the customer which the bank will pay to the TPH organization against delivery of the underlying Government securities in accordance with the terms of the letter of guarantee.

Rule 21.25 supplements Chapter 12.


. . . Interpretations and Policies:

.01 For purposes of Rule 21.25(f), the term “bank” shall mean a bank or trust company supervised and examined by a State or Federal bank regulatory authority.

.02 Exchange approved Treasury bonds (notes) other than the underlying Treasury bond (note) may collateralize a Treasury security escrow receipt (covering calls), provided that the bonds have at least fifteen (15) years (notes have in excess of one (1) year and no more than five (5) years, three (3) months) until the callable or maturity date, and that bonds (notes) of a single coupon/maturity are held in escrow against one specific option contract. The amount of surrogate Treasury bonds (notes) needed to collateralize a Treasury security escrow receipt is determined by multiplying $100,000 per contract by the Exchange approved conversion factor, which is the percentage of the face value of the surrogate bond (note) that must be deposited for the principal value of the deliverable bond (note) underlying the option contract.
New issues of U.S. Treasury securities which satisfy this regulation shall be added as they are issued. The Exchange shall have the right to include any new issue meeting the requirements specified above or to further limit any outstanding issue from collateralizing a Treasury security escrow receipt.


Deleted October 25, 1983. See Rule 21.19A.

Rule 21.27. Supervision of Accounts and Communications

Deleted October 25, 1983. See Rule 21.19A.

. . . Interpretations and Policies:

.01 Deleted October 25, 1983. See Rule 21.19A.

.02 Deleted October 25, 1983. See Rule 21.19A.


Deleted October 25, 1983. See Rule 21.19A.

Rule 21.29. Approval of Accounts

Deleted October 25, 1983. See Rule 21.19A.

. . . Interpretations and Policies:

.01 Deleted October 25, 1983. See Rule 21.19A.

Rule 21.30. Furnishing of Books, Records and Other Information

No Market-Maker in Government securities options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such Trading Permit Holder or any corporate affiliate of such Trading Permit Holder pertaining to transactions by such Trading Permit Holder or any such affiliate for its own account in Government securities, Government securities futures or in Government securities options as may be called for under the Rules or as may be requested in the course of any investigation, any inspection or other official inquiry by the Exchange. In addition, the provisions of Rule 8.9 governing identification of accounts and reports of orders shall, in the case of Market-Makers in Government securities options, apply to (i) accounts for Government securities deliverable under the terms of the option contracts involved, Government securities futures, options on Government securities futures and Government securities options trading; and (ii) orders entered by the Market-Maker for the purchase or sale of Government securities deliverable under the terms of the options contracts involved, Government securities futures, options on Government securities futures, options on Government securities and opening and closing positions therein.
Amended June 18, 2010 (10-058).

... Interpretations and Policies:

.01 Any corporate affiliate of a Market-Maker in Government securities options shall maintain and preserve such books, records or other information as may be necessary to comply with Rule 21.30.

Rule 21.30 and Interpretation and Policy 21.30.01 supplement Rules 8.9 and 15.1 and the Interpretations and Policies thereunder.

Rule 21.31. Special Rules for Treasury Bill Options

(a) General. The foregoing rules of this Chapter XXI applicable to Government security options shall apply equally to Treasury bill options except to the extent otherwise indicated.

(b) Definitions. The following definitions shall apply to Treasury bill options:

(i) The term “Treasury bill” means a non-interest bearing Government security issued by the U.S. Treasury and sold at an original issue discount from par, with a term to maturity of not more than 1 year at the time of original issuance.

(ii) The term “exercise price” means the specified annualized discounted price (expressed as a percentage of the principal amount of the underlying Treasury bills) at which the underlying Treasury bills may be purchased or sold upon exercise of the option.

(iii) The term “exercise discount” means the complement of the exercise price (100% - exercise price = exercise discount).

(iv) The term “adjusted aggregate exercise discount” means the exercise discount applicable to the principal amount of Treasury bills covered by the option, adjusted to reflect the term to maturity of the underlying Treasury bills. The adjusted aggregate exercise discount is calculated as follows: (A) the exercise discount is multiplied by a fraction, the numerator of which is the number of days to maturity of the longest maturity Treasury bills deliverable upon exercise of the option under the rules of the Clearing Corporation, and the denominator of which is 360; (B) this amount (which is the exercise discount adjusted to reflect the term to maturity of the underlying Treasury bills) is then multiplied by the principal amount of the underlying Treasury bills covered by the option. For example, if the exercise price of a 13-week (91-day) Treasury bill is 86, the adjusted exercise discount is calculated by multiplying the exercise discount of 14% (100% - 86%) by 91/360, resulting in an adjusted exercise discount of 3.539% (rounded to the nearest 0.001%). Multiplying this percentage by $1,000,000 results in an adjusted aggregate exercise discount of $35,390.00.

(v) The term “aggregate exercise price” means the principal amount of underlying Treasury bills covered by an option reduced by the adjusted aggregate exercise discount. In the example used to illustrate the calculation of the adjusted aggregate exercise discount.
discount, the discount so calculated ($35,390.00) is subtracted from $1 million principal amount of Treasury bills covered by the 13-week Treasury bill option, which results in an aggregate exercise price of $964,610.00.

(c) Terms of Treasury Bill Options.

(i) Unless the Board (or its designee) otherwise provides and so indicates at the post at which the option is traded, Treasury bill options shall expire in the months of March, June, September and December, and a series of options of a given expiration month shall generally be opened for trading about 15 months prior to such expiration month.

(ii) The current market price of an underlying Treasury bill is calculated by multiplying (A) the principal amount of the underlying Treasury bill by (B) a percentage calculated as follows, 100 minus (x) the highest asked yield quotation (in the case of a call) or (y) the lowest bid yield quotation (in the case of a put) in the over-the-counter market as reported at or about the close of trading on the preceding trading day by the quotation reporting system approved by the Clearing Corporation under its rules governing the determination of the “daily underlying security marking price,” adjusting such yield quotations to reflect the term to maturity of the underlying Treasury bill.

(iii) “Out of the money” is calculated by determining the amount by which the aggregate exercise price of a call is greater than the current market price (calculated as provided above in this rule) of the longest maturity underlying securities deliverable under the rules of the Clearing Corporation, or the amount by which the aggregate exercise price of a put is less than the current market price of the longest maturity underlying securities deliverable under the rules of the Clearing Corporation.

(iv) The exercise price of each series of Treasury bill options shall be fixed at a percentage of the principal amount which is an integral multiple of 1%. Each time a series of Treasury bill options in a new expiration month is introduced for trading, two or three different exercise prices will be established for that expiration month that are reasonably close to the annualized discounted price at which the underlying Treasury bills are currently traded. Thereafter, additional series of Treasury bill options may be opened in the expiration months previously opened for trading to reflect changes in prices of the underlying Treasury bills. Ordinarily, new exercise prices will be fixed at intervals of 1%, but different intervals may apply from time to time, depending upon market conditions and the current price volatility of the underlying Treasury bills. Notice of each series of Treasury bill options opened for trading shall be given.

(d) Premium Bids and Offers. Bids and offers for Treasury bill options shall be expressed to the nearest 1/100 of 1% (nearest basis point) of an amount which is the principal amount of the underlying Treasury bills multiplied by a fraction, the numerator of which is the number of weeks to maturity of the specified underlying Treasury bill, and the denominator of which is 52. For example, a bid of 1.15% for a 13-week Treasury bill option covering $1 million principal amount of underlying Treasury bills means that the actual premium bid for the option will be $2,875.00 (1.15% × $1,000,000 × 13/52). Similarly, a bid of 1.15% for a 26-week Treasury
bill option covering $500,000 principal amount of underlying Treasury bills will also be $2,875.00
(1.15% × $500,000 × 26/52).

(e) Exercise and Settlement. Although Treasury bill options are exercisable at any time prior to their expiration, the settlement of exercise transactions takes place in accordance with the Rules of the Clearing Corporation only on Thursday or Friday of each week. Options that are exercised effective at the Clearing Corporation on or before Tuesday of each week will be settled on the Thursday or Friday of that week, and options so exercised on or after Wednesday of each week will be settled on the Thursday or Friday of the following week. The party obligated to make delivery of underlying Treasury bills may choose whether to make delivery on the applicable Thursday or Friday, but in either case the aggregate exercise price payable on settlement is determined as if settlement were made on the applicable Thursday. Delivery of underlying Treasury bills upon exercise of a 13-week Treasury bill option shall consist of the principal amount of underlying Treasury bills covered by the option having a remaining term to maturity of 13 or fewer weeks from settlement Thursday (which may be 13-week Treasury bills issued in that week’s auction or may be previously issued 52, 26 or 13-week Treasury bills with 13 or fewer weeks remaining until maturity). Delivery of underlying Treasury bills upon exercise of a 26-week Treasury bill option shall consist of the principal amount of underlying Treasury bills covered by the option having a remaining term to maturity of 26 or fewer weeks from settlement Thursday (which may be 26-week Treasury bills issued in that week’s auction or may be previously issued 52, 26 or 13-week Treasury bills with 26 or fewer weeks remaining until maturity). Notwithstanding the foregoing, the aggregate exercise price payable upon the exercise of 13-week or 26-week Treasury bill options is calculated on the basis of the delivery of 13-week or 26-week Treasury bills, respectively, with no adjustment for delivery, as permitted under this Rule, of shorter maturity Treasury bills.

(f) Position Limits, Exercise Limits and Related Reports. The position limits and exercise limits applicable to Treasury bill options under Rules 21.3 and 21.4, respectively, shall be, in each case, $500 million principal amount of underlying 13-week Treasury bills and $250 million principal amount of underlying 26-week Treasury bills. Reports of large positions required under Rules 4.13, 4.14 and 21.5 shall be required in the case of options covering $100 million or more principal amount of underlying 13-week Treasury bills and $50 million or more principal amount of underlying 26-week Treasury bills.

(g) Obligations of Market-Makers. Without limiting the general obligation to deal for his own account as required under Rule 8.7(a) and (b), a Market-Maker holding an appointment in Treasury bill options, in the course of maintaining a fair and orderly market, is expected to bid and/or offer so as to create differences of:

(i) no more than 10 basis points for each option for which the bid is less than one;

(ii) no more than 20 basis points for each option for which the bid is one or more but less than 5;

(iii) no more than 30 basis points for each option for which the bid is 5 or more but less than 10; and
(iv) no more than 40 basis points for each option for which the bid is 10 or more.

The above differentials apply only to the two nearest term series of each class of Treasury bill options; for all longer term series the maximum bid/offer differentials are double those listed above.

Amended January 31, 1986; May 23, 2008 (08-02); June 18, 2010 (10-058).
CHAPTER XXII. BINARY OPTIONS

Introduction

The rules in this Chapter are applicable only to binary options. Trading of binary options shall also be subject to the rules in Chapters I through XIX, XXIV, and XXIVA, in some cases supplemented by the rules in this Chapter, except for rules that have been replaced by rules in this Chapter and except where context otherwise requires.

Rule 22.1. Definitions

The following terms as used in this Chapter, shall unless the context otherwise indicates, have the meanings herein specified.

Binary Option

(a) The term “binary option” means a European-style option contract having an exercise settlement amount that is established at the creation of the option. Binary options are paid out if settlement value of the underlying broad-based index equals, exceeds or is less than the exercise price, depending on the type of option (i.e., call or put).

Call Binary Option

(b) The term “call binary option” means an option contract which returns an exercise settlement amount if the settlement value of the underlying broad-based index is at or above the exercise price at expiration (i.e., in- or at-the-money).

Put Binary Option

(c) The term “put binary option” means an option contract which returns an exercise settlement amount if the settlement value of the underlying broad-based index is below the exercise price at expiration (i.e., in-the-money).

Exercise Price

(d) The term “exercise price” as used in reference to a binary option means the value to which the settlement value of the underlying broad-based index is compared to determine whether the holder of a binary option is entitled to have the option be paid out.

Exercise Settlement Amount

(e) The term “exercise settlement amount” as used in reference to a binary option means the amount of cash that a holder will receive upon exercise of the contract. The exercise settlement amount is a set amount equal to the exercise settlement value multiplied by the contract multiplier. The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to $10 or $1,000 or a value between those values, unless otherwise adjusted per Rule 5.7.
Contract Multiplier

(f) The term “contract multiplier” as used in reference to a binary option means the multiple applied to the exercise settlement value to arrive at the total exercise settlement amount per contract. The contract multiplier is established on a class-by-class basis and shall be at least 1.

Reporting Authority

(g) The term “reporting authority” as used in this Chapter has the meaning set forth in Rule 24.1.

Settlement Value

(h) The term “settlement value” is the value of the underlying broad-based index that is used to determine whether a binary option is in, at or out of the money. For binary options on a broad-based index on which traditional options on the same broad-based index are A.M. settled, the “settlement value” is the reported opening level of such index as derived from the prices of the underlying securities on such day and as reported by the reporting authority for the index. For binary options on a broad-based index on which traditional options on the same broad-based index are P.M. settled, the “settlement value” is the reported closing level of such index as derived from the prices of the underlying securities on such day and as reported by the reporting authority for the index.

Adopted May 22, 2008 (06-105).

Rule 22.2. Days and Hours of Business

Transactions in binary options overlying any broad-based index may be effected during normal Exchange option trading hours for other options on the same broad-based index.

Adopted May 22, 2008 (06-105).

Rule 22.3. Designation of Binary Option Contracts

(a) The Exchange may from time to time approve for listing and trading on the Exchange binary option contracts on a broad-based index which has been selected in accordance with Rule 24.2 and the Interpretations and Policies thereunder. Binary options are a separate class from other options overlying the same broad-based index.

(b) Only binary option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange. Binary options dealt in on the Exchange are designated as to expiration date, exercise price, exercise settlement amount, contract multiplier and underlying broad-based index. Binary options on broad-based indexes for which traditional options on the same broad-based index are A.M. settled will be A.M. settled, and binary options on broad-based indexes for which traditional options on the same broad-based index are P.M. settled (i.e., S&P 100 Index (“OEX”)) will be P.M. settled.
After a particular binary option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. Binary option series may be designated to expire from one day up to 36 months from the time that they are listed.

The Exchange may add new series of options of the same class as provided for in Rule 24.9 and the Interpretations and Policies thereunder. Additional series of the same binary option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of binary options on the Exchange will not affect any other series of options of the same class previously opened.

Adopted May 22, 2008 (06-105).

Rule 22.4. Maintenance Listing Standards

The maintenance listing standards with respect to options on broad-based indexes set forth in Rule 24.2 and the Interpretations and Policies thereunder shall be applicable to binary options on broad-based indexes.

Adopted May 22, 2008 (06-105).

Rule 22.5. Limitation of Liability of Exchange and of Reporting Authority

(a) Rule 6.7 shall be applicable in respect of any class of binary options. (b) Rule 24.14 shall be applicable in respect of any reporting authority that is the source of values of any broad-based index underlying any class of binary options.

Adopted May 22, 2008 (06-105).

Rule 22.6. Position Limits

(a) Fixed Limit. In determining compliance with Rule 4.11, the position limit for binary options on a broad-based index for which traditional options on the same broad-based index have no position limit, as set forth in Rule 24.4, shall be 15,000 contracts, provided that the exercise settlement amount is $10,000. For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit shall be 15,000 times the ratio of 10,000 to the exercise settlement amount (e.g., if the binary option exercise settlement amount is $1,000, then the position limit is 150,000 contracts. If the binary option exercise settlement amount is $12,000, then the position limit is 12,500 contracts).

(b) Formulaic Limit. For binary options on a broad-based index for which traditional options on the same broad-based index have a position limit, as set forth in Rule 24.4, the position limit shall be calculated in accordance with the following methodology:

1. Determine the Market Capitalization of the S&P 500 Index.
(2) Determine the Market Capitalization of the broad-based index underlying the binary option.

(3) Calculate the Market Capitalization Ratio of the broad-based index underlying the binary option to the Market Capitalization of the S&P 500 Index.

(4) The position limit for binary options subject to a formulaic limit with an exercise settlement amount of $10,000 shall be:

   (i) 10,000 contracts if the Market Capitalization Ratio is greater than or equal to 0.50;

   (ii) 5,000 contracts if the Market Capitalization Ratio is less than 0.50 but greater than or equal to 0.25;

   (iii) 2,500 contracts if the Market Capitalization Ratio is less than 0.25 but greater than or equal to 0.10.

   (iv) The Exchange will seek Commission approval prior to establishing position limits for binary options on broad-based indexes that have a Market Capitalization Ratio that is less than 0.10.

(5) For binary options that have an exercise settlement amount that is not equal to $10,000, the position limit shall be the ratio of 10,000 to the exercise settlement amount multiplied by the applicable formulaic limit.

(c) Positions in binary options on the same broad-based index that have different exercise settlement amounts shall be aggregated.

(d) In determining compliance with the position limits set forth in this Rule 22.6, binary options shall not be aggregated with non-binary option contracts on the same or similar underlying security or broad-based index. In addition, binary options on broad-based indexes shall not be aggregated with non-binary option contracts on an underlying stock or stocks included within such broad-based index, and binary options on one broad-based index shall not be aggregated with binary options on any other broad-based index.

(e) For purposes of the position limits established under this Rule, long positions in put binary options and short positions in call binary options shall be considered to be on the same side of the market; and short positions in put binary options and long positions in call binary options shall be considered to be on the same side of the market.

(f) Binary options shall not be subject to the hedge exemption to the standard position limits found in Rule 4.11. The following qualified hedge exemption strategies and positions shall be exempt from the established position limits as prescribed in the Rule above. For purposes of this Rule, qualified hedge strategies or positions are defined as follows:
(1) A binary option position “hedged” or “covered” by an appropriate amount of cash to meet the settlement obligation (e.g., $1,000 for a binary option with an exercise settlement amount of $1,000).

(2) A binary option position “hedged” or “covered” by a sufficient amount of a related or similar security to meet the settlement obligation.

(3) A binary option position “hedged” or “covered” by a traditional option covering the same underlying broad-based index sufficient to meet the settlement obligation.

Adopted May 22, 2008 (06-105).

Rule 22.7. Exercise Limits

Binary options are not subject to exercise limits. Adopted May 22, 2008 (06-105).

Rule 22.8. Reports Related to Position Limits and Liquidation of Positions

References in Rules 4.13 and 4.14 to Rule 4.11 in connection with position limits shall be deemed, in the case of binary options, to be to Rule 22.6. In computing reportable binary options under Rule 4.13: (a) positions in binary options on the same broad-based index that have different exercise settlement amounts shall be aggregated, (b) positions in binary options shall not be aggregated with non-binary option contracts on the same or similar underlying security or broad-based index, (c) positions in binary options on broad-based indexes shall not be aggregated with non-binary option contracts on an underlying stock or stocks included within such broad-based index, and (d) positions in binary options on one broad-based index shall not be aggregated with binary options on any other broad-based index.

Adopted May 22, 2008 (06-105).

Rule 22.9. Other Restrictions on Binary Option Transactions

Binary options are not subject to Rule 4.16(b) and Interpretation and Policy .01 under Rule 4.16.

Adopted May 22, 2008 (06-105).

Rule 22.10. Determination of Settlement Value

(a) Binary options that are “at-the-money,” “in-the-money,” or “out-of-the-money” are a function of the settlement value of the underlying broad-based index in relation to the type of binary option (i.e., put or call) and the exercise price.

Adopted May 22, 2008 (06-105).

Rule 22.11. Trading Rotations

Rules 6.2 and 24.13 and their Interpretations and Policies thereunder shall be applicable to binary options.
Adopted May 22, 2008 (06-105); January 3, 2018 (18-010).

Rule 22.12. Trading Halts and Suspension of Trading

Rule 6.3, 6.3B and 24.7 shall be applicable to binary options. Adopted May 22, 2008 (06-105).

Rule 22.13. Premium Bids and Offers; Minimum Increments; Priority and Allocation

(a) All bids or offers made for binary option contracts shall be deemed to be for one contract unless a specific number of option contracts is expressed in the bid or offer. A bid or offer for more than one option contract which is not made all-or-none shall be deemed to be for that amount or any lesser number of option contracts. An all-or-none bid or offer shall be deemed to be made only for the amount stated.

(b) All bids or offers made for binary option contracts relating to an underlying broad-based index shall be governed by Rules 6.41, 6.42, 6.44, 6.45 and 24.8, as applicable. The minimum price variation (“MPV”) shall be established on a class-by-class basis by the Exchange and shall not be less than $0.01.

(c) Binary option contracts are subject to adjustment only in accordance with and to the extent specified in the By-Laws and Rules of the Clearing Corporation. When any such adjustment has been determined, announcement thereof shall be made by the Exchange and shall become effective as of the time specified in such announcement.

(d) The rules of priority and order allocation procedures set forth in Rule 6.45 apply to binary options.

Adopted May 22, 2008 (06-105); amended January 24, 2017 (17-009).

Rule 22.14. Maximum Bid-Ask Differentials; Market-Maker Appointments & Obligations

(a) A Market-Maker is expected to bid and offer so as to create differences of no more than 25% of the designated exercise settlement value between the bid and offer for each binary option contract or $5.00, whichever amount is wider, except during the final trading day prior to the expiration, on which the maximum permissible price differential for binary options may be 50% of the designated exercise settlement value or $5.00, whichever amount is wider (e.g., if the exercise settlement value is $100, the maximum permissible spread would be $25, which is 25% of $100, prior to the final trading day, and $50, which is 50% of $100, on the final trading day).

(b) Rules 8.3, 8.4, 8.14, 8.15, and 8.95 and the Interpretations and Policies thereunder shall apply to binary options.

Adopted May 22, 2008 (06-105).

.01 Exchange may establish permissible price differences other than those noted above for one or more series or classes of binary options as warranted by market conditions.

Adopted May 22, 2008 (06-105); amended April 7, 2016 (16-009).
Automatic Exercise of Binary Option Contracts

Binary options will be automatically exercised at expiration if the settlement value of the underlying broad-based index is equal to or greater than the exercise price of a call binary option or less than the exercise price in the case of a put binary option. Rules 11.2 and Rule 11.3 are not applicable to binary options.

Adopted May 22, 2008 (06-105).

FLEX Trading

Binary options on indexes that are eligible for options trading on the Exchange shall be eligible for trading as Flexible Exchange Options as provided for in Chapter XXIVA, even if the Exchange does not list and trade Non-FLEX binary options or Non-FLEX traditional options on such indexes. For purposes of Rule 24A.4, the applicable exercise settlement value shall be designated by the parties to the contract, the parties may not designate an exercise style other than European-style, and the term “index multiplier” shall refer to the contract multiplier. Rule 24A.7 shall not apply to binary options and the position limit methodology set forth in Rule 22.6 shall apply. Rule 24A.9, regarding minimum quote width, shall not apply to binary options and the minimum quote width set forth in Rule 22.14 shall apply.

Adopted May 22, 2008 (06-105); amended August 28, 2009 (09-053); January 3, 2018 (18-010).
CHAPTER XXIII. INTEREST RATE OPTION CONTRACTS INTRODUCTION

Introduction

The Rules in this Chapter are applicable only to interest rate option contracts. The Rules in Chapters I through XIX are also applicable to the options provided for in this Chapter. In some cases Rules in Chapter I through XIX are replaced or are supplemented by Rules in this Chapter.

Rule 23.1. Definitions

Put

(a) The term “put” means an option contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the current value of an interest rate measure times a multiplier.

Call

(b) The term “call” means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the current value of an interest rate measure times a multiplier.

Aggregate Exercise Price

(c) The term “aggregate exercise price” means the exercise price of the option contract times a multiplier.

Exercise Price

(d) The term “exercise price” means the specified price per unit at which an interest rate option contract may be purchased or sold upon the exercise of the option.

Underlying Security

(e) The term “underlying security” or “underlying securities” with respect to an interest rate option contract means any of the Treasury bills, notes or bonds that are the basis for the calculation of an interest rate measure.

Multiplier

(f) The term “multiplier” means the dollar amount specified by the Exchange by which the value of an interest rate measure is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

Current and Closing Value

(g) The term “current value” in respect of a particular interest rate measure means the level of the interest rate measure, derived from the prices of the underlying security or securities.
that are the basis for the measure as reported by the reporting authority for the measure. The “closing value” shall be the last value reported on a business day.

Reporting Authority

(h) The term “reporting authority” in respect of a particular interest rate measure means the institution or reporting service designated by the Exchange as the official source for securing and disseminating the value underlying an interest rate measure.

European-Style Interest Rate Option

(i) The term “European-Style Interest Rate option” means an option contract on an interest rate measure that, subject to the provisions of Rule 11.1 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.

Treasury Security

(j) The term “Treasury Security” means a Government security issued by the U.S. Treasury. A short-term Treasury Security is a Treasury Security with a term to maturity at the time of issuance of not more than 1 year. A long-term Treasury Security is a Treasury Security with a term to maturity at the time of issuance of more than 1 year.

Treasury Bill

(k) The term “Treasury bill” means a non-interest bearing Government security issued by the U.S. Treasury and sold at an original issue discount from par, with a term to maturity of not more than 1 year at the time of original issuance.

Treasury Note

(l) The term “Treasury note” means a note issued by the U.S. Treasury with a term to maturity of at least two years but no more than ten years at the time of original issuance.

Treasury Bond

(m) The term “Treasury bond” means a bond issued by the U.S. Treasury with a term to maturity of more than ten years at the time of original issuance.

Interest Rate Measure

(n) The term “interest rate measure” means the number derived by the Exchange by multiplying by a factor of ten the current underlying yield to maturity on the given Treasury Security or Treasury Securities.

Aggregate Settlement Value

(o) The term “aggregate settlement value” when used in respect of the dollar amount to be reported by the Exchange to the Clearing Corporation on valid exercise of an interest rate
option means the closing value of the interest rate measure on the last trading day immediately prior to the expiration time times the multiplier.

Yield to Maturity

(p) The term “yield to maturity” when used with reference to a yield-based option on a specific underlying Treasury Note or Treasury Bond means the spot yield for the given security as reported by the designated reporting authority.

Approved June 15, 1989 (87-30); amended October 26, 1993 (93-21); January 5, 1994 (93-53).

. . . Interpretations and Policies:

.01 The Exchange shall designate a reporting authority in respect of each interest rate option listed on the Exchange are for the purposes of determining the current value and the closing exercise settlement value.

Approved January 5, 1994 (93-53); amended November 20, 1996 (96-66).

.02 In the event that the reporting authority does not generate a closing value for the last business day of trading prior to expiration of any interest rate option, the closing value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

Approved January 5, 1994 (93-53); amended November 20, 1996 (96-66); November 19, 2003 (03-48).

Rule 23.2. Wire Connections

The Exchange will permit Trading Permit Holders to establish and maintain wire connections with other Trading Permit Holders and non-Trading Permit Holders for the purpose of obtaining timely information on price movements in Government securities. Written notice of each such wire connection shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such wire connection if it deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Approved June 15, 1989 (87-30); amended June 18, 2010 (10-058).

Rule 23.3. Position Limits

(a) In determining compliance with Rule 4.11, interest rate options shall be subject to a contract limitation (whether long or short) of the put class and the call class on the same side of the market covering no more than (1) 5,000 contracts in the case of an option on an interest rate measure respecting a short term Treasury Security or Securities and (2) 25,000 contracts in the case of an option on an interest rate measure respecting a long term Treasury Security or Securities.

(b) Bona fide hedging positions that are traded on the Exchange and held in the aggregate by a public customer (whose orders would be eligible to be placed on the book under
Rule 6.11) are exempt from subsection (a)(2) of Rule 23.3 to the extent that the following procedures and criteria are satisfied:

(i) Only the following bona fide hedging transactions and positions are eligible for exemption hereunder:

(A) Long call(s) used to hedge a long position in a qualified portfolio (as defined below in subpart (ii) of this paragraph (b));

(B) Long put(s) used to hedge a short position in a qualified portfolio;

(C) Short put(s) used to hedge a long position in a qualified portfolio (a “covered yield write position”);

(D) Short call(s) used to hedge a short position in a qualified portfolio;

(E) A covered yield write position accompanied by long call(s) where the short put(s) expire with the long call(s), and the strike price of the short put(s) equals or is less than the strike price of the long call(s);

(F) A long call position coupled with a short call position, where the short call(s) expires with the long call(s), and the strike price of the long call(s) equals or is less than the strike price of the short call(s), and where the total position is used to hedge a long position in a qualified portfolio (a “debit yield call spread position”);

(G) A covered yield write position accompanied by a debit yield call spread position, where the short put(s) expires with the call(s) and the strike price of the short put(s) equals or is less than the strike price of the long call(s).

(ii) (A “qualified portfolio,” as that term is used in this Rule 23.3, is a portfolio of net long or short positions in long-term Treasury Securities.

(iii) The customer must receive approval for the hedge exemption from the Department of Market Regulation. Exchange approval may be granted on the basis of verbal representations, in which event the customer shall, within a time period to be designated by the Exchange, furnish the Department of Market Regulation with appropriate forms and documentation substantiating the basis for the exemption. Where applicable, the hedge exemption shall be granted to an individual or organization controlling or managing the customer account in which the exempt option positions are held (the “money manager”). For purposes of this Paragraph (iii), control shall be determined as provided in Interpretation .03 to Rule 4.11 and positions in all accounts controlled or managed by the money manager shall be aggregated for position limit purposes. In no event shall any money manager hold (A) in its aggregated accounts, more than 125,000 exempted same-side of the market option contracts or (B) in any single account, more than 75,000 exempted same-side of the market option contracts. A customer or money manager that obtains Exchange approval for the hedge exemption is hereinafter referred to as a “hedge exemption market participant.”
(iv) The hedge exemption market participant must provide all information required on Exchange-approved forms and must keep such information current.

(v) The hedge exemption applies to positions in Interest Rate options to the extent the underlying value thereof does not exceed the unhedged value of the qualified portfolio. The unhedged value is determined as follows: (1) the values of the net cash position for each of the securities in the qualified portfolio are totalled; and (2) the value of (a) any opposite side of the market calls and puts in the given Interest Rate option, (b) any opposite side of the market positions in corresponding Treasury futures, and (c) any economically equivalent opposite side of the market positions in other Interest Rate options and Treasury futures is subtracted from the total. In no event may exempted positions hereunder exceed 75,000 same-side of the market option contracts except as provided in the provisions of subparts (iii)(A) and (iii)(B) of this Paragraph (b).

(vi) The hedge exemption market participant shall agree promptly to provide the Exchange with any information requested concerning the dollar value and composition of the market participant’s portfolio, the current hedged and aggregate options positions, and any Treasury futures positions.

(vii) The hedge exemption market participant shall agree to, and any Trading Permit Holder carrying an account for the hedge exemption market participant, shall:

(A) liquidate and establish options and corresponding Treasury positions in an orderly fashion; not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate a securities position or its equivalent option position with a view toward taking advantage of any differential in price between a Treasury security or group of Treasury securities and an overlying option;

(B) liquidate any options prior to or contemporaneously with a decrease in the hedged value of the qualified portfolio where the failure to liquidate the options would cause the underlying value of the options to exceed the value of the hedged securities; and

(C) promptly notify the Exchange of any material change in the value of the qualified portfolio or the options or futures positions that materially affects the unhedged value of the portfolio.

(viii) If any Trading Permit Holder or TPH organization carrying an account for a hedge exemption market participant that includes Interest Rate option positions established on the Exchange has reason to believe that the hedge exemption market participant, acting alone or in concert with others, is violating this exemption, then the Trading Permit Holder or TPH organization is deemed to have violated Rule 23.4.

(ix) Violation of any of these positions, absent reasonable justification or excuse, shall result in withdrawal of approval of the hedge exemption and may form the basis for denial of a subsequent application for a hedge exemption hereunder.
Rule 23.4. Exercise Limits

In determining compliance with Rule 4.12, exercise limits for interest rate options shall be equivalent to the position limits prescribed in Rule 23.3.

Approved June 15, 1989 (87-30).

Rule 23.5. Terms of Interest Rate Option Contracts

(a) Exercise Prices. The Exchange shall determine fixed intervals of exercise prices for call and put interest rate option contracts. The interval between strike prices shall be no less than $1.00.

(b) Expiration Months.

(1) Short-Term Options. Interest rate option contracts may expire at three-month intervals or in consecutive months. The Exchange may list up to six expiration months per short-term option at any one time, but may not list short-term options that expire more than twelve months out.

(2) Long-Term Options (“LEAPS”).

(A) The Exchange may list long-term interest rate options (LEAPS) in series that expire 12 to 180 months from the date of listing. The Exchange may list up to six expiration months for each LEAPS option, with no more than a six month interval between each expiration month. Whenever a new expiration month is listed, series may be established near or bracketing the current interest rate measure. Additional series may thereafter be added when the value of the interest rate measure increases or decreases by at least ten percent (10%).

(B) When a new Interest Rate LEAPS series is added, such series shall be opened for trading either when there is buying or selling interest or 40 minutes prior to the close of trading, whichever occurs first. No quotations shall be posted for any such series until it is opened for trading. Strike price interval, bid/ask differential, and continuity rules shall not apply to any LEAPS series until the remaining time to expiration is less than twelve months.

(c) The Exchange may list European-style call and put interest rate option contracts on an interest rate measure that is (1) stated in the form of a yield to maturity on the most recently issued Treasury Note or Treasury Bond of a specific class and having the longest remaining term to maturity of any outstanding security within its class or (2) calculated as a composite yield to maturity on a mix of long term Treasury Securities or a mix of short term Treasury Securities.

(d) The multiplier of Interest Rate option contracts shall be 100.
(e) Interest Rate option contracts shall expire, for series expiring prior to February 1, 2015, on the Saturday following the third Friday of the expiration month or, for series expiring on or after February 1, 2015, on the third Friday of the expiration month.

Approved June 15, 1989 (87-30); amended October 26, 1993 (93-21); October 28, 1994 (94-21); November 6, 2012 (12-071); September 3, 2013 (13-073).

. . . Interpretations and Policies:

.01 The procedures for adding and deleting strike prices for interest rate options are provided in Rule 5.5 and Interpretations and Policies related thereto, or as otherwise provided in Rule 23.5 and include the following:

(a) New series of interest rate option contracts may be added up to the fifth business day prior to expiration.

(b) When a new series of interest rate option contracts with a new expiration cycle is opened for trading, up to four strike prices above and four strike prices below the current interest rate measure may be added.

(c) When the value of the interest rate measure underlying a class of interest rate options reaches a strike price, the Exchange may add one or more additional strike prices such that there may be up to five strike prices above and five strike prices below the strike price which has been reached.

(d) In unusual market conditions, the Exchange may add additional series of interest rate option contracts up to six strike prices above and six strike prices below the current interest rate measure.

Approved June 22, 1989 (89-12).

Rule 23.6. Days and Hours of Business

The Board of Directors resolved that, except under unusual conditions as may be determined by the Board or its designee, transactions in interest rate options may be effected on the Exchange between the hours of 7:20 a.m. Chicago time and 2:00 p.m. Chicago time except for rotations as necessary.

Approved June 15, 1989 (87-30); amended June 22, 1989 (89-12).

Rule 23.7. Reserved

Reserved
Rule 23.8. Trading Halts and Suspension of Trading

Another factor that may be considered by Floor Officials in connection with the institution of trading halts (Rule 6.3) in interest rate options is that current quotations for the underlying interest measure are unavailable or have become unreliable.


Rule 23.9. Meaning of Premium—Bids and Offers

Bids and offers shall be expressed in terms of dollars and fractions or dollars and decimals per unit of the measure, for example, a bid of 4 1/2 and a bid of 4.50 would each represent a bid of $4.50 per unit. However, bids and offers for options series subject to decimal pricing shall only be expressed in terms of dollars and decimals.

Approved June 15, 1989 (87-30); amended August 7, 2000 (00-07).

Rule 23.10. Accommodation Liquidations

Paragraphs (ii)-(v) of Rule 6.54 shall not be applicable to interest rate options closing transactions.

Approved June 15, 1989 (87-30).

... Interpretations and Policies:

.01 For purposes of the applicable provisions of Rule 6.54 and the Interpretations and Policies thereto, references to transactions and orders at a price of $.01 per share shall be deemed to refer, in the case of interest rate options, to transactions and orders at a price of $1 per single call or put.

Approved June 15, 1989 (87-30).

Rule 23.11. Reconciliation of Unmatched Trades

All Trading Permit Holders, Clearing Trading Permit Holders and their respective agents shall resolve unmatched trades in interest rate options from the previous day’s trading no later than the time set by the Exchange for the opening of trading the following business day.

Approved June 15, 1989 (87-30); amended June 18, 2010 (10-058).

Rule 23.12. Responsibilities of Floor Brokers

A Floor Broker handling a contingency order for interest rate option contracts that is dependent upon quotations or prices other than those originating on the floor, except for the level of the interest rate measures, shall be responsible for satisfying the dependency requirement on the basis of the most reliable information reasonably available to him concerning such quotations and prices but, in no event, shall be held to an execution of such an order. Unless mutually agreed by the Trading Permit Holders involved, an execution or nonexecution that results shall not be altered by the fact that such information is subsequently found to have been erroneous.
Rule 23.13. [Reserved]

[Reserved]


Rule 23.14. Limitation of Liability of Reporting Authority

(a) No reporting authority in respect of an interest rate measure shall have any liability for damages, claims, losses or expenses caused by any errors, omissions or delays in collecting or disseminating the current or closing value of interest rate option contracts resulting from an act, condition or cause beyond their reasonable control, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; communications or power failure; equipment or software malfunction; any error; omission or delay in the reports of transactions in one or more underlying securities; or any error, omission or delay in the reports of the current value.

(b) No reporting authority makes any warranty, express or implied, as to results to be obtained by any person or any entity from the use of the interest rate measures or any data included therein in connection with trading or any other use; the reporting authority makes no express or implied warranties of merchantability or fitness for a particular purpose for use with respect to the interest rate measures or any data included therein.

Approved June 15, 1989 (87-30); amended July 11, 1996 (96-02).

Rule 23.15. Furnishing of Books, Records and Other Information

No Market-Maker in interest rate options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such Trading Permit Holder or any corporate affiliate of such Trading Permit Holder pertaining to transactions by such Trading Permit Holder or any such affiliate for its own account in U.S. Treasury bills, notes and/or bonds and exchange-traded and over-the-counter options, futures and options on futures thereon, as may be called for under the Rules or as may be requested in the course of any investigation, inspection or other official inquiry by the Exchange. In addition, the provisions of Rule 8.9 governing identification of accounts and reports of orders shall, in the case of Market-Makers in interest rate options, apply to (i) accounts for underlying securities and for exchange-traded and over-the-counter options, futures and options on futures thereon and (ii) orders entered by the Market-Maker for the purchase or sale of underlying securities and for exchange-traded and over-the-counter options, futures and options on futures thereon and opening and closing positions concerning one or more of the foregoing. Any corporate affiliate of a Market-Maker in interest rate options shall maintain and preserve such books, records or other information as may be necessary to comply with this Rule.

Approved June 15, 1989 (87-30); amended June 18, 2010 (10-058).
CHAPTER XXIV. INDEX OPTIONS

Introduction

The rules in this Chapter are applicable only to index options (options on indices of securities as defined below). The rules in Chapters I through XIX are also applicable to the options provided for in this Chapter. In some cases rules in Chapters I through XIX are replaced or are supplemented by rules in this Chapter.

Rule 24.1. Definitions

(a) – (d) Reserved

Underlying Security

(e) The term “underlying security” or “underlying securities” with respect to an index option contract means any of the securities or mutual funds that are the basis for the calculation of the index.

Index Multiplier

(f) The term “index multiplier” means the amount specified in the contract by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the contract.

Current and Closing Index Value

(g) The term “current index value” in respect of a particular index option contract means the level of the underlying index reported by the reporting authority for the index, or any multiple or fraction of such reported level specified by the Exchange. The current index value in respect of a reduced-value LEAP is one-tenth (1/10th) of the current index value of the related index option. The “closing index value” shall be the last index value reported on a business day.

Reporting Authority

(h) The term “reporting authority” in respect of a particular index means the institution or reporting service designated by the Exchange as the official source for calculating the level of the index from the reported prices of the underlying securities that are the basis of the index and reporting such level.

Market or Broad-Based Index; Industry or Narrow-Based Index

(i)

(1) The terms “market index” and “broad-based index” mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.
(2) The terms “industry index” and “narrow-based index” mean an index designed to be representative of a particular industry or a group of related industries and include indices having component securities that are all headquartered within a single country.

(3) The term “Micro Narrow-Based Index” means an industry or narrow-based index that meets the specific criteria provided under Rule 24.2(d).

(j) Reserved

(k) Reserved

(l) Reserved.

(m) Reserved

(n) Reserved

(o) Reserved

Cap Interval

(p) The term “cap interval” means a value specified by the Exchange which, when added to the exercise price for such series (in the case of a series of calls) or subtracted from the exercise price for such series (in the case of a series of puts), results in the cap price for such series.

Cap Price

(q) The term “cap price” means the exercise price plus the cap interval for a call or the exercise price minus the cap interval for a put. The cap price is assigned to the capped index option (CAPS) when listed.

A.M.-Settled Index Option

(r) The term “A.M.-settled index option” means an index option contract for which the current index value at expiration shall be determined as provided in Rule 24.9(a)(4).

Quarterly Index Expiration or QIX

(s) The term “Quarterly Index Expiration” or “QIX” means an index option contract that expires on the last business day of a calendar quarter.

Quarterly Index Expiration, Capped-Style Option or Q-CAPS

(t) The term “Quarterly Index Expiration, Capped-Style Option” or “Q-CAPS” means a capped-style index option contract that expires on the first business day of the month following the end of a calendar quarter.

Packaged Vertical Spread
(u) The term “Packaged Vertical Spread” means a single European-style, cash-settled index option overlying a broad-based index (such as the S&P 100 index or the S&P 500 index) whose exercise settlement amount is equal to (1) in the case of a call, the lesser of (a) the amount the current index level is above the exercise price, or (b) the vertical spread interval, multiplied by a multiplier of either $100 or $500; or (2) in the case of a put, the lesser of (a) the amount of the current index level is below the exercise price, or (b) the vertical spread interval, multiplied by a multiplier of either $100 or $500.

Vertical Spread Interval

(v) The term “vertical spread interval” means a value specified by the Exchange which, when added to the exercise price for call series or subtracted from the exercise price for put series defines the index level over which (for calls) or under which (for puts) the value of the contract will have its maximum value at expiration. For example, a packaged vertical call spread with an exercise price of 800 and a vertical spread interval of 20 will have an exercise settlement amount greater than $0 for overlying index levels above 800 and have a maximum value for index levels of 820 (800 plus 20) and above.

Packaged Butterfly Spread

(w) The term “Packaged Butterfly Spread” means a single European-style, cash-settled index option overlying a broad-based index (such as the S&P 100 index or the S&P 500 index) that replicates the combination of four options of the same type on the same underlying interest with the same expiration, two having the same exercise price, the third having an exercise price above the first two by the butterfly spread interval, and the fourth having an exercise price below the exercise price of the first two by the same butterfly spread interval. The exercise price for the Packaged Butterfly Spread is the exercise price of the two options at the mid-point of the replicated butterfly spread. The exercise settlement amount of the Packaged Butterfly Spread is equal to the greater of (1) the butterfly spread interval minus the difference between the current index value and the strike price of the butterfly multiplied by the multiplier (e.g., $100 in the case of Packaged Butterfly Spreads overlying the S&P 100 or the S&P 500) or (2) $0.

Butterfly Spread Interval

(x) The term “butterfly spread interval” means a value specified by the Exchange which, when added to the exercise price and subtracted from the exercise price defines a range of index values over which the option has an exercise settlement amount greater than $0. For example, a packaged butterfly spread with an exercise price of 800 and a butterfly spread interval of 30 will have an exercise settlement amount greater than $0 for overlying index values between 830 (800 plus 30) and 770 (800 minus 30), and $0 for all other index values.

Short Term Option Series

(y) The term “Short Term Option Series” means, for the purposes of Chapter XXIV, a series in an index option class that is approved for listing and trading on the Exchange in which the series is opened for trading on any Friday that is a business day and that expires on the next Friday that is a business day. If a Friday is not a business day, the series may be opened (or shall expire) on the first business day immediately prior to that Friday.
Quarterly Options Series

(z) The term “Quarterly Options Series” means, for the purposes of Chapter XXIV, a series in an options class that is approved for listing and trading on the Exchange in which the series is opened for trading on any business day and that expires at the close of business on the last business day of a calendar quarter.

Delayed Start Option Series

(aa) The term “Delayed Start Option Series” means a series of a cash-settled index option classes that begins trading without an exercise price and subsequently has its exercise price fixed by the Exchange as provided in Rule 24.9(d).

Individual Stock or ETF Based Volatility Indexes

(bb) The term “Individual Stock or ETF Based Volatility Indexes” means volatility indexes that provide an up-to-the-minute market estimate of the expected volatility of its corresponding underlying stock or ETF calculated by using real-time bid/ask quotes of Cboe Options listed options overlying that individual stock or ETF. The following Individual Stock or ETF Based Volatility Indexes have been approved for trading on the Exchange:

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Underlying Volatility Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>VXAPL</td>
<td>Cboe Equity VIX on Apple</td>
</tr>
<tr>
<td>VXAZN</td>
<td>Cboe Equity VIX on Amazon</td>
</tr>
<tr>
<td>VXGS</td>
<td>Cboe Equity VIX on Goldman Sachs</td>
</tr>
<tr>
<td>VXGOG</td>
<td>Cboe Equity VIX on Google</td>
</tr>
<tr>
<td>VXIBM</td>
<td>Cboe Equity VIX on IBM</td>
</tr>
<tr>
<td>GVZ</td>
<td>Cboe Gold ETF Volatility Index</td>
</tr>
<tr>
<td>OVX</td>
<td>Cboe Crude Oil ETF Volatility Index</td>
</tr>
<tr>
<td>VXEEM</td>
<td>Cboe Emerging Markets ETF Volatility Index</td>
</tr>
<tr>
<td>VXFXI</td>
<td>Cboe China ETF Volatility Index</td>
</tr>
<tr>
<td>VXEWZ</td>
<td>Cboe Brazil ETF Volatility Index</td>
</tr>
<tr>
<td>VXGDX</td>
<td>Cboe Gold Miners ETF Volatility Index</td>
</tr>
<tr>
<td>Index</td>
<td>Reporting Authority</td>
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<tr>
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<tr>
<td>S&amp;P 100</td>
<td>Standard &amp; Poor’s.</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>Standard &amp; Poor’s.</td>
</tr>
<tr>
<td>Cboe Bio Tech</td>
<td>Cboe Exchange, Inc.</td>
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<tr>
<td>FTSE 100 Index (1/10 th)</td>
<td>FTSE International Limited</td>
</tr>
<tr>
<td>FT-SE 200 Eurotrack</td>
<td>London Stock Exchange</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>Frank Russell Co.</td>
</tr>
<tr>
<td>S&amp;P Transportation</td>
<td>Standard &amp; Poor’s.</td>
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<tr>
<td>S&amp;P Retail</td>
<td>Standard &amp; Poor’s.</td>
</tr>
<tr>
<td>S&amp;P Health Care</td>
<td>Standard &amp; Poor’s.</td>
</tr>
<tr>
<td>S&amp;P Entertainment &amp; Leisure</td>
<td>Standard &amp; Poor’s.</td>
</tr>
<tr>
<td>S&amp;P Banking</td>
<td>Standard &amp; Poor’s.</td>
</tr>
<tr>
<td>S&amp;P Insurance</td>
<td>Standard &amp; Poor’s.</td>
</tr>
</tbody>
</table>

Amended August 12, 1983; August 9, 1985; April 20, 1987; October 28, 1991 (91-24); July 21, 1992 (92-09); October 22, 1992 (92-32); February 1, 1993 (92-13); April 9, 1993 (92-34); April 29, 1993 (92-22, 92-23, 92-24, 92-25, 92-27, 92-28, 92-29, 92-30); July 27, 1993 (93-05); October 12, 1994 (93-04); September 22, 1997 (96-75 & 76); September 22, 1997 (96-75 & 76); and October 15, 1997 (97-25); June 28, 2004 (02-24); July 12, 2005 (04-63); July 12, 2006 (06-65); November 16, 2006 (06-85); November 28, 2007 (06-90); August 21, 2009 (09-061); May 26, 2011 (11-026); August 11, 2011 (11-055); May 10, 2019 (19-017).
S&P Chemical
Cboe Options Software
Cboe Options Environmental
S&P 500/Barra Growth
S&P 500/Barra Value
Nasdaq 100
Cboe Options Gaming
Cboe Options Global Telecommunications
Cboe Options Mexico
Cboe Options Israeli
Cboe REIT Index
Nikkei Stock Index 300
Cboe Options Emerging Asian Markets
Cboe Options Emerging Markets
S&P SmallCap 600 Index
Cboe Options Latin 15
Cboe Technology Index
Cboe Germany 25 Index
Mexico 30 Index
Cboe Options Automotive
Cboe Internet Index
Cboe Oil Index

Standard & Poor’s.
Cboe Exchange, Inc.
Cboe Exchange, Inc.
Standard & Poor’s.
Standard & Poor’s.
Nasdaq, Inc.
Cboe Exchange, Inc.
Cboe Exchange, Inc.
Cboe Exchange, Inc.
Cboe Exchange, Inc.
Cboe Exchange, Inc.
Nihon Keizai Shimbun, Inc.
Cboe Exchange, Inc.
Cboe Exchange, Inc.
Standard & Poor’s
Cboe Exchange, Inc.
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Cboe Exchange, Inc.
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<thead>
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<th>Index</th>
<th>Provider</th>
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<tr>
<td>Cboe Gold Index</td>
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<td>Cboe Computer Networking Index</td>
<td>Cboe Exchange, Inc.</td>
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<td>Cboe PC Index</td>
<td>Cboe Exchange, Inc.</td>
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<td>IPC</td>
<td>Mexican Stock Exchange</td>
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<td>GSTI Composite Index</td>
<td>Goldman, Sachs &amp; Co.</td>
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<td>GSTI Internet Index</td>
<td>Goldman, Sachs &amp; Co.</td>
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<td>GSTI Software Index</td>
<td>Goldman, Sachs &amp; Co.</td>
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<tr>
<td>GSTI Semiconductor Index</td>
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<tr>
<td>GSTI Hardware Index</td>
<td>Goldman, Sachs &amp; Co.</td>
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<tr>
<td>GSTI Multimedia Networking Index</td>
<td>Goldman, Sachs &amp; Co.</td>
</tr>
<tr>
<td>GSTI Services Index</td>
<td>Goldman, Sachs &amp; Co.</td>
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<td>Morgan Stanley Multinational Company Index</td>
<td>Morgan Stanley</td>
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<tr>
<td>Reduced Value NYSE Composite Index</td>
<td>Dow Jones &amp; Company, Inc.</td>
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<tr>
<td>Dow Jones Industrial Average</td>
<td>Dow Jones &amp; Company, Inc.</td>
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<tr>
<td>Dow Jones Transportation Average</td>
<td>Dow Jones &amp; Company, Inc.</td>
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<td>Dow Jones Utility Average</td>
<td>Dow Jones &amp; Company, Inc.</td>
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<td>Lipper Analytical/Salomon Bros. Growth Fund Index</td>
<td>Lipper Analytical Services, Inc.</td>
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<td>Lipper Analytical/Salomon Bros. Growth &amp; Income Fund Index</td>
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<td>Dow Jones Equity REIT Index</td>
<td>Dow Jones &amp; Company, Inc.</td>
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<tr>
<td>Dow Jones E*Commerce Index</td>
<td>Dow Jones &amp; Company, Inc.</td>
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<td>Index Name</td>
<td>Sponsor</td>
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<tr>
<td>Cboe Asian 25 Index</td>
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<tr>
<td>Russell 1000 Index</td>
<td>Frank Russell Co.</td>
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<tr>
<td>Russell 1000 Growth Index</td>
<td>Frank Russell Co.</td>
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<tr>
<td>Russell 1000 Value Index</td>
<td>Frank Russell Co.</td>
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<tr>
<td>Russell 2000 Growth Index</td>
<td>Frank Russell Co.</td>
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<td>Russell 2000 Value Index</td>
<td>Frank Russell Co.</td>
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<tr>
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<td>Russell 3000 Growth Index</td>
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<td>Frank Russell Co.</td>
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<td>Russell Midcap Index</td>
<td>Frank Russell Co.</td>
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<td>Russell Midcap Growth Index</td>
<td>Frank Russell Co.</td>
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<td>Russell Midcap Value Index</td>
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<tr>
<td>Russell Top 200 Index</td>
<td>Frank Russell Co.</td>
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<tr>
<td>Russell Top 200 Growth Index</td>
<td>Frank Russell Co.</td>
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<tr>
<td>Russell Top 200 Value Index</td>
<td>Frank Russell Co.</td>
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<td>Cboe China Index</td>
<td>Cboe Exchange, Inc.</td>
</tr>
<tr>
<td>Cboe Volatility Index® (VIX®)</td>
<td>Cboe Exchange, Inc.</td>
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<tr>
<td>Cboe Nasdaq 100® Volatility Index (VXN®)</td>
<td>Cboe Exchange, Inc.</td>
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<tr>
<td>Cboe Dow Jones Industrial Average® Volatility Index (VXD®)</td>
<td>Cboe Exchange, Inc.</td>
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<tr>
<td>Cboe Increased-Value Volatility Index®</td>
<td>Cboe Exchange, Inc.</td>
</tr>
<tr>
<td>Cboe Increased-Value Nasdaq 100® Volatility Index</td>
<td>Cboe Exchange, Inc.</td>
</tr>
</tbody>
</table>
Cboe Increased-Value Dow Jones Industrial Average® Volatility Index
Cboe PowerPacks SM Bank Index
Cboe PowerPacks SM Biotechnology Index
Cboe PowerPacks SM Gold Index
Cboe PowerPacks SM Internet Index
Cboe PowerPacks SM Iron & Steel Index
Cboe PowerPacks SM Oil Index
Cboe PowerPacks SM Oil Services Index
Cboe PowerPacks SM Pharmaceuticals Index
Cboe PowerPacks SM Retail Index
Cboe PowerPacks SM Semiconductor Index
Cboe PowerPacks SM Technology Index
Cboe PowerPacks SM Telecom Index
Cboe Russell 2000 Volatility Index SM (“RVX SM”) ^
Cboe S&P 500 Three-Month Realized Variance
Cboe S&P 500 Three-Month Realized Volatility
Cboe S&P 500 BuyWrite Index (1/10th value)
S&P 500 Dividend Index
Cboe Gold ETF Volatility Index
Cboe Equity VIX on Apple
Cboe Equity VIX on Amazon
Cboe Equity VIX on Goldman Sachs

Cboe Exchange, Inc.
Cboe Equity VIX on Google
Cboe Exchange, Inc.

Cboe Equity VIX on IBM
Cboe Exchange, Inc.

Cboe Crude Oil ETF Volatility Index
Cboe Exchange, Inc.

Cboe Emerging Markets ETF Volatility Index
Cboe Exchange, Inc.

Cboe China ETF Volatility Index
Cboe Exchange, Inc.

Cboe Brazil ETF Volatility Index
Cboe Exchange, Inc.

Cboe Gold Miners ETF Volatility Index
Cboe Exchange, Inc.

Cboe Energy Sector ETF Volatility Index
Cboe Exchange, Inc.

Cboe Silver ETF Volatility Index
Cboe Exchange, Inc.

Cboe S&P 500 AM/PM Basis
Cboe Options

Cboe Short-Term Volatility Index
Cboe Exchange, Inc.

MSCI EAFE Index (EAFE)
MSCI Inc.

MSCI Emerging Markets Index (EM)
MSCI Inc.

FTSE China 50 Index (1/100 th)
FTSE International Limited

FTSE Emerging Index
FTSE International Limited

FTSE Developed Europe Index
FTSE International Limited

S&P Financial Select Sector Index (IXM)
S&P Dow Jones Indices

S&P Energy Select Sector Index (IXE)
S&P Dow Jones Indices

S&P Technology Select Sector Index (IXT)
S&P Dow Jones Indices

S&P Health Care Select Sector Index (IXV)
S&P Dow Jones Indices

S&P Utilities Select Sector Index (IXU)
S&P Dow Jones Indices

S&P Consumer Staples Select Sector Index (IXR)
S&P Dow Jones Indices
S&P Industrials Select Sector Index (IXI)  
S&P Dow Jones Indices

S&P Consumer Discretionary Select Sector Index (IXY)  
S&P Dow Jones Indices

S&P Materials Select Sector Index (IXB)  
S&P Dow Jones Indices

S&P Real Estate Select Sector Index (IXRE)  
S&P Dow Jones Indices

S&P Communication Services Select Sector Index (IXC)  
S&P Dow Jones Indices

Adopted January 13, 1993 (93-02); amended January 5, 1994 (93-42); January 6, 1994 (94-50); January 31, 1995 (94-19, 94-20); March 26, 1996 (96-16); April 2, 1996 (96-17); April 15, 1996 (96-21); May 9, 1996 (96-09); May 10, 1996 (96-11); September 17, 1996 (96-43, 96-44); February 28, 1997 (96-59); April 23, 1997 (97-14); September 3, 1997 (97-26, 27 & 28); October 15, 1997 (97-25); December 16, 1997 (97-63); February 1, 1999 (98-49); February 25, 1999 (99-05); February 24, 2003 (02-40); October 2, 2003 (03-17); October 22, 2003 (03-14); March 10, 2004 (03-51); April 9, 2004 (Cboe Options China Index per SEC Rule 19b-4(e)); April 14, 2004 (03-40); May 13, 2004 (04-09); July 1, 2005 (Cboe Options PowerPacks Indexes per SEC Rule 19b-4(e)); March 8, 2007 (06-73); July 16, 2008 (08-31); July 22, 2008 (08-26); December 10, 2009 (09-022); May 19, 2010 (10-018); May 26, 2011 (11-026); August 11, 2011 (11-055); July 20, 2012 (12-042); March 21, 2014 (14-003); April 8, 2015 (15-023); December 11, 2015 (15-100); December 17, 2015 (15-099); September 2, 2016 (16-049); November 3, 2017 (17-065); October 15, 2018 (18-067).

Rule 24.2. Designation of the Index

(a) The component securities of an index underlying an index option contract need not meet the requirements of Rule 5.3. Except as set forth in subparagraphs (b), (d), and (f) below, the listing of a class of index options on a new underlying index will be treated by the Exchange as a proposed rule change subject to filing with and approval by the Commission under Section 19(b) of the Exchange Act.

(b) Notwithstanding paragraph (a) above, the Exchange may trade options on a narrow-based index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

1. The options are designated as A.M.-settled index options:

2. The index is capitalization-weighted, price-weighted, equal dollar-weighted, or modified capitalization-weighted, and consists of ten or more component securities:
(3) Each component security has a market capitalization of at least $75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least $50 million:

(4) Trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume has been at least 500,000 shares for each of the last six months:

(5) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months:

(6) No single component security represents more than 25% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% (60% for an index consisting of fewer than 25 component securities) of the weight of the index:

(7) Component securities that account for at least 90% of the weight of the index and at least 80% of the total number of component securities in the index satisfy the requirements of Rule 5.3 applicable to individual underlying securities;

(8) All component securities are “reported securities” as defined in Rule 11A a3-1 under the Exchange Act:

(9) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20% of the weight of the index:

(10) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on the Exchange:

(11) An equal dollar-weighted index will be rebalanced at least once every calendar quarter:

(12) If an underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has erected a “Chinese Wall” around its personnel who have access to information concerning changes in and adjustments to the index.

(c) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (b) above:
(1) The conditions stated in subparagraphs (b)(1), (3), (6), (7), (8), (9), (10), (11) and (12) must continue to be satisfied, provided that the conditions stated in subparagraph (b)(6) must be satisfied only as of the first day of January and July in each year:

(2) The total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing, and in no event may be less than nine component securities:

(3) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months:

(4) In a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months. In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(d) Notwithstanding paragraph (a) above, the Exchange may trade options on a Micro Narrow-Based security index pursuant to Rule 19b-4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

(1) The Index is a security index:

(i) that has 9 or fewer component securities; or

(ii) in which a component security comprises more than 30 percent of the index’s weighting; or

(iii) in which the 5 highest weighted component securities in the aggregate comprise more than 60 percent of the index’s weighting; or

(iv) in which the lowest weighted component securities comprising, in the aggregate, 25 percent of the index’s weighting have an aggregate dollar value of average daily trading volume of less than $50,000,000 (or in the case of an index with 15 or more component securities, $30,000,000) except that if there are two or more securities with equal weighting that could be included in the calculation of the lowest weighted component securities comprising, in the aggregate, 25 percent
of the index’s weighting, such securities shall be ranked from lowest to highest dollar value of average daily trading volume and shall be included in the calculation based on their ranking starting with the lowest ranked security;

(2) The index is capitalization-weighted, modified capitalization-weighted, price-weighted, share weighted, equal dollar-weighted, approximate equal-dollar weighted, or modified equal-dollar weighted;

(i) For the purposes of this Rule 24.2(d), an approximate equal-dollar weighted index is composed of one or more securities in which each component security will be weighted equally based on its market price on the index’s selection date and the index must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for fifty percent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the “notional value” is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of components in the index is greater than five at the time of rebalancing. The Exchange reserves the right to rebalance quarterly at its discretion.

(ii) For the purposes of this Rule 24.2(d), a modified equal-dollar weighted index is an index in which each underlying component represents a predetermined weighting percentage of the entire index. Each component is assigned a weight that takes into account the relative market capitalization of the securities comprising the index. A modified equal-dollar weighted index will be balanced quarterly.

(iii) For the purposes of this Rule 24.2(d), a share-weighted index is calculated by multiplying the price of the component security by an adjustment factor. Adjustment factors are chosen to reflect the investment objective deemed appropriate by the designer of the index and will be published by the Exchange as part of the contract specifications. The value of the index is calculated by adding the weight of each component security and dividing the total by an index divisor, calculated to yield a benchmark index level as of a particular date. A share-weighted index is not adjusted to reflect changes in the number of outstanding shares of its components. A share-weighted Micro Narrow-Based index will not be re-balanced. If a share-weighted Micro Narrow-Based Index fails to meet the maintenance listing standards under Rule 24.2(e), the Exchange will restrict trading in existing option series to closing transactions and will not issue additional series for that index.

(iv) The Exchange may rebalance any Micro Narrow-Based index on an interim basis if warranted as a result of extraordinary changes in the relative values of the component securities. To the extent investors with open positions must rely upon the continuity of the options contract on the index, outstanding contracts are unaffected by rebalancings.
(3) Each component security in the index has a minimum market capitalization of at least $75 million, except that each of the lowest weighted securities in the index that in the aggregate account for no more than 10% of the weight of the index may have a minimum market capitalization of only $50 million;

(4) The average daily trading volume in each of the preceding six months for each component security in the index is at least 45,500 shares, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of only 22,750 shares for each of the last six months;

(5) In a capitalization-weighted index, the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 90,000 shares over the past six months; or (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average daily trading volume of at least 90,000 shares over the past six months;

(6) Subject to subparagraphs (4) and (5) above, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements of Rule 5.3 applicable to individual underlying securities;

(7) 
(i) Each component security in the index is a “reported security” as defined in Rule 11Aa3-1 under the Exchange Act; and

(ii) Foreign securities or ADRs that are not subject to comprehensive surveillance sharing agreements do not represent more than 20% of the weight of the index;

(8) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on the Exchange;

(9) An equal dollar-weighted index will be rebalanced at least once every quarter;

(10) If the underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index;

(11) Each component security in the index is registered pursuant to Section 12 of the Exchange Act; and

(12) Cash settled index options are designated as A.M.-settled options.
(e) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d) above:

(1) The index meets the criteria of paragraph (d)(1) of this Rule;

(2) Subject to subparagraphs (4) and (9) below, the component securities that account for at least 90% of the total index weight and at least 80% of the total number of component securities in the index must meet the requirements of Rule 5.3;

(3) Each component security in the index has a market capitalization of at least $75 million, except that each of the lowest weighted component securities that in the aggregate account for no more than 10% of the weight of the index may have a market capitalization of only $50 million;

(4) The average daily trading volume in each of the preceding six months for each component security in the index is at least 22,750 shares, except that each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index may have an average daily trading volume of at least 18,200 shares for each of the last six months;

(5) Each component security in the index is a “reported security” as defined in Rule 11Aa3-1 under the Exchange Act; and

(6) Foreign securities or ADRs thereon that are not subject to comprehensive surveillance sharing agreements do not represent more than 20% of the weight of the index;

(7) The current underlying index value will be reported at least once every fifteen seconds during the time the index options are traded on the Exchange;

(8) If the underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has in place an information barrier around its personnel who have access to information concerning changes in and adjustments to the index;

(9) In a capitalization-weighted index the lesser of: (1) the five highest weighted component securities in the index each have had an average daily trading volume of at least 45,500 shares over the past six months; or (2) the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average daily trading volume of at least 45,500 shares over the past six months;

(10) The total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing;
(11) Trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months;

(12) In a capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months;

(13) Each component security in the index is registered pursuant to Section 12 of the Exchange Act;

(14) In an approximate equal-dollar weighted index, the index must be reconstituted and rebalanced if the notional value of the largest component is at least twice the notional volume of the smallest component for fifty percent or more of the trading days in the three months prior to December 31 of each year. For purposes of this provision the “notional value” is the market price of the component times the number of shares of the underlying component in the index. Reconstitution and rebalancing are also mandatory if the number of components in the index is greater than five at the time of rebalancing. The Exchange reserves the right to rebalance quarterly at its discretion;

(15) In a modified equal-dollar weighted index the Exchange will rebalance the index quarterly;

(16) In a share-weighted index, if a share-weighted Micro Narrow-Based Index fails to meet the maintenance listing standards under Rule 24.2(e), the Exchange will not re-balance the index, will restrict trading in existing option series to closing transactions, and will not issue additional series for that index; and

(17) In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

(f) Notwithstanding paragraph (a) above, the Exchange may trade options on a broad-based index pursuant to Rule 19b-4(e) of the Exchange Act, if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Rule 24.1(i)(1);

(2) Options on the index are designated as A.M.-settled;
(3) The index is capitalization-weighted, modified capitalization-weighted, price-weighted, or equal dollar-weighted;

(4) The index consists of 50 or more component securities;

(5) Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least $75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least $100 million;

(6) Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Rule 5.3 applicable to individual underlying securities;

(7) Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;

(8) No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;

(9) Each component security is an NMS stock;

(10) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;

(11) The current index value is widely disseminated at least once every fifteen (15) seconds by the Options Price Reporting Authority, CTA/CQ, NIDS or one or more major market data vendors during the time options on the index are traded on the Exchange;

(12) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange’s current Independent System Capacity Advisor allocation and the number of new messages per second expected to be generated by options on such index;

(13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;
(15) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(g) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (f) above:

1. The requirements set forth in subparagraphs (f)(1) - (f)(3) and (f)(9) - (f)(15) must continue to be satisfied. The requirements set forth in subparagraphs (f)(5) - (f)(8) must be satisfied only as of the first day of January and July in each year;

2. The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing;

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of the class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

Amended June 3, 1994 (93-59); May 5, 1999 (99-16); June 28, 2004 (02-24); March 9, 2005 (05-08); February 9, 2006 (05-59); May 10, 2019 (19-017).

... Interpretations and Policies:

.01 Initial and Maintenance Listing Criteria for MSCI EAFE Index (EAFE), MSCI Emerging Markets Index (EM), FTSE Emerging Index (FTSE Emerging), and FTSE Developed Europe Index (FTSE Developed) Index Options.

(a) The Exchange may trade EAFE, EM, FTSE Emerging, and FTSE Developed options if each of the following conditions is satisfied:

1. The index is broad-based, as defined in Rule 24.1(i)(1);

2. Options on the index are designated as P.M.-settled index options;

3. The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;

4. The index consists of 500 or more component securities;

5. All of the component securities of the index will have a market capitalization of greater than $100 million;

6. No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index
do not, in the aggregate, account for more than fifty percent (50%) of the weight of the index;

(7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than: (i) twenty-five percent (25%) of the weight of the EAFE Index, (ii) twenty-seven and a half percent (27.5%) of the weight of the EM Index, (iii) thirty-two and a half percent (32.5%) of the weight of the FTSE Developed Index, and (iv) thirty-five percent (35%) of the weight of the FTSE Emerging Index;

(8) During the time options on the index are traded on the Exchange, the current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors. However, the Exchange may continue to trade EAFE, FTSE Developed, and FTSE Emerging options after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that EAFE, FTSE Developed, and FTSE Emerging futures contracts, respectively, are trading and prices for those contracts may be used as a proxy for the current index value;

(9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange’s current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and

(10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(b) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph .01(a).

(1) The conditions set forth in subparagraphs .01(a) (1), (2), (3), (4), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .01(a)(5) and (6) must be satisfied only as of the first day of January and July in each year. The conditions set forth in subparagraph .01(a)(7) must be satisfied as of the first day of the month following the Reporting Authority’s review of the weighting of the constituents in the applicable index but in no case less than a quarterly basis;

(2) The total number of component securities in the index may not increase or decrease by more than thirty-five percent (35%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

Adopted April 8, 2015 (15-023); amended March 8, 2016 (16-016); September 2, 2016 (16-049).
.02 Initial and Maintenance Listing Criteria for FTSE 100 Index (1/10 th) Options (FTSE 100 options).

(a) The Exchange may trade FTSE 100 options if each of the following conditions is satisfied:

1. The index is broad-based, as defined in Rule 24.1(i)(1);
2. Options on the index are designated as A.M.-settled index options;
3. The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;
4. The index consists of 90 or more component securities;
5. Each of the component securities of the index will have a market capitalization of greater than $100 million;
6. No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the index;
7. Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the FTSE 100 Index;
8. During the time options on the index are traded on the Exchange, the current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors. However, the Exchange may continue to trade FTSE 100 options after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that FTSE 100 futures contracts are trading and prices for those contracts may be used as a proxy for the current index value;
9. The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange’s current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and
10. The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(b) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph .02(a).

1. The conditions set forth in subparagraphs .02(a) (1), (2), (3), (4), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .02(a)(5)
and (6) must be satisfied only as of the first day of January and July in each year. The conditions set forth in subparagraph .02(a)(7) must be satisfied as of the first day of the month following the Reporting Authority’s review of the weighting of the constituents in the applicable index but in no case less than a quarterly basis;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

Adopted December 11, 2015 (15-100); amended September 2, 2016 (16-049).

.03 Initial and Maintenance Listing Criteria for FTSE China 50 Index (1/100th) Options (China 50 options).

(a) The Exchange may trade China 50 options if each of the following conditions is satisfied:

(1) The index is broad-based, as defined in Rule 24.1(i)(1);

(2) Options on the index are designated as A.M.-settled index options;

(3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;

(4) The index consists of 45 or more component securities;

(5) Each of the component securities of the index will have a market capitalization of greater than $100 million;

(6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the index;

(7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the FTSE China 50 Index;

(8) The Exchange may continue to trade China 50 options after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data
vendors, provided that China 50 futures contracts are trading and prices for those contracts may be used as a proxy for the current index value;

(9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange’s current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and

(10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(b) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph .03(a).

(1) The conditions set forth in subparagraphs .03(a) (1), (2), (3), (4), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .03(a)(5) and (6) must be satisfied only as of the first day of January and July in each year. The conditions set forth in subparagraph .03(a)(7) must be satisfied as of the first day of the month following the Reporting Authority’s review of the weighting of the constituents in the applicable index but in no case less than a quarterly basis;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

Adopted December 17, 2015 (15-099); amended September 2, 2016 (16-049).

Rule 24.3. Dissemination of Information

(a) The Exchange shall disseminate or shall assure that the current index value is disseminated after the close of Regular Trading Hours and from time-to-time on days on which transactions in index options are made on the Exchange.

(b) The Exchange shall maintain, in files available to the public, information identifying the stocks whose prices are the basis for calculation of the index and the method used to determine the current index value.

Amended November 28, 2014 (14-062).
Rule 24.4. Position Limits for Broad-Based Index Options

(a) In determining compliance with Rule 4.11, there shall be no position limits for broad-based index option contracts (including reduced-value option contracts) on Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility and on the BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, VXST, S&P 500 Dividend Index, and SPX classes. All other broad-based index option contracts shall be subject to a contract limitation fixed by the Exchange, which shall not be larger than the limits provided in the chart below.

<table>
<thead>
<tr>
<th>BROAD-BASED INDEX OPTION TYPE</th>
<th>STANDARD LIMIT (on the same side of the market)</th>
<th>RESTRICTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones Equity REIT Index</td>
<td>250,000 contracts</td>
<td>None</td>
</tr>
<tr>
<td>Lipper Analytical/Salomon Bros. Growth Fund Index</td>
<td>75,000 contracts</td>
<td>no more than 50,000 near-term</td>
</tr>
<tr>
<td>Lipper Analytical/Salomon Bros. Growth and Income Fund Index</td>
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<td></td>
</tr>
<tr>
<td>S&amp;P 500/Barra Growth or Value</td>
<td>36,000 contracts in the aggregate</td>
<td>no more than 21,500 near-term</td>
</tr>
<tr>
<td>S&amp;P SmallCap 600 GSTI Composite</td>
<td>100,000 contracts</td>
<td>no more than 60,000 near-term</td>
</tr>
<tr>
<td>Russell 1000</td>
<td>50,000 contracts</td>
<td>no more than 30,000 near-term</td>
</tr>
<tr>
<td>Russell 1000 Growth</td>
<td></td>
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<tr>
<td>Russell 1000 Value</td>
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<tr>
<td>Russell 2000 Growth</td>
<td></td>
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<tr>
<td>Russell 2000 Value</td>
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<td>Russell 3000</td>
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<tr>
<td>Russell 3000 Growth</td>
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<td>Russell 3000 Value</td>
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<td>Russell Midcap</td>
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<td>Russell Midcap Growth</td>
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<td>Russell Midcap Value</td>
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<tr>
<td>Russell Top 200 Index</td>
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<td>Russell Top 200 Growth Index</td>
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<tr>
<td>Russell Top 200 Value Index</td>
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<tr>
<td>Mexico 30 Index</td>
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<tr>
<td>Germany 25</td>
<td></td>
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</tr>
</tbody>
</table>
Morgan Stanley Multinational Company
Index
Cboe Euro 25 Index
Cboe Asian 25 Index

<table>
<thead>
<tr>
<th>Index Description</th>
<th>Contracts</th>
<th>Near-term Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced Value NYSE Composite</td>
<td>45,000</td>
<td>no more than 25,000 near-term</td>
</tr>
<tr>
<td>Cboe Russell 2000 Volatility Index SM (“RVX SM”)</td>
<td>50,000</td>
<td>no more than 30,000 near term</td>
</tr>
<tr>
<td>Other broad-based index</td>
<td>25,000</td>
<td>no more than 15,000 near-term</td>
</tr>
</tbody>
</table>

(b) Nonstandard Expirations (as provided for in Rule 24.9(e), QIXs, Q-CAPS, Packaged Vertical Spreads and Packaged Butterfly Spreads on a broad-based index shall be aggregated with option contracts on the same broad-based index and shall be subject to the overall position limit.

(c) Index option contracts shall not be aggregated with option contracts on any stocks whose prices are the basis for calculation of the index.

(d) Positions in reduced-value index options shall be aggregated with positions in full-value indices. For example, if an index is reduced by one-tenth, ten (10) reduced-value contracts shall equal one contract. If an index is reduced by one-fifth, five (5) reduced-value contracts shall equal one contract.

(e) Positions in Short Term Option Series, Quarterly Options Series, and Delayed Start Option Series shall be aggregated with positions in options contracts in the same index class.

Amended August 12, 1983; June 8, 1987; July 21, 1992 (92-09); October 22, 1992 (92-32); October 30, 1992 (92-02); February 1, 1993 (92-13); July 20, 1993 (93-32); July 29, 1993 (93-15); May 27, 1994 (93-36); October 12, 1994 (93-04); October 18, 1995 (95-32); October 25, 1995 (95-45); October 31, 1995 (95-64); March 13, 1996 (95-68); May 9, 1996 (96-09); September 13, 1996 (96-01); September 17, 1996 (96-43); February 28, 1997 (96-59); April 23, 1997 (97-14); September 22, 1997 (96-75 & 76); September 3, 1997 (97-26); September 22, 1997, effective November 24, 1997 (97-48); December 24, 1997, effective January 6, 1998 (97-11); February 1, 1999 (98-49); January 22, 1999 (98-23); June 30, 2000 (00-15); April 6, 2001 (00-14); October 26, 2001 (01-22); February 24, 2003 (02-40); October 2, 2003 (03-17); October 22, 2003 (03-14); March 10, 2004 (03-51); May 18, 2004 (04-26); February 17, 2005 (04-89); July 12, 2005 (04-63); October 21, 2005 (05-41); March 10, 2006 (06-26); June 20, 2006 (06-55); July 12, 2006 (06-65); March 8, 2007 (06-73); September 4, 2007 (07-79); November 28,
.01 Broad-based Index Hedge Exemption

The broad-based index hedge exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies. The following procedures and criteria must be satisfied to qualify for a broad-based index hedge exemption:

(a) The account in which the exempt option positions are held (“hedge exemption account”) has received prior Exchange approval for the hedge exemption specifying the maximum number of contracts which may be exempt under this Interpretation. The hedge exemption account has provided all information required on Exchange-approved forms and has kept such information current. Exchange approval may be granted on the basis of verbal representations, in which event the hedge exemption account shall within two (2) business days or such other time period designated by the Department of Market Regulation furnish the Department of Market Regulation with appropriate forms and documentation substantiating the basis for the exemption. The hedge exemption account may apply from time to time for an increase in the maximum number of contracts exempt from the position limits.

(b) A hedge exemption account that is not carried by a Cboe Options TPH organization must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(c) The hedge exemption account maintains a qualified portfolio, or will effect transactions necessary to obtain a qualified portfolio concurrent with or at or about the same time as the execution of the exempt options positions, of:

(i) a net long or short position in common stocks in at least four industry groups and contains at least twenty stocks, none of which accounts for more than fifteen percent of the value of the portfolio or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio, and/or

(ii) a net long or short position in index futures contracts or in options on index futures contracts, or long or short positions in index options or index warrants, for which the underlying index is included in the same margin or cross-margin product group cleared at the Options Clearing Corporation as the index option class to which the hedge exemption applies. To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity.

(d) The exemption applies to positions in broad-based index options dealt in on the Exchange and is applicable to the unhedged value of the qualified portfolio. The unhedged value will be determined as follows: (1) the values of the net long or short positions of all qualifying
products in the portfolio are totalled; (2) for positions in excess of the standard limit, the underlying market value (a) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (b) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and (3) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows—the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(e) Positions in broad-based index options that are traded on the Exchange are exempt from the standard limits to the extent specified below.

<table>
<thead>
<tr>
<th>BROAD-BASED INDEX OPTION TYPE</th>
<th>BROAD-BASED INDEX HEDGE EXEMPTION (is in addition to standard limit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500/Barra Growth or Value</td>
<td>65,000 contracts</td>
</tr>
<tr>
<td>Other broad-based index</td>
<td>75,000 contracts</td>
</tr>
</tbody>
</table>

(f) Only the following qualified hedging transactions and positions are eligible for purposes of hedging a qualified portfolio (i.e. stocks, futures, options and warrants) pursuant to this Interpretation .01:

1. Long put(s) used to hedge the holdings of a qualified portfolio;
2. Long call(s) used to hedge a short position in a qualified portfolio;
3. Short call(s) used to hedge the holdings of a qualified portfolio; and
4. Short put(s) used to hedge a short position in a qualified portfolio.

The following strategies may be effected only in conjunction with a qualified stock portfolio:

5. (for non-P.M. settled, European style index options only) A short call position accompanied by long put(s), where the short call(s) expires with the long put(s), and the strike price of the short call(s) equals or exceeds the strike price of the long put(s) (a “collar”). Neither side of the collar transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Rules 4.11 and 24.4, a collar position will be treated as one (1) contract;

6. (for non-P.M. settled, European style index options only) A long put position coupled with a short put position overlying the same broad-based index and having
an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s)(a “debit put spread position”); and

(7) (for non-P.M. settled, European style index options only) A short call position accompanied by a debit put spread position, where the short call(s) expires with the puts and the strike price of the short call(s) equals or exceeds the strike price of the long put(s). Neither side of the short call, long put transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Rules 4.11 and 24.4, the short call and long put positions will be treated as one (1) contract.

(g) The hedge exemption account shall:

(1) liquidate and establish options, stock positions, their equivalent or other qualified portfolio products in an orderly fashion; not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate a stock position or its equivalent with an equivalent index option position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option.

(2) liquidate any options prior to or contemporaneously with a decrease in the hedged value of the qualified portfolio which options would thereby be rendered excessive.

(3) promptly notify the Exchange of any material change in the qualified portfolio which materially affects the unhedged value of the qualified portfolio.

(h) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

Adopted May 24, 1988 (87-25); amended September 29, 1989 (89-08); July 21, 1992 (92-09); February 1, 1993 (92-13); September 14, 1993 (91-44); November 17, 1993 (93-52); May 27, 1994 (93-36); October 12, 1994 (93-04); November 18, 1994 (94-41); May 18, 1995 (95-13); October 31, 1995 (95-64); September 13, 1996 (96-01); September 3, 1997 (97-26); November 19, 1997, effective November 24, 1997 (97-48); December 24, 1997, effective January 6, 1998 (97-11); February 1, 1999 (98-49); amended January 22, 1999 (98-23); June 30, 2000 (00-15); April 6, 2001 (00-14); February 17, 2005 (04-89); October 21, 2005 (05-41); September 4, 2007 (07-79); June 18, 2010 (10-058).

.02 Compliance

(a) The hedge exemption account shall promptly provide to the Exchange any information requested concerning the qualified portfolio.

(b) Positions included in a qualified portfolio which serve to secure an index hedge exemption may not also be used to secure any other position limit exemption granted by the Exchange or any other self regulatory organization or futures contract market.
(c) Any Trading Permit Holder or TPH organization that maintains a broad-based index option position in such Trading Permit Holder’s or TPH organization’s own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Rules 4.11 and 24.4 by the Trading Permit Holder or TPH organization.

(d) Violation of any of the provisions of Rule 24.4 and the interpretations and policies thereunder, absent reasonable justification or excuse, shall result in withdrawal of the index hedge exemption and may form the basis for subsequent denial of an application for an index hedge exemption hereunder.

Approved July 21, 1992 (92-09); amended February 1, 1993 (92-13); October 12, 1994 (93-04); March 13, 1996 (95-68); September 13, 1996 (96-01); June 18, 2010 (10-058).

.03 Delta-Based Index Hedge Exemption

The Delta-Based Index Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies. An index option position of a member, non-member affiliate of a member or customer that is delta neutral shall be exempt from established position limits as prescribed under this Rule 24.4, subject to the following:

(A) The term “delta neutral” refers to an index option position that is hedged, in accordance with a permitted pricing model, by a position in one or more correlated instruments, for the purpose of offsetting the risk that the value of the option position will change with incremental changes in the value of the underlying index. The term “correlated instruments” means securities and/or other instruments that track the performance of or are based on the same underlying index as the index underlying the option position (but not including baskets of securities). Customers seeking to use the delta-based index hedge exemption may only hedge their positions in accordance with the OCC Model as defined in Rule 4.11.04(c)(C).

(B) An index option position that is not delta neutral shall be subject to position limits in accordance with this Rule 24.4 (subject to the availability of other position limit exemptions). Only the options contract equivalent of the net delta of such position shall be subject to the appropriate position limit. The “options contract equivalent of the net delta” is the net delta divided by units of trade that equate to one option contract on a delta basis. The term “net delta” means, at any time, the number of shares and/or other units of trade (either long or short) required to offset the risk that the value of an index option position will change with incremental changes in the value of the underlying index, as determined in accordance with a permitted pricing model.

(C) A “permitted pricing model” shall have the meaning as defined in Rule 4.11.04(c)(C).

(D) Effect on Aggregation of Accounts

(1) Members, non-member affiliates and customers who rely on this exemption must ensure that the permitted pricing model is applied to all positions in correlated
instruments that are owned or controlled by such member, non-member affiliate or customer.

(2) Notwithstanding subparagraph (D)(1), the net delta of an option position held by an entity entitled to rely on this exemption, or by a separate and distinct trading unit of such entity, may be calculated without regard to positions in correlated instruments held by an affiliated entity or by another trading unit within the same entity, provided that:

(i) the entity demonstrates to the Exchange’s satisfaction that no control relationship, as defined in Rule 4.11.03, exists between such affiliates or trading units*; and

(ii) the entity has provided (by the member carrying the account as applicable) the Exchange written notice in advance that it intends to be considered separate and distinct from any affiliate or, as applicable, which trading units within the entity are to be considered separate and distinct from each other for purposes of this exemption.

* Note: The Exchange has set forth in Regulatory Circular RG08-12 the conditions under which it will deem no control relationship to exist between affiliates and between separate and distinct trading units within the same entity.

(3) Notwithstanding subparagraph (D)(1) or (D)(2), a member, non-member affiliate or customer who relies on this exemption shall designate, by prior written notice to the Exchange (to be obtained and provided by the member carrying the account as applicable), each trading unit or entity whose option positions are required under Exchange Rules to be aggregated with the option positions of such member, non-member affiliate or customer that is relying on this exemption for purposes of compliance with Exchange position limits or exercise limits. In any such case:

(i) the permitted pricing model shall be applied, for purposes of calculating such member’s, affiliate’s or customer’s net delta, only to the positions in correlated instruments owned and controlled by those entities and trading units who are relying on this exemption; and

(ii) the net delta of the positions owned or controlled by the entities and trading units who are relying on this exemption shall be aggregated with the non-exempt option positions of all other entities and trading units whose options positions are required under Exchange Rules to be aggregated with the option positions of such member, affiliate or customer.

(E) Obligations of Members

(1) A member that relies on this exemption for a proprietary index options position:

(i) must provide a written certification to the Exchange that it is using a permitted pricing model pursuant to subparagraph (C) above; and
(ii) by such reliance authorizes any other person carrying for such member an account including, or with whom such member has entered into, a position in a correlated instrument to provide to the Exchange or the Clearing Corporation such information regarding such account or position as the Exchange or Clearing Corporation may request as part of the Exchange’s confirmation or verification of the accuracy of any net delta calculation under this exemption.

(2) The index option positions of a non-member relying on this exemption must be carried by a member with which it is affiliated.

(3) A member carrying an account that includes an index option position for a non-member affiliate that intends to rely on this exemption must obtain from such non-member affiliate and must provide to the Exchange:

(i) a written certification to the Exchange that the non-member affiliate is using a permitted pricing model pursuant to subparagraph (C) above; and

(ii) a written statement confirming that such non-member affiliate:

(a) is relying on this exemption;

(b) will use only a permitted pricing model for purposes of calculating the net delta of its option positions for purposes of this exemption;

(c) will promptly notify the member if it ceases to rely on this exemption;

(d) authorizes the member to provide to the Exchange or the Clearing Corporation such information regarding positions of the non-member affiliate as the Exchange or Clearing Corporation may request as part of the Exchange’s confirmation or verification of the accuracy of any net delta calculation under this exemption; and

(e) if the non-member affiliate is using the OCC Model, has duly executed and delivered to the member such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(4) A member carrying an account that includes an index option position for a customer who intends to rely on this exemption must obtain from such customer and provide to the Exchange:

(i) a written certification to the Exchange that the customer is using the OCC Model pursuant to paragraph (C) above; and

(ii) a written statement confirming that such customer:
(a) is relying on this exemption;

(b) will use only the OCC Model for purposes of calculating the net delta of the customer’s option positions for purposes of this exemption;

(c) will promptly notify the member if the customer ceases to rely on this exemption;

(d) in connection with using the OCC Model, has duly executed and delivered to the member such documents as the Exchange may require to be executed and delivered to the Exchange as a condition to reliance on this exemption.

(F) Reporting.

Each member (other than an Exchange market-maker, DPM or LMM using the OCC Model) that holds or carries an account that relies on this exemption shall report, in accordance with Rule 4.13, all index option positions (including those that are delta neutral) that are reportable thereunder. Each such member on its own behalf or on behalf of a designated aggregation unit pursuant to Rule 24.4.05(D) shall also report, in accordance with Rule 4.13, for each such account that holds an index option position subject to this exemption in excess of the levels specified in this Rule 24.4, the net delta and the options contract equivalent of the net delta of such position.

(G) Records.

Each member relying on this exemption shall: (i) retain, and undertake reasonable efforts to ensure that any non-member affiliate of the member or customer relying on this exemption retains, a list of the options, securities and other instruments underlying each option position net delta calculation reported to the Exchange hereunder, and (ii) produce such information to the Exchange upon request.

Approved May 27, 2010 (10-021); April 3, 2019 (19-014).

Rule 24.4A. Position Limits for Industry Index Options

(a) In determining compliance with Rule 4.11, option contracts on an industry index shall, subject to the procedures specified in subparagraph (iii) of this rule, be subject to the following position limits:

- 18,000 contracts if the Exchange determines, at the time of a review conducted pursuant to subparagraph (ii) of this paragraph (a), that any single underlying stock accounted, on average, for 30% or more of the index value during the 30-day period immediately preceding the review; or
(i) The Exchange shall make the determinations required by subparagraph (i) of this paragraph (a) with respect to options on each industry index at the commencement of trading of such options on the Exchange and thereafter review the determination semi-annually on January 1 and July 1.

(ii) If the Exchange determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index is lower than the maximum position limit permitted by the criteria set forth in paragraph (i) of this paragraph (a), the Exchange may effect an appropriate position limit increase immediately. If the Exchange determines, at the time of a semi-annual review, that the position limit in effect with respect to options on a particular industry index exceeds the maximum position limit permitted by the criteria set forth in subparagraph (i) of this paragraph (a), the Exchange shall reduce the position limit applicable to such options to a level consistent with such criteria; provided, however, that such a reduction shall not become effective until after the expiration date of the most distantly expiring option series relating to the industry index, which is open for trading on the date of the review; and provide further that such a reduction shall not become effective if the Exchange determines, at the next succeeding semi-annual review, that the existing position limit applicable to such options is consistent with the criteria set forth in subparagraph (i) of this paragraph (a).

(b) Index option contracts shall not be aggregated with option contracts on any stocks whose prices are the basis for calculation of the index.

(c) Positions in reduced-value index options shall be aggregated with positions in full-value index options. For such purposes, ten (10) reduced-value options shall equal one full-value contract.

(d) Positions in Short Term Option Series, Quarterly Options Series, and Delayed Start Option Series shall be aggregated with positions in options contracts in the same index class.

Amended August 12, 1983; June 8, 1987; July 21, 1992 (92-09); September 28, 1992 (91-51); April 29, 1993 (92-22, 92-23, 92-24, 92-25, 92-27, 92-28, 92-29, 92-30); December 3, 1993, effective December 20, 1993 (93-43); October 31, 1995, effective November 3, 1995 (95-56); May
. . . Interpretations and Policies:

.01 Industry Index Hedge Exemption.

(a) The industry (narrow-based) index hedge exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies, and may not exceed twice the standard limit established under Rule 24.4A. Industry index option positions may be exempt from established position limits for each option contract “hedged” by an equivalent dollar amount of the underlying component securities or securities convertible into such components; provided that, in applying such hedge, each option position to be exempted is hedged by a position in at least 75% of the number of component securities underlying the index. In addition, the underlying value of the option position may not exceed the value of the underlying portfolio.

(b) The value of the portfolio is:

(1) the total market value of the net stock position; and

(2) for positions in excess of the standard limit, subtract the underlying market value of:

(A) any offsetting calls and puts in the respective index option; and

(B) any offsetting positions in related stock index futures or options; and

(C) any economically equivalent positions (assuming no other hedges for these contracts exist).

The following procedures and criteria must be satisfied to qualify for an industry index hedge exemption:

(c) The account in which the exempt option positions are held (“hedge exemption account”) has received prior Exchange approval for the hedge exemption specifying the maximum number of contracts which may be exempt under this Interpretation. The hedge exemption account has provided all information required on Exchange-approved forms and has kept such information current. Exchange approval may be granted on the basis of verbal representations, in which event the hedge exemption account shall within two (2) business days or such other time period designated by the Department of Market Regulation furnish the Department of Market Regulation with appropriate forms and documentation substantiating the basis for the exemption. The hedge exemption account may apply from time to time for an increase in the maximum number of contracts exempt from the position limits.

(d) A hedge exemption account that is not carried by a Cboe Options TPH organization must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.
(e) The hedge exemption account shall liquidate and establish options, stock positions, or economically equivalent positions in an orderly fashion; not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes; and not initiate or liquidate a stock position or its equivalent with an equivalent index option position with a view toward taking advantage of any differential in price between a group of securities and an overlying stock index option. The hedge exemption account shall liquidate any options prior to or contemporaneously with a decrease in the hedged value of the portfolio which options would thereby be rendered excessive. The hedge exemption account shall promptly notify the Exchange of any change in the portfolio which materially affects the unhedged value of the portfolio.

(f) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

Approved May 10, 1996 (96-18); amended June 18, 2010 (10-058).

.02 Compliance

(a) The hedge exemption account shall promptly provide to the Exchange any information requested concerning the portfolio.

(b) Positions included in a portfolio which serve to secure an index hedge exemption may not also be used to secure any other position limit exemption granted by the Exchange or any other self regulatory organization or futures contract market.

(c) Any Trading Permit Holder or TPH organization that maintains an industry index option position in such Trading Permit Holder’s or TPH organization’s own account or in a customer account, and has reason to believe that such position is in excess of the applicable limit, shall promptly take the action necessary to bring the position into compliance. Failure to abide by this provision shall be deemed to be a violation of Rules 4.11 and 24.4A by the Trading Permit Holder or TPH organization.

(d) Violation of any of the provisions of Rule 24.4A and the interpretations and policies thereunder, absent reasonable justification or excuse, shall result in withdrawal of the index hedge exemption and may form the basis for subsequent denial of an application for an index hedge exemption hereunder.

Approved May 10, 1996 (96-18); amended June 18, 2010 (10-058).

.03 Delta-Based Industry Index Hedge Exemption.

The Delta-Based Index Hedge Exemption provided under Interpretation and Policy .05 to Rule 24.4 may also be applied to industry index option positions. The Delta-Based Industry Index Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies.

Approved May 27, 2010 (10-021).
Rule 24.4B. Position Limits for Options on Micro Narrow-Based Indexes As Defined Under Rule 24.2(d)

In determining compliance with Rule 4.11, cash-settled option contracts on any Micro Narrow-Based Index, as defined and determined under Rule 24.2(d), shall be subject to the following methodologies for determining the applicable position limits:

(a) Methodology for Establishing Position Limits on Cash-Settled Options on Micro Narrow-Based Indexes as defined under Rule 24.2(d). The position limit for a cash-settled option on a Micro Narrow-Based Index that meets the criteria under Rule 24.2(d) shall be calculated in accordance with the following methodology:

(1) Determine the Market Capitalization of the S&P 500 Index.

(2) Calculate the Notional Value of a position at the limit in the Chicago Mercantile Exchange’s (“CME”) S&P 500 futures contract. The position limit for that contract is 20,000 (in all months combined) and the Index Multiplier is $250. Notional Value for the purposes of this Rule 24.4B(a)(1) = Index Level * Index Multiplier. Therefore,

Notional Value of 20,000 S&P 500 futures contracts = 20,000 * S&P 500 Index Level * 250.

(3) Calculate the Market Capitalization Ratio of the S&P 500 Index Market Capitalization to the Notional Value of a position limit at the limit.


(4) Determine the Market Capitalization of the Micro Narrow-Based Index by adding together the market capitalization of each underlying security component.

(5) Determine the Notional Value of the Micro Narrow-Based Index Option (Index Level * Contract Multiplier).

(6) Calculate the Position Limit of the Micro Narrow-Based Index using the following formula:

Contract Position Limit on the Micro Narrow-Based Index = Market Capitalization of Micro Narrow-Based Index ÷ (Notional Value of Micro Narrow-Based Index Option * Market Capitalization Ratio).

(7) Establishing the Position Limit. After the applicable position limit has been determined pursuant to section 24.4B(a)(1)-(6), round the calculated position limit to the nearest 1,000 contracts using standard rounding procedures.
For position limits that are 400 or greater, but less than 1000 contracts, round up to 1,000 contracts.

Rule 24.2(d) shall not apply to any Micro Narrow-Based Index in which the applicable position limit, as calculated using Rule 24.4B(a)(1)-(6), for that Micro Narrow-Based Index is less than 400 contracts.

(b) Positions in Short Term Option Series, Quarterly Options Series, and Delayed Start Option Series shall be aggregated with positions in options contracts in the same index class.

Approved June 28, 2004 (02-24); amended November 28, 2007 (06-90).

Rule 24.4C. Position Limits for Individual Stock or ETF Based Volatility Index Options

(a) In determining compliance with Rule 4.11, Individual Stock or ETF Based Volatility Index options (as defined in Rule 24.1(bb)) shall have a position limit equal to 50,000 contracts on either side of the market, and no more than 30,000 contracts in the nearest expiration month.

(b) In determining compliance with the position limits set forth in paragraph (a), Individual Stock or ETF Based Volatility Index options shall not be aggregated with the index component option contracts on the corresponding underlying security (e.g., individual stock or exchange-traded fund).

(c) Positions in Short Term Options Series, Quarterly Options Series, and Delayed Start Options Series will be aggregated with position in options contracts on the same Individual Stock or ETF Based Volatility Index class.

Adopted May 26, 2011 (11-026); amended August 11, 2011 (11-055).

. . . Interpretations and Policies:

.01 Hedge Exemption

The hedge exemption for Individual Stock or ETF Based Volatility Index options is in addition to the standard limit and other exemptions available under Exchange rules, interpretations and policies. The following procedures and criteria must be satisfied to qualify for the hedge exemption:

(a) The account in which the exempt option positions are held (“hedge exemption account”) has received prior Exchange approval for the hedge exemption specifying the maximum number of contracts which may be exempt under this Interpretation. The hedge exemption account has provided all information required on Exchange-approved forms and has kept such information current. Exchange approval may be granted on the basis of verbal representations, in which event the hedge exemption account shall within two (2) business days or such other time period designated by the Department of Market Regulation furnish the Department of Market Regulation with appropriate forms and documentation substantiating the basis for the exemption. The hedge
exemption account may apply from time to time for an increase in the maximum number of contracts exempt from the position limits.

(b) A hedge exemption account that is not carried by a Cboe Options TPH organization must be carried by a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(c) The hedge exemption account maintains a qualified portfolio, or will effect transactions necessary to obtain a qualified portfolio concurrent with or at or about the same time as the execution of the exempt options positions, of a net long or short position in Individual Stock or ETF Based Volatility Index futures contracts or in options on Individual Stock or ETF Based Volatility Index futures contracts, or long or short positions in Individual Stock or ETF Based Volatility Index options, for which the underlying Individual Stock or ETF Based Volatility Index is included in the same margin or cross-margin product group cleared at the Clearing Corporation as the Individual Stock or ETF Based Volatility Index option class to which the hedge exemption applies. To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity.

(d) The exemption applies to positions in Individual Stock or ETF Based Volatility Index options dealt in on the Exchange and is applicable to the unhedged value of the qualified portfolio. The unhedged value will be determined as follows: (1) the values of the net long or short positions of all qualifying products in the portfolio are totaled; (2) for positions in excess of the standard limit, the underlying market value (a) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (b) of any opposite side of the market positions in Individual Stock or ETF Based Volatility Index futures, options on Individual Stock or ETF Based Volatility Index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and (3) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows—the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(e) Only the following qualified hedging transactions and positions are eligible for purposes of hedging a qualified portfolio (i.e., futures and options) pursuant to this Interpretation .01:

1. Long put(s) used to hedge the holdings of a qualified portfolio;
2. Long call(s) used to hedge a short position in a qualified portfolio;
3. Short call(s) used to hedge the holdings of a qualified portfolio; and
4. Short put(s) used to hedge a short position in a qualified portfolio.

The following strategies may be effected only in conjunction with a qualified stock portfolio:
(5) A short call position accompanied by long put(s), where the short call(s) expires with the long put(s), and the strike price of the short call(s) equals or exceeds the strike price of the long put(s) (a “collar”). Neither side of the collar transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Rules 4.11 and 24.4C, a collar position will be treated as one (1) contract;

(6) A long put position coupled with a short put position overlying the same Individual Stock or ETF Based Volatility Index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s) (a “debit put spread position”); and

(7) A short call position accompanied by a debit put spread position, where the short call(s) expires with the puts and the strike price of the short call(s) equals or exceeds the strike price of the long put(s). Neither side of the short call, long put transaction can be in-the-money at the time the position is established. For purposes of determining compliance with Rules 4.11 and 24.4C, the short call and long put positions will be treated as one (1) contract.

(f) The hedge exemption account shall:

(1) liquidate and establish options, their equivalent or other qualified portfolio products in an orderly fashion; not initiate or liquidate positions in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes.

(2) liquidate any options prior to or contemporaneously with a decrease in the hedged value of the qualified portfolio which options would thereby be rendered excessive.

(3) promptly notify the Exchange of any material change in the qualified portfolio which materially affects the unhedged value of the qualified portfolio.

(g) If an exemption is granted, it will be effective at the time the decision is communicated. Retroactive exemptions will not be granted.

Adopted May 26, 2011 (11-026).

Rule 24.5. Exercise Limits

In determining compliance with Rule 4.12, exercise limits for index option contracts shall be equivalent to the position limits prescribed for option contracts with the nearest expiration date in Rule 24.4, 24.4A, or 24.4C. There shall be no exercise limits for broad-based index options (including reduced-value option contracts) on Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility and on the BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, VXST, S&P 500 Dividend Index, or SPX.

Amended August 12, 1983; June 5, 1987; October 22, 1992 (92-32); January 22, 1999 (98-23); October 21, 2005 (05-41); September 4, 2007 (07-79); July 16, 2008 (08-31); July 22, 2008 (08-
.01 For a Market-Maker granted an exemption to position limits pursuant to Rule 4.11 Interpretation .05 the number of contracts which can be exercised over a five (5) business day period shall equal the Market-Maker’s exempted position.

Approved December 5, 1989 (89-25).

.02 CAPS and Q-CAPS will not be included when calculating exercise limits for index option contracts.


.03 With respect to index options contracts for which an exemption has been granted in accordance with the provisions of Rule 24.4, the exercise limit shall be equal to the amount of the exemption.

Approved July 21, 1992 (92-09).

.04 With respect to Individual Stock or ETF Based Volatility Index options contracts for which an exemption has been granted in accordance with the provisions of Interpretation and Policy .01 to Rule 24.4C, the exercise limit shall be equal to the amount of the exemption. Adopted May 26, 2011 (11-026).

Rule 24.6. Days and Hours of Business

(a) Transactions in index options may be effected on the Exchange during the Regular Trading Hours of 8:30 a.m. Chicago time to 3:15 p.m. Chicago time. The Exchange may also authorize transactions in certain index options to be effected on the Exchange during Global Trading Hours as set forth in Rule 6.1A. With respect to options on foreign indexes, the Exchange will determine the days and hours of business.

(b) Transactions in the following index options may be effected on the Exchange during the Regular Trading Hours of 8:30 a.m. Chicago time to 3:00 p.m. Chicago time:

(i) S&P Transportation Index.
(ii) S&P Retail Index.
(iii) S&P Health Care Index.
(iv) S&P Banking Index.
(v) S&P Insurance Index.
(vi) S&P Chemical Index.
(vii) Cboe Software Index.
(viii) Cboe Environmental Index.
(ix) Cboe Biotech Index.
(x) Cboe Gaming Index.
(xi) Cboe Telecommunications Index.
(xii) Cboe Global Telecommunications Index.
(xiii) Cboe REIT Index.
(xiv) [Reserved.]
(xv) Cboe Automotive Index.
(xvi) Cboe Internet Index.
(xvii) Cboe Oil Index.
(xviii) Cboe Gold Index.
(xix) Cboe Computer Networking Index.
(xx) Cboe PC Index.
(xxi) GSTI Composite Index.
(xxii) Dow Jones Transportation Average.
(xxiii) Dow Jones Utility Average.
(xxiv) Dow Jones High Yield Select 10 Index.
(xxv) Dow Jones E*Commerce Index.
(xxvi) Cboe Euro 25 Index.
(xxvii) Cboe Asian 25 Index.
(xxviii) Cboe China Index
(xxix) Cboe PowerPacks SM Bank Index
(xxx) Cboe PowerPacks SM Biotechnology Index
(xxxi) Cboe PowerPacks SM Gold Index
(xxxii) Cboe PowerPacks SM Internet Index
(xxxiii) Cboe PowerPacks SM Iron & Steel Index
(xxiv) Cboe PowerPacks SM Oil Index
(xxv) Cboe PowerPacks SM Oil Services Index
(xxvi) Cboe PowerPacks SM Pharmaceuticals Index
(xxvii) Cboe PowerPacks SM Retail Index
(xxviii) Cboe PowerPacks SM Semiconductor Index
(xxiv) Cboe PowerPacks SM Technology Index (xl) Cboe Options PowerPacks
SM Telecom Index
(xli) ETF Based Volatility Indexes
(xlii) S&P Financial Select Sector Index (SIXM)
(xliii) S&P Energy Select Sector Index (SIXE)
(xliv) S&P Technology Select Sector Index (SIXT)
(xlv) S&P Health Care Select Sector Index (SIXV)
(xlvi) S&P Utilities Select Sector Index (SIXU)
(xlvii) S&P Consumer Staples Select Sector Index (SIXR)
(xlviii) S&P Industrials Select Sector Index (SIXI)
(xlix) S&P Consumer Discretionary Select Sector Index (SIXY)
(l) S&P Materials Select Sector Index (SIXB)
(li) S&P Real Estate Select Sector Index (SIXRE)
(lii) S&P Communication Services Select Sector Index (SIXC)

Adopted February 27, 1986; amended September 23, 1991 (91-07); May 19, 1993 (93-25);
September 21, 1993 (93-26), effective October 27, 1993; January 6, 1994 (93-49); January 13,
1994 (93-50); April 25, 1994 (93-57); July 5, 1994 (94-05); July 14, 1995 (95-37); December 21,
1995 (95-51); January 29, 1996 (96-04); March 26, 1996 (96-16); April 2, 1996 (96-17); April 15,
1996 (96-21); May 10, 1996 (96-11); September 17, 1996 (96-43); May 14, 1997, effective June
23, 1997 (96-71); September 3, 1997 (97-27, & 28); December 16, 1997 (97-63); February 25,
1999 (99-05); February 24, 2003 (02-40); April 9, 2004 (Cboe Options China Index per SEC Rule
19b-4(e)); July 1, 2005 (Cboe Options PowerPacks Indexes per SEC Rule 19b-4(e)); February 7, 2006 (05-104); May 19, 2010 (10-018); May 26, 2011 (11-026); November 28, 2014 (14-062); April 13, 2018 (18-030); October 15, 2018 (18-067); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 On the last trading day, transactions in expiring Quarterly Index Expirations (QIXs) may be effected on the Exchange during Global Trading Hours and during the Regular Trading Hours of 8:30 a.m. (Chicago time) to 3:00 pm (Chicago time). This Interpretation and Policy .01 applies to all outstanding expiring QIXs that expire at the end of the second calendar quarter in 2009 and thereafter.

Amended April 1, 2009 (09-020); November 28, 2014 (14-062).

.02 Transactions in ETF Based Volatility Index options may be effected on the Exchange between the hours of 8:30 a.m. (Chicago time) and 3:15 p.m. (Chicago time), except that if the closing time for the index components (i.e., Cboe Options listed ETF options) is earlier than 3:15 p.m. (Chicago time), the earlier closing time shall apply.

Adopted May 26, 2011 (11-026); amended August 11, 2011 (11-055).

.03 On their last trading day, transactions in expiring Cboe S&P 500 AM/PM Basis options may be effected on the Exchange between the hours of 8:30 a.m. (Chicago time) and 3:00 p.m. (Chicago time).

Adopted July 20, 2012 (12-042).

.04 On their last trading day, transactions in expiring P.M.-settled S&P 500 Index options (P.M.-settled third Friday-of-the-month SPX options series) and P.M.-settled XSP options may be effected on the Exchange between the hours of 8:30 a.m. (Chicago time) and 3:00 pm (Chicago time).

Approved February 8, 2013 (12-120); amended July 31, 2013 (13-055); February 17, 2017 (16-091).

.05 On their last trading day, transactions in expiring FTSE Developed Europe Index options may be effected on the Exchange between the hours of 8:30 a.m. (Chicago time) and the close of the London Stock Exchange (usually 10:30 a.m. Chicago time). The last day of trading for expiring MSCI EAFE Index options series and MSCI Emerging Markets Index options series will be the business day prior to the expiration date of the specific series.

Adopted April 8, 2015 (15-023); amended December 11, 2015 (15-104); September 2, 2016 (16-049); amended June 25, 2018 (18-048).

.06 With respect to options on a foreign index that is comprised of component securities trading in a single country, the Exchange may determine not to open the options for trading when the component securities of the foreign index are not trading due to a holiday on the foreign exchange(s) at which the component securities trade. At least once a year in January, the Exchange...
Rule 24.7. Trading Halts, Suspensions, or Primary Market Closure

(a) Trading on the Exchange in an index option shall be halted whenever two Floor Officials, in consultation with a designated senior executive officer of the Exchange, shall conclude in their judgment that such action is appropriate in the interests of a fair and orderly market and to protect investors. Among the facts that may be considered are the following:

(i) the extent to which trading is not occurring in the stocks or options underlying the index;

(ii) the current calculation of the index derived from the current market prices of the stocks is not available;

(iii) the “current index level” for a volatility index is not available or the cash (spot) value for a volatility index is not available;

(iv) the extent to which the rotation has been completed or other factors regarding the status of the rotation; or

(v) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

(b) Trading in options of a class or series that has been the subject of a halt or suspension by the Exchange may resume if two Floor Officials, in consultation with a designated senior executive officer of the Exchange determine that the interests of a fair and orderly market are served by a resumption of trading. Among the factors to be considered in making this determination are whether the conditions which led to the halt or suspension are no longer present and the extent to which trading is occurring in the stocks or options underlying the index.

(c) See also Rule 6.3B for the effect of the initiation of a marketwide trading halt commonly known as a circuit breaker on the New York Stock Exchange.

(d) When the hours of trading of the underlying primary securities market for an index option do not overlap or coincide with those of the Exchange, and during Global Trading Hours, all of the provisions as described in paragraphs (a), (b) and (c) above shall not apply except for (a) (v).

(e) When the primary market for a security underlying the current index value of an index option does not open for trading, halts trading prematurely, or otherwise experiences a disruption of normal trading on a given day, or if a particular security underlying the current index value of an index option does not open for trading, halts trading prematurely, or otherwise experiences a disruption of normal trading on a given day in its primary market, the price of that
security shall be determined, for the purposes of calculating the current index value at expiration, in accordance with the Rules and By-Laws of The Options Clearing Corporation.

Amended August 12, 1983; October 19, 1988 (88-14); January 14, 1991 (90-33); September 23, 1991 (91-07); May 31, 1995 (95-05); December 22, 1997 (97-36); May 30, 2000 (00-02); March 20, 2003 (03-13); May 23, 2008 (08-02); September 26, 2013 (13-079); November 28, 2014 (14-062).

. . . Interpretations and Policies:

.01 The Exchange has determined that the activation of price limits on futures exchanges or the halt of trading in related futures are factors which could comprise other unusual conditions or circumstances pursuant to Rule 24.7(a)(v).

Approved January 14, 1991 (90-33); amended September 26, 2013 (13-079); November 28, 2014 (14-062).

.02 Upon reopening, a rotation shall be held in each class of index options unless two Floor Officials, in consultation with a designated senior executive officer of the Exchange, conclude that a different method of reopening is appropriate under the circumstances, including but not limited to, no rotation, an abbreviated rotation or any other variation in the manner of the rotation.

Approved December 22, 1997 (97-36); amended May 23, 2008 (08-02).

.03 For purposes of paragraph (a)(iii) above, the “current index level” shall mean the implied forward level based on volatility index (security) futures prices.

Approved September 26, 2013 (13-079).

Rule 24.8. Meaning of Premium Bids and Offers

Bids and offers shall be expressed in terms of dollars and fractions or dollars and decimals per unit of the index (e.g., a bid of 85 1/2 and a bid of 85.50 would each represent a bid of $85.50 per unit). However, bids and offers for option series subject to decimal pricing shall only be expressed in terms of dollars and decimals.

Amended August 7, 2000 (00-07).

. . . Interpretations and Policies:

.01 When a customer submits to a Trading Permit Holder for open outcry handling a complex order with a total cash price (the “total order price”) and the total number of contracts for each leg, if pricing the legs for execution would result in a difference between the total execution price and the total order price, the Trading Permit Holder must resolve the difference in a manner that provides price improvement to the customer (i.e. the broker must determine leg prices that correspond to a total purchase (sale) price that is less (greater) than the total order price).

Amended March 20, 2015 (15-010).
Rule 24.9. Terms of Index Option Contracts

(a) General.

(1) Exercise Prices. The Exchange shall determine fixed-point intervals of exercise prices for call and put options.

(2) Expiration Months and Weeks. Index option contracts may expire at three-month intervals, in consecutive months or in consecutive weeks (as specified by class below).

The Exchange may:

• list up to six standard monthly expirations at any one time in a class, but will not list index options that expire more than 12 months out;

• list up to 12 standard monthly expirations at any one time for any class that the Exchange (as the Reporting Authority) uses to calculate a volatility index and for CBOE S&P 500 AM/PM Basis, EAFE, EM, FTSE Emerging, FTSE Developed, FTSE 100, China 50, and S&P Select Sector Index (SIXM, SIXE, SIXT, SIXV, SIXU, SIXR, SIXI, SIXY, SIXB, and SIXRE, and SIXC) options;

• list up to 12 consecutive weekly expirations in VXST options; and

• list up to six weekly expirations and up to 12 standard (monthly) expirations in VIX options. The six weekly expirations shall be for the nearest weekly expirations from the actual listing date and weekly expirations may not expire in the same week in which standard (monthly) VIX options expire. Standard (monthly) expirations in VIX options are not counted as part of the maximum six weekly expirations permitted for VIX options.

(A) Short Term Option Series Program. Notwithstanding the preceding restriction, after an index option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day (“Short Term Option Opening Date”) series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire (“Short Term Option Expiration Dates”). The Exchange may have no more than a total of five Short Term Option Expiration Dates for each series. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. Regarding Short Term Option Series:
(i) Classes. The Exchange may select up to fifty currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each index option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to 30 Short Term Option Series on index options for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(ii) Expiration. No Short Term Option Series on an index option class may expire in the same week during which any monthly option series on the same index class expire or, in the case of Quarterly Options Series or QIXs, on an expiration that coincides with an expiration of Quarterly Option Series or QIXs on the same index class.

(iii) Initial Series. The Exchange may open up to 20 initial series for each option class that participates in the Short Term Options Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the calculated value of the underlying index at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven series are initially opened, there will be at least three strike prices above and three strike prices below the value of the underlying security or calculated index value). Any strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index.

(iv) Additional Series. The Exchange may open up to 10 additional series for each open class that participates in the Short Term Option Series Program when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the current value of the underlying index moves substantially from the exercise price or prices of the series already opened. Any additional strike prices listed by the Exchange shall be within thirty percent (30%) above or below the current value of the underlying index. The Exchange may also open additional strike prices of Short Term Option Series that are more than 30% above or below the current value of the underlying index provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In the event that the underlying index has moved such that there are no series that are at least 10% above or below the current value of the underlying index and all existing series have open
interest, the Exchange may list additional series, in excess of the thirty series per class limit set forth in Rule 24.9(a)(2)(A)(i), that are between 10% and 30% above or below the value of the underlying index. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened. Notwithstanding any other provisions in this Rule 24.9, Short Term Option Series may be added up to, and including on, the last trading day for that options series.

(v) Strike Interval. The interval between strike prices on Short Term Option Series may be: (1) $0.50 or greater where the strike price is less than $75, and $1 or greater where the strike price is between $75 and $150 for all index classes that participate in the Short Term Option Series Program; or (2) $0.50 for index classes that trade in one dollar increments in non-Short Term Options and that participate in the Short Term Option Series Program. A non-Short Term Option that is on an index class that has been selected to participate in the Short Term Option Series Program is referred to as a “Related non-Short Term Option.”

(vi) Delisting. In the event that the underlying index has moved such that there are no series that are at least 10% above or below the current value of the underlying index, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week, so as to list series that are at least 10% but not more than 30% above or below the current value of the underlying index.

Related non-Short Term Option series shall be opened during the month prior to expiration in the same manner as permitted in Rule 24.9(a)(2)(A) and in the same strike price intervals that are permitted in this Rule 24.9(a)(2)(A)(v).

(B) Quarterly Options Series Program. Notwithstanding the preceding restriction, the Exchange may list and trade options series that expire at the close of business on the last business day of a calendar quarter (“Quarterly Options Series”).

(i) Classes. The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either index options or options on ETFs. In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(ii) Expiration. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year. For example, if the Exchange is trading
Quarterly Options Series in the month of May 2009, it may list series that expire at the end of the second, third, and fourth quarters of 2009, as well as the first and fourth quarters of 2010. Following the second quarter 2009 expiration, the Exchange could add series that expire at the end of the second quarter of 2010.

(iii) Settlement. Quarterly Options Series shall be P.M. settled.

(iv) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two, but no more than five, strike prices above and at least two, but no more than five, strike prices below the value of the underlying index at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for Quarterly Options Series that are reasonably related to the current index value of the underlying index to which such series relates at about the time such series of options is first opened for trading on the Exchange. The term “reasonably related to the current index value of the underlying index” means that the exercise price is within thirty percent (30%) of the current index value.

(v) Additional Series. The Exchange may open for trading additional Quarterly Options Series of the same class when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. The Exchange may also open for trading additional Quarterly Options Series that are more than thirty percent (30%) of the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision.

The Exchange may open additional strike prices of a Quarterly Options Series that are above the value of the underlying index provided that the total number of strike prices above the value of the underlying index is no greater than five. The Exchange may open additional strike prices of a Quarterly Options Series that are below the value of the underlying index provided that the total number of strike prices below the value of the underlying index is no greater than five. The opening of any new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(vi) Strike Interval. The interval between strike prices on Quarterly Options Series shall be the same as the strike prices for series in that same index option class that expire in accordance with the normal monthly expiration cycle.
“European-Style Exercise”. The following European-style index options, some of which are A.M.-settled as provided in paragraph (a)(4), are approved for trading on the Exchange:

(i) Standard & Poor’s 500 Stock Index.

(ii) FT-SE (U.K.) 100 Stock Index.

(iii) Cboe BioTech Index.

(iv) FT-SE Eurotrack 200 Stock Index.

(v) Russell 2000 Index

(vi) S&P Transportation Index.

(vii) S&P Retail Index.

(viii) S&P Health Care Index.

(ix) S&P Banking Index.

(x) Standard & Poor’s 100 Stock Index.

(xi) S&P Chemicals Index.

(xii) S&P Insurance Index.

(xiii) Cboe Environmental Index.

(xiv) Cboe Computer Software Index.

(xv) S&P 500/Barra Growth Index.

(xvi) S&P 500/Barra Value Index.

(xvii) Nasdaq 100.

(xviii) Cboe Gaming Index.

(xix) Cboe Telecommunications Index.

(xxi) Cboe S&P 500 Three-Month Realized Volatility.

(xxii) Mini-SPX Index.

(xxiii) Cboe Equity VIX on Apple (VXAPL).

(xxiv) Cboe Equity VIX on Amazon (VXAZN).

(xxv) Cboe Equity VIX on Goldman Sachs (VXGS).

(xxvi) Cboe Equity VIX on Google (VXGOG).

(xxvii) Cboe Emerging Markets Index.

(xxviii) Cboe Emerging Asian Markets Index.

(xxix) Cboe Gold ETF Volatility Index (“GVZ”).

(xxx) Cboe Equity VIX on IBM (VXIBM).

(xxxi) S&P SmallCap 600 Index.

(xxxii) Cboe Latin 15 Index.

(xxxiii) Cboe Technology Index.

(xxxiv) Cboe S&P 500 BuyWrite Index (1/10th value).

(xxxv) Mexico 30 Index.

(xxxvi) Cboe Germany 25 Index.

(xxxvii) Cboe Automotive Index.

(xxxviii) Cboe Internet Index.

(xxxix) Cboe Oil Index.

(xl) Cboe Gold Index.

(xli) Cboe Computer Networking Index.

(xlii) Cboe PC Index.
(xliii) S&P 500 Dividend Index.
(xliv) GSTI Composite Index.
(xlv) GSTI Internet Index.
(xlvi) GSTI Software Index.
(xlvii) GSTI Semiconductor Index.
(xlviii) GSTI Hardware Index.
(xlix) GSTI Multimedia Networking Index.
(l) GSTI Services Index.
(li) Morgan Stanley Multinational Company Index.
(lii) Reduced Value NYSE Composite Index.
(liii) Packaged Butterfly Spreads.
(liv) Packaged Vertical Spreads.
(lv) Dow Jones Industrial Average.
(lvi) Dow Jones Transportation Average.
(lvii) Dow Jones Utility Average.
(lviii) Lipper Analytical/Salomon Bros. Growth Fund Index
(lx) Lipper Analytical/Salomon Bros. Growth & Income Fund Index
(lxi) Dow Jones High Yield Select 10 Index.
(lxii) Dow Jones Equity REIT Index.
(lxiii) Dow Jones E*Commerce Index.
(lxiv) Cboe Euro 25 Index.
(lxiv) Cboe Asian 25 Index.
Russell 1000 Index.

Russell 1000 Growth Index.

Russell 1000 Value Index.

Russell 2000 Growth Index.

Russell 2000 Value Index.

Russell 3000 Index.

Russell 3000 Growth Index.

Russell 3000 Value Index.

Russell Midcap Index.

Russell Midcap Growth Index.

Russell Midcap Value Index.

Russell Top 200 Index.

Russell Top 200 Growth Index.

Russell Top 200 Value Index.

Cboe China Index.

Cboe Volatility Index® (VIX®).

Cboe Nasdaq 100® Volatility Index (VXN®).

Cboe Increased-Value Volatility Index®.

Cboe Increased-Value Nasdaq 100® Volatility Index.

Cboe Increased-Value Dow Jones Industrial Average® Volatility Index.

Cboe Russell 2000 Volatility Index SM (RVX SM).

Cboe Power Packs SM Bank Index
Cboe PowerPacks SM Biotechnology Index
Cboe PowerPacks SM Gold Index
Cboe PowerPacks SM Internet Index
Cboe PowerPacks SM Iron & Steel Index
Cboe PowerPacks SM Oil Index
Cboe PowerPacks SM Oil Services Index
Cboe PowerPacks SM Pharmaceuticals Index
Cboe PowerPacks SM Retail Services Index
Cboe PowerPacks SM Semiconductor Services Index
Cboe PowerPacks SM Technology Services Index
Cboe PowerPacks SM Telecom Services Index
Cboe Crude Oil ETF Volatility Index (OVX).
Cboe Emerging Markets ETF Volatility Index (VXEEM).
Cboe China ETF Volatility Index (VXFXI).
Cboe Brazil ETF Volatility Index (VXEWZ).
Cboe Gold Miners ETF Volatility Index (VXGDX).
Cboe Energy Sector ETF Volatility Index (VXXLE).
Cboe Silver ETF Volatility Index (VXSLV).
Cboe S&P 500 AM/PM Basis (P.M.-settled)
Reserved.
Cboe Short-Term Volatility Index (VXST)
MSCI EAFE Index (P.M.-settled)
MSCI Emerging Markets Index (P.M.-settled)

FTSE 100 Index (1/10 th)

FTSE China 50 Index (1/100 th)

FTSE Emerging Index

FTSE Developed Europe Index

S&P Financial Select Sector Index (SIXM)

S&P Energy Select Sector Index (SIXE)

S&P Technology Select Sector Index (SIXT)

S&P Health Care Select Sector Index (SIXV)

S&P Utilities Select Sector Index (SIXU)

S&P Consumer Staples Select Sector Index (SIXR)

S&P Industrials Select Sector Index (SIXI)

S&P Consumer Discretionary Select Sector Index (SIXY)

S&P Materials Select Sector Index (SIXB)

S&P Real Estate Select Sector Index (SIXRE)

S&P Communication Services Select Sector Index (SIXC)

(4) A.M.-Settled Index Options. The last day of trading for non-Volatility A.M.-settled index options shall be the business day preceding the last day of trading in the underlying securities prior to expiration. The last day of trading for Volatility Index, Individual Stock or ETF Based Volatility Index options that measure a 30-day volatility period is governed by subparagraph (5) below and the last day of trading for VXST options is governed by subparagraph (6) below. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from the opening prices (intra-day auction prices in the case of FTSE 100 options and closing prices in the case of China 50 options) of the underlying securities on such day, as determined by the market for such security selected by the Reporting Authority.
pursuant to Interpretation and Policy .09 to Rule 24.9, except that in the event that
the primary market for an underlying security does not open for trading, halts
trading prematurely, or otherwise experiences a disruption of normal trading on that
day, or in the event that the primary market for an underlying security is open for
trading on that day, but that particular security does not open for trading, halts
trading prematurely, or otherwise experiences a disruption of normal trading on that
day, the price of that security shall be determined, for the purposes of calculating
the current index value at expiration, as set forth in Rule 24.7(e). The current index
level at the expiration of an A.M.-settled S&P 500 Dividend Index option shall be
a special quotation of the S&P 500 Dividend Index as determined by the Reporting
Authority pursuant to Interpretation and Policy .09 to Rule 24.9, except that in the
event that the Reporting Authority is unable to calculate a special quotation of the
S&P 500 Dividend Index, the special quotation shall be determined, for the
purposes of calculating the current index value at expiration, as set forth in Rule
24.7(e).

The following A.M.-settled index options are approved for trading on the Exchange:

(i) Standard & Poor’s 500 Stock Index.
(ii) Cboe BioTech Index.
(iii) Russell 2000 Index.
(iv) S&P Transportation Index.
(v) S&P Retail Index.
(vi) S&P Health Care Index.
(vii) S&P Banking Index.
(viii) Cboe S&P 500 BuyWrite Index (1/10th value).
(ix) S&P Chemicals Index.
(x) S&P Insurance Index.
(xi) Cboe Environmental Index.
(xii) Cboe Computer Software Index.
(xiii) S&P 500/Barra Growth Index.
(xiv) S&P 500/Barra Value Index.
(xv) S&P 500 Dividend Index.
(xvi) Cboe Gaming Index.
(xvii) Cboe Telecommunications Index.
(xx) Mini-SPX Index.
(xxi) Cboe Gold ETF Volatility Index (“GVZ”).
(xxii) Cboe Equity VIX on Apple (VXAPL).
(xxiii) Cboe Equity VIX on Amazon (VXAZN).
(xxiv) Cboe Equity VIX on Goldman Sachs (VXGS).
(xxv) Cboe Emerging Markets Index.
(xxvi) Cboe Emerging Asian Markets Index.
(xxvii) [Reserved.]
(xxviii) S&P SmallCap 600 Index.
(xxix) Cboe Latin 15 Index.
(xxx) Cboe Technology Index.
(xxxi) Cboe Automotive Index.
(xxxii) Cboe Internet Index.
(xxxiii) Cboe Gold Index.
(xxxiv) Cboe Oil Index.
(xxxv) Cboe Computer Networking Index.
(xxxvi) Cboe PC Index.
(xxxvii) GSTI Composite Index.
(xxxviii) GSTI Internet Index.
(xxxix) GSTI Software Index.
(xl) GSTI Semiconductor Index.
(xli) GSTI Hardware Index.
(xlii) GSTI Multimedia Networking Index.
(xliii) GSTI Services Index.
(xliv) Morgan Stanley Multinational Company Index.
(xlv) Reduced Value NYSE Composite Index.
(xlvi) Dow Jones Industrial Average.
(xlvii) Dow Jones Transportation Average.
(xlviii) Dow Jones Utility Average.
(xlix) Dow Jones High Yield Select 10 Index.
(l) Dow Jones Equity REIT Index.
(li) Dow Jones E*Commerce Index.
(lii) Cboe Euro 25 Index.
(liii) Cboe Asian 25 Index.
(liv) Russell 1000 Index.
(lv) Russell 1000 Growth Index.
(lvi) Russell 1000 Value Index.
(lvii) Russell 2000 Growth Index.
(lviii) Russell 2000 Value Index.

(lx) Russell 3000 Index.

(lxi) Russell 3000 Growth Index.

(lxii) Russell 3000 Value Index.

(lxiii) Russell Midcap Index.

(lxiv) Russell Midcap Growth Index.

(lxv) Russell Midcap Value Index.

(lxvi) Russell Top 200 Index.

(lxvii) Russell Top 200 Growth Index.

(lxviii) Russell Top 200 Value Index.

(lxix) Cboe China Index.

(lxx) Cboe Volatility Index® (VIX®).

(lxxi) Cboe Nasdaq 100® Volatility Index (VXN®).

(lxxii) Cboe Dow Jones Industrial Average® Volatility Index (VXD®).

(lxxiii) Cboe Increased-Value Volatility Index®.

(lxxiv) Cboe Increased-Value Nasdaq 100® Volatility Index.

(lxxv) Cboe Increased-Value Dow Jones Industrial Average® Volatility Index.


(lxxvii) Cboe PowerPacks SM Biotechnology Index

(lxxviii) Cboe PowerPacks SM Gold Index

(lxxix) Cboe PowerPacks SM Internet Index

(lxxx) Cboe PowerPacks SM Iron & Steel Index
Cboe PowerPacks SM Oil Index
Cboe PowerPacks SM Oil Services Index
Cboe PowerPacks SM Pharmaceuticals Index
Cboe PowerPacks SM Retail Services Index
Cboe PowerPacks SM Semiconductors Services Index
Cboe PowerPacks SM Technology Services Index
Cboe PowerPacks SM Telecom Services Index
Cboe Equity VIX on Google (VXGO).
Cboe Equity VIX on IBM (VXIBM).
Cboe Crude Oil ETF Volatility Index (OVX).
Cboe Emerging Markets ETF Volatility Index (VXEEM).
Cboe China ETF Volatility Index (VXFXI).
Cboe Brazil ETF Volatility Index (VXEWZ).
Cboe Gold Miners ETF Volatility Index (VXGDX).
Cboe Energy Sector ETF Volatility Index (VXXLE).
Cboe Silver ETF Volatility Index (VXSLV).
Cboe Short-Term Volatility Index (VXST)
FTSE 100 Index (1/10th)
FTSE China 50 Index (1/100th)
S&P Financial Select Sector Index (SIXM)
S&P Energy Select Sector Index (SIXE)
S&P Technology Select Sector Index (SIXT)
(xcxii) S&P Health Care Select Sector Index (SIXV)
(xcxiii) S&P Utilities Select Sector Index (SIXU)
(xcv) S&P Consumer Staples Select Sector Index (SIXR)
(xcv) S&P Industrials Select Sector Index (SIXI)
(xcvii) S&P Consumer Discretionary Select Sector Index (SIXY)
(xcviii) S&P Materials Select Sector Index (SIXB)
(xcviiii) S&P Real Estate Select Sector Index (SIXRE)
(xcix) S&P Communication Services Select Sector Index (SIXC)

(5) Method of Determining Day that Exercise Settlement Value will be Calculated, Special Opening Quotation and Expiration Date and Last Trading Day for Options on Volatility Indexes that Measure a 30-Day Volatility Period (“Volatility Index options”).

(A) Method of Determining Day that Exercise Settlement Value will be Calculated

(i) Volatility Index Options (Other than VIX Options, e.g., RVX, VXN, VXN, Individual Stock or ETF Based Volatility Index Options): The exercise settlement value of a standard (monthly) Volatility Index option for all purposes under these Rules and the Rules of the Clearing Corporation, shall be calculated on the Wednesday that is 30 days prior to the third Friday of the calendar month immediately following the month in which the standard (monthly) Volatility Index option expires. If that Wednesday or the third Friday of the month subsequent to the expiration of the standard (monthly) Volatility Index option is an Exchange holiday, the exercise settlement value shall be calculated on the business day that is 30 days prior to the Exchange business day immediately preceding that Friday.

(ii) Cboe Volatility Index (“VIX”) Options: The exercise settlement value of a VIX option for all purposes under these Rules and the Rules of the Clearing Corporation, shall be calculated on the specific date (usually a Wednesday) identified in the option symbol for the series. If that Wednesday or the Friday that is 30 days following that Wednesday is an Exchange holiday, the exercise settlement value shall be calculated on the business day immediately preceding that Wednesday.

(B) Special Opening Quotation
The exercise settlement value of a Volatility Index option for such purposes shall be calculated by the Exchange as a Special Opening Quotation (SOQ) of the applicable Volatility Index using the sequence of opening prices of the options that comprise the Volatility Index. The opening price for any series in which there is no trade shall be the average of that option’s bid price and ask price as determined at the opening of trading.

The “time to expiration” used to calculate the SOQ shall account for the actual number of days and minutes until expiration for the constituent option series. For example, if the Exchange announces that the opening of trading in the constituent option series is delayed, the amount of time until expiration for the constituent option series used to calculate the exercise settlement value would be reduced to reflect the actual opening time of the constituent option series. Another example would be when the Exchange is closed on a Wednesday due to an Exchange holiday, the amount of time until expiration used to calculate the exercise settlement value would be increased to reflect the extra calendar day between the day that the exercise settlement value is calculated and the day on which the constituent option series expire.

(C) Expiration Date and Last Day of Trading

The expiration date of a Volatility Index option shall be the same day that the exercise settlement value of the Volatility Index option is calculated. The last trading day for a Volatility Index option shall be the business day immediately preceding the expiration date of the Volatility Index option. When the last trading day is moved because of an Exchange holiday, the last trading day for an expiring option contract will be the day immediately preceding the last regularly scheduled trading day.

(6) Method of Determining Day that Exercise Settlement Value will be Calculated, Special Opening Quotation and Expiration Date and Last Trading Day for Cboe Options Short-Term Volatility Index (VXST) Options.

Method of Determining Day that Exercise Settlement Value will be Calculated

The exercise settlement value of a VXST option for all purposes under these Rules and the Rules of the Clearing Corporation, shall be calculated on the specific date (usually a Wednesday) identified in the option symbol for the series. If that Wednesday or the Friday in the business week following that Wednesday (i.e., nine days away) is an Exchange holiday, the exercise settlement value would be calculated on the business day immediately preceding the Wednesday.

Special Opening Quotation

The exercise settlement value of a VXST option for all purposes under these Rules and the Rules of the Clearing Corporation shall be calculated by the Exchange as a Special Opening Quotation (SOQ) of VXST using the sequence of opening prices of the options that comprise the VXST index. The opening price for any series in which there is no trade
shall be the average of that option’s bid price and ask price as determined at the opening of trading.

The “time to expiration” used to calculate the SOQ shall account for the actual number of days and minutes until expiration for the constituent option series. For example, if the Exchange announces that the opening of trading in the constituent option series is delayed, the amount of time until expiration for the constituent option series used to calculate the exercise settlement value would be reduced to reflect the actual opening time of the constituent option series.

Another example would be when the Exchange is closed on a Wednesday due to an Exchange holiday, the amount of time until expiration used to calculate the exercise settlement value would be increased to reflect the extra calendar day between the day that the exercise settlement value is calculated and the day on which the constituent option series expire.

Expiration Date and Last Day of Trading

The expiration date of a VXST option shall be the same day that the exercise settlement value of the VXST option is calculated. The last trading day for a VXST option shall be the business day immediately preceding the expiration date of the VXST option. When the last trading day is moved because of an Exchange holiday, the last trading day for an expiring VXST option contract will be the day immediately preceding the last regularly scheduled trading day.

(b) Long-Term Index Option Series (“LEAPS”).

(1) Notwithstanding the provisions of Paragraph (a)(2) above, the Exchange may list long-term index option series that expire from 12 to 180 months from the date of issuance.

(A) Index LEAPS may be based on either the full or reduced value of the underlying index.

(B) There may be up to 10 expiration months, none further out than one-hundred eighty (180) months.

(2) Reduced-Value LEAPS.

(A) Reduced-value LEAPS on the following stock indices are approved for trading on the Exchange:

(i) Standard & Poor’s 100 Stock Index,

(ii) Standard & Poor’s 500 Stock Index,

(iii) Cboe BioTech Index, and
Russell 2000 Index.
S&P Transportation Index.
S&P Retail Index.
S&P Health Care Index.
S&P Banking Index.
Cboe S&P 500 BuyWrite Index.
S&P Chemicals Index.
S&P Insurance Index.
Cboe Environmental Index.
Cboe Computer Software Index.
FT-SE (U.K.) 100 Stock Index.
S&P 500/Barra Growth Index.
S&P 500/Barra Value Index.
Nasdaq 100.
Cboe Gaming Index.
Cboe Telecommunications Index.
[Reserved.]
Cboe Emerging Markets Index.
Cboe Emerging Asian Markets Index.
[Reserved.]
S&P SmallCap 600 Index.
(xxxii) Cboe Latin 15 Index.

(xxxiii) Cboe Technology Index.

(xxxiv) [Reserved.]

(xxxv) Mexico 30 Index.

(xxxvi) Cboe Germany 25 Index.

(xxxvii) Cboe Automotive Index.

(xxxviii) Cboe Internet Index.

(xxxix) Cboe Gold Index.

(xl) Cboe Oil Index.

(xli) Cboe Computer Networking Index.

(xlii) Cboe PC Index.

(xliii) [Reserved.]

(xliv) GSTI Composite Index.

(xlv) GSTI Internet Index.

(xlvi) GSTI Software Index.

(xlvii) GSTI Semiconductor Index.

(xlviii) GSTI Hardware Index.

(xlix) GSTI Multimedia Networking Index.

(l) GSTI Services Index.

(li) Morgan Stanley Multinational Company Index.

(lii) Reduced Value NYSE Composite Index.

(liii) Dow Jones Transportation Average.
(liv) Dow Jones Utility Average.
(lv) Lipper Analytical/Salomon Bros. Growth Fund Index
(lvi) Lipper Analytical/Salomon Bros. Growth & Income Fund Index
(lvii) Dow Jones High Yield Select 10 Index.
(lviii) Dow Jones Equity REIT Index.
(lix) Dow Jones E*Commerce Index.
(lx) Russell 1000 Index.
(lxi) Russell 1000 Growth Index.
(lxii) Russell 1000 Value Index.
(lxiii) Russell 2000 Growth Index.
(lxiv) Russell 2000 Value Index.
(lxv) Russell 3000 Index.
(lxvi) Russell 3000 Growth Index.
(lxvii) Russell 3000 Value Index.
(lxviii) Russell Midcap Index.
(lxix) Russell Midcap Growth Index.
(lxx) Russell Midcap Value Index.
(lxxi) Russell Top 200 Index.
(lxxii) Russell Top 200 Growth Index.
(lxxiii) Russell Top 200 Value Index.
(lxxiv) Cboe China Index.
(lxxv) Cboe PowerPacks SM Biotechnology Index
(lxxvi) Cboe PowerPacks SM Gold Index
(lxxvii) Cboe PowerPacks SM Internet Index
(lxxviii) Cboe PowerPacks SM Iron & Steel Index
(lxxix) Cboe PowerPacks SM Oil Index
(lxxx) Cboe PowerPacks SM Oil Services Index
(lxxxi) Cboe PowerPacks SM Pharmaceuticals Index
(lxxxii) Cboe PowerPacks SM Retail Services Index
(lxxxiii) Cboe PowerPacks SM Semiconductor Services Index
(lxxxiv) Cboe PowerPacks SM Technology Services Index
(lxxxv) Cboe PowerPacks SM Telecom Services Index
(lxxxvi) FSTE 100 Index
(lxxxvii) FTSE China 50 Index

(B) Expiration Months. Reduced-value LEAPS may expire at six-month intervals. When a new expiration month is listed, series may be near or bracketing the current index value. Additional series may be added when the value of the underlying index increases or decreases by ten to fifteen percent (10 to 15%).

(c) Quarterly Index Expirations or QIXs. The Exchange may open for trading QIXs on the S&P 100, S&P 500, Mini-SPX Index, Russell 2000, and Dow Jones High Yield Select 10 stock indices. QIXs shall be subject to the provisions of paragraph (a) of this Rule except that, notwithstanding the provisions of paragraph (a)(2) of this Rule, there may be up to eight near-term quarterly expirations open for trading and, notwithstanding the provisions of paragraph (a)(4) of this Rule, QIXs on the S&P 500, Mini-SPX Index, Russell 2000 stock, and Dow Jones High Yield Select 10 stock indices shall be P.M.-settled index options. The index multiplier for QIXs may be 100 or 500.

(d)

(1) Delayed Start Option Series. The Exchange may open for trading Delayed Start Option Series on any security index that is approved for options trading on the Exchange. The exercise price for a Delayed Start Option Series shall be fixed in accordance with subparagraph (d)(2). Until the strike setting date, a Delayed Start Option Series shall be traded with European-style exercise methodology. After the strike setting date, a Delayed Start Option Series shall have
the same exercise methodology (i.e., American-style or European-style) as other options contracts in the same index class.

(2) A Delayed Start Option Series’ exercise price will be determined in relation to the closing price of the underlying index on the date on which the exercise price is fixed (“strike setting date”). The strike setting date for a particular Delayed Start Option Series shall be fixed by the Exchange prior to opening the Delayed Start Option Series (“opening date”) and shall not be sooner than one month nor later than twelve months after the opening date. The expiration date shall also be fixed by the Exchange prior to the opening date and shall not exceed the period set forth in Rule 5.8(a).

(i) On the strike setting date, each Delayed Start Option Series shall be assigned a strike price that either is at-the-money, in-the-money by a specified amount, or out-of-the-money by a specified amount. The terms of each Delayed Start Option Series, including: (A) the determination of whether a Delayed Start Option Series shall be assigned an at-the-money, in-the-money, or out-of-the-money strike price; and (B) the specified amount by which a strike price shall be established in or out-of-the-money (if applicable), shall be fixed by the Exchange on the opening date.

(ii) The exercise price assigned to the Delayed Start Option Series will be rounded to the lesser of the nearest 1.00 (greater than or equal to 0.50 rounds up) or such smaller increment as may be fixed by the Exchange on the opening date, provided that such increment shall not be smaller than 0.01.

(3) Except as may otherwise be provided in this rule or as the context may otherwise require, Delayed Start Option Series shall be subject to all of the Exchange’s Rules in the same manner as standard cash-settled index option series based on the same underlying index.

(4) The Exchange’s strike price interval rules shall not apply to Delayed Start Option Series.

(5) DSOs in an index option class will be treated the same as any other options on the same index for the purpose of determining customer margin under Rule 12.3, except that spread margin will not be permitted between DSO and non-DSO options for the time period between the initial listing of a DSO and its strike setting date.

(6) For the Delayed Start Option Series of a given index option class, the Exchange shall determine the appropriate market model, including the eligible categories of Market-Maker participants as provided in Rule 8.14, allocation algorithms, and other trading parameters. The market model for the Delayed Start Option Series of a given index option class may differ from the market model for the non-Delayed Start Option Series of the same class and may differ for the periods before and after the strike setting date.
(e) Nonstandard Expirations Pilot Program

(1) Weekly Expirations. The Exchange may open for trading Weekly Expirations on any broad-based index eligible for standard options trading to expire on any Monday, Wednesday, or Friday (other than the third Friday-of-the-month or days that coincide with an EOM expiration). Weekly Expirations shall be subject to all provisions of this Rule and treated the same as options on the same underlying index that expire on the third Friday of the expiration month; provided, however, that Weekly Expirations shall be P.M.-settled and new series in Weekly Expirations may be added up to and including on the expiration date for an expiring Weekly Expiration.

The maximum number of expirations that may be listed for each Weekly Expiration (i.e., a Monday expiration, Wednesday expiration, or Friday expiration, as applicable) in a given class is the same as the maximum number of expirations permitted in Rule 24.9 (a)(2) for standard options on the same broad-based index. Weekly Expirations need not be for consecutive Monday, Wednesday, or Friday expirations as applicable; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. Weekly Expirations that are first listed in a given class may expire up to four weeks from the actual listing date. If the last trading day of a month is a Monday, Wednesday, or Friday and the Exchange lists EOMs and Weekly Expirations as applicable in a given class, the Exchange will list an EOM instead of a Weekly Expiration in the given class. Other expirations in the same class are not counted as part of the maximum number of Weekly Expirations for a broad-based index class. If the Exchange is not open for business on a respective Monday, the normally Monday expiring Weekly Expirations will expire on the following business day. If the Exchange is not open for business on a respective Wednesday or Friday, the normally Wednesday or Friday expiring Weekly Expirations will expire on the previous business day.

(2) End of Month (“EOM”) Expirations. The Exchange may open for trading EOMs on any broad-based index eligible for standard options trading to expire on last trading day of the month. EOMs shall be subject to all provisions of this Rule and treated the same as options on the same underlying index that expire on the third Friday of the expiration month; provided, however, that EOMs shall be P.M.-settled and new series in EOMs may be added up to and including on the expiration date for an expiring EOM.

The maximum number of expirations that may be listed for EOMs in a given class is the same as the maximum number of expirations permitted in Rule 24.9 (a)(2) for standard options on the same broad-based index. EOM expirations need not be for consecutive end of month expirations; however, the expiration date of a non-consecutive expiration may not be beyond what would be considered the last expiration date if the maximum number of expirations were listed consecutively. EOMs that are first listed in a given class may expire up to four weeks from the actual listing date. Other expirations in the same class are not counted as part of the maximum numbers of EOM expirations for a broad-based index class.
(3) Duration of Nonstandard Expirations Pilot Program. The Nonstandard Expirations Pilot Program shall be through November 4, 2019.

(4) Weekly Expirations and EOM Trading Hours on the Last Trading Day. On the last trading day, transactions in expiring Weekly Expirations and EOMs may be effected on the Exchange between the hours of 8:30 a.m. (Chicago time) and 3:00 pm (Chicago time).

Amended December 1 and 2, 1983; August 9, 1985 (85-24); February 26, 1986 (85-53); May 20, 1986 (86-04); September 5, 1986 (86-24); April 20, 1987 (87-11); August 27, 1987 (87-24); September 23, 1991 (91-07); March 11, 1992 (91-09); July 21, 1992 (92-09); September 28, 1992 (92-51); October 22, 1992 (92-32); October 30, 1992 (92-02); February 1, 1993 (92-13); April 9, 1993 (92-34); April 29, 1993 (92-22, 92-23, 92-24, 92-25, 92-27, 92-28, 92-29, 92-30); July 27, 1993 (93-05); July 29, 1993 (93-15); January 5, 1994 (93-42); January 6, 1994 (93-49); January 13, 1994 (93-50); April 25, 1994 (93-57); May 27, 1994 (93-36); June 22, 1994 (94-18); July 5, 1994 (94-05); July 13, 1994 (93-55); July 15, 1994 (94-14); January 31, 1995 (94-19, 94-20); March 24, 1995 (94-43); April 17, 1995 (95-02); June 30, 1995 (95-20); July 14, 1995 (95-37); October 18, 1995 (95-39); October 25, 1995 (95-45); October 31, 1995 (95-64); December 21, 1995 (95-51); January 29, 1996 (96-04); March 26, 1996 (96-16); April 2, 1996 (96-17); April 9, 1996 (96-12); April 15, 1996 (96-21); May 9, 1996 (96-09); May 10, 1996 (96-11); May 29, 1996 (96-32); September 6, 1996 (96-40); September 17, 1996 (96-43, 96-44); February 28, 1997 (96-59); April 23, 1997 (97-14); September 22, 1997 (96-75 & 76); September 3, 1997 (97-26, 27, & 28); October 15, 1997 (97-25); December 16, 1997 (97-63); December 18, 1997 (98-52); February 1, 1999 (98-49); February 25, 1999 (99-05); April 5, 1999 (99-09); May 30, 2000 (00-02); July 16, 2001 (01-39); February 24, 2003 (02-40); March 20, 2003 (03-13); October 2, 2003 (03-17); October 22, 2003 (03-14); March 10, 2004 (03-51); April 9, 2004 (Cboe Options China Index per SEC Rule 19b-4(e)); April 14, 2004 (03-40); May 13, 2004 (04-09); May 18, 2004 (04-26); July 22, 2004 (04-49); June 29, 2005 (05-26); July 12, 2005 (04-63); July 1, 2005 (Cboe Options PowerPacks Indexes per SEC Rule 19b-4(e)); June 14, 2006 (06-48); June 15, 2006 (06-41); July 12, 2006 (06-65); August 21, 2006 (06-49); November 16, 2006 (06-93); March 8, 2007 (06-73); July 10, 2007 (07-70); July 11, 2007 (07-76); August 20, 2007 (07-41); November 20, 2007 (07-82); November 28, 2007 (06-90); February 1, 2008 (08-05); March 5, 2008 (08-18); June 25, 2008 (08-62); July 3, 2008 (08-70); July 14, 2008 (08-67); July 16, 2008 (08-31); July 22, 2008 (08-26); October 28, 2008 (08-110); April 1, 2009 (09-020); April 27, 2009 (09-018); June 23, 2009 (09-029); December 10, 2009 (09-022); May 19, 2010 (10-018); May 25, 2010 (10-048); September 14, 2010 (09-075); September 28, 2010 (10-088); October 13, 2010 (10-077); February 9, 2011 (11-012); April 7, 2011 (11-038); May 26, 2011 (11-026); amended August 11, 2011 (11-055); November 14, 2011 (11-100); November 17, 2011 (11-086); November 17, 2011 (11-108); December 15, 2011 (11-125); March 9, 2012 (12-026); July 20, 2012 (12-042); October 12, 2012 (12-092); November 6, 2012 (12-071); November 9, 2012 (12-110); February 8, 2013 (12-20); February 7, 2013 (13-020); September 3, 2013 (13-073); December 6, 2013 (13-096); December 11, 2013 (13-121); December 13, 2013 (13-102); March 6, 2014 (14-013); March 21, 2014 (14-003); April 24, 2014 (14-027); July 2, 2014 (14-052); October 16, 2014 (14-079); April 8, 2015 (15-023); July 21, 2015 (15-050); October 31, 2015 (15-085); December 11, 2015 (15-100); December 17, 2015 (15-099); January 14, 2016 (15-106); April 7, 2016 (16-009); August 10, 2016 (16-046); September 2, 2016 (16-049); September 16, 2016 (16-069); February 17, 2017 (16-091); November 3, 2017 (17-065); March 29, 2017 (17-026); April 6, 2017 (17-014); May 2, 2018 (18-
Interpretations and Policies:

0.01 The procedures for adding and deleting strike prices for index options are provided in Rule 5.5 and Interpretations and Policies related thereto, as otherwise generally provided by Rule 24.9, and include the following:

(a) The interval between strike prices will be no less than $5.00; provided, that in the case of the following classes of index options, the interval between strike prices will be no less than $2.50:

(i) Reduced-value LEAPs.

(ii) Russell 2000 Index, if the strike price is less than $200.00.

(iii) Cboe Biotech Index.

(iv) Reduced-value options on the Standard & Poor’s 500 Stock Index.

(v) S&P 500/Barra Growth Index, if the strike price is less than $200.00.

(vi) S&P 500/Barra Value Index, if the strike price is less than $200.00.

(vii) S&P SmallCap 600 Index, if the strike price is less than $200.00.

(viii) S&P 500 Dividend Index, if the strike price exceeds 200 scaled index points.

(ix) Cboe Germany 25 Index, if the strike price is less than $200.00.

(x) GSTI Composite Index, if the strike price is less than $200.00.

(xi) GSTI Internet Index, if the strike price is less than $200.00.

(xii) GSTI Software Index, if the strike price is less than $200.00.

(xiii) GSTI Semiconductor Index, if the strike price is less than $200.00.

(xiv) GSTI Hardware Index, if the strike price is less than $200.00.

(xv) GSTI Multimedia Networking Index, if the strike price is less than $200.00.
(xvi) GSTI Services Index, if the strike price is less than $200.00.

(xvii) Morgan Stanley Multinational Company Index, if the strike price is less than $200.00.

(xviii) Reduced Value NYSE Composite Index, if the strike price is less than $200.00.

(xix) DJTA, if the strike price is less than $200.00.

(xx) DJUA, if the strike price is less than $200.00.

(xxi) Lipper Analytical/Salomon Bros. Growth Fund Index, if the strike price is less than $200.

(xxii) Lipper Analytical/Salomon Bros. Growth & Income Fund Index, if the strike price is less than $200.

(xxiii) Dow Jones Equity REIT Index, if the strike price is less than $200.00.

(xxiv) Dow Jones E*Commerce Index, if the strike price is less than $200.00.

(xxv) Reduced-value Nasdaq 100 Index options.

(xxvi) Cboe Euro 25 Index.

(xxvii) Cboe Asian 25 Index.

(xxviii) Russell 1000 Index, if the strike price is less than $200.00.

(xxix) Russell 1000 Growth Index, if the strike price is less than $200.00.

( xxx) Russell 1000 Value Index, if the strike price is less than $200.00.

( xxxi) Russell 2000 Growth Index, if the strike price is less than $200.00.

( xxxii) Russell 2000 Value Index, if the strike price is less than $200.00.

( xxxiii) Russell 3000 Index, if the strike price is less than $200.00.

( xxxiv) Russell 3000 Growth Index, if the strike price is less than $200.00.

( xxxv) Russell 3000 Value Index, if the strike price is less than $200.00.
(xxxvi) Russell Midcap Index, if the strike price is less than $200.00.
(xxxvii) Russell Midcap Growth Index, if the strike price is less than $200.00.
(xxxviii) Russell Midcap Value Index, if the strike price is less than $200.00.
(xxxix) Russell Top 200 Index, if the strike price is less than $200.00.
(xl) Russell Top 200 Growth Index, if the strike price is less than $200.00.
(xli) Russell Top 200 Value Index, if the strike price is less than $200.00.
(xlii) Cboe Volatility Index® (VIX®).
(xliii) Cboe Nasdaq 100® Volatility Index (VXN®).
(xliv) Cboe Dow Jones Industrial Average® Volatility Index (VXD®).
(xlv) Cboe Increased-Value Volatility Index®.
(xlvi) Cboe Increased-Value Nasdaq 100® Volatility Index.
(xlvii) Cboe Increased-Value Dow Jones Industrial Average® Volatility Index.
(xlviii) European-Style Exercise S&P 100 Index Options (XEO) (1/5 th value), if the strike price is less than $200.00.
(xlix) Russell 2000 Index (1/10 th value), if the strike price is less than $200.00.
(l) Russell 2000 Index (1/5 th value), if the strike price is less than $200.00.
(li) Cboe Russell 2000 Volatility Index® (RVX®)
(lii) Cboe PowerPacks® Biotechnology Index
(liii) Cboe PowerPacks® Gold Index
(liv) Cboe PowerPacks® Internet Index
(lv) Cboe PowerPacks® Iron & Steel Index
(lvi) Cboe PowerPacks® Oil Index
(lvii) Cboe PowerPacks℠ Oil Services Index
(lviii) Cboe PowerPacks℠ Pharmaceuticals Index
(lix) Cboe PowerPacks℠ Retail Services Index
(lx) Cboe PowerPacks℠ Semiconductor Services Index
(lxi) Cboe PowerPacks℠ Technology Services Index
(lxii) Cboe PowerPacks℠ Telecom Services Index
(lxiii) Cboe Gold ETF Volatility Index (“GVZ”) 
(lxiv) Cboe Equity VIX on Apple (VXAPL).
(lxv) Cboe Equity VIX on Amazon (VXAZN).
(lxvi) Cboe Equity VIX on Goldman Sachs (VXGS).
(lxvii) Cboe Equity VIX on Google (VXGOG).
(lxviii) Cboe Equity VIX on IBM (VXIBM).
(lxix) Cboe Crude Oil ETF Volatility Index (OVX).
(lxx) Cboe Emerging Markets ETF Volatility Index (VXEEM).
(lxxi) Cboe China ETF Volatility Index (VXFXI).
(lxxii) Cboe Brazil ETF Volatility Index (VXEWZ).
(lxxiii) Cboe Gold Miners ETF Volatility Index (VXGDX).
(lxxiv) Cboe Energy Sector ETF Volatility Index (VXXLE).
(lxxv) MSCI EAFE Index, if the strike price is less than $200.00.
(lxxvi) MSCI Emerging Markets Index, if the strike price is less than $200.00.
(lxxvii) FTSE 100 Index (1/10th), if the strike price is less than $200.00.
(lxxviii) FTSE China 50 Index (1/100th), if the strike price is less than $200.00.
(lxxix) FTSE Emerging Index, if the strike price is less than $200.00.

(lxxx) FTSE Developed Europe Index, if the strike price is less than $200.00.

(b) Notwithstanding the above paragraph, the interval between strike prices may be no less than $0.50 for options based on one-hundredth of the value of the DJIA, including for series listed under either the Short Term Options Series Program in Rule 24.9(a)(2)(A) or the EOW/EOM Pilot Program in Rule 24.9(e).

(c) New series of index option contracts may be added up to the fifth business day prior to expiration. Notwithstanding the preceding restriction, the Exchange may list new VIX and VXST option series up to and including on the last day of trading for an expiring VIX or VXST option contract.

(d) When new series of index options with a new expiration date are opened for trading, or when additional series of index options in an existing expiration date are opened for trading as the current value of the underlying index to which such series relate moves substantially from the exercise prices of series already opened, the exercise prices of such new or additional series shall be reasonably related to the current value of the underlying index at the time such series are first opened for trading. In the case of all classes of index options, the term “reasonably related to the current value of the underlying index” shall have the meaning set forth in Interpretation and Policy .04 under Rule 24.9.

(e) The interval between strike prices for Cboe S&P 500 AM/PM Basis options will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200.

(f) Notwithstanding Interpretation and Policy .01(a) to Rule 24.9, the interval between strike prices of series of options on the Cboe S&P 500 BuyWrite Index (1/10th value) (“BXM” or the “BXM Index”) will be $1 or greater, subject to following conditions:

(i) Initial Series. The Exchange may list series at $1 or greater strike price intervals on BXM options, and will list at least two strike prices above and two strike prices below the current value of the BXM Index (1/10th value) at about the time a series is opened for trading on the Exchange. The Exchange shall list strike prices for BXM options that are within 5 points from the closing value of the BXM Index (1/10th value) on the preceding day.

(ii) Additional Series. Additional series of the same class of BXM options may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the underlying BXM Index (1/10th value) moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing value of the BXM Index (1/10th value). The Exchange may also open additional strike prices that are more than 30% above or below the current BXM Index (1/10th value) provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual
customers or their brokers. Market-Makers trading for their own account shall not be
considered when determining customer interest under this provision. In addition to the
initial listed series, the Exchange may list up to sixty (60) additional series per expiration
month for each series in BXM options.

(iii) The Exchange shall not list LEAPS on BXM options at intervals less than
$5.

(iv)

(A) Delisting Policy. With respect to BXM options added pursuant to
the above paragraphs, the Exchange will, on a monthly basis, review series that are
outside a range of five (5) strikes above and five (5) strikes below the current value
of the BXM Index (1/10th value), and delist series with no open interest in both the
put and the call series having a:

(i) strike higher than the highest strike price with open interest
in the put and/or call series for a given expiration month; and

(ii) strike lower than the lowest strike price with open interest in
the put and/or call series for a given expiration month.

(B) Notwithstanding the above referenced delisting policy, customer
requests to add strikes and/or maintain strikes in BXM option series eligible for
delisting shall be granted.

(g) Notwithstanding paragraph (a), the interval between strike prices of series of Cboe
S&P 500 Three-Month Realized Volatility options will $1 or greater, subject to following
conditions:

(i) Initial Series. The Exchange may list series at $1 or greater strike price
intervals on Cboe S&P 500 Realized Volatility options, and will list at least two strike
prices above and two strike prices below the square root of the related Cboe S&P 500
Three-Month Variance futures contract price at about the time a series is opened for trading
on the Exchange. The Exchange shall list strike prices for Cboe S&P 500 Realized
Volatility options that are within 5 points from the square root of the related Cboe S&P
500 Three-Month Variance futures contract price on the preceding day.

(ii) Additional Series. Additional series of the same class of Cboe S&P 500
Three-Month Realized Volatility options may be opened for trading on the Exchange when
the Exchange deems it necessary to maintain an orderly market, to meet customer demand
or when the square root of the related Cboe S&P 500 Three-Month Variance futures
contract price moves substantially from the initial exercise price or prices. To the extent
that any additional strike prices are listed by the Exchange, such additional strike prices
shall be within thirty percent (30%) above or below the square root of the related Cboe
S&P 500 Three-Month Variance futures contract price. The Exchange may also open
additional strike prices that are more than 30% above or below the square root of the related
Cboe Options Three-Month Variance futures contract price, provided that demonstrated
customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each series in Cboe S&P 500 Three-Month Realized Volatility options.

(iii) The Exchange shall not list LEAPS on Cboe S&P 500 Three-Month Realized Volatility options at intervals less than $1.

(iv)

(A) Policy. With respect to Cboe S&P 500 Three-Month Realized Volatility options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the square root of the square root of the related Cboe S&P 500 Three-Month Variance futures contract price, and delist series with no open interest in both the put and the call series having a:

(i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and

(ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(B) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Cboe S&P 500 Three-Month Realized Volatility option series eligible for delisting shall be granted.

(h) Notwithstanding paragraph (a), the interval between strike prices of series of S&P 500 Dividend Index options will be 1 point ($1.00) or greater if the strike price is equal to or less than 200 scaled index points, subject to following conditions:

(i) Initial Series. The Exchange will list in-, at- and out-of-the-money strike prices, and may open for trading up to five series above and five series below the calculated forward value of the S&P 500 Dividend Index.

(ii) Additional Series. In response to customer demand or as the calculated forward value of the S&P 500 Dividend Index moves from the initial exercise prices of option and LEAPs series that have been opened for trading, the Exchange may open for trading up to an additional twenty series.

(iii) The Exchange may not open for trading series with 1 point ($1.00) intervals within $0.50 of an existing 2.5 point ($2.50) strike price with the same expiration month.

(iv) The Exchange shall not list LEAPS on S&P 500 Dividend Index options at intervals less than $1.
(i) The interval between strike prices for Cboe Options Short-Term Volatility Index (VXST) options will be $0.50 or greater where the strike price is less than $75, $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

(j) In addition to the strike price intervals permitted under Interpretation and Policy .01(a) to Rule 24.9, the Exchange may also list series at $1 strike price intervals for Mini-Nasdaq-100 Index (“MNX” or “Mini-NDX”) options, subject to following conditions:

(i) Initial Series. The Exchange may list series at $1 strike price intervals for Mini-NDX options, and will list at least two $1 strike prices above and two $1 strike prices below the current value of the MNX at about the time a series is opened for trading on the Exchange. The Exchange shall list $1 strike prices for Mini-NDX options that are within 5 points from the closing value of the MNX on the preceding day.

(ii) Additional Series. Additional series of the same class of Mini-NDX options may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the underlying MNX moves substantially from the initial exercise price or prices. To the extent that any additional $1 strike prices are listed by the Exchange, such additional $1 strike prices shall be within thirty percent (30%) above or below the closing value of the MNX. The Exchange may also open additional $1 strike prices that are more than 30% above or below the current MNX value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series at $1 strike price intervals per expiration month for each series in Mini-NDX options.

(iii) The Exchange shall not list LEAPS on Mini-NDX options at intervals less than $2.50. The Exchange may not list strike prices with $1 intervals within $0.50 of an existing $2.50 strike price in the same series.

(iv)  

(A) Delisting Policy. With respect to Mini-NDX options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of the MNX, and delist series with no open interest in both the put and the call series having a:

(i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and

(ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.
(B) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Mini-NDX option series eligible for delisting shall be granted.

(C) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Mini-NDX options.

(k) Notwithstanding Interpretation and Policy .01(a) to Rule 24.9, the interval between strike prices of series of Mini-Russell 2000 Index (“RMN” or “Mini-RUT”) options will be $1 or greater, subject to following conditions:

(i) Initial Series. The Exchange may list series at $1 or greater strike price intervals for Mini-RUT options, if the strike price is less than $200, and will list at least two strike prices above and two strike prices below the current value of the RMN at about the time a series is opened for trading on the Exchange. The Exchange shall list strike prices for Mini-RUT options that are within 5 points from the closing value of the RMN on the preceding day.

(ii) Additional Series. Additional series of the same class of Mini-RUT options may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the underlying RMN moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing value of the RMN. The Exchange may also open additional strike prices that are more than 30% above or below the current RMN value provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision. In addition to the initial listed series, the Exchange may list up to sixty (60) additional series per expiration month for each series in Mini-RUT options. In all cases, however, $1 strike prices intervals may be listed on Mini-RUT options only where the strike price is less than $200.

(iii) The Exchange shall not list LEAPS on Mini-RUT options at intervals less than $2.50.

(iv) Delisting Policy. With respect to Mini-RUT options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current value of the RMN, and delist series with no open interest in both the put and the call series having a:
(i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and

(ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(B) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Mini-RUT option series eligible for delisting shall be granted.

(C) In connection with the above referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting, and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Mini-RUT options.

(l)

(i) Notwithstanding paragraph (a), the interval between strike prices for Volatility Index options (as defined in Rule 24.9(a)(5)) will be $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is greater than $200. The Exchange shall not list LEAPS on Volatility Index options at strike price intervals less than $1.

(ii) Notwithstanding paragraphs (a) and (l)(i), the interval between strike prices for Cboe Volatility Index (VIX) options will be $0.50 or greater where the strike price is less than $75, $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.

(m) Notwithstanding any other provision regarding strike prices in this rule, Related non-Short Term Option series shall be opened during the week prior to the week that such Related non-Short Term Option series expire in the same manner as permitted in Rule 24.9(a)(2)(A) and in the same strike price intervals that are permitted in this Rule 24.9(a)(2)(A)(v).
.02 The reported level of the underlying index that is calculated by the reporting authority on the last day of trading in the underlying securities prior to expiration for purposes of determining the current index value at the expiration of an A.M.-settled index option may differ from the level of the index that is separately calculated and reported by the reporting authority and which reflects trading activity subsequent to the opening of trading in any of the underlying securities.

Approved October 22, 1992 (92-32).

Former Interpretation .02 deleted September 28, 1992 (91-51).

.03 For capped-style index options, including index Q-CAPS, the procedures for adding exercise prices and expiration months shall be as follows:

(a) Unless modified by the Exchange, the cap interval shall be:

(1) $30.00 for CAPS on the Standard and Poor’s 100 Stock Index (“S&P 100”) and the Standard and Poor’s 500 Stock Index (“S&P 500”),

(2) $20.00 for CAPS on the Russell 2000 Index, and

(3) $30.00 for Q-CAPS on the S&P 100 and the S&P 500.

(b) Initially, one at-the-money call and put will be listed with an expiration of up to four months into the future for S&P 100 CAPS, up to one year in the future for the S&P 500 and Russell 2000 CAPS, and up to eight consecutive quarters in the future for S&P 100 and S&P 500 Q-CAPS. Additional at-the-money series may be listed every two months with expirations up to four months in the future for S&P 100 CAPS, up to one year in the future for S&P 500 and Russell 2000 CAPS, and every three months with expirations of up to eight consecutive quarters in the future for S&P 100 and S&P 500 Q-CAPS.

(c) Series may be added to expiration months with three or more months remaining to their expiration, if there has been a 20-point or more move in the index value for S&P 100 or S&P 500, or a 10-point or more move in the index value for the Russell 2000 Index.

Approved October 28, 1991 (91-24); amended October 30, 1992 (92-02), November 24, 1992 (92-37); October 12, 1994 (93-04); May 23, 2008 (08-02).

.04 Notwithstanding the provisions of Interpretation .01, the Exchange may open for trading additional series of the same class of index options as the current index value of the underlying index moves substantially from the exercise price of those index options that already have been opened for trading on the Exchange. The exercise price of each series of index options opened for trading on the Exchange shall be reasonably related to the current index value of the underlying index to which such series relates at or about the time such series of options is first opened for
trading on the Exchange. The term “reasonably related to the current index value of the underlying index” means that the exercise price is within 30% of the current index value. The Exchange may also open for trading additional series of index options that are more than 30% away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers. Market-makers trading for their own account shall not be considered when determining customer interest under this provision.

Approved December 31, 1992 (92-36); amended January 15, 1993 (93-01); September 11, 2000 (99-44); June 15, 2006 (06-41).

.05 The Rules of the Clearing Corporation specify that, unless the Rules of the Exchange provide otherwise, the current index value used to settle the exercise of an index option contract shall be the closing index for the day on which the index option contract is exercised in accordance with the Rules of the Clearing Corporation or, if such day is not a business day, for the most recent business day.

Approved April 9, 1993 (92-34); amended June 15, 2006 (06-41).

.06 The current index value of reduced-value options on the Standard & Poor’s 500 Stock Index (“Mini-SPX options”) shall be one-tenth (1/10) the value of the underlying index reported by the reporting authority.

Amended October 18, 2005 (05-81); June 15, 2006 (06-41).

.07 Packaged Vertical Spreads will be listed with vertical spread intervals ranging from 10 to 50 points.

Approved September 22, 1997 (96-76); amended June 15, 2006 (06-41).

.08 For Packaged Butterfly Spreads, the procedures for adding strike prices shall be as follows:

a. Initially, the Exchange expects to list an at-the-money strike and other strikes above and below the at-the-money at strikes reasonable related to the current index value;

b. New series may be added to accommodate moves in the index;

c. The Exchange will have the authority to determine which series will be listed.

Approved September 22, 1997 (96-75); amended June 15, 2006 (06-41); May 23, 2008 (08-02).

.09 With respect to any securities index on which options are traded on the Exchange, the source of the prices of component securities used to calculate the current index level at expiration is determined by the Reporting Authority for that index.

Approved August 26, 2004 (04-42); amended June 15, 2006 (06-41).

.10 Reserved.
.11 Notwithstanding Interpretations and Policies .01(a), .01(d) and .04 to Rule 24.9, the exercise prices for new and additional series of Mini-SPX options shall be listed subject to the following:

(a) If the current value of the Mini-SPX is less than or equal to 20, the Exchange shall not list series with an exercise price of more than 100% above or below the current value of the Mini-SPX;

(b) If the current value of the Mini-SPX is greater than 20, the Exchange shall not list series with an exercise price of more than 50% above or below the current value of the Mini-SPX; and

(c) The lowest strike price interval that may be listed for standard Mini-SPX options is $1, including for LEAPS, and the lowest strike price interval that may be listed for series of Mini-SPX listed under either the Short Term Option Series Program in Rule 24.9(a)(2)(A) or the EOW/EOM Pilot Program in Rule 24.9(e) is $0.50.

.12 $0.50 and $1 Strike Price Intervals for Index Options Used to Calculate Volatility Indexes. Notwithstanding Interpretation and Policy .01(a) to Rule 24.9, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 and $150 for index options that are used to calculate a volatility index.

.13 Notwithstanding the requirements set forth in this Rule 24.9 and the Interpretations and Policies thereunder, the Exchange may list additional expiration months on options classes opened for trading on the Exchange if such expiration months are opened for trading on at least one other registered national securities exchange.

.14 In addition to A.M.-settled Standard & Poor’s 500 Stock Index options approved for trading on the Exchange pursuant to Rule 24.9, the Exchange may also list options on the S&P 500 Index whose exercise settlement value is derived from closing prices on the last trading day prior to expiration (P.M.-settled third Friday-of-the-month SPX options series). The Exchange may also list options on the Mini-SPX Index (“XSP”) whose exercise settlement value is derived from closing prices on the last trading day prior to expiration (“P.M.-settled”). P.M.-settled third Friday-of-the-month SPX options series and P.M.-settled XSP options will be listed for trading for a pilot period ending November 4, 2019.
Contracts provided for in this chapter shall not be subject to the restriction in Rule 4.16, Interpretation and Policy .01.

Rule 24.11.  Reserved

Reserved


Rule 24.11A.  Debit Put Spread Cash Account Transactions

Debit put spread positions in European-style, broad-based index options traded on the Exchange (hereinafter “debit put spreads”) may be maintained in a cash account as defined by Federal Reserve Board Regulation T Section 220.8 by a public customer (whose orders would be eligible to be placed on the book under Rule 7.4(a)), provided that the following procedures and criteria are met:

(a)  The customer has received Exchange approval to maintain debit put spreads in a cash account carried by a TPH organization. A customer so approved is hereinafter referred to as a “spread exemption customer”.

(b)  The spread exemption customer has provided all information required on Exchange-approved forms and has kept such information current.

(c)  The customer holds a net long position in each of the stocks of a portfolio which has been previously established or in securities readily convertible, and additionally in the case of convertible bonds economically convertible, into common stocks which would comprise a portfolio. The debit put spread position must be carried in an account with a member of a self-regulatory organization participating in the Intermarket Surveillance Group.

(d)  The stock portfolio or its equivalent is composed of net long positions in common stocks in at least four industry groups and contains at least twenty stocks, none of which accounts for more than fifteen percent of the value of the portfolio (hereinafter “qualified portfolio”). To remain qualified, a portfolio must at all times meet these standards notwithstanding trading activity in the stocks.

(e)  The exemption applies to European-style broad-based index options dealt in on the Exchange to the extent the underlying value of such option position does not exceed the unhedged value of the qualified portfolio. The unhedged value would be determined as follows:

(1)  the values of the net long or short positions of all qualifying products in the portfolio are totalled;
(2) for positions in excess of the standard limit, the underlying market value (a) of any economically equivalent opposite side of the market calls and puts in broad-based index options, and (b) of any opposite side of the market positions in stock index futures, options on stock index futures, and any economically equivalent opposite side of the market positions, assuming no other hedges for these contracts exist, is subtracted from the qualified portfolio; and (3) the market value of the resulting unhedged portfolio is equated to the appropriate number of exempt contracts as follows—the unhedged qualified portfolio is divided by the correspondent closing index value and the quotient is then divided by the index multiplier or 100.

(f) A debit put spread in Exchange traded broad-based index options with European-style exercises is defined as a long put position coupled with a short put position overlying the same broad-based index and having an equivalent underlying aggregate index value, where the short put(s) expires with the long put(s), and the strike price of the long put(s) exceeds the strike price of the short put(s). A debit put spread will be permitted in the cash account as long as it is continuously associated with a qualified portfolio of securities with a current market value at least equal to the underlying aggregate index value of the long side of the debit put spread.

(g) The qualified portfolio must be maintained with either a TPH organization, another broker-dealer, a bank, or securities depository.

(h) The spread exemption customer shall agree promptly to provide the Exchange any information requested concerning the dollar value and composition of the customer’s stock portfolio, and the current debit put spread positions.

(i) The spread exemption customer shall agree to and any TPH organization carrying an account for the customer shall:

1. comply with all Exchange rules and regulations.
2. liquidate any debit put spreads prior to or contemporaneously with a decrease in the market value of the qualified portfolio, which debit put spreads would thereby be rendered excessive.
3. promptly notify the Exchange of any change in the qualified portfolio or the debit put spread position which causes the debit put spreads maintained in the cash account to be rendered excessive.

(j) If any TPH organization carrying a cash account for a spread exemption customer with a debit put spread position dealt in on the Exchange has a reason to believe that as a result of an opening options transaction the customer would violate this spread exemption, and such opening transaction occurs, then the TPH organization has violated Exchange Rule 24.11A.

(k) Violation of any of these provisions, absent reasonable justification or excuse, shall result in withdrawal of the spread exemption and may form the basis for subsequent denial of an application for a spread exemption hereunder.
Rule 24.12.  Limitation of Exchange Liability

Deleted July 11, 1996 (96-02).

Rule 24.13.  Trading Rotations

The opening rotation for index options shall be held at or as soon as practicable after 8:30 a.m. (CT) for Regular Trading Hours and at or as soon as practicable after 2:00 a.m. (CT) for Global Trading Hours. Except as the Exchange may direct, opening rotations shall be conducted in the order and manner the DPM or LMM acting in such class of options determines to be appropriate under the circumstances. The Exchange may provide for the opening rotation to be conducted using the procedures as described in this Rule 24.13 or in Rule 6.2. The DPM or LMM, with the approval of two Floor Officials, may deviate from any rotation policy or procedure issued by the Exchange when they conclude in their judgment that such action is appropriate in the interests of a fair and orderly market.

Amended December 27, 1984 (84-25); September 27, 1985 (85-36); October 19, 1988 (88-14); July 15, 1994 (94-14); May 19, 1995 (95-04); December 2, 1997 (97-61); October 5, 2000 (00-34); December 18, 2003 (03-57); March 21, 2006 (06-15); December 21, 2006 (06-35); May 23, 2008 (08-02); November 28, 2014 (14-062); January 3, 2018 (18-010); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01  Rule 24.13 sets forth particularized procedures relating to trading in index options during opening rotation. Procedures relating to closing rotations in expiring index options series are set forth in Rule 6.2.

Issued February 6, 1984 (84-1); amended November 19, 1984 (84-29); December 31, 1984; December 21, 2006 (06-35); January 3, 2018 (18-010).

.02  The commencement of the opening rotation in an index option may be delayed whenever in the judgment of two Floor Officials such action is appropriate in the interests of a fair and orderly market. Among the factors that may be considered by the Floor Officials are: (i) unusual conditions or circumstances in other markets; (ii) an influx of orders that has adversely affected the ability of the Market-Makers to provide and to maintain fair and orderly markets; (iii) activation of opening price limits in stock index futures on one or more futures exchanges; (iv) activation of daily price limits in stock index futures on one or more futures exchanges; (v) the extent to which either there has been a delay in opening or trading is not occurring in stocks underlying the index; (vi) circumstances such as those which would result in the declaration of a fast market under Rule 6.6.
Adopted April 19, 1988 (88-07); amended January 11, 1991 (90-31); May 19, 1995 (95-04); December 22, 1997 (97-36); December 21, 2006 (06-35); January 3, 2018 (18-010); May 10, 2019 (19-017).


No reporting authority with respect to any index underlying an option traded on the Exchange, no affiliate of such reporting authority (each such reporting authority and its affiliates are referred to collectively as the “Reporting Authority”), and no other entity identified in this Rule makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract based thereon or for any other purpose. The Reporting Authority or any other entity identified in this Rule shall obtain information for inclusion in, or for use in the calculation of, such index from sources it believes to be reliable, but the Reporting Authority or any other entity identified in this Rule does not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefor, or any date included therein or related thereto. The Reporting Authority and any other entity identified in this Rule hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to such index, any opening, intra-day, or closing value therefor, any data included therein or relating thereto, or any option contract based thereon. The Reporting Authority and any other entity identified in this Rule shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person’s use of such index, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract based thereon, or arising out of any errors or delays in calculating or disseminating such index. The foregoing disclaimers shall apply to Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”) in respect to the S&P Indexes, Frank Russell Company in respect to the Russell Indexes, The NASDAQ Stock Market, Inc. in respect to the Nasdaq Indexes, Morgan Stanley Dean Witter & Co. Incorporated in respect of the Morgan Stanley Indexes, Dow Jones and Company, Inc. in respect to the Dow Jones Averages and any other Dow Jones Indexes, Goldman, Sachs & Co. in respect to the Goldman Sachs Indexes; to the foregoing Reporting Authorities in respect to any other indexes for which they act as the designated Reporting Authority; to the Exchange in respect to the indexes for which it is the designated Reporting Authority; and to any other Reporting Authority in respect to any index for which it acts as such.

Adopted June 24, 1983; amended October 30, 1992 (92-02); April 9, 1993 (92-34); January 5, 1994 (93-42); May 27, 1994 (93-36); April 9, 1996 (96-05); February 28, 1997 (96-59); September 3, 1997 (97-26); March 25, 1998 (98-05); February 1, 1999 (98-49); June 15, 2001 (01-34); June 6, 2003 (03-21).

**Rule 24.15. Automatic Execution of Index Options**

Rule 6.13 governs the automatic execution of index options trading on the Hybrid System.

Approved May 9, 1995 (95-06); amended September 1, 1999 (99-17); amended December 18, 2003 (03-57); January 3, 2018 (18-010).
Exercise of American-style Index Options

No Trading Permit Holder may at any time prepare, time stamp or submit an exercise instruction for an American-style index option series if the Trading Permit Holder knows or has reason to know that the exercise instruction calls for the exercise of more contracts than the then “net long position” of the account for which the exercise instruction is to be tendered. For purposes of this Rule:

(i) the term “net long position” shall mean the net position of the account in such option at the opening of business of the day of such exercise instruction, plus the total number of such options purchased that day in opening purchase transactions up to the time of exercise, less the total number of such options sold that day in closing sale transactions up to the time of exercise,

(ii) the “account” shall be the individual account of the particular customer, market-maker or “non-customer” (as that term is defined in the By-Laws of the Clearing Corporation) who wishes to exercise, and

(iii) every transaction in an option series effected by a market-maker in a market-maker’s account shall be deemed to be a closing transaction in respect of the market-maker’s then positions in such option series. No Trading Permit Holder may adjust the designation of an “opening transaction” in any such option to a “closing transaction” except to remedy mistakes or errors made in good faith.

Approved September 26, 1996, effective November 18, 1996 (96-29); amended June 18, 2010 (10-058).

Multi-Class Broad-Based Index Option Spread Orders

(a)

(1) For purposes of this Rule 24.19 only, the term “Broad-Based Index Option” shall mean (i) options on the Mini-NDX Index (MNX), Nasdaq-100 Index (NDX), S&P 100 Index (OEX and XEO), iShares S&P 100 Index Fund (OEF), Nasdaq-100 Tracking Stock (QQQ), and S&P 500 Index (SPX); and (ii) any other broad-based index option, option on a Unit (or ETF) as defined under Interpretation
and Policy .06 to Rule 5.3, or option on an Index-Linked Security (or ETN) as defined under Interpretation and Policy .13 to Rule 5.3, that is derived from a broad-based index that is determined by the Exchange to create an appropriate hedge with any other Broad-Based Index Option under this Rule 24.19.

(2) The term “Multi-Class Broad-Based Index Option Spread Order (referred to herein as “Multi-Class Spread Order”)” is an order or quote to buy a stated number of contracts of a Broad-Based Index Option and to sell an equal number, or an equivalent number, of contracts of a different Broad-Based Index Option. This Rule shall apply only to Multi-Class Spread Orders composed of (i) any combination of MNX, NDX, or QQQ; (ii) any combinations of OEF, OEX, or SPX; and (iii) any other combination of related Broad-Based Index Options as determined by the Exchange.

(3) The “primary trading station” is the trading station where a particular Multi-Class Spread Order is first represented.

(b) Multi-Class Spread Orders must be entered on a single order ticket at time of systemization to be eligible for the procedures and relief set out in this Rule.

(c) Notwithstanding any other rules of the Exchange, a Multi-Class Spread Order, which is identified as such, must be represented at the primary trading station, subject to the following conditions:

(i) Immediately after the order is announced at the primary trading station, or concurrent with the announcement, the Trading Permit Holder representing the order must contact the DPM or appropriate Exchange staff (collectively referred to herein as the “Recipient”), as applicable, at the other trading station in order to provide notice of such order for dissemination to the other trading crowd. Such notice shall be disseminated by the Recipient who shall announce the terms of the order to the other trading crowd. The Recipient shall also document the terms of the order.

(ii) The notice must specify the terms of the order, a contact person and a telephone number where the Trading Permit Holder representing the order may be reached at the primary trading station.

(iii) After satisfying the conditions under sub-paragraphs (i) and (ii) above, when a Trading Permit Holder holding a Multi-Class Spread Order and bidding or offering in a multiple of the minimum increment on the basis of a total credit or debit for the order has determined that the order may not be executed by a combination of transactions with the bids and offers displayed in either of the applicable customer limit order book or by the displayed quotes of the crowd, then the order may be executed as a spread at the best net debit or credit, whether from the primary trading station or from the other trading crowd, so long as

(A) no leg of the order would trade at a price outside the currently displayed bids or offers or bids or offers in the customer limit order books and
(B) at least one leg of the order would trade at a price that is better than the corresponding bid or offer in one of the books.

(iv) The priority of bids or offers received from the primary trading station will be determined, with respect to each other, by the terms of Rule 6.45(b). Bids or offers received promptly from the other trading crowd may participate equally with equal bids or offers from the primary trading station that were received prior to the bids or offers from the other trading station. The meaning of promptly will be determined according to the size of the order and other relevant circumstances.

Approved June 26, 1997 (97-15). amended August 7, 2000 (00-07); October 4, 2001, Operative October 20, 2001 (01-53); amended December 18, 2003 (03-57); March 21, 2006 (06-15); May 23, 2008 (08-02); March 2, 2010 (10-019); June 18, 2010 (10-058); December 31, 2012 (12-117); August 21, 2014 (14-060); January 24, 2017 (17-009).

Rule 24.20. SPX Combo Orders

(a) For purposes of this rule, the following terms shall have the following meanings:

   (1) An “SPX combination” is a purchase (sale) of an SPX call and sale (purchase) of an SPX put having the same expiration date and strike price.

   (2) A “delta” is the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with one or more SPX option series.

   (3) An “SPX Combo Order” is an order to purchase or sell one or more SPX option series and the offsetting number of SPX combinations defined by the delta.

(b) An SPX Combo Order may be transacted in the following manner:

   (1) For an order to be eligible for the trading procedures contained in this Rule, a Trading Permit Holder must apply an indicator to the SPX Combo Order upon systematization as provided in Rule 6.24.

   (2) When a Trading Permit Holder holding an SPX Combo Order with the required combo indicator and bidding or offering in a multiple of the minimum increment on the basis of a total debit or credit for the order has determined that the order may not be executed by a combination of transactions with the bids and offers displayed in the SPX limit order book or by the displayed quotes of the crowd, then the order may be executed at the best net debit or credit so long as (A) no leg of the order would trade at a price outside the currently displayed bids or offers in the trading crowd or bids or offers in the SPX limit order book and (B) at least one leg of the order would trade at a price that is better than the corresponding bid or offer in the SPX limit order book.
(3) Notwithstanding any other rules of the Exchange, if an SPX Combo Order with the combo indicator is not executed immediately, the SPX Combo Order may be executed and printed at the prices originally quoted for each of the component option series within 2 hours after the time of the original quotes.

Approved February 4, 2002 (00-40); amended June 18, 2010 (10-058); June 18, 2014 (14-046).

...Interpretations and Policies:

.01 An SPX Combo Order for twelve (12) legs or less must be entered on a single order ticket at time of systemization. If permitted by the Exchange (which the Exchange will announce by Regulatory Circular), an SPX Combo Order for more than twelve (12) legs may be represented or executed as a single SPX Combo Order in accordance with this Rule 24.20 if it is split across multiple order tickets and the Trading Permit Holder representing the SPX Combo Order uses the fewest order tickets necessary to systematize the order and identifies for the Exchange the order tickets that are part of the same SPX Combo Order (in a manner and form prescribed by the Exchange).

Amended February 26, 2015 (15-011); June 10, 2015 (15-048).

Rule 24.21. Index Crowd Space Dispute Resolution Procedures

This Rule applies only to Trading Permit Holders who trade OEX, SPX, DJX and DIA options on the floor of the Exchange, or who trade any other index option not located at a station shared with equity options as determined by the Exchange.

(a) Crowd Space Disputes Subject to Resolution. A Trading Permit Holder may request the assistance of the Exchange to resolve a dispute over the ability to use a trading space in an index option trading crowd where the space is currently being occupied by another Trading Permit Holder, or where the space has been abandoned or unoccupied, and more than one Trading Permit Holder now wish to trade there.

(b) Requesting the Assistance of the Exchange. A Trading Permit Holder shall request the assistance of the Exchange in resolving a crowd space dispute by calling the Office of the Secretary of the Exchange, which shall promptly refer the request in writing to the Exchange designee for the trading station where the dispute has arisen (hereafter “the Space Mediator”). The Space Mediator shall be an Exchange employee.

(c) Mediation by the Space Mediator. When the Space Mediator receives the request from the Office of the Secretary, the Space Mediator or an individual designated by the Space Mediator (hereafter “the Space Mediator’s designee”) shall attempt to mediate an amicable resolution of the dispute among the Trading Permit Holders involved. All Trading Permit Holders involved in the dispute shall cooperate with the Space Mediator or the Space Mediator’s designee in his efforts to mediate.

(d) Temporary Resolution. If the Space Mediator, the Space Mediator’s designee, or two Floor Officials determine that the maintenance of a fair and orderly market requires an immediate temporary resolution of a crowd space dispute, the Space Mediator, the Space
Mediator’s designee, or two Floor Officials in consultation with the Space Mediator or the Space Mediator’s designee may instruct the parties to the dispute on where to stand until the outcome of further proceedings under this Rule. This temporary resolution may be revised by the individual(s) issuing it, but is otherwise not subject to appeal.

(e) Hearing Requests and Hearing Fee. If the Space Mediator or the Space Mediator’s designee is unable to mediate an amicable resolution of the dispute among the Trading Permit Holders involved, any of them may request a hearing in the dispute by completing and submitting a Hearing Request form to the Office of the Secretary along with the payment of a Hearing Fee. The amount of the Hearing Fee shall be a minimum of one thousand dollars ($1,000) per Trading Permit Holder, and may be greater under certain circumstances set forth in this subsection. The Exchange may increase the Minimum Hearing Fee periodically pursuant to Rule 2.1 in order to maintain the Minimum Hearing Fee at a level that the Exchange deems sufficient to encourage amicable resolution of crowd space disputes. Upon receipt of the Hearing Request form and Hearing Fee, the Office of the Secretary shall instruct the Exchange to collect the appropriate Hearing Fee from each additional party to the dispute pursuant to Exchange Rule 3.23. For any party who has previously been a party to a crowd dispute resolution hearing within the past twelve months, the Hearing Fee that party will pay for being a party to a subsequent hearing within twelve months of the last hearing will be twice the Hearing Fee that party paid for the previous hearing. After the hearing on the dispute is held and all rights of appeal are exhausted, only the prevailing party in the dispute shall obtain a refund of the Hearing Fee from the Exchange. A prevailing party who becomes a party in a subsequent hearing within twelve months of the hearing in which he prevailed shall not pay a higher Hearing Fee because of the hearing in which he prevailed.

(f) Limitations on Hearing Requests. No Trading Permit Holder may request a hearing involving the same parties that participated in a prior hearing unless the requesting Trading Permit Holder makes an adequate preliminary showing in his subsequent hearing request that new circumstances warrant another hearing involving the same parties, based upon the Crowd Dispute Resolution Guidelines contained in this Rule. The Space Mediator shall exercise sole and final judgment as to the adequacy of this preliminary showing.

(g) CSDR Panel. After the Trading Permit Holder submits his Hearing Fee to the Office of the Secretary, the Space Mediator shall select a Crowd Space Dispute Resolution Panel (“Panel”) composed of five Trading Permit Holders to hear and resolve the dispute. Two of the members of the Panel shall be Trading Permit Holders who trade in the trading station where the dispute has arisen and two shall be Trading Permit Holders who do not trade in the trading station where the dispute has arisen. The fifth Panel member shall be a Trading Permit Holder Floor Official designated by the Exchange and may trade in or outside of the trading station where the dispute has arisen. The selection of all Panel members will be according to the sole discretion of the Space Mediator. The Space Mediator shall also designate the Panel member who shall serve as the Panel Chairman.

(h) Recusals and Challenges of Panel Members. The Exchange’s recusal rules and policies shall apply with respect to participation by the Space Mediator, Panel members, and others in the crowd space dispute resolution process pursuant to this Rule. Parties to the dispute shall be informed of the composition of the Panel, as well as the date, time, and place of the hearing, at least 72 hours prior to the scheduled hearing in the matter by the Space Mediator. A Party may
challenge the selection of one or more Panel members no later than 48 hours prior to the scheduled hearing in the matter by providing to the Space Mediator or the Panel Chairman a brief written statement explaining why the challenged Panel member has a conflict of interest or any other reason that would make the Panel member unable to participate in a fair and impartial manner. Notice of any replacement Panel member will be provided to the parties no later than 24 hours prior to the scheduled hearing. A Party may challenge the selection of any replacement Panel member no later than 8 hours prior to the scheduled hearing. The Space Mediator shall have sole and final authority to rule on any challenge and replace any Panel member.

(i) Hearings. The hearing shall be held at such time and place as may be designated by the Panel. In hearings before the Panel, the Parties to the dispute will be allowed to present witnesses and/or documentary evidence to argue their claim, provided that they have furnished a list of all such witnesses and a copy of all such documents to the Panel Members and to all opposing parties at least 48 hours prior to the date of the hearing. The legal counsel to the Space Mediator, or another attorney designated by the legal counsel to the Space Mediator, shall act as legal counsel to the Panel. The Panel shall determine all questions concerning admissibility of evidence, and shall otherwise regulate the conduct of the hearing. Formal rules of evidence shall not apply. The Panel shall decide any issues of fact based on the evidence admitted at the hearing, and shall apply the Crowd Space Dispute Resolution Guidelines set forth below to each dispute. The party receiving at least a majority vote by the Panel will prevail.

(j) Crowd Space Dispute Resolution Guidelines. In resolving a crowd space dispute, the Panel’s guiding principles shall be: (i) to determine what shall “best promote a liquid and competitive market”, (ii) to give no preference to Market-Makers, floor brokers, or representatives of DPMs merely because of their status as such, and (iii) to recognize and apply the principles that no Trading Permit Holder has any ownership ‘rights’ in any crowd space, and that no Trading Permit Holder may sell or assign any supposed ‘right’ to use a particular space in a trading crowd. The Panel shall examine the following factors and determine, in the Panel’s sole judgment, how each relates to each of the parties competing for the space (the numerical ranking of the factors does not necessarily indicate the relative importance to be given to any particular factors in any particular case):

1. Quality and Quantity of Business:

   The Panel shall review the quality and quantity of business that each party to the dispute conducts. Evidence of the quality and quantity of each party’s business shall include, but is not limited to, evidence of the average daily number of contracts traded, the percentage of transactions that are traded in-person, and the typical size of markets made by each party.

2. Tenure in the trading crowd:

   “Tenure” refers to the length of time each party has spent in the trading crowd where the space in dispute is located.

3. Association/affiliation with a TPH organization that has occupied the space:
If a nominee or employee of a TPH organization has had to leave a space, then the Panel will consider to what extent there will be a negative impact on the trading in the crowd if another nominee of the TPH organization is or is not permitted to continue to use the space.

4. Need for accommodation:

The Panel will consider to what extent each party’s existing business is already satisfied by their existing space or whether the new space is needed to facilitate either existing or anticipated new business.

5. Proximity of competing parties:

The Panel will give consideration to whether any party stood near the spot in question, or whether any party occupied the space in the past.

6. Sight lines or Access:

The Panel will consider to what extent each party needs sight lines or access to other parts of the crowd or the trading floor.

7. Technology considerations:

The Panel will consider to what extent each party’s needs may be satisfied by trading technology or communication technology.

8. Equitable considerations:

In addition to the above factors, the Panel will consider any other factor it deems relevant in order to achieve a fair and equitable resolution.

(k) Panel Decision. The Panel Chairman shall communicate the Panel’s decision to the Space Mediator and all parties to the dispute. The Panel decision shall take effect on the first trading day after all parties have been notified of the decision by the Panel Chairman. The Panel shall also promptly provide a written Statement of Decision explaining the reason(s) for its decision. However, the effective date of the Panel’s decision shall not be postponed until the release of the Statement of Decision. If the Panel makes its decision about a party’s right to use a space contingent upon that party’s satisfaction of certain conditions, those conditions shall be set forth in the Statement of Decision.

(l) Appeal. Any party may appeal the decision of the Panel pursuant to Chapter XIX of the Exchange Rules by filing an Application pursuant to Cboe Options Rule 19.2(a) within thirty days after the date of release of the Panel’s Statement of Decision. The Panel decision, however, shall remain in effect during any such appeal.

(m) Failure to Comply. Any Trading Permit Holder or person associated with a Trading Permit Holder who fails to comply with a decision reached through these Crowd Space Dispute Resolution Procedures, or who otherwise fails to comply with any provision of this Cboe Options
Rule 24.21, may be subject to disciplinary proceedings in accordance with Chapter 17 of the Cboe Options Rules for violation of this rule and Rule 4.1 (“Just and Equitable Principles of Trade”).

Approved December 4, 2003 (03-36); amended March 21, 2006 (06-15); May 23, 2008 (08-02); June 18, 2010 (10-058); June 11, 2014 (14-042); January 3 2018 (18-010); July 7, 2018 (18-043); May 10, 2019 (19-017).

Rule 24.22. Allocation of Trading Spaces

(a) In connection with an expansion or other physical modification of an area of a trading crowd or creation of a new trading crowd, Cboe Options may allocate the available trading spaces using a random lottery process or an order in time process. Under either of the processes that it chooses to utilize, Cboe Options would announce a deadline by which an approved individual Cboe Options Trading Permit Holder who would like to use the trading space can submit an indication of interest for one of the available trading spaces. Only those individuals who are approved Trading Permit Holders of Cboe Options would be eligible to submit an indication of interest, and the individual who would be using the trading space must be an effective Trading Permit Holder under Cboe Options Rule 3.10 (i.e., must have a Trading Permit) at the time of the random lottery process or the order in time process. After the deadline for indications of interest has passed, the available trading spaces would be allocated through a random lottery process or an order in time process.

(b) Cboe Options may, in its discretion, determine the specific dimensions and parameters of each trading space in a trading crowd, provided that each Trading Permit Holder performing a specific trading function (i.e., DPM, LMM, Market-Maker, or Floor Broker) in a trading crowd be allocated the same amount of space as each other Trading Permit Holder performing the same respective trading function in that trading crowd. Any determinations made by the Exchange pursuant to this Rule as to the specific dimensions and parameters of the trading spaces within a particular trading crowd shall be communicated in a Regulatory Circular.

Adopted June 11, 2014 (14-042); amended May 10, 2019 (19-017).
CHAPTER XXIVA. FLEX HYBRID TRADING SYSTEM INTRODUCTION (RULES 24A.1 – 24A.16)

Introduction

The rules in this Chapter apply only to the trading of Flexible Exchange Options on the Exchange’s FLEX Hybrid Trading System as defined below. Except as indicated at the end of each rule herein, the rules in Chapters I through XIX and XXIV are also applicable to the trading of Flexible Exchange Options on the FLEX Hybrid Trading System. To the extent the rules in this Chapter are inconsistent with other Exchange rules, the rules in this Chapter take precedence in relation to the trading of Flexible Exchange Options on the FLEX Hybrid Trading System.

Amended June 18, 2010 (10-058).

Rule 24A.1. Definitions

BBO

(a) The term “BBO” means the best bid or offer, or both, as applicable, entered in response to a Request for Quotes or resting in the electronic book.

BBO Improvement Interval

(b) The term “BBO Improvement Interval” refers to the period of time in respect of the open outcry RFQ process during which FLEX Traders in the trading crowd may submit FLEX Quotes to meet or improve the BBO established during the RFQ Response Period.

(c) Reserved.

Flexible Exchange Option

(d) The term “Flexible Exchange Option” (referred to herein as “FLEX Option”) means an option contract that is subject to the rules in this Chapter.

FLEX Hybrid Trading System

(e) The term “FLEX Hybrid Trading System” (referred to herein as the “System”) means the Exchange’s trading platform that allows FLEX Traders to submit electronic and open outcry RFQs, FLEX Quotes in response to such RFQs, and FLEX Orders into the electronic book.

FLEX Equity Option

(f) The term “FLEX Equity Option” means an option on a specified underlying equity security that is subject to the rules in this Chapter.

FLEX Index Option

(g) The term “FLEX Index Option” means an index option that is subject to the rules in this Chapter.
FLEX Market-Maker

(h) The term “FLEX Market-Maker” means a FLEX Trader that is appointed as a FLEX Appointed Market-Maker or a FLEX Qualified Market-Maker, each as described in Rule 24A.9.

FLEX Official

(i) The term “FLEX Official” means the Exchange employee or independent contractor designated pursuant to Rule 24A.14 to perform the FLEX functions set forth in that rule.

FLEX Order

(j) The term “FLEX Order” refers to (i) FLEX bids and offers entered by FLEX Market-Makers and (ii) orders to purchase and orders to sell FLEX Options entered by FLEX Traders, in each case into the electronic book.

FLEX Quote

(k) The term “FLEX Quote” refers to (i) FLEX bids and offers entered by FLEX Market-Makers and (ii) orders to purchase and orders to sell FLEX Options entered by FLEX Traders, in each case in response to a Request for Quotes.

FLEX Trader

(l) The term “FLEX Trader” means a FLEX-participating Trading Permit Holder who has been approved by the Exchange to trade on the System.

Index Multiplier

(m) The term “Index Multiplier” means the monetary amount by which the current index value is to be multiplied to arrive at the value required to be delivered to the holder of a call or by the holder of a put upon valid exercise of the option. The Index Multiplier for FLEX Index Options is $100.

(n) Reserved.

Non-FLEX Equity Option

(o) The term “Non-FLEX Equity Option” means a Non-FLEX Option that is an option on a specified underlying equity security.

Non-FLEX Index Option

(p) The term “Non-FLEX Index Option” means a Non-FLEX Option that is an index option.

Non-FLEX Option
(q) The term “Non-FLEX Option” means an option contract that is not a FLEX Option.

Request for Quotes

(r) The term “Request for Quotes” (“RFQ”) means the initial request supplied by a Submitting Trading Permit Holder to initiate FLEX bidding and offering.

RFQ Market

(s) The term “RFQ Market” means the bids and offers entered in response to an electronic Request for Quotes and FLEX Orders resting in the electronic book.

RFQ Order

(t) The term “RFQ Order” is an order to purchase or order to sell FLEX Options entered by the Submitting Trading Permit Holder during the RFQ Reaction Period.

RFQ Response Period

(u) The term “RFQ Response Period” means the period of time during which FLEX Traders may provide FLEX Quotes in response to a Request for Quotes.

RFQ Reaction Period

(v) The term “RFQ Reaction Period” means the period of time during which a Submitting Trading Permit Holder determines whether to accept or reject the RFQ Market.

Series of FLEX Options

(w) The term “Series of FLEX Options” means, in the case of FLEX Index Options, all such option contracts of the same class having the same exercise price, exercise style, exercise settlement value, expiration date, and index multiplier, and, in the case of FLEX Equity Options, all such option contracts of the same class having the same exercise price, exercise style and expiration date.

Submitting Trading Permit Holder

(x) The term “Submitting Trading Permit Holder” means the FLEX Trader that (i) initiates FLEX bidding and offering by submitting a Request for Quotes or (ii) enters a FLEX Order into the electronic book.

Trade Condition

(y) The term “Trade Condition” means a certain contingency that has been placed on an electronic RFQ, RFQ Order or FLEX Order. The following Trade Conditions will be available in the System for a FLEX Trader to choose from:

(1) Immediate-or-Cancel, which is a condition to execute an RFQ Order or FLEX Order in its entirety or in part as soon as it is represented or cancel it.
(2) Hedge, which is a electronic RFQ or FLEX Order condition contingent on trade execution in Non-FLEX Options or other Non-FLEX components (e.g., stock, futures, or other related instruments or interests).

The Immediate-or-Cancel Trade Condition will be inputted but not disclosed on the System. The Hedge Trade Conditions will be inputted and disclosed on the System. FLEX Orders, other than those designated as Immediate-or-Cancel, will be designated as day orders and, if unexecuted, will be automatically cancelled at the close of each trade day.

Underlying Equivalent Value

(z) The term “Underlying Equivalent Value” in respect of a given number of FLEX Index Options means the aggregate underlying monetary value covered by that number of contracts, derived by multiplying the index multiplier by the current index value times the given number of FLEX Index Options.

(aa) The term “Asian style settlement” is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is based on an arithmetic average of the specified closing prices of an underlying broad-based index taken on 12 predetermined monthly observation dates (including on the expiration date). FLEX Broad-Based Index Options with Asian style settlement have “preceding business day convention,” meaning that if a monthly observation date falls on a non-Cboe Options business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Asian style settlement have European-style exercise.

(bb) The term “Cliquet style settlement” is a settlement style that may be designated for FLEX Broad-Based Index Options and results in the contract settling to an exercise settlement value that is equal to the greater of $0 or the sum of capped monthly returns (i.e., percent changes in the closing value of the underlying broad-based index from one month to the next month) applied over 12 predetermined monthly observation dates (including on the expiration date).

(cc) FLEX Broad-Based Index Options with Cliquet style settlement have “preceding business day convention,” meaning that if a monthly observation date falls on a non-Cboe Options business day (e.g., holiday or weekend), the monthly observation would be on the immediately preceding business day. FLEX Broad-Based Index Options with Cliquet style settlement have European-style exercise.

Adopted November 15, 2007 (06-99); Amended October 2, 2008 (08-103); June 18, 2010 (10-058); amended February 7, 2012 (11-122); amended April 6, 2012 (12-033); July 10, 2015 (15-044); January 3, 2018 (18-010).

Rule 24A.2. Hours of Trading

FLEX transactions may be effected during normal Exchange option trading hours on any business day; provided, however, that the Board in its discretion at any time may determine to narrow or otherwise restrict the times set for FLEX Options trading.
Adopted November 15, 2007 (06-99).

Rule 24A.3. Trading Rotations

There shall be no trading rotations in FLEX Options, either at the opening or at the close of trading. An existing FLEX Option series will automatically open for trading at a randomly selected time within a number of seconds after 8:30 a.m. (all times are CT), at which point FLEX Orders may be entered directly into the electronic book (if available) and/or a FLEX auction may be initiated pursuant to Rule 24A.5, 24A.5A, or 24A.5B. A new FLEX Option series may be established on any business day prior to the expiration date as provided for in Rule 24A.4 and opened for trading pursuant to the procedures and principles as provided for in Rule 24A.5, 24A.5A, or 24A.5B.

This rule supersedes Exchange Rule 6.2.

Adopted November 15, 2007 (06-99); amended February 7, 2012 (11-122); amended April 6, 2012 (12-033); January 3, 2018 (18-010).

Rule 24A.4. Terms of FLEX Options

(a) General

(1) Options series will not be pre-established for FLEX trading. A new series of FLEX Options may be established on any business day prior to the expiration date as provided for in this Rule 24A.4. The variable terms of FLEX Options as provided for in this Rule 24A.4 shall be established through the bidding and offering mechanics detailed in Rule 24A.5. Other terms of FLEX Option contracts shall be the same as those that apply to Non-FLEX Options.

(2) Every FLEX Request for Quotes, every FLEX Order and every FLEX Option contract shall contain one element, as designated by the parties to the contract, from each of the following contract term categories:

(i) underlying security in the case of FLEX Equity Options and underlying index in the case of FLEX Index Options;

(ii) type (put or call);

(iii) exercise style (American or European);

(iv) expiration date (any business day specified as to day, month and year, not to exceed a maximum term of fifteen years, except that a FLEX Index Option that expires on any business day that falls on, or within two business days of, a third Friday-of-the-month expiration day for any Non-FLEX Option other than a QIX option) (“Expiration Friday”), may only have an exercise settlement value on the expiration date determined by reference to the reported level of the index as derived from the opening prices of the component securities (“a.m. settlement’’)); and
(v) exercise price (specified as described in subparagraph (b)(2) below for FLEX Index Options and in subparagraph (c)(2) below for FLEX Equity Options).

The information in subparagraphs (i) through (v) shall be provided for each component series in a multi-legged FLEX Request for Quotes or FLEX Order.

(3) In addition to the terms listed in subparagraph (a)(2) of this Rule 24A.4, every FLEX Request for Quotes shall contain the following additional transaction specifications:

(i) quote type and form sought (i.e., specify whether bid, offer, or both is sought (provided that electronic RFQs may only specify both bid and offer), and whether the FLEX Quote is to be submitted as a specific dollar amount, or in the case of a FLEX Equity Option, as a percentage of the underlying security price, or in the case of a FLEX Index Option, as a percentage of the Underlying Equivalent Value, and whether such price is contingent on specified factors in other related markets);

(ii) Trade Condition(s), if applicable; and

(iii) RFQ Response Period interval (provided that the length of the interval must fall within the time ranges established by the Exchange on a class-by-class basis with respect to electronic RFQs or open outcry RFQs and such time shall not be less than three (3) seconds).

(iv) Every RFQ Order shall contain the same transaction specifications as the related Request for Quotes plus any additional Trade Condition(s), if applicable.

(4) In addition to the terms listed in subparagraph (a)(2) of this Rule 24A.4, every FLEX Order shall contain the following additional transaction specifications:

(i) order type and form (i.e., specify bid or offer; size; and a specific dollar amount, or in the case of a FLEX Equity Option, as a percentage of the underlying security price, or in the case of a FLEX Index Option, as a percentage of the Underlying Equivalent Value, and whether such price is contingent on specified factors in other related markets); and

(ii) Trade Condition(s), if applicable.

(b) Special Terms for FLEX Index Options

(1) The Exchange may approve and open for trading any FLEX Options series on any index that is eligible for Non-FLEX Options trading under Rule 24.2, even if the Exchange does not list and trade Non-FLEX options on such index.
Exercise prices shall be specified in terms of (i) a specific index value number, (ii) a method for fixing such a number at the time a FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date. Premiums may be stated in (i) a dollar amount, (ii) a method for fixing such a number at the time a FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of the index value calculated at the time of the trade or as of the close of trading on the Exchange on the trade date.

Exercise prices may be rounded to the nearest minimum tick or other decimal increment determined by the Exchange on a class-by-class basis that may not be smaller than $0.01. Premiums will be rounded to the nearest minimum tick. For exercise prices and premiums stated using a percentage-based methodology, such values may be stated in a percentage increment determined by the Exchange on a class-by-class basis that may not be smaller than 0.01% and will be rounded as provided above.

Exercise Settlement Value on the expiration date shall be specified, for use in setting the exercise settlement amount, as the index value determined by reference to the reported level of the index as derived from opening or closing prices of the component securities or as a specified average, provided that any average index value must conform to the averaging parameters established by the Exchange, and provided further that in the case of FLEX Index Options on the NYSE Composite Index, the Exercise Settlement Value on the expiration date must be determined by reference to the reported level of the index value as derived from opening prices of the component securities in accordance with Rule 24.9(a)(4) governing A.M.-Settled Index Options.

FLEX Index Options shall be designated for settlement in U.S. Dollars.

Asian style settlement. The parties to FLEX Broad-Based Index Options may designate Asian style settlement. FLEX Broad-Based Index Options with Asian style settlement shall be call options (no puts) and designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the strike price; (iii) the expiration date which must be a Cboe Options business day; and (iv) a set of monthly observation dates.

Cliquet style settlement. The parties to FLEX Broad-Based Index Options may designate Cliquet style settlement. FLEX Broad-Based Index Options with Cliquet style settlement shall be call options (no puts) and be designated by: (i) the duration of the contract which may range from 350 to 371 days (which is approximately 50 to 53 calendar weeks) from the date of listing; (ii) the capped monthly return that must be expressed in dollars and cents and in increments not less than $0.05 and must be a value between $0.05 and $25.95; (iii) the expiration date which must be a Cboe Options business day; and (iv) a set of monthly
observation dates. The capped monthly return will serve as the “exercise (strike) price” for a FLEX Broad-Based Index Option with Cliquet style settlement.

(c) Special Terms for FLEX Equity Options

1. The Exchange may approve and open for trading any FLEX Equity options series on any security that is eligible for Non-FLEX options trading under Rule 5.3, even if the Exchange does not list and trade Non-FLEX options on such security.

2. Exercise prices and premiums may be stated in (i) a dollar amount, (ii) a method for fixing such a number at the time a FLEX Request for Quote or FLEX Order is traded, or (iii) a percentage of the price of the underlying security at the time of the trade or as of the close of trading on the Exchange on the trade date. Exercise prices may be rounded to the nearest minimum tick or other decimal increment determined by the Exchange on a class-by-class basis that may not be smaller than $0.01. Premiums will be rounded to the nearest minimum tick. For exercise prices and premiums stated using a percentage-based methodology, such values may be stated in a percentage increment determined by the Exchange on a class-by-class basis that may not be smaller than 0.01% and will be rounded as provided above.

3. Exercise settlement shall be by physical delivery of the underlying security.

4. FLEX Equity Options shall be subject to the exercise by exception provisions of Clearing Corporation Rule 805.

This rule supersedes Exchange Rules 5.5, 5.6, 6.5, 6.41, 24.8 and 24.9.

Adopted November 15, 2007 (06-99); March 4, 2008 (06-36); May 23, 2008 (08-02); October 2, 2008 (08-102); October 30, 2008 (08-98); February 18, 2009 (08-115); August 28, 2009 (09-053); October 31, 2011 (11-098); amended February 7, 2012 (11-122); amended April 6, 2012 (12-033); August 8, 2012 (12-040); October 21, 2012 (12-093); July 10, 2015 (15-044).

... Interpretations and Policies:

.01 FLEX Index Option PM Settlements Pilot Program: Notwithstanding subparagraph (a)(2)(iv) above, for a pilot period ending the earlier of November 4, 2019 or the date on which the pilot program is approved on a permanent basis, a FLEX Index Option that expires on an Expiration Friday may have any exercise settlement value that is permissible pursuant to subparagraph (b)(3) above.

Adopted March 4, 2008 (06-36); amended September 9, 2009 (09-064); January 28, 2010 (09-087); March 9, 2010 (10-026); March 23, 2011 (11-024); March 30, 2012 (12-027); August 8, 2012 (12-040); October 25, 2012 (12-102); October 11, 2013 (13-099); October 16, 2014 (14-080); April 14, 2016 (16-032); April 4, 2017 (17-032); May 2, 2018 (18-037); November 2, 2018 (18-071); April 10, 2019 (19-021).
The below version of Interpretation and Policy .02 will remain in effect until an effective date specified by the Exchange in a Regulatory Circular. The effective date shall be no later than July 31, 2018, and the Regulatory Circular announcing the effective date shall be issued at least 30 days prior to the effective date.

Provided the options on an underlying security or index are otherwise eligible for FLEX trading, FLEX Options shall be permitted in puts and calls that do not have the same exercise style, same expiration date and same exercise price as Non-FLEX Options that are already available for trading on the same underlying security or index. FLEX Options shall also be permitted before the options are listed for trading as Non-FLEX Options. Once and if the option series are listed for trading as Non-FLEX Options, (i) all existing open positions established under the FLEX trading procedures shall be fully fungible with transactions in the respective Non-FLEX Option series and (ii) any further trading in the series would be as Non-FLEX Options subject to the Non-FLEX trading procedures and rules. However, in the event the Non-FLEX series is added intra-day, a position established under the FLEX trading procedures would be permitted to be closed using the FLEX trading procedures for the balance of the trading day on which the Non-FLEX series is added against another closing only FLEX position. For such FLEX series, the FLEX Official will make an announcement that the FLEX series is now restricted to closing transactions; a FLEX Request for Quotes may not be disseminated for any order representing a FLEX series having the same terms as a Non-FLEX series, unless such FLEX Order is a closing order (and it is the day the Non-FLEX series has been added); and only responses that close out an existing FLEX position are permitted. Any transactions in a restricted series that occur that do not conform to these requirements will be nullified by the FLEX Official pursuant to Rule 24A.14.

The below version of Interpretation and Policy .02 shall be in effect on the effective date specified by the Exchange in a Regulatory Circular. The effective date shall be no later than July 31, 2018, and the Regulatory Circular announcing the effective date shall be issued at least 30 days prior to the effective date.

.02  Fungibility of FLEX Options:

(a) Applicability: This Interpretation and Policy shall apply to all FLEX Options. In the event the relevant expiration is an Exchange holiday, this Interpretation and Policy shall be applicable to options with an expiration date that is the business day immediately preceding the Exchange holiday. Except, in the case of Monday expiring Weekly Expirations (Rule 24.9(e)(1)), this Interpretation and Policy shall be applicable to options with an expiration date that is the business day immediately following the Exchange Holiday.

(b) Requirements: Provided the options on an underlying security or index are otherwise eligible for FLEX trading, FLEX Options shall be permitted in puts and calls that do not have the same exercise style, same expiration date and same exercise price as Non-FLEX Options that are already available for trading on the same underlying security or index. FLEX Options shall also be permitted in series before series with identical terms are listed for trading as Non-FLEX Options. Once and if an option series with identical terms is listed for trading as Non-FLEX Options, (i) all existing open positions established under the FLEX trading procedures shall be fully fungible with transactions in the identical Non-FLEX Option series and (ii) any further trading in the series would be as Non-FLEX Options subject to the Non-FLEX trading procedures.
and rules. However, in the event a Non-FLEX American-style series is added intra-day, a position established under the FLEX trading procedures would be permitted to be closed using the FLEX trading procedures for the balance of the trading day on which the Non-FLEX series is added against another closing only FLEX position. For such FLEX series, the FLEX Official will make an announcement that the FLEX series is now restricted to closing transactions; a FLEX Request for Quotes may not be disseminated for any order representing a FLEX series having the same terms as a Non-FLEX series, unless such FLEX Order is a closing order (and it is the day the Non-FLEX series has been added); and only responses that close out an existing FLEX position are permitted. Any transactions in a restricted series that occur that do not conform to these requirements will be nullified by the FLEX Official pursuant to Rule 24A.14.

Amended February 18, 2009 (08-115); September 8, 2010 (10-078); January 3, 2018 (18-010); May 9, 2018 (18-008).

Rule 24A.5. FLEX Trading Procedures and Principles

(a) Request for Quotes Process. The Request for Quotes process may be used at any time, but is required to open trading in a new series (unless the auction process under Rule 24A.5A or 24A.5B is used to open trading in a new series). The Request for Quotes process may be conducted through the System or in open outcry pursuant to the following processes:

(1) Electronic RFQ Process.

(i) Initiating a FLEX Request for Quotes.

(A) To initiate a FLEX transaction using the electronic RFQ process, a Submitting Trading Permit Holder shall submit to the FLEX System a Request for Quotes, utilizing for that purpose the forms, formats and procedures prescribed by the Exchange.

(B) On receipt of a Request for Quotes in proper form, the System shall cause the terms and specifications of the Request for Quotes to be communicated via the System to FLEX Traders. Only one electronic RFQ may be ongoing at any given time in a series and electronic RFQs in the same series may not queue or overlap in any manner.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) FLEX Traders, including the Submitting Trading Permit Holder, may enter on the System FLEX Quotes responsive to an electronic Request for Quotes (provided, however, FLEX Quotes may not be entered for the account of an options Market-Maker from another options exchange).

(B) FLEX Quotes may be entered or withdrawn at any point during the RFQ Response Period (provided, however, FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set
forth in Rule 24A.9). FLEX Orders may not be submitted to the electronic book during the RFQ Reaction Period, but may be withdrawn.

(C) During the RFQ Response Period, the System will dynamically calculate and disseminate to all FLEX Traders the RFQ Market given the current FLEX Quotes and resting FLEX Orders.

(iii) Formation of Contracts Following the RFQ Response Period.

(A) After the expiration of the RFQ Response Period, the Submitting Trading Permit Holder shall accept or reject the bids or offers, provided that such acceptance or rejection must occur within the RFQ Reaction Period (the duration of the RFQ Reaction Period will be established by the Exchange on a class-by-class basis and such time shall not be more than five minutes). Failure to accept the bids or offers before completion of the RFQ Reaction Period equates to a rejection.

(B) During the RFQ Reaction Period:

(I) FLEX Quotes may be entered or withdrawn (provided, however, FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24A.9). FLEX Orders may not be submitted to the electronic book during the RFQ Reaction Period, but may be withdrawn.

(II) The System will dynamically calculate and disseminate to all FLEX Traders the RFQ Market given the current FLEX Quotes and resting FLEX Orders.

(III) If the Submitting Trading Permit Holder chooses to reject the bids and offers, the Submitting Trading Permit Holder may either cancel the RFQ or let it expire.

(IV) If the Submitting Trading Permit Holder chooses to trade, the Submitting Trading Permit Holder may enter an RFQ Order to trade with one side of the RFQ Market (either bids or offers, not both); provided, however, if the Submitting Trading Permit Holder enters a FLEX Quote during the RFQ Reaction Period, the Submitting Trading Permit Holder must be bidding (offering) for at least the Crossing Exposure Period prior to entering the RFQ Order. The duration of the Crossing Exposure Period will be established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.

(C) Allocation:

(I) The incoming RFQ Order will be eligible to trade with FLEX Quotes and FLEX Orders at the best price(s).
(II) Allocation among multiple FLEX Quotes and FLEX Orders at the same price shall be as follows:

(aa) FLEX Quotes and FLEX Orders for the account of public customers and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority;

(bb) any FLEX Quotes and FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below; then

(cc) all other FLEX Quotes and FLEX Orders will participate in the execution based on time priority.

In the event the RFQ Market is locked or crossed (e.g., $1.25-$1.20), FLEX Quotes and FLEX Orders will be eligible to trade at a single clearing price that will leave bids and offers which cannot trade with each other (“BBO clearing price”). In determining the priority of FLEX Quotes and FLEX Orders to be traded, the System gives priority to FLEX Quotes and FLEX Orders whose price is better than the BBO clearing price, then to FLEX Quotes and FLEX Orders at the BBO clearing price based on the allocation in paragraphs (aa) through (cc) above. Allocation among multiple FLEX Quotes and FLEX Orders that are priced at the BBO clearing price and are on the same side of the transaction as the RFQ Order shall be as follows:

(aa) FLEX Quotes and FLEX Orders for the account of public customers and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority;

(bb) an RFQ Order will participate in the execution, then any FLEX Quotes and FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below;

(cc) all other FLEX Quotes and FLEX Orders will participate in the execution based on time priority.

(III) The System will then enter any remaining balance of the incoming RFQ Order in the electronic book (if available), unless the Submitting Trading Permit Holder has indicated that the balance is to be automatically cancelled if it is not traded. Once entered in
the electronic book, an RFQ Order will be treated the same as other FLEX Orders.

(D) The Submitting Trading Permit Holder has no obligation to accept any FLEX bid or offer.

(E) Whenever the Submitting Trading Permit Holder rejects the RFQ Market or the RFQ Market size exceeds the Submitting Trading Permit Holder’s FLEX transaction size, the System will automatically execute the remaining balance of any FLEX Quotes and FLEX Orders that are marketable against each other at the BBO clearing price. Allocation shall be in accordance with subparagraph (C) above. Thereafter any remaining balance of the FLEX Quotes will be automatically cancelled at the conclusion of the RFQ Reaction Period.

(2) Open Outcry RFQ Process.

(i) Initiating a FLEX Request for Quotes.

(A) To initiate a FLEX transaction using the open outcry RFQ process, a Submitting Trading Permit Holder shall submit to the FLEX Official a Request for Quotes, utilizing for that purpose the forms, formats and procedures established by the Exchange.

(B) After providing a Request for Quotes in proper form to the FLEX Official, the Submitting Trading Permit Holder shall immediately announce the terms and specifications of the Request for Quotes to the trading crowd for the FLEX Option by public outcry.

(ii) FLEX Bidding and Offering in Response to Requests for Quotes.

(A) FLEX Traders present in the trading crowd may provide the Submitting Trading Permit Holder with FLEX Quotes responsive to each Request for Quotes. FLEX Quotes must be entered during the RFQ Response Period by public outcry.

(B) All FLEX Quotes may be entered, modified or withdrawn at any point during the RFQ Response Period (provided, however, that FLEX Appointed Market-Makers must meet the FLEX Quote maintenance obligations set forth in Rule 24A.9). At the expiration of the RFQ Response Period, the BBO shall be identified by the Submitting Trading Permit Holder considering FLEX Quotes and, if applicable, FLEX Orders resting in the electronic book. At the expiration of the RFQ Response Period, the Submitting Trading Permit Holder shall announce the BBO to the FLEX Traders in the trading crowd.

(iii) Formation of Contracts Following the RFQ Response Period.
(A) If the Submitting Trading Permit Holder does not intend to cross or act as principal with respect to any part of the FLEX trade, the Submitting Trading Permit Holder shall promptly accept or reject the BBO; provided, however, that if the Submitting Trading Permit Holder either rejects the BBO or is given a BBO for less than the entire size requested, all FLEX Traders present in the trading crowd other than the Submitting Trading Permit Holder will have an opportunity during the BBO Improvement Interval in which to match or improve, as applicable, the BBO. At the expiration of any such BBO Improvement Interval, the Submitting Trading Permit Holder must promptly accept or reject the BBO. The Submitting Trading Permit Holder will trade with eligible FLEX Quotes and FLEX Orders in accordance with the priority algorithm described in subparagraph (v) below.

(B) If the Submitting Trading Permit Holder indicates an intention to cross or act as principal with respect to any part of the FLEX trade, acceptance of the displayed BBO shall be automatically delayed until the expiration of the BBO Improvement Interval. Prior to the BBO Improvement Interval, the Submitting Trading Permit Holder must announce to the trading crowd the price at which the Trading Permit Holder expects to trade. In these circumstances, the Submitting Trading Permit Holder may participate with all other FLEX Traders present in the trading crowd in attempting to improve or match the BBO during the BBO Improvement Interval. At the expiration of the BBO Improvement Interval, the Submitting Trading Permit Holder must promptly accept or reject the BBO. The Submitting Trading Permit Holder will trade with eligible FLEX Quotes and FLEX Orders in accordance with the priority algorithm described in subparagraph (v) below.

(C) The Submitting Trading Permit Holder has no obligation to accept any FLEX bid or offer.

(D) Whenever, following the completion of the RFQ Response Period or BBO Improvement Interval, as applicable, the Submitting Trading Permit Holder rejects the BBO or the BBO size exceeds the FLEX transaction size indicated in the Request for Quotes, FLEX Traders present in the trading crowd may accept the unfilled balance of the BBO. Such acceptance must occur by public outcry promptly following the Submitting Trading Permit Holder’s determination whether to accept or reject the BBO or at the expiration of any applicable BBO Improvement Interval.

(iv) Quote Rejection. Rejection of the BBO or failure promptly to accept the BBO pursuant to subparagraph (a)(2)(iii) above results in expiration of the BBO and the Request for Quotes.

(v) Open Outcry RFQ Priority.
(A) The highest bid (lowest offer) shall have priority. Allocation among multiple best bids (offers) at the same price shall be as follows:

(I) any crossing participation entitlement will participate in the execution pursuant to paragraph (d) below;

(II) any FLEX Quotes that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below;

(III) all other FLEX Quotes submitted in response to an open outcry RFQ will have priority in the sequence in which they are made; to the extent two or more best bid (offer) FLEX Quotes are submitted in open outcry at the same time and same price, or the Submitting Trading Permit Holder cannot reasonably determine the sequence in which the open outcry bid (offer) FLEX Quotes were made, priority will be apportioned equally among those open outcry bids (offers); then

(IV) FLEX Orders resting in the electronic book will participate in the execution pursuant to paragraph (b) below.

(B) Notwithstanding subparagraph (A) above, bids (offers) submitted on behalf of the proprietary account of a Trading Permit Holder relying on the “G” exemption described in paragraph (d) below must yield priority to any bid (offer) at the same price that is represented in the electronic book and all other bids (offers) that have priority over the electronic book. In the event a Submitting Trading Permit Holder is asserting a crossing participation entitlement on behalf of a proprietary account of a Trading Permit Holder relying on the “G” exemption and a FLEX Appointed Market-Maker(s) is also asserting a participation entitlement, the Submitting Trading Permit Holder’s crossing percentage entitlement to the remaining balance of the original order, when combined with the FLEX Appointed Market-Maker(s) guaranteed participation, shall not exceed 40% of the original order. However, provided the “G” exemption requirements are satisfied, nothing prohibits a Submitting Trading Permit Holder or FLEX Appointed Market-Maker from trading more than their applicable entitlement if other FLEX Traders in the crowd do not chose to trade the remaining portion of the order.

(b) FLEX Electronic Book

(1) Availability of the Electronic Book: The Exchange may determine on a class-by-class basis to make an electronic book available in the System. If made available, FLEX Orders may be entered into the electronic book, as well as any remaining balance of RFQ Orders as provided in subparagraph (a)(1)(iii)(C) above.

(2) Entering a FLEX Order:
(i) To enter a FLEX Order, a Submitting Trading Permit Holder may submit to the System an order, utilizing for that purpose the forms, formats and procedures prescribed by the Exchange.

(ii) All FLEX Orders must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder, including the requirements described in paragraph (d) below. A FLEX Order submitted on behalf of the proprietary account of a Trading Permit Holder relying on the “G” exemption described in paragraph (d) may only be entered to “hit” the electronic book. To the extent such a FLEX Order is not executed in whole or in part as soon as it hits the electronic book, it must be immediately cancelled by the FLEX Trader.

(iii) All FLEX Orders are ranked and matched based on price. Allocation among multiple bids (offers) at the same price shall be as follows:

(A) all FLEX Orders for the account of a public customer and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority;

(B) any FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to paragraph (d) below; then

(C) all other FLEX Orders will participate in the execution based on time priority.

(3) Crossing FLEX Orders:

(i) Principal Transactions: Submitting Trading Permit Holders may not execute as principal against FLEX Orders they represent as agent unless: (A) the agency FLEX Order is first subject to an RFQ and the agency FLEX Order (or any remaining balance not executed during the RFQ Reaction Period) is exposed on the System for at least the Crossing Exposure Period, or (B) the Submitting Trading Permit Holder has been bidding or offering for at least the Crossing Exposure Period prior to receiving an agency FLEX Order that is executable against such bid or offer.

(ii) Solicitation Orders: Submitting Trading Permit Holders may not execute solicited orders against FLEX Orders they represent as agent unless the agency FLEX Order is first subject to an RFQ and the agency FLEX Order (or any remaining balance not executed during the RFQ Reaction Period) is exposed on the System for at least the Crossing Exposure Period.

(iii) The duration of the Crossing Exposure Period referenced in subparagraphs (b)(3)(i) and (ii) above will be established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.

(c) Quote Acceptance:
Acceptance of any bid or offer creates a binding contract under Rule 6.48.

(d) Priority of Bids and Offers:

(1) Basic Priority Methodology: Priority will be as provided in subparagraphs (a)(1)(iii) above for electronic RFQs, (a)(2)(v) above for open outcry RFQs and (b)(2)(iii) for the electronic book.

(2) Additional Priority Overlays:

(i) The Exchange may establish from time to time a crossing participation entitlement subject to the following:

(A) In the case of FLEX Equity Options, where the Submitting Trading Permit Holder has matched or improved the BBO, the Submitting Trading Permit Holder will have priority to execute the contra-side of the trade, but only to the extent of the applicable crossing participation entitlement percentage. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations with respect to open outcry RFQs and the applicable entitlement percentage, which shall not exceed 40% of the trade.

(B) In the case of FLEX Index Options, where the Submitting Trading Permit Holder has matched or improved the BBO, the Submitting Trading Permit Holder will have priority to execute the contra-side of the trade, but only to the extent of the largest of (i) the applicable crossing participation entitlement percentage, (ii) a proportional share of the trade, (iii) $1 million Underlying Equivalent Value, or (iv) the remaining Underlying Equivalent Value on a closing transaction valued at less than $1 million. The Exchange may determine on a class-by-class basis whether to establish a crossing participation entitlement for facilitations and/or solicitations with respect to open outcry RFQs and the applicable crossing participation entitlement percentage in subparagraph (i), which shall not exceed 40% of the trade.

(C) A Submitting Trading Permit Holder that is utilizing the open outcry RFQ mechanics may not cross an order pursuant to subparagraphs (d)(2)(i)(A) or (B) above that he is holding with a solicited order from a FLEX Market-Maker that is then in the trading crowd, except in accordance with Rule 6.55.

(ii) The Exchange may establish from time to time a participation entitlement formula that is applicable to FLEX Appointed Market Makers on a class-by-class basis with respect to open outcry RFQs, electronic RFQs and/or electronic book transactions. Any such FLEX Appointed Market-Maker participation entitlement shall: (A) be divided equally by the number of FLEX Appointed Market-Makers quoting at the BBO or BBO clearing price, as applicable; (B) collectively be no more than: 50% of the amount remaining in the
order when there is one other FLEX Market-Maker also quoting at the same price, 40% when there are two other FLEX Market-Makers also quoting at the same price; and 30% when there are three or more FLEX Market-Makers also quoting at the same price; and (C) when combined with any crossing participation entitlement, shall not exceed 40% of the original order.

(iii) Pronouncements regarding the applicable participation entitlements and applicable rates pursuant to subparagraphs (d)(2)(i) and (ii), if any, shall be announced to the Trading Permit Holders via Regulatory Circular.

3) Notwithstanding subparagraphs (d)(1) through (2), Trade Conditions detailed in Rule 24A.1(x) may prevent a match from occurring.

4) All transactions must be in compliance with Section 11(a)(1) of the Exchange Act and the rules promulgated thereunder. Section 11(a)(1) prohibits a Trading Permit Holder from effecting transactions on the Exchange for the Trading Permit Holder’s own account, the account of an associated person, or an account over which the Trading Permit Holder or its associated person exercises investment discretion (collectively referred to as “proprietary” orders), unless an exception applies.

(i) Market-Makers: Any such proprietary transaction entered by a dealer acting in the capacity of a market maker is exempt from Section 11(a)(1) pursuant to Section 11(a)(1) (A).

(ii) “G” Exemption: A transaction shall be permitted on behalf of the proprietary account of a Trading Permit Holder relying on Section 11(a)(1)(G) of the Exchange Act and Rule 11a1-1(T) thereunder (referred in this Rule as the “G” exemption), subject to the provisions set forth in subparagraphs (a)(2)(v)(B) and (b)(2)(ii) above. Such a Trading Permit Holder would also have to be in compliance with the requirements of paragraph (b) of the “G” exemption rule.

(iii) “Effect versus Execute” Exemption: A Trading Permit Holder relying on 11a2-2(T) under the Exchange Act (referred to in this Rule as the “effect versus execute” exemption) may use the System to submit a proprietary order originating from off the Exchange’s trading floor only when such proprietary order is submitted as a FLEX Order into the electronic book as described in paragraph (b), provided the Trading Permit Holder is in compliance with the requirements of Section (a)(2)(iv) of the “effect-versus-execute” exemption rule. Nothing in this subparagraph precludes a Trading Permit Holder from having a proprietary order executed by another Trading Permit Holder that is unaffiliated with the Trading Permit Holder initiating the proprietary order, provided the Trading Permit Holder also satisfies the other requirements of the “effect-versus-execute” exemption rule.

(iv) Nothing in this Rule precludes a Trading Permit Holder from relying on another exception to comply with the requirements of Section 11(a)(1) and the rules promulgated thereunder.

(e) Incremental Changes for Bids and Offers
Changes in decimal bids and offers for FLEX Options shall be determined by the Exchange on a class-by-class basis, but may not be smaller than $0.01. For premiums stated using a percentage-based methodology, changes in such bids and offers shall be determined by the Exchange on a class-by-class basis, but may not be smaller than 0.01%, and shall be rounded to the nearest minimum tick. Pronouncements regarding the applicable minimum increment shall be announced to the Trading Permit Holders via Regulatory Circular.

This rule supersedes Rules 6.5, 6.9(d) (in those situations where a Submitting Trading Permit Holder representing an eligible order determines to take advantage of the crossing participation entitlement provisions of this Rule), 6.41, 6.42 (paragraphs (1) through (3) and those provisions of paragraph (4) pertaining to complex orders in options on the S&P 500 Index or on the S&P100 Index that are not box/roll spreads), 6.44, 6.45, 6.53 (definitions of Opening Rotation order and Facilitation order), 6.74, (except that the Exchange may designate a class to be eligible for the tied hedge procedures set forth in Interpretation and Policy .10), 24.8 and 24.9.

Adopted November 15, 2007 (06-99); amended May 23, 2008 (08-02); August 13, 2009 (09-007); June 18, 2010 (10-058); amended February 7, 2012 (11-122); amended April 6, 2012 (12-033); October 21, 2012 (12-093); January 3, 2018 (18-010); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 Complex Orders: There is no electronic complex order book for multi-legged, complex orders. To trade electronically, complex orders will only be eligible to trade with other complex orders through the electronic RFQ process described in paragraph (a)(1) of this Rule. For purposes of the electronic RFQ process, order allocation shall be the same as provided in paragraph (a)(1)(C). Only one electronic RFQ may be ongoing at any given time for a given complex order strategy and electronic RFQs may not queue or overlap in any manner. In the event there are bids (offers) in any of the individual component series legs represented in the electronic book when an electronic RFQ for a complex order strategy is submitted to the System, the electronic RFQ will not commence. An unrelated FLEX Order in any of the individual series legs may not be submitted to the electronic book or for electronic RFQ processing during the duration of an electronic RFQ. To the extent that a complex RFQ Order or responsive FLEX Quote is not executed, any remaining balance of the complex order or FLEX Quote will be automatically cancelled if not traded.

Adopted February 7, 2012 (11-122); amended October 21, 2012 (12-093).

.02 Special Terms for FLEX Option Exercise Prices and Premiums: There is no electronic book for FLEX Options with exercise prices and premiums that are based on a methodology for fixing such a number or based on a percentage as provided in Rule 24A.4(b)(2) and (c)(2). To trade electronically under Rule 24A.5, such FLEX Option orders will only be eligible to trade through the electronic RFQ process described in paragraph (a)(1) of the Rule.

Adopted October 21, 2012 (12-093); January 3, 2018 (18-010).

.03 Post-Trade Verification Procedures: The following post-trade verification procedures apply to electronic RFQ transactions in multi-legged, complex order strategies and to electronic RFQ transactions in FLEX Options with exercise prices and premiums that are based on a
methodology for fixing such a number or based on a percentage. The party that initiated the transaction (i.e., the Submitting Trading Permit Holder) shall input complex order leg price, exercise price, and/or premium information into the System. Once the information is inputted by the Submitting Trading Permit Holder, the contra-party(ies) to the transaction shall then have a designated period of time to notify FLEX Officials of any inaccuracies in the content of a transaction and of the corrections to any inaccurate information, which designated period of time will be determined by the Exchange and will not be less than five minutes or more than thirty minutes from the time the Submitting Trading Permit Holder inputs the information into the System.

Adopted October 21, 2012 (12-093).

Rule 24A.5A. FLEX Automated Improvement Mechanism

Notwithstanding the provisions of Rule 24A.5, a FLEX Trader that represents agency orders may electronically execute an order it represents as agent (“Agency Order”) against principal interest and/or against solicited orders provided it submits the Agency Order for execution into the automated improvement mechanism auction (“AIM Auction”) pursuant to this Rule.

(a) AIM Auction Eligibility Requirements. A FLEX Trader (the “Initiating Trading Permit Holder”) may initiate an AIM Auction provided all of the following are met:

(1) the Agency Order is in a FLEX class designated as eligible for AIM Auctions as determined by the Exchange and within the designated AIM Auction order eligibility size parameters as such size parameters are determined by the Exchange; and

(2) the Initiating Trading Permit Holder must stop the entire Agency Order as principal and/or with a solicited order(s) at the better of the BBO price improved by one minimum price improvement increment or the Agency Order’s limit price.

(b) AIM Auction Process: Only one AIM Auction may be ongoing at any given time in a series and AIM Auctions in the same series may not queue or overlap in any manner. In addition, unrelated FLEX Orders may not be submitted to the electronic book for the duration of an AIM Auction. The AIM Auction may not be cancelled and shall proceed as follows:

(1) AIM Auction Period and Request for Responses (“RFR”).

(i) To initiate the AIM Auction, the Initiating Trading Permit Holder must mark the Agency Order for AIM Auction processing, and specify (A) a single price at which it seeks to cross the Agency Order (with principal interest and/or a solicited order(s)) (a “single-priced submission”), or (B) that it is willing to automatically match as principal the price and size of all AIM Auction responses (“auto-match”) in which case the Agency Order will be stopped at the better of the BBO or the Agency Order’s limit price. Once the Initiating Trading Permit Holder has submitted an Agency Order for processing pursuant to this paragraph, such submission may not be modified or cancelled.

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(ii) When the Exchange receives a properly designated Agency Order for AIM Auction processing, an RFR detailing the side and size of the order will be sent to all FLEX Traders that have elected to receive RFRs.

(iii) The duration of the RFR period will be established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.

(iv) RFR responses may be submitted by FLEX Traders.

(v) RFR responses shall specify price and size. A response price cannot cross the BBO on the opposite side of the market (and will be capped at the BBO price).

(vi) RFR responses shall not be visible to other AIM Auction participants, and shall not be disseminated to OPRA.

(vii) The minimum price increment for RFR responses and for an Initiating Trading Permit Holder’s single price submission shall be determined by the Exchange on a series basis, but may not be smaller than $0.01. For premiums stated using a percentage-based methodology, the minimum percentage increment shall be determined by the Exchange on a series basis, but may not be smaller than 0.01% and shall be rounded to the nearest minimum price increment.

(viii) RFR responses may be cancelled.

2) AIM Auction Conclusion. The AIM Auction shall conclude at the sooner of (i) through (iii) below with the Agency Order executing pursuant to paragraph (3) below.

(i) The end of the RFR period;

(ii) Any time an RFR response matches the BBO on the opposite side of the market from the RFR responses; or

(iii) Any time there is a trading halt in the series on the Exchange.

3) Order Allocation. At the conclusion of the AIM Auction, the Agency Order will be allocated at the best price(s) and contra-side interest will be ranked and matched based on price-time priority, subject to the following:

(i) Such best prices may include non-AIM Auction FLEX Orders.

(ii) Public customers and non-Trading Permit Holder broker-dealers shall have priority.

(iii) No FLEX Appointed Market-Maker participation entitlement shall apply to orders executed pursuant to this Rule.
(iv) If the best price equals the Initiating Trading Permit Holder’s single-price submission, the Initiating Trading Permit Holder’s single-price submission shall be allocated the greater of one contract or a certain percentage of the order, which percentage will be determined by the Exchange and may not be larger than 40%. However, if only one other FLEX Trader matches the Initiating Trading Permit Holder’s single price submission, then the Initiating Permit Holder may be allocated up to 50% of the order.

(v) If the Initiating Trading Permit Holder selected the auto-match option of the AIM Auction, the Initiating Trading Permit Holder shall be allocated its full size at each price point until a price point is reached where the balance of the order can be fully executed. At such price point, the Initiating Trading Permit Holder shall be allocated the greater of one contract or a certain percentage of the remainder of the Agency Order, which percentage will be determined by the Exchange and may not be larger than 40%.

(vi) Any remaining RFR responses and FLEX Orders will be allocated based on time priority. The Initiating Trading Permit Holder may not participate on any such balance unless the Agency Order would otherwise go unfilled.

(vii) If the final AIM Auction price locks a public customer or non-Trading Permit Holder broker-dealer order in the electronic book on the same side of the market as the Agency Order, then, unless there is sufficient size in the AIM Auction responses to execute both the Agency Order and the booked public customer order or non-Trading Permit Holder broker-dealer order (in which case they will both execute at the final AIM Auction price), the Agency Order will execute against the RFR responses at one minimum RFR response increment worse than the final AIM Auction price against the AIM Auction participants that submitted the final AIM Auction price and any balance shall trade against the public customer or non-Trading Permit Holder broker-dealer order in the book at such order’s limit price.

This rule supersedes Exchange Rule 6.74A.

Adopted March 30, 2012 (11-123); amended October 21, 2012 (12-093); July 13, 2016 (16-056); January 18, 2017 (16-084); January 3, 2018 (18-010).

. . . Interpretations and Policies:

.01 The AIM Auction may be used only where there is a genuine intention to execute a bona fide transaction.

Adopted March 30, 2012 (11-123).

.02 It will be deemed conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 to engage in a pattern of conduct where the Initiating Trading Permit Holder breaks-up an Agency Order into separate orders for two (2) or fewer contracts for the purpose of gaining a higher allocation percentage than the Initiating Trading Permit Holder would have
otherwise received in accordance with the allocation procedures contained in paragraph (b)(3) above.

Adopted March 30, 2012 (11-123).

.03 There is no minimum size requirement for orders to be eligible for the AIM Auction.

Adopted March 30, 2012 (11-123); amended June 26, 2012 (12-061); July 18, 2013 (13-069); July 18, 2014 (14-054); July 18, 2015 (15-068); July 13, 2016 (16-056); January 18, 2017 (16-084).

.04 Any solicited orders submitted by the Initiating Trading Permit Holder to trade against the Agency Order may not be for the account of a FLEX Market-Maker assigned to the option class.

Adopted March 30, 2012 (11-123).

.05 The Exchange may determine on a class-by-class basis to make the AIM Auction available for complex orders. In such classes, complex orders may be executed through the AIM Auction at a net debit or net credit price provided the AIM Auction eligibility requirements in paragraph (a) of this Rule are satisfied and the Agency Order is eligible for the AIM Auction considering its complex order type, order origin code (i.e., non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange), class, and marketability as determined by the Exchange. Complex orders will only be eligible to trade with other complex orders through the AIM Auction. Order allocation shall be the same as provided in paragraph (b)(3). Only one AIM Auction may be ongoing at any given time for a given complex order strategy and AIM Auctions involving any of the same individual series legs of the strategy may not queue or overlap in any manner. In the event there are bids (offers) in any of the individual component series legs represented in the electronic book when an Agency Order is submitted to the AIM Auction, the AIM Auction will not commence. In addition, unrelated FLEX Orders in any of the individual series legs may not be submitted to the electronic book for the duration of RFR response period.

Adopted March 30, 2012 (11-123); amended October 21, 2012 (12-093).

.06 The following post-trade verification procedures apply to AIM Auction transactions in multi-legged, complex order strategies and to AIM Auction transactions in FLEX Options with exercise prices and premiums that are based on a methodology for fixing such a number or based on a percentage. The party that initiated the transaction (i.e., the Initiating Trading Permit Holder) shall input complex order leg price, exercise price, and/or premium information into the System. Once the information is inputted by the Initiating Trading Permit Holder, the contra-party(ies) to the transaction shall then have a designated period of time to notify FLEX Officials of any inaccuracies in the content of a transaction and of the corrections to any inaccurate information, which designated period of time will be determined by the Exchange and will not be less than five minutes or more than thirty minutes from the time the Initiating Trading Permit Holder inputs the information into the System.

Adopted October 21, 2012 (12-093).
Any determinations made by the Exchange pursuant to this Rule such as eligible classes, order size parameters and the minimum price increment shall be communicated in a Regulatory Circular.

Adopted March 30, 2012 (11-123); amended/renumbered October 21, 2012 (12-093).

Rule 24A.5B. FLEX Solicitation Auction Mechanism

A FLEX Trader that represents agency orders may electronically execute orders it represents as agent (“Agency Order”) against solicited orders provided it submits the Agency Order for electronic execution into the solicitation auction mechanism (the “SAM Auction”) pursuant to this Rule.

(a) SAM Auction Eligibility Requirements. A FLEX Trader (the “Initiating Trading Permit Holder”) may initiate a SAM Auction provided all of the following are met:

(1) The Agency Order is in a FLEX class designated as eligible for SAM Auctions as determined by the Exchange and within the designated SAM Auction order eligibility size parameters as such size parameters are determined by the Exchange (however, the eligible order size may not be less than 500 contracts);

(2) Each order entered into the SAM Auction shall be designated as all-or-none; and

(3) The minimum price increment for an Initiating Trading Permit Holder’s single price submission shall be determined by the Exchange on a series basis and may not be smaller than $0.01. For premiums stated using a percentage-based methodology, the minimum percentage increment shall be determined by the Exchange on a series basis, but may not be smaller than 0.01% and shall be rounded to the nearest minimum price increment.

(b) SAM Auction Process. Only one SAM Auction may be ongoing at any given time in a series and SAM Auctions in the same series may not queue or overlap in any manner. In addition, unrelated FLEX Orders may not be submitted to the electronic book for the duration of a SAM Auction. The SAM Auction may not be cancelled and shall proceed as follows:

(1) SAM Auction Period and Requests for Responses (“RFR”).

(i) To initiate the SAM Auction, the Initiating Trading Permit Holder must mark the Agency Order for SAM Auction processing, and specify a single price at which it seeks to cross the Agency Order with a solicited order.

(ii) When the Exchange receives a properly designated Agency Order for SAM Auction processing, an RFR message indicating the price, side and size will be sent to all FLEX Traders that have elected to receive such messages.

(iii) FLEX Traders may submit responses to the RFR (specifying prices and sizes) during the response period, except that responses may not be entered for
the account of an options Market-Maker from another options exchange. The duration of the RFR period will be established by the Exchange on a class-by-class basis and shall not be less than three (3) seconds.

(iv) Responses shall not be visible to other SAM Auction participants, and shall not be disseminated to OPRA.

(v) The minimum price increment for responses shall be the same as provided in paragraph (a)(3) of Rule 24A.5B.

(vi) A response price cannot cross the BBO on the opposite side of the market (and will be capped at the BBO price).

(vii) Responses may be cancelled.

(2) SAM Auction Conclusion. The SAM Auction shall conclude at the sooner of (i) through (iii) below with the Agency Order executing pursuant to paragraph (3) below.

(i) The end of the RFR period;

(ii) Any time an RFR response matches the BBO on the opposite side of the market from the RFR responses; or

(iii) Any time there is a trading halt in the series on the Exchange.

(3) Order Allocation. At the conclusion of the SAM Auction, the Agency Order will be automatically executed in full or cancelled and allocated subject to the following:

(i) The Agency Order will be executed against the solicited order at the proposed execution price, provided that:

(A) The execution price must be equal to or better than the BBO. If the execution would take place outside the BBO, the Agency Order and solicited order will be cancelled;

(B) There are no public customers or non-Trading Permit Holder broker-dealers on the opposite side of the Agency Order at the proposed execution price. If there are public customers or non-Trading Permit Holder broker-dealers and there is sufficient size (considering all RFR responses and resting FLEX Orders) to execute the Agency Order, the Agency Order will be executed against these interests and the solicited order will be cancelled. If there are public customers or non-Trading Permit Holder broker-dealers and there is not sufficient size (considering all RFR responses and resting FLEX Orders), both the Agency Order and the solicited order will be cancelled; and
(C) There is insufficient size to execute the Agency Order at an improved price(s). If there is sufficient size (considering all RFR responses and resting FLEX Orders) to execute the Agency Order at an improved price(s) that is equal or better than the BBO, the Agency Order will execute at the improved price(s) and the solicited order will be cancelled.

(D) In the event the Agency Order will be executed against RFR responses and resting FLEX Orders pursuant to paragraph (B) or (C) above, the allocation will be as follows:

(I) RFR responses and FLEX Orders for the account of public customers and non-Trading Permit Holder broker-dealers will participate in the execution based on time priority;

(II) any RFR responses and FLEX Orders that are subject to a FLEX Appointed Market-Maker participation entitlement will participate in the execution pursuant to Rule 24A.5(d)(2)(ii); then

(III) all other RFR responses and FLEX Orders will participate in the execution based on time priority.

This rule supersedes Exchange Rule 6.74B.

Adopted March 30, 2012 (11-123); amended October 21, 2012 (12-093); April 17, 2015 (15-031); January 3, 2018 (18-010).

. . . Interpretations and Policies:

.01 The Exchange may determine on a class-by-class basis to make the SAM Auction available for complex orders. In such classes, complex orders may be executed through the SAM Auction at a net debit or net credit price provided the SAM Auction eligibility requirements in paragraph (a) of this Rule are satisfied and the Agency Order is eligible for the SAM Auction considering its complex order type, order origin code (i.e., non-broker-dealer public customer, broker-dealers that are not Market-Makers or specialists on an options exchange, and/or Market-Makers or specialists on an options exchange), class, and marketability as determined by the Exchange. Complex orders will only be eligible to trade with other complex orders through the SAM Auction. Order allocation shall be the same as provided in paragraph (b)(3). Only one SAM Auction may be ongoing at any given time for a given complex order strategy and SAM Auctions involving any of the same individual series legs of the strategy may not queue or overlap in any manner. In the event there are bids (offers) in any of the individual component series legs represented in the electronic book when the Agency Order is submitted to the SAM Auction, the SAM Auction will not commence. In addition, unrelated FLEX Orders in any of the individual series legs may not be submitted to the electronic book for the duration of RFR response period.

Adopted March 30, 2012 (11-123); amended October 21, 2012 (12-093).

.02 The following post-trade verification procedures apply to SAM Auction transactions in multi-legged, complex order strategies and to SAM Auction transactions in FLEX Options with
exercise prices and premiums that are based on a methodology for fixing such a number or based on a percentage. The party that initiated the transaction (i.e., the Initiating Trading Permit Holder) shall input complex order leg price, exercise price, and/or premium information into the System. Once the information is inputted by the Initiating Trading Permit Holder, the contra-party(ies) to the transaction shall then have a designated period of time to notify FLEX Officials of any inaccuracies in the content of a transaction and of the corrections to any inaccurate information, which designated period of time will be determined by the Exchange and will not be less than five minutes or more than thirty minutes from the time the Initiating Trading Permit Holder inputs the information into the System.

Adopted October 21, 2012 (12-093).

.03 Prior to entering Agency Orders into the SAM Auction on behalf of customers, Initiating Trading Permit Holders must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange’s SAM Auction. The written notification must disclose the terms and conditions contained in this Rule and be in a form approved by the Exchange.

Adopted March 30, 2012 (11-123); amended/renumbered October 21, 2012 (12-093).

.04 Under this Rule 24A.5B, FLEX Traders may enter contra orders that are solicited. The SAM Auction provides a facility for FLEX Traders that locate liquidity for their customer orders. FLEX Traders may not use the SAM Auction to circumvent provisions in Rule 24A.5 limiting principal transactions. This may include, but is not limited to, FLEX Traders entering contra orders that are solicited from (a) affiliated broker-dealers, or (b) broker-dealers with which the FLEX Trader has an arrangement that allows the FLEX Trader to realize similar economic benefits from the solicited transaction as it would achieve by executing the customer order in whole or in part as principal. Additionally, solicited contra orders entered by FLEX Traders to trade against Agency Orders may not be for the account of a FLEX Market-Maker assigned to the options class.

Adopted March 30, 2012 (11-123); amended/renumbered October 21, 2012 (12-093); January 3, 2018 (18-010).

.05 Any determinations made by the Exchange pursuant to this Rule such as eligible classes, order size parameters and the minimum price increment shall be communicated in a Regulatory Circular.

Adopted March 30, 2012 (11-123); amended/renumbered October 21, 2012 (12-093).

Rule 24A.6. Discretionary Transactions

Notwithstanding Rule 6.75, a Floor Broker may be given discretion with respect to the number of FLEX contracts to be purchased or sold. Such discretion must be granted by the customer in clear terms and must be reflected in a contemporaneously-prepared, time stamped document prepared by the Floor Broker, one copy of which shall be promptly sent to the customer and one copy of which shall be maintained by the Floor Broker for the full term of the FLEX contract or the time required under Rule 17a-4 under the Exchange Act, whichever is longer.
This rule supersedes Exchange Rule 6.75. Adopted November 15, 2007 (06-99).

Rule 24A.7. Position Limits and Reporting Requirements

(a) FLEX Index Options

(1) In determining compliance with Rules 4.11, 24.4, 24.4A and 24.4B, FLEX Index Options shall be subject to FLEX contract position limitations fixed by the Exchange in accordance with the provisions of this Rule.

(2) Except as otherwise provided in paragraph (b) of this Rule, in no event shall the position limits for a broad-based FLEX Index Option class exceed in the aggregate 200,000 contracts on the same side of the market.

(3) In no event shall the position limits for an industry-based FLEX Index Option class exceed one times the applicable number of Non-FLEX Index Option contracts (whether long or short) of the put class and the call class on the same side of the market, as determined on the basis of the position limits established pursuant to Rule 24.4A provided, however, the position limits for an industry-based FLEX Index Option class shall not exceed four times the applicable position limits established pursuant to Rule 24.4A, instead of one times as provided above, for: (i) the Dow Jones Transportation Average or the Dow Jones Utility Average; or (ii) an underlying industry-based index that is not a “narrow-based security index,” as defined under Section 3(a)(55)(B) of the Exchange Act.

(4) In no event shall the position limits for a micro narrow-based FLEX Index Option class exceed one times the applicable number of Non-FLEX Index Option contracts (whether long or short) of the class on the same side of the market, as determined on the basis of the position limits established pursuant to Rule 24.4B.

(5) The position limits for FLEX Individual Stock or ETF Based Volatility Index Options are equal to the position limits for Non-FLEX Individual Stock or ETF Based Volatility Index Options established pursuant to Rule 24.4C.

(6) The position limits for FLEX Index options on the FTSE 100 Index (1/10 th), FTSE China 50 Index (1/100 th), FTSE Emerging Index, FTSE Developed Europe Index, MSCI EAFE Index and MSCI Emerging Market Index are equal to the position limits for Non-FLEX options on the FTSE 100 Index (1/10 th), FTSE China 50 Index (1/100 th), FTSE Emerging Index, FTSE Developed Europe Index, MSCI EAFE Index and MSCI Emerging Market Index.

(b) Certain Broad-Based FLEX Index Options. There shall be no position limits for FLEX BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility or XEO option contracts (including reduced-value option contracts). However, each Trading Permit Holder or TPH organization (other than a FLEX Market-Maker) that maintains a FLEX broad-based index option position on the same side of the market in excess of 100,000 contracts for NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN,
VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility or XEO and 1 million contracts for BXM (1/10th value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form prescribed by the Exchange. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered. In addition, whenever the Exchange determines that a higher margin is warranted in light of the risks associated with an under-hedged FLEX BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility or XEO option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under Rule 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirements.

(c) FLEX Equity Options

There shall be no position limits for FLEX Equity Options. However, each Trading Permit Holder or TPH organization (other than a Market-Maker or a Designated Primary Market-Maker) that maintains a position on the same side of the market in excess of the standard limit under Exchange Rule 4.11 for Non-FLEX Equity options of the same class on behalf of its own account or for the account of a customer shall report information on the FLEX Equity option position, positions in any related instrument, the purpose or strategy for the position, and the collateral used by the account. This report shall be in the form and manner prescribed by the Exchange. In addition, whenever the Exchange determines that a higher margin requirement is necessary in light of the risks associated with a FLEX Equity option position in excess of the standard limit for Non-FLEX Equity options of the same class, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position, pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under Rule 15c3-1 under the Exchange Act to the extent of any margin deficiency resulting from the higher margin requirement.

(d) Aggregation of Positions

For purposes of the position limits and reporting requirements set forth in this Rule, FLEX Option positions shall not be aggregated with positions in Non-FLEX Options other than as provided below, and positions in FLEX Index Options on a given index shall not be aggregated with options on any stocks included in the index or with FLEX Index Option positions on another index.

(1) Commencing at the close of trading two business days prior to the last trading day of the calendar quarter, positions in P.M. Settled FLEX Index Options (i.e., FLEX Index Options having an exercise settlement value determined by the level of the index at the close of trading on the last trading day before
expiration) shall be aggregated with positions in Quarterly Index Options on the same index with the same expiration (“comparable QIX options”) and shall be subject to the position limits set forth in Rule 24.4, 24.4A or 24.4B, as applicable.

(2) Commencing at the close of trading two business days prior to the last trading day of the week, positions in FLEX Options that are cash settled (i.e., FLEX Index Options or Credit Default Options) shall be aggregated with positions in Short Term Option Series on the same underlying (e.g., same underlying index as a FLEX Index Option) with the same means for determining exercise settlement value (e.g., opening or closing prices of the underlying index) and same expiration (“comparable Weekly options”) and shall be subject to the position limits set forth in Rule 24.4, 24.4A, 24.4B or 29.5, as applicable.

(3) As long as the options positions remain open, positions in FLEX Options that expire on a third Friday-of-the-month expiration day shall be aggregated with positions in Non-FLEX Options on the same underlying (“comparable Non-FLEX Options”) and shall be subject to the position limits set forth in Rule 4.11, 24.4, 24.4A, 24.4B or 29.5, as applicable, and the exercise limits set forth in Rule 4.12, 24.5 or 29.7, as applicable.

(4) As long as the options positions remain open, positions in FLEX Individual Stock or ETF Based Volatility Index Options that expire on the same day as Non-FLEX Individual Stock or ETF Based Volatility Index Options, as determined pursuant to Rule 24.9(a)(5), shall be aggregated with positions in Non-FLEX Options on the same Individual Stock or ETF Based Volatility Index and shall be subject to the position limits set forth in Rules 4.11, 24.4, 24.4A, 24.4B, and 24.4C and the exercise limits set forth in Rules 4.12 and 24.5.

This rule supplements Rule 4.11 generally, but supersedes Interpretations .02 and .04 of Rule 4.11 and all of Rules 24.4, 24.4A, 24.4B, 24.4C and 29.5 except to the extent those Rules are referred to in this rule.

Adopted November 15, 2007 (06-99); amended July 16, 2008 (08-31), July 22, 2008 (08-26); February 18, 2009 (08-115); December 10, 2009 (09-022); May 19, 2010 (10-018); June 18, 2010 (10-058); May 26, 2011 (11-026); July 20, 2012 (12-042); February 8, 2013 (12-120); April 8, 2015 (15-023); December 11, 2015 (15-100); December 17, 2015 (15-099); September 2, 2016 (16-049); February 17, 2017 (16-091); January 3, 2018 (18-010); May 10, 2019 (19-017).

Rule 24A.8. Exercise Limits

(a) In determining compliance with Rules 4.12 and 24.5, exercise limits for FLEX Index and FLEX Individual Stock or ETF Based Volatility Index Options shall be equivalent to the FLEX position limits prescribed in Rule 24A7. There shall be no exercise limits for broad-based FLEX Index Options (including reduced-value option contracts) on BXM (1/10th value), DJX, NDX, OEX, RUT, S&P 500 Dividend Index, SPX, VIX, VXN, VXD, Cboe S&P 500 AM/PM Basis, Cboe S&P 500 Three-Month Realized Variance, Cboe S&P 500 Three-Month Realized Volatility and XEO.
The minimum value size for FLEX Equity Option exercises shall be 25 contracts or the remaining size of the position, whichever is less.

The minimum value size for FLEX Index Option exercises shall be $1 million Underlying Equivalent Value or the remaining Underlying Equivalent Value of the position, whichever is less.

Except as provided in Rule 24A.7(d)(3), FLEX Options shall not be taken into account when calculating exercise limits for Non-FLEX Option contracts.

This rule supersedes Rules 4.12 and 24.5.

Adopted November 15, 2007 (06-99); amended July 16, 2008 (08-31); July 22, 2008 (08-26); February 18, 2009 (08-115); December 10, 2009 (09-022); May 19, 2010 (10-018); May 26, 2011 (11-026); July 20, 2012 (12-042); February 8, 2013 (12-120); February 17, 2017 (16-091); January 3, 2018 (18-010).

Rule 24A.9. FLEX Market-Maker Appointments and Obligations

A registered Market-Maker may apply on a form prescribed by the Exchange to be a “FLEX Qualified Market-Maker” in one or more classes of FLEX Options. From among the applicants, the Exchange shall appoint two or more FLEX Qualified Market-Makers to each FLEX Index Option of a given class, and two or more FLEX Qualified Market-Makers to each FLEX Equity Option of a given class. In making such appointments and in taking other action with respect to FLEX Qualified Market-Makers, the Exchange shall take into account the factors enumerated in, and shall refer to the requirements of, Rule 8.3. In addition, as a condition to receiving and maintaining a FLEX Qualified Market-Maker appointment in a FLEX Index Option class or a FLEX Equity Option class, as applicable, the FLEX Qualified Market-Maker must maintain an appointment in one or more Non-FLEX Index Option classes or one or more Non-FLEX Equity Option classes, as applicable. Such Non-FLEX Option class appointment(s) need not be in a class(es) that has the same underlying index or security as the appointed FLEX Option class.

Notwithstanding the provisions of paragraph (a) of this Rule, the Exchange may determine to solicit applications from registered Market-Makers to be FLEX Appointed Market-Makers in one or more specified classes of FLEX Index Options and/or classes of FLEX Equity Options, and from among such applicants may appoint one or more FLEX Appointed Market-Makers to such classes in addition to (or two or more FLEX Appointed Market-Makers in lieu of) appointing FLEX Qualified Market-Makers to such classes.

A FLEX Appointed Market-Maker shall have an obligation to enter a FLEX Quote (i) in response to any open outcry Request for Quotes respecting a class of FLEX Options to which the FLEX Appointed Market-Maker is appointed and trading in open outcry; and (ii) in response to at least that percentage of electronic Request for Quotes as determined by the Exchange respecting a class of FLEX Options to which the FLEX Appointed Market-Maker is appointed, provided that such percentage shall not be less than 80%. Except as provided in paragraph (d) of this Rule 24A.9, a FLEX Qualified Market-Maker may, but shall not be obligated to, enter a FLEX Quote in response to a Request for Quotes on a FLEX Option of the class in which the FLEX
Qualified Market-Maker is qualified. Every FLEX Quote entered by a FLEX Appointed Market-
Maker or a FLEX Qualified Market-Maker shall be entered within the indicated RFQ Response
Period plus any RFQ Reaction Period or BBO Improvement Interval, as applicable. Unless
withdrawn during the RFQ Response or Reaction Period, such FLEX Quotes submitted in response
to an electronic RFQ shall be considered firm for the duration of the RFQ Response and Reaction
Periods. Unless withdrawn or modified during the RFQ Response Period, such FLEX Quotes
submitted in response to an open outcry RFQ shall be considered firm for the duration of the RFQ
and, in the event the FLEX Quote is the BBO, the BBO Improvement Interval.

(d) A FLEX Official may call upon FLEX Market-Makers appointed in a class of
FLEX Options to submit FLEX Quotes in response to a specific Request for Quotes in that class
of FLEX Options whenever in the opinion of the FLEX Official the interests of a fair, orderly and
competitive market are best served by such action, and shall make such a call upon FLEX Market-
Makers whenever no FLEX Quotes are made in response to a specific Request for Quotes.

(e) FLEX Appointed Market-Makers and FLEX Qualified Market-Makers need not
provide continuous FLEX Quotes or quote a minimum bid-offer spread in FLEX Options, except
as provided in this paragraph (e). The maximum bid-ask spread for FLEX Options with a European
style exercise, an underlying of the S&P 100 Index or the S&P 500 Index, and two weeks or more
to expiration and two years or less to expiration shall be as specified below; however, the Exchange
may establish differences other than as specified below for one or more FLEX Options.

(1) Options with a time to expiration greater than two weeks and less
than or equal to one year shall have the following maximum bid/ask spreads:

<table>
<thead>
<tr>
<th>Where the Bid Is</th>
<th>The Maximum Bid/Ask Spread Is</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $5</td>
<td>$0.80</td>
</tr>
<tr>
<td>At least $5 but not more than $10</td>
<td>$1</td>
</tr>
<tr>
<td>At least $10 but not more than $20</td>
<td>$1.50</td>
</tr>
<tr>
<td>At least $20</td>
<td>$2</td>
</tr>
</tbody>
</table>

(2) Options with a time to expiration greater than one year and less than
two years shall havethe following maximum bid/ask spreads:

<table>
<thead>
<tr>
<th>Where the Bid Is</th>
<th>The Maximum Bid/Ask Spread Is</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10</td>
<td>$1.50</td>
</tr>
<tr>
<td>At least $10 but not more than $20</td>
<td>$2</td>
</tr>
<tr>
<td>At least $20 but not more than $40</td>
<td>$3</td>
</tr>
</tbody>
</table>
At least $40  $4

This rule supplements the rules in Chapter VIII of the Rules of the Exchange.

Adopted November 15, 2007 (06-99); amended May 23, 2008 (08-02); April 6, 2012 (12-033); August 8, 2012 (12-040); January 3, 2018 (18-010).

Rule 24A.10. Related Securities

For purposes of Rule 8.8, FLEX Index Options shall be considered related to index options, index participations, and index warrants.

Adopted November 15, 2007 (06-99); January 3, 2018 (18-010).

Rule 24A.11. FLEX Index Appointed Market-Maker Account Equity

No FLEX Index Appointed Market-Maker shall effect any FLEX Index Option transaction unless the FLEX Index Appointed Market-Maker has demonstrated, to the satisfaction of the Exchange, that the net liquidating equity maintained in the FLEX Index Appointed Market-Maker’s individual or joint accounts, with any one Clearing Trading Permit Holder in which transactions in FLEX Index Options will be conducted is at least $100,000. Joint account equity may not be combined with the FLEX Index Appointed Market-Maker’s individual account equity for this purpose unless the participants in the joint account and in the individual accounts all trade for the same broker-dealer through those accounts. Failure to remain in compliance with the foregoing requirements shall be grounds for suspension or termination of a FLEX Index Appointed Market-Maker’s authorization to effect transactions in any class of FLEX Index Options, except for closing transactions and except as otherwise determined by the Exchange in unusual circumstances. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder, as applicable, shall inform the Exchange immediately whenever the FLEX Index Appointed Market-Maker ceases to remain in compliance with these requirements.

Adopted November 15, 2007 (06-99); Amended June 18, 2010 (10-058); January 3, 2018 (18-010).

Rule 24A.12. FLEX Index Appointed Market-Maker Financial Requirements

A FLEX Index Appointed Market-Maker shall be required to maintain at least $1.0 million net liquidating equity and/or $1.0 million net capital, as applicable. As used herein, the term “net capital” shall mean a net capital amount computed in accordance with the requirements of Rule 15c3-1 under the Exchange Act. A FLEX Index Appointed Market-Maker or its Clearing Trading Permit Holder, as applicable, shall immediately inform the Exchange whenever the FLEX Index Appointed Market-Maker fails to be in compliance with such requirements. The Exchange may waive the financial requirements of this Rule 24A.12 in unusual circumstances.

Adopted November 15, 2007 (06-99); Amended June 18, 2010 (10-058); January 3, 2018 (18-010).

(a) No FLEX Market-Maker shall effect any transaction in FLEX Options unless one or more effective Letter(s) of Guarantee has been issued by a Clearing Trading Permit Holder and filed with the Exchange accepting financial responsibility for all FLEX transactions made by the FLEX Market-Maker.

(b) No Floor Broker shall act as such in respect of FLEX Option contracts unless an effective Letter of Authorization has been issued by a Clearing Trading Permit Holder and filed with the Exchange specifically accepting responsibility for the clearance of FLEX Option transactions of the Floor Broker.

(c) Letters of Guarantee or Authorization under this Rule are also governed by Rule 3.28.

This rule supplements Exchange Rules 6.72 and 8.5.

Adopted November 15, 2007 (06-99); amended June 18, 2010 (10-058); February 8, 2013 (12-124); January 3, 2018 (18-010).

Rule 24A.14. FLEX Official

(a) The Exchange may at any time designate an Exchange employee or independent contractor to act as a FLEX Official in one or more classes of FLEX Options. The FLEX Official shall perform the functions set forth in paragraph (b) of this Rule 24A.14. The Exchange may also designate other qualified employees or independent contractors to assist the FLEX Official as the need arises.

(i) The FLEX Official and any designated assistants may not be affiliated with any Trading Permit Holder that is approved to act as a Market-Maker, including a FLEX Market-Maker.

(ii) The FLEX Official and any designated assistants shall be compensated exclusively by the Exchange, which shall determine the amount and form of compensation. No Market-Maker, including a FLEX Market-Maker, shall directly or indirectly compensate or provide any other form of consideration to a FLEX Official or any designated assistants.

(b) A FLEX Official is responsible for (i) calling upon FLEX Market-Makers to make FLEX Quotes in specific classes of FLEX Options as provided in paragraph (d) of Rule 24A.9; and (ii) reviewing the conformity of open outcry FLEX Requests for Quotes, to the terms and specifications contained in Rule 24A.4. A FLEX Official may nullify a FLEX transaction if the transaction is determined by the FLEX Official not to conform to the terms and specifications contained in Rule 24A.4 or the priority principles set forth in Rule 24A.5. Trades subject to adjustment or nullification pursuant to Rule 6.25 shall be subject to the procedures set forth in Rule 6.25.
Adopted November 15, 2007 (06-99); Amended October 2, 2008 (08-103); May 27, 2009 (09-024); June 18, 2010 (10-058); April 6, 2012 (12-033); January 3, 2018 (18-010).

Rule 24A.15. Inapplicability of Split Price and Accommodation Liquidation Rules

Rules 6.47 and 6.54 do not apply to FLEX transactions.

Adopted November 15, 2007 (06-99).
CHAPTER XXV. RESERVED

Reserved
CHAPTER XXVI. RESERVED
CHAPTER XXVII. RESERVED
CHAPTER XXVIII. CORPORATE DEBT SECURITY OPTIONS

Introduction

The rules in this Chapter are applicable only to options where the underlying security is a Corporate Debt Security (as defined below). In addition, the rules in Chapters I through XIX are also applicable to options where the underlying security is a Corporate Debt Security, in some cases supplemented by rules in this Chapter, except for rules that have been replaced in respect of Corporate Debt Security options by rules in this Chapter and except where the context otherwise requires. Whenever a rule in this Chapter supplements or, for purposes of this Chapter, replaces rules in Chapters I-XIX, that fact is indicated following the rule in this Chapter.

Adopted June 28, 2007 (03-41).

Rule 28.1. Definitions

Corporate Debt Security

(a) The term “Corporate Debt Security” means a bond or other evidence of indebtedness that is a direct obligation of any corporate entity, including, but not limited to any corporation, partnership, limited liability company, or limited liability partnership and which is either a TRACE-eligible security or is listed on or traded through the facilities of a national securities exchange registered under Section 6 of the Exchange Act.

Put

(b) The term “put” means an option under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the principal amount of the underlying Corporate Debt Security covered by the option.

Call

(c) The term “call” means an option under which the holder of the option has the right, in accordance with the terms of the option, to purchase from the Clearing Corporation the principal amount of the underlying Corporate Debt Security covered by the option.

Exercise Price

(d) The term “exercise price” means the specified percentage of the principal amount at which the underlying Corporate Debt Security may be purchased or sold upon the exercise of the option contract.

TRACE

(e) The term “TRACE” means the NASD’s reporting vehicle for over-the-counter secondary market transactions in eligible fixed income securities, otherwise known as the Trade Reporting and Compliance Engine.
TRACE-Eligible Security

(f) The term “TRACE-eligible security” means any Corporate Debt Security that is required to be reported to TRACE.

TRACE System Hours

(g) The term “TRACE system hours” means those hours TRACE is open, as set forth in the NASD rules.

Adopted June 28, 2007 (03-41).

Rule 28.2. Position Limits

(a) Establishment of Position Limit. In determining compliance with Rule 4.11, options contracts on Corporate Debt Securities shall be subject to a contract limitation fixed by the Exchange, of the put type and the call type on the same side of the market, which shall not be larger than the limits provided in the chart below:

<table>
<thead>
<tr>
<th>Issue Float</th>
<th>Position Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200,000,000 - $499,999,000</td>
<td>200 contracts</td>
</tr>
<tr>
<td>$500,000,000 - $749,999,000</td>
<td>500 contracts</td>
</tr>
<tr>
<td>$750,000,000 - $999,999,000</td>
<td>750 contracts</td>
</tr>
<tr>
<td>$1,000,000,000 - $2,499,999,000</td>
<td>1,000 contracts</td>
</tr>
<tr>
<td>$2,500,000,000 and greater</td>
<td>2,500 contracts</td>
</tr>
</tbody>
</table>

Rule 28.3. Exercise Limits

In determining compliance with Rule 4.12, exercise limits for options on a Corporate Debt Security shall be equivalent to the position limits prescribed in Rule 28.2.

Adopted June 28, 2007 (03-41).

Rule 28.4. Reports Related to Position Limits and Liquidation of Positions

For purposes of Rules 4.13 and 4.14, references to Rule 4.11 in connection with position limits shall be deemed, in the case of Corporate Debt Security options, to be to Rule 28.2. The reference in Rule 4.13(a) to reports required of positions of 200 or more option contracts shall, in the case of Corporate Debt Security options, be revised to positions of 20 option contracts.


Adopted June 28, 2007 (03-41).
Rule 28.5. Designation of Corporate Debt Security Options

Corporate Debt Security options dealt in on the Exchange are designated by reference to the issuer of the underlying Corporate Debt Security, principal amount, expiration month and year, exercise price or nominal exercise price, type (put or call), stated or nominal rate of interest and stated date of maturity or nominal term to maturity.

Rule 28.5 replaces, for purposes of Chapter XVIII, Rule 5.1. Adopted June 28, 2007 (03-41).

Rule 28.6. Approval of Underlying Corporate Debt Securities

Approval of Corporate Debt Security options shall be determined in accordance with the provisions set forth in Rule 5.3.10. Withdrawal of approval of Corporate Debt Security options shall be determined in accordance with the provisions set forth in Rule 5.4.14.

 Adopted June 28, 2007 (03-41).

Rule 28.7. Terms of Corporate Debt Security Options

(a) General. A single Corporate Debt Security option covers $100,000 principal amount of the underlying security. The expiration month and exercise price of Corporate Debt Security options of each series shall be determined by the Exchange at the time each series of options is first opened for trading.

(b) Expiration Months. Unless the Exchange otherwise provides, Corporate Debt Security options may expire at two-month intervals or in sequential monthly expiration. There may be up to five expiration months (with up to 10 initial strikes per month), none further out than fifteen months; provided that additional expiration months further out than fifteen months may be listed where a reasonably active secondary market exists.

(c) Exercise Price. The exercise price intervals of each series of Corporate Debt Security options shall be fixed at a percentage of principal amount (based on a par quote basis of $100) as follows:

   (i) 0.5% ($0.50) or greater, provided that the series to be listed is no more than five percent above or below the current market price of the Corporate Debt Security as determined by the transaction prices reported on TRACE during TRACE system hours or effected on or through the facilities of a national securities exchange registered under Section 6 of the Exchange Act;

   (ii) 1.0% ($1.00) or greater, provided that the series to be listed is no more than ten percent above or below the current market price of the Corporate Debt Security as determined by the transaction prices reported on TRACE during TRACE system hours or effected on or through the facilities of a national securities exchange registered under Section 6 of the Exchange Act; and

   (iii) 2.5% ($2.00) or greater, provided that the series to be listed is greater than ten percent above or below the current market price of the Corporate Debt Security as
determined by the transaction prices reported on TRACE during TRACE system hours or
effected on or through the facilities of a national securities exchange registered under
Section 6 of the Exchange Act.

The Exchange will notify its Trading Permit Holders of any additional series opened for trading in
a regulatory circular. Rule 28.7 supplements Rule 5.5.

Adopted June 28, 2007 (03-41); Amended June 18, 2010 (10-058).


(a) Initial Series of Corporate Debt Security Options. The Exchange may open for
trading Corporate Debt Security options at any time following the issuance of the underlying
Corporate Debt Security, subject to the satisfaction of the initial listing standards set forth in
Exchange Rule 5.3.10.

(b) Additional Series of Options to Reflect Price Changes. After a class of Corporate
Debt Security options has been opened for trading in accordance with paragraph (a) of this Rule,
additional series of options of the same class may be opened to reflect substantial changes in prices
of the Corporate Debt Securities.

Adopted June 28, 2007 (03-41)

Rule 28.9. Days and Hours of Business

The Exchange has resolved that except under unusual conditions as may be determined by the
Exchange, hours during which Corporate Debt Security options transactions may be made on the
Exchange shall be from 8:30 a.m. to 3:00 p.m. Chicago time.

Adopted June 28, 2007 (03-41); amended May 10, 2019 (19-017).

Rule 28.10. Trading Halts and Suspension of Trading

Floor Officials may consider the following factors in addition to those set forth in Rule 6.3 in
connection with the institution of trading halts in Corporate Debt Security options:

(a) with respect to the Corporate Debt Securities that are reported on the NASD’s
TRACE reporting system, the TRACE reporting system is inoperative or is not available for
viewing by market participants because of systems problems occurring on the TRACE reporting
system; and

(b) the issuer or trustee, as applicable under the agreements governing the Corporate
Debt Security, provides notification to holders of the Corporate Debt Security that such Corporate
Debt Security is to be redeemed in whole or part.

Rule 28.10 supplements Rule 6.3.

Adopted June 28, 2007 (03-41)
Rule 28.11. Meaning of Premium Bids and Offers

Bids and offers for Corporate Debt Security options shall be expressed in points where one point equals $1,000 and the minimum tick is .05 ($50), unless a different trading increment shall have been approved for this purpose by the Exchange for all Corporate Debt Security options or a Corporate Debt Security option contract of a particular series.

Rule 28.11 replaces, for purposes of Chapter XVIII, Rules 6.41 and 6.42. Adopted June 28, 2007 (03-41)


Accommodation trading under the applicable terms and conditions of Rule 6.54 shall be available in each series of Corporate Debt Security option contracts open for trading on the Exchange. However, bids or offers for opening transactions at a price of $1 per option contract may be executed only with closing transactions that cannot at that time in open outcry be executed with another closing transaction.

Rule 28.12 supplements Rule 6.54.

Adopted June 28, 2007 (03-41)

Rule 28.13. Doing Business with the Public

The rules in Chapter IX have a parallel application to Corporate Debt Security options. Adopted June 28, 2007 (03-41)


In the case of Corporate Debt Security options, the method of allocation of exercise notices established pursuant to Rule 11.2 may provide that an exercise notice of a round lot shall be allocated to a customer or customers having an open short position of a round lot and that an exercise notice of less than a round lot shall not be allocated, to the extent feasible, to a customer having a short position of a round lot; and provided further that, the Trading Permit Holder or TPH organization shall allocate an exercise notice pertaining to a call option contract to a customer who has made a specific deposit of the underlying security if it is directed to do so by the Clearing Corporation. For the purposes of this Rule, an exercise notice or a short position in a series of options of 10 contracts shall be deemed to be a “round lot.”


Adopted June 28, 2007 (03-41); Amended June 18, 2010 (10-058).

Rule 28.15. Delivery and Payment

Payment of the exercise price shall be accompanied by payment of accrued interest on the underlying Corporate Debt Security from but not including the last interest payment date to and including the exercise settlement date as specified in the Rules of the Clearing Corporation.
Adopted June 28, 2007 (03-41)

. . . Interpretations and Policies:

.01 Calculations of accrued interest on any particular Corporate Debt Security shall be made in accordance with the practice currently employed for that security in the underlying cash market.

Adopted June 28, 2007 (03-41)

.02 The rules of the Clearing Corporation provide for special exercise settlement procedures in the event that delivery of the applicable Corporate Debt Security is not possible.

Rule 28.15 and Interpretations and Policies .01 and .02 to Rule 28.15 supplement Rule 11.3.

Adopted June 28, 2007 (03-41)

Rule 28.16. Furnishing of Books, Records and Other Information

No Market-Maker in Corporate Debt Security options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such Trading Permit Holder or any corporate affiliate of such Trading Permit Holder pertaining to transactions by such Trading Permit Holder or any such affiliate for its own account in Corporate Debt Securities or in Corporate Debt Security options as may be called for under the Rules or as may be requested in the course of any investigation, any inspection or other official inquiry by the Exchange. In addition, the provisions of Rule 8.9 governing identification of accounts and reports of orders shall, in the case of Market-Makers in Corporate Debt Security options, apply to (i) accounts for Corporate Debt Securities deliverable under the terms of the option contracts involved and Corporate Debt Security options trading; and (ii) orders entered by the Market-Maker for the purchase or sale of Corporate Debt Securities deliverable under the terms of the options contracts involved and options on Corporate Debt Securities and opening and closing positions therein.

Adopted June 28, 2007 (03-41); Amended June 18, 2010 (10-058).

. . . Interpretations and Policies:

.01 Any corporate affiliate of a Market-Maker in Corporate Debt Security options shall maintain and preserve such books, records or other information as may be necessary to comply with Rule 28.16.

Rule 28.16 and Interpretation and Policy .01 to Rule 28.16 supplement Rules 8.9 and 15.1 and the Interpretations and Policies thereunder.

Adopted June 28, 2007 (03-41)

Rule 28.17. FLEX Trading

Corporate Debt Security Options shall be eligible for trading as Flexible Exchange Options, even if the Exchange does not list and trade Non-FLEX options on Corporate Debt Securities. For
purposes of Chapter XXIVA, references to the term “FLEX Equity Options” shall include a Corporate Debt Security Option and references to the “underlying security” or “underlying equity security” in respect of a Credit Option shall mean “Corporate Debt Security” as defined in Rule 28.1. FLEX Options on Corporate Debt Securities shall be physically-settled.

Adopted August 28, 2009 (09-053); January 3, 2018 (18-010).
CHAPTER XXIX. CREDIT OPTION CONTRACTS

Introduction

The rules in this Chapter are applicable only to Credit Options. In addition, the rules in Chapters I through XIX and XXIVA are also applicable to the options provided for in this Chapter, in some cases supplemented by rules in this Chapter, except for rules that have been replaced in respect of Credit Options in this Chapter and except where the context otherwise requires. Whenever a rule in this Chapter supplements or, for purposes of this Chapter, replaces rules in Chapter I through XIX and XXIVA, that fact is indicated following the rule in this Chapter.

Rule 29.1. Definitions

The following terms as used in this Chapter, shall unless the context otherwise indicates, have the meanings herein specified.

Cash Settlement Amount

(a) The term “cash settlement amount” means the amount of cash that a holder will receive upon exercise of the contract.

(i) For Credit Default Options, the cash settlement amount per contract is a fixed amount equal to the exercise settlement value multiplied by a contract multiplier specified by the Exchange (which shall be at least 1 and no more than 1,000). The exercise settlement value will be an amount determined by the Exchange on a class-by-class basis and shall be equal to $1 or $100, or a value between those values. The cash settlement amount is payable upon automatic exercise if the Exchange confirms a Credit Event in accordance with Rule 29.9. If a Credit Event is not confirmed, the cash settlement value will be $0. If applicable, the cash settlement amount will be adjusted in accordance with Rule 29.4.

(ii) For Credit Default Basket Options, the cash settlement amount paid for a Basket Component that has a confirmed Credit Event is equal to the Notional Face Value of the Basket Component multiplied by one minus the Basket Component recovery rate specified by the Exchange at listing. (The exercise settlement value will be equal to the cash settlement amount divided by the contract multiplier specified by the Exchange). For example, if the Notional Face Value of the Basket Component is $10,000 and the Exchange specifies a recovery rate of 40% (or 0.40) for the particular Basket Component in which a Credit Event is confirmed, the cash settlement amount will be $6,000 ($10,000 * (1 - 0.40)). For a holder of a long Single Payout Credit Default Basket Option, the cash settlement amount, based on this equation, is paid a single time when the first Credit Event is confirmed during the life of the option. If no Credit Event is confirmed in any Basket Component in either type of Credit Default Basket Options, the cash settlement value will be $0.
Credit Default Option

(b) The term “Credit Default Option” means a binary call that settles in cash based on the confirmation of a Credit Event in a Reference Entity.

Credit Event

(c) A “Credit Event” occurs when a Reference Entity:

(i) has a Failure-to-Pay Default on a specific debt security obligation (the “Reference Obligation”) or any other debt security obligation(s) other than non-recourse indebtedness (the set of these obligations and the Reference Obligation are referred to as the “Relevant Obligations”). The term “Failure-to-Pay Default” will be specified by the Exchange in accordance with Rule 29.2 or Rule 29.2A and will be defined in accordance with the terms of the Relevant Obligation(s), provided that the minimum failure-to-pay amount, individually or in the aggregate, shall be the greater of $750,000 or the amount specified in accordance with the terms of the Relevant Obligation(s); and/or

(ii) has any other Event of Default on the Relevant Obligation(s). Each such “Event(s) of Default” will be specified by the Exchange in accordance with Rule 29.2 or 29.2A and, if so specified, will be defined in accordance with the terms of the Relevant Obligation(s); provided that the default relates to a principal amount of the Relevant Obligation(s), individually or in the aggregate, that is the greater of $7.5 million or the amount specified in accordance with the terms of the Relevant Obligation(s); and/or

(iii) has a change in the terms of the Relevant Obligation(s) (a “Restructuring”). The terms of such a Restructuring will be specified by the Exchange in accordance with Rule 29.2 or 29.2A and, if so specified, will be defined in accordance with the terms of the Relevant Obligation(s); provided that the restructuring relates to a principal amount of the Relevant Obligation(s), individually or in the aggregate, that is the greater of $7.5 million or the amount specified in the terms of the Relevant Obligation(s).

Expiration Date

(d)

(i) For Credit Default Options, the “expiration date” shall be the 4th business day after the 3rd Friday of the expiration month (or, if that day is not a business day, the 4th business day after the preceding business day); provided, however, if a Credit Event is confirmed by the Exchange to Trading Permit Holders and the Clearing Corporation before that day, or a Redemption Event, as provided for in Rule 29.4, has been confirmed prior to that day, the expiration date will be accelerated to the 2nd business day immediately following the confirmation date.

(ii) For Credit Default Basket Options, the “expiration date” shall be the 4th business day after the 3rd Friday of the expiration month (or, if that day is not a business day, the 4th business day after the preceding business day); provided, however, if a Credit Event is confirmed by the Exchange to Trading Permit Holders and the Clearing
Corporation before that day in (A) every Basket Component for a Multiple Payout Credit Default Basket Option; or (B) the first Credit Event in any one of the Basket Components for a Single Payout Credit Default Basket Option; or a Redemption Event, as provided for in Rule 29.4, has been confirmed in the last Basket Component prior to that day, the expiration date will be accelerated to the 2nd business day immediately following the last confirmation date.

Last Trading Day

(e)

(i) For Credit Default Options, the “last trading day” shall be the 3rd Friday of the expiration month (or, if that day is not a business day, the preceding business day); provided, however, if a Credit Event has been confirmed prior to that day, or a Redemption Event, as provided for in Rule 29.4, has been confirmed prior to that day, the series will cease trading at the time of the confirmation of the Credit Event and the last trading day will be accelerated to the confirmation date.

(ii) For Credit Default Basket Options, the “last trading day” shall be the 3rd Friday of the contract month (or, if that day is not a business day, the preceding business day); provided, however, if a Credit Event has been confirmed by the Exchange to Trading Permit Holders and the Clearing Corporation prior to that day in (A) every Basket Component for a Multiple Payout Credit Default Basket Option; or (B) the first Credit Event in any one of the Basket Components for a Single Payout Credit Default Basket Option; or a Redemption Event, as provided for in Rule 29.4, has been confirmed in the last Basket Component prior to that day, the series will cease trading at the time of the confirmation and the last trading day will be changed to the confirmation date.

Reference Entity

(f) The term “Reference Entity” means the issuer or guarantor of the Reference Obligation that underlies a Credit Default Option or the issuer of guarantor of one of the Reference Obligations that underlies a Credit Default Basket Option.

Credit Option

(g) The term “Credit Option” means an option that is subject to the Rules in this Chapter.

Credit Default Basket Option

(h) The term “Credit Default Basket Option” means a call option based on a basket comprised of at least two Reference Entities (“Basket Component(s”)”), which settles in cash in one of the following manners:

(i) Multiple Payout Credit Default Basket Options automatically pay a cash settlement amount each time a Credit Event is confirmed in a Basket Component during the life of the option. A cash settlement amount will only be paid once in connection with
a particular Basket Component that has a confirmed Credit Event, after which time that Basket Component will be removed from the Credit Default Basket. If a Credit Event is confirmed in every Basket Component prior to expiration, the option will cease to trade.

(ii) Single Payout Credit Default Basket Options are automatically exercised and pay a single cash settlement amount as soon as the first Credit Event is confirmed in any one of the Basket Components. If no Credit Event is confirmed in any Basket Component prior to expiration, the option expires worthless.

Notional Face Value of Basket

(i) The term “Notional Face Value of Basket” is the total face value for the Credit Default Basket as specified by the Exchange at listing.

Notional Face Value of Basket Component

(j) The term “Notional Face Value of Basket Component” is the weight of the Basket Component multiplied by the Notional Face Value of Basket as specified by the Exchange at listing.

Adopted June 6, 2007 (06-84); amended June 18, 2007 (07-62); August 17, 2007 (07-26); September 10, 2007 (07-105); June 18, 2010 (10-058); November 19, 2010 (10-046).

Rule 29.2. Designation of Credit Default Option Contracts

(a) The Exchange may from time to time approve for listing and trading on the Exchange Credit Default Options that have been selected in accordance with Rule 5.3.11. Each Credit Default Option class is designated by reference to the Reference Entity, Reference Obligation and applicable Credit Event(s). The Exchange will specify one or more of the following Credit Event(s): (1) Failure-to-Pay Default; or (2) Event(s) of Default; or (3) Restructuring.

(b) After a particular Credit Default Option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. Only Credit Default Option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or written on the Exchange. Prior to the opening of trading in a particular Credit Default Options series in a given class, the Exchange will fix the expiration month and year.

(1) Credit Default Option series will generally expire up to 123 months from the time they are listed, may expire in the months of March, June, September and December, and will cease trading at the close of business on the 3rd Friday of the expiration month (however, if that day is not a business day, the series will cease trading at the close of business on the preceding business day).

(2) The Exchange usually will open one to four series for each year up to 10.25 years from the current expiration. Additional series of options on the same Credit Default Option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer
demand. The opening of a new series of Credit Default Options on the Exchange will not affect any other series of options of the same class previously opened.

Rule 29.2 supplements Rules 5.1, 5.3, 5.5 and 5.8.

Adopted June 6, 2007 (06-84); amended November 19, 2010 (10-046).

Rule 29.2A. Designation and Terms of Credit Default Basket Option Contracts

(a) The Exchange may from time to time approve for listing and trading on the Exchange Credit Default Basket Options. Each Credit Default Basket Option class is designated by reference to:

1. the Notional Face Value of Basket (e.g., $100,000),
2. the Basket Components,
3. the weight of each Basket Component, which represents the fraction of the Notional Face Value of the Basket allocated to each Basket Component,
4. the recovery rate of each Basket Component,
5. the specified debt security that defines the Reference Obligation of each Basket Component (e.g., Corporation XYZ 8.375% July 2033 bond), and
6. the applicable Credit Event(s). The Exchange will specify one or more of the following Credit Event(s): (A) Failure-to-Pay Default; or (B) Event(s) of Default; or (C) Restructuring.

(b) After a particular Credit Default Basket Option class has been approved for listing and trading on the Exchange, the Exchange from time to time may open for trading series of options on that class. Only Credit Default Basket Option contracts approved by the Exchange and currently open for trading on the Exchange may be purchased or sold on the Exchange. Prior to the opening of trading in a particular Credit Default Basket Options series in a given class, the Exchange will fix the expiration month and year.

1. Credit Default Basket Option series will generally expire up to 123 months from the time they are listed, may expire in the months of March, June, September and December.

2. The Exchange usually will open one to four series for each year up to 10.25 years from the current expiration. Additional series of options on the same Credit Default Basket Option class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market or to meet customer demand. The opening of a new series of Credit Default Basket Options on the Exchange will not affect any other series of options of the same class previously opened.
Rule 29.2A supplements Rules 5.1, 5.3, 5.5 and 5.8.

Adopted August 17, 2007 (07-26); amended November 19, 2010 (10-046).

Rule 29.3. Withdrawal of Approval of Underlying Reference Entity

The requirements for continuance of approval of Credit Options shall be in accordance with Rule 5.4.15.

Adopted June 6, 2007 (06-84); amended November 19, 2010 (10-046).

Rule 29.4. Adjustments

(a) Credit Default Option contracts are subject to adjustment in accordance with the following:

(1) Adjustment for Succession: Each Credit Default Option will be replaced by one or more Credit Default Options derived from Successor Reference Entities that have succeeded the original Reference Entity as a result of a Succession Event based on the applicable share of each Successor Reference Entity.

   (i) A “Successor Reference Entity” and a “Succession Event” will be defined in accordance with the terms of the Relevant Obligation(s). In determining the applicable share, an equal share will be allocated to each Successor Reference Entity that has succeeded the original Reference Entity as issuer or guarantor of at least one Relevant Obligation and at least 25% of the principal amount of the original Reference Entity’s outstanding debt obligations other than non-recourse indebtedness. If no Successor Reference Entity satisfies the “at least 25%” requirement and the original Reference Entity does not survive following the Succession Event, an equal share will be allocated to the Successor Reference Entity(ies) that succeeded to the largest percentage of the original Reference Entity’s outstanding debt obligations other than non-recourse indebtedness.

   (ii) In respect of each successor Credit Default Option, the cash settlement amount and contract multiplier will be adjusted based on the applicable share of each Successor Reference Entity. All other terms and conditions of each successor Credit Default Option will be the same as the original Credit Default Option unless the Exchange determines, in its sole discretion, that a modification is necessary and appropriate for the protection of investors and the public interest, including but not limited to the maintenance of fair and orderly markets, consistency of interpretation and practice, and the efficiency of settlement procedures.

(2) Adjustment for Redemption: Once the Exchange has confirmed a Redemption Event, the Credit Default Option contract will cease trading on the confirmation date. If no Credit Event has been confirmed to have occurred prior to the effective date of the Redemption Event, the contract payout will be $0. If a Credit Event has been confirmed to have occurred prior to the effective date of the
Redemption Event, the cash settlement amount shall be as provided in Rule 29.1(a). The Credit Event confirmation period will begin when the Credit Default Option contact is listed and will extend to 3:00 p.m. (CT) on the 4th Exchange business day after the effective date of the Redemption Event.

(i) A “Redemption Event” will be defined in accordance with the terms of the Relevant Obligation(s) and will include the redemption or maturity of the Reference Obligation and of all other Relevant Obligations.

(ii) If the Reference Obligation is redeemed or matures but other Relevant Obligation(s) remain, a new Reference Obligation will be specified from among the remaining Relevant Obligation(s) and the substitution will not be deemed a Redemption Event.

(b) Credit Default Basket Option contracts are subject to adjustment in accordance with the following:

(1) Adjustment for Succession: Once the Exchange has confirmed a Succession Event in a Basket Component, that component will be replaced by one or more Basket Components (“Successor Basket Components”) consisting of the Successor Basket Component(s) that have succeeded the original Basket Component as a result of a Succession Event based on the applicable share of each Successor Basket Component.

(i) A “Successor Basket Component” and a “Succession Event” will be defined in accordance with the terms of the Relevant Obligations of the Basket Component that is subject to adjustment for succession. In determining the applicable share, an equal share will be allocated to each Successor Basket Component that has succeeded the original Basket Component as issuer or guarantor of at least one Relevant Obligation and at least 25% of the principal amount of the original Basket Component’s outstanding debt obligations other than non-recourse indebtedness. If no Successor Basket Component satisfies the “at least 25%” requirement and the original Basket Component does not survive following the Succession Event, an equal share will be allocated to the Successor Basket Component(s) that succeeded to the largest percentage of the original Basket Component’s outstanding debt obligations other than non-recourse indebtedness.

(ii) In the event of an adjustment for succession, the Exchange will specify the Reference Obligation, recovery rate and the basket weight of each Successor Basket Component. The newly specified weight(s) will equal the weight of the predecessor Basket Component replaced by the Successor Basket Component(s).

(iii) In respect of each Credit Default Basket Option contract that was subject to adjustment for succession, all other terms and conditions of each Credit Default Basket Option containing a Successor Basket Component will be the same as the original Credit Default Basket Option unless the Exchange determines, in its
sole discretion, that a modification is necessary and appropriate for the protection of investors and the public interest, including but not limited to the maintenance of fair and orderly markets, consistency of interpretation and practice, and the efficiency of settlement procedures.

(2) Adjustment for Redemption: Once the Exchange has confirmed a Redemption Event in a Basket Component, that Basket Component will be removed from the Credit Default Basket. If a Credit Event has been confirmed to have occurred prior to the effective date of a Redemption Event, the cash settlement amount shall be as provided in Rule 29.1(a). The Credit Event confirmation period will begin when the Credit Default Basket Option contract is listed and will extend to 3:00 p.m. (CT) on the 4th Exchange business day after the effective date of the Redemption Event.

(i) A “Redemption Event” will be defined in accordance with the terms of the Relevant Obligations and will include the redemption of the Reference Obligation and of all other Relevant Obligations.

(ii) If the Reference Obligation is redeemed or matures but other Relevant Obligations remain, a new Reference Obligation will be specified from among the remaining Relevant Obligation(s) and the substitution will not be deemed a Redemption Event.

(c) The Exchange will confirm adjustment events based on at least two sources, which may include announcements published via newswire services or information services companies, the names of which will be announced to the Trading Permit Holders via Regulatory Circular, and/or information submitted to or filed with the courts, the SEC, an exchange or association, the Clearing Corporation, or another regulatory agency or similar authority.

(d) When adjustments have been made, announcement of that fact will be made by the Exchange, and the adjusted cash settlement amount(s) and the adjusted contract multiplier(s) will be posted at the post at which the series is traded and will be effective at the time specified in the announcement for all subsequent transactions in the series.

(e) Every determination of the Exchange pursuant to this Rule 29.4 will be within its sole discretion and shall be conclusive and binding on all holders and sellers and not subject to review.

Rule 29.4 replaces, for purposes of Chapter XXIX, Rule 5.7.

Adopted June 6, 2007 (06-84); Amended June 18, 2007 (07-62); July 20, 2007 (07-81); August 17, 2007 (07-26); August 24, 2007 (07-93); June 18, 2010 (10-058).

Rule 29.5. Position Limits

(a) In determining compliance with Rule 4.11, Credit Default Option contracts with a cash settlement value of $100,000 per contract (equal to an exercise settlement value of $100 multiplied by a contract multiplier of 1,000) shall have a position limit equal to 5,000 contracts on
the same side of the market. In calculating the applicable position limits, reduced-value contracts (i.e., Credit Default Options with a cash settlement value of less than $100,000 per contract) will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 Credit Default Option contract with a cash settlement value of $10,000 per contract (equal to an exercise settlement value of $100 multiplied by a contract multiplier of 100) equal one full-value contract). Cash-settled Credit Default Basket Options shall have a position limit equal to 50,000 contracts on the same side of the market.

(b) In determining compliance with the position limits set forth in paragraph (a), Credit Options shall not be aggregated with option contracts on the same or similar underlying security.

(c) Credit Options shall not be subject to the hedge exemption to the standard position limits found in Rule 4.11.04. The following qualified hedge exemption strategies and positions shall be exempt from the established position limits as prescribed in the Rule above:

   (1) A Credit Option position “hedged” or “covered” by an appropriate amount of cash to meet the cash settlement amount obligation (e.g., $100,000 for a Credit Default Option with an exercise settlement value of $100 and a contract multiplier of 1,000 or $100,000 for a Credit Default Basket Option with a Notional Face Value of Basket of $100,000).

   (2) A Credit Default Option position “hedged” or “covered” by a sufficient amount of the underlying Relevant Obligation(s) and/or other securities, instruments or interests related to the Reference Entity to meet the cash settlement amount obligation (e.g., a long Credit Default Option position could be offset by a long position in a debt security of the Reference Entity that is worth $100,000 per contract (or the applicable adjusted amount) and short Credit Default Option position could be offset by a short position in a debt security of the Reference Entity that is worth $100,000 per contract (or the applicable adjusted amount)).

   (3) A Credit Default Basket Option position “hedged” or “covered” by a sufficient amount of any of the Basket Component debt securities, instruments or interests related to the Reference Entity that equals the sum of the cash settlement amounts for Basket Components for a Multiple Payout Credit Default Basket Option or equals the maximum Basket Component cash settlement amount for a Single Payout Credit Default Basket Option.

(d) Credit Options shall be subject to the Market-Maker hedge and firm facilitation exemptions to the standard position limits found in Rule 4.11.05 and .06, respectively. With respect to the Market-Maker hedge exemption, the positions must generally be within 20% of the applicable limits of the Credit Option before an exemption will be granted as described in Rule 4.11.05(a) (2). With respect to the firm facilitation exemption, the aggregate exemption position may not exceed $ \times 3 \times$ the standard limits set forth in paragraph (a) and be consistent with the procedures described in Rule 4.11.06.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26); September 10, 2007 (07-105).
Rule 29.6. Reports Related to Position Limits and Liquidation of Positions

For purposes of Rules 4.13 and 4.14, references to Rule 4.11 in connection with position limits shall be deemed, in the case of Credit Options, to be to Rule 29.5. In computing reportable Credit Options under Rule 4.13, Credit Options shall not be aggregated with non-Credit Options contracts. In addition, Credit Options of a given class shall not be aggregated with any other class of Credit Options. The applicable hedge reporting requirement described in Rule 4.13(b) shall apply to a position in excess of 1,000 Credit Option contracts on the same side of the market. In calculating the applicable position for Credit Default Option contracts, reduced-value contracts (i.e., Credit Default Options with a cash settlement value of less than $100,000 per contract) will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 Credit Default Option contract with a cash settlement value of $10,000 per contract (equal to an exercise settlement value of $100 multiplied by a contract multiplier of 100) equal one full-value contract).


Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26); September 10, 2007 (07-105).

Rule 29.7. Exercise Limits

There shall be no exercise limits for Credit Options.

Rule 29.7 replaces, for purposes of Chapter XXIX, Rule 4.12. Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26).

Rule 29.8. Other Restrictions on Credit Option Transactions

Rule 4.16 shall be applicable to Credit Options.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26).

Rule 29.9. Determination of Credit Event, Automatic Exercise and Settlement

(a) Credit Default Options will be subject to automatic exercise upon the Exchange confirming that a Credit Event has occurred in a Reference Entity between the listing date and the last trading day.

(b) Credit Default Basket Options will be subject to automatic payouts and/or exercise upon the Exchange confirming that a Credit Event has occurred in a Basket Component between the listing date and the last trading date as follows:

(1) Multiple Payout Credit Default Basket Options will be subject to automatic payouts each time a Credit Event is confirmed in a Basket Component.

(2) Single Payout Credit Default Basket Options will be subject to automatic exercise as soon as a Credit Event is confirmed in any one of the Basket Components.
(c) The Credit Event confirmation period will begin when the Credit Option contract is listed and will extend to 3:00 p.m. (CT) on the expiration date.

(d) The Exchange will confirm Credit Events based on at least two sources, which may include announcements published via newswire services or information services companies, the names of which will be announced to the Trading Permit Holders via Regulatory Circular, and/or information submitted to or filed with the courts, the SEC, an exchange or association, the Clearing Corporation, or another regulatory agency or similar authority.

(e) For Credit Default Options, if the Exchange determines that a Credit Event in the underlying Reference Entity has occurred prior to 10:59 p.m. (CT) on the last trading day, the Credit Default Option will automatically pay the applicable cash settlement amount (or the applicable adjusted amount) per contract. Otherwise the cash settlement amount will be $0. If a Credit Event has been confirmed by the Exchange prior to the last trading day, the Credit Default Option will cease trading upon confirmation of the Credit Event.

(f) For Credit Default Basket Options, if the Exchange determines that a Credit Event in a Basket Component has occurred prior to 10:59 p.m. (CT) on the last trading day:

1. a Multiple Payout Credit Default Basket Option will automatically pay the cash settlement amount (i.e., Notional Face Value of the Basket Component multiplied by one minus the Basket Component recovery rate specified by the Exchange at listing), however, if a Credit Event has been confirmed by the Exchange for each Basket Component prior to the last day of trading, the Multiple Payout Credit Default Basket Option will cease trading upon confirmation of the last Credit Event; and

2. a Single Payout Credit Default Basket Option will automatically exercise and pay the cash settlement amount (i.e., Notional Face Value of the Basket Component multiplied by one minus the Basket Component recovery rate specified by the Exchange at listing), however, if a Credit Event has been confirmed by the Exchange prior to the last day of trading, the Single Payout Credit Default Basket Option will cease trading upon confirmation of the Credit Event.

(g) Every determination of the Exchange pursuant to this Rule 29.9 will be within its sole discretion and shall be conclusive and binding on all holders and sellers and not subject to review.

Rule 29.9 replaces, for purposes of Chapter XXIX, Rule 11.1. Rule 11.2 is not applicable.

Adopted June 6, 2007 (06-84); Amended June 18, 2007 (07-62); August 17, 2007 (07-26); September 10, 2007 (07-105); June 18, 2010 (10-058).

Rule 29.10. Disclaimers

The term “reporting authority” as used in this rule refers to the Exchange or any other entity identified by the Exchange as the “reporting authority” in respect of a class of Credit Options for purposes of the By-Laws and Rules of the Clearing Corporation and any affiliate of the Exchange.
or any such other entity. No reporting authority makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of any Credit Option. Any reporting authority hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any Credit Option. Any reporting authority shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person relating to any Credit Option, including without limitation as a result of any error, omission or delay in confirming, or disseminating notice of, any Credit Event, any determination to adjust or not to adjust the terms of outstanding Credit Options, or any other determination with respect to Credit Options for which it has responsibility under the By-Laws and Rules of the Clearing Corporation.

Adopted June 6, 2007 (06-84); Amended June 18, 2007 (07-62); Amended August 17, 2007 (07-26).

Rule 29.11. Days and Hours of Business

The Exchange has resolved that except under unusual conditions as may be determined by the Exchange, the hours during which Credit Options transactions may be made on the Exchange shall be from 8:30 a.m. to 3:00 p.m. (CT).

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26); Amended May 10, 2019 (19-017).

Rule 29.12. Trading Rotations

Rule 6.2 shall be applicable to Credit Options. In accordance with Rule 6.2, at a randomly selected time within a number of seconds after 8:30 a.m. (CT), unless unusual circumstances exist, the System will initiate the opening procedure and send a Rotation Notice.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26).

Rule 29.13. Trading Halts and Suspension of Trading

Rule 6.3 and 6.3B shall be applicable to Credit Options. Another factor that may be considered by Floor Officials in connection with the institution of trading halts (Rule 6.3) in Credit Options is that current quotations for Reference Obligation or other securities of the Reference Entity are unavailable or have become unreliable.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26).

Rule 29.14. Premium Bids and Offers; Minimum Increments; Priority and Allocation

(a) Bids and offers shall be expressed in terms of dollars per the contract multiplier unit (e.g., a bid of “7” shall represent a bid of $7,000 for a Credit Option with a specified contract multiplier of 1,000).
(b) The minimum price variation ("MPV") for bids and offers on both simple and complex orders for Credit Default Options and Credit Default Basket Options shall be established on a class- by-class basis by the Exchange and shall not be less than $0.01.

(c) All bids or offers made for Credit Option contracts shall be deemed to be for one contract unless a specific number of option contracts is expressed in the bid or offer. A bid or offer for more than one option contract shall be deemed to be for the amount thereof or a smaller number of option contracts.

(d) The rules of priority and order allocation procedures set forth in Rule 6.45 apply to Credit Options.


Adopted June 6, 2007 (06-84); amended August 17, 2007 (07-26); November 19, 2010 (10-046); January 24, 2017 (17-009).

Rule 29.15. Nullification and Adjustment of Credit Option Transactions

(a) Except as provided below, Rule 6.25 shall govern the nullification and adjustment of transactions involving Credit Options.

(b) Paragraphs (b), (c)(1), (c)(4), (d), (e), (g), (h), (l), and Interpretation and Policy .05 of Rule 6.25 has no applicability to Credit Option transactions. For purposes of paragraphs (b), (c)(1), (c)(4), (d), (e), (g), (h), (l), and Interpretation and Policy .05 of Rule 6.25, a Trading Permit Holder or person associated with a Trading Permit Holder may have a trade nullified or adjusted if, in addition to the procedural requirements of Rules 6.25(c)(2) and (3), one of the following conditions is satisfied:

(1) Obvious Price Error: An obvious pricing error occurs when the execution price of an electronic transaction is below or above the theoretical price range (i.e., $0 - $100) for the series by an amount equal to at least 5% per contract. Such transactions will be adjusted by Trading Officials to a price within 5% of the theoretical price range (i.e., to -$5 or $105), unless both parties agree to a nullification.

(2) Verifiable Disruptions or Malfunctions of Exchange Systems. Electronic or open outcry transactions arising out of a “verifiable disruption or malfunction” in the use or operation of any Exchange automated quotation, dissemination, execution, or communication system will be nullified by Trading Officials, unless both parties agree to an adjustment.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26); June 18, 2010 (10-058); May 7, 2015 (15-039).
Rule 29.16.  Reserved

Rule 29.17.  Market-Maker Appointments & Obligations

(a) Market-Makers shall be appointed to Credit Option classes in accordance with the requirements of Rules 8.3, 8.4, 8.15 and 8.95, as applicable.

(b) A Credit Option-appointed Market-Maker may, but shall not be obligated to enter a response to a request for quotes on a Credit Option class in which he is appointed. However, two Trading Officials may call upon Credit Option-appointed Market-Makers to provide quotes in their appointed classes. In addition, a Credit Option-appointed Market-Maker need not provide continuous quotes or quote a minimum bid-offer spread, but when quoting the Market-Maker’s minimum value size shall be at least one contract.

(c) In addition to the requirements of paragraph (b), a DPM or LMM, as applicable, appointed to a Credit Option class shall enter opening quotes in accordance with Rule 6.2 in 100% of the series of the class and shall be obligated to enter a quote in response to any open outcry request for quotes on any Credit Option class in which it is appointed.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26); April 7, 2016 (16-009); January 3, 2018 (18-010); May 10, 2019 (19-017).

. . . Interpretations and Policies:

.01 The Exchange may establish permissible price differences for one or more series or classes of Credit Options as warranted by market conditions.

Rule 29.17 supplements the rules in Chapter VIII.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26).

Rule 29.18.  FLEX Trading

Credit Options shall be eligible for trading as Flexible Exchange Options, even if the Exchange does not list and trade Non-FLEX Credit Options. For purposes of Chapter XXIVA, references to the term “FLEX Equity Options” shall include a Credit Option and references to the “underlying security” or “underlying equity security” in respect of a Credit Option shall mean the Reference Obligation as defined in Rule 29.1. For purposes of Rule 24A.4, the FLEX Equity Option shall be cash-settled and the exercise by exception provisions of the Clearing Corporation Rule 805 shall not apply.

Adopted June 6, 2007 (06-84); Amended August 17, 2007 (07-26); May 23, 2008 (08-02); October 30, 2008 (08-98); August 28, 2009 (09-053).
CHAPTER XXX. CBOE OPTIONS EQUITY LISTING RULES

Reserved
CHAPTER XXXI. CBOE OPTIONS EQUITY TRADING RULES

Reserved