



Overview of Exchange-Provided Risk Management Controls and Port Level Setting Changes in relation to Market Access Rule 15c3-5

Overview

Rule 15c3-5 of the Securities Exchange Act of 1934, known as the “Market Access Rule,” governs risk management controls by broker-dealers with market access. In particular, Rule 15c3-5 requires that financial risk management controls and supervisory procedures be reasonably designed to systematically limit the financial exposure of the broker-dealer that could arise as a result of market access. In addition, Rule 15c3-5 requires that regulatory risk management controls and supervisory procedures be reasonably designed to ensure compliance with all regulatory requirements, including being reasonably designed to prevent the entry of orders and restrict access (as further described in the Market Access Rule). Rule 15c3-5 further requires that these risk management controls and supervisory procedures be under the direct and exclusive control of the broker-dealer subject to the obligations. This document is designed to aid members in conducting their required due diligence to determine whether they maintain “direct and exclusive control” under the Market Access Rule when utilizing certain risk management tools provided by BYX, BZX, EDGA, EDGX, BZX Options, C2 Options, and/or EDGX Options (collectively “the Exchanges”).

Risk Management Control Details

The Exchanges provide certain risk management controls that our members may utilize when entering orders on the Exchanges. These risk management controls enable members to set certain order restrictions and maximum per order limits. These risk management controls also provide easy to borrow list management, restricted list symbol management, aggregated credit limit risk management, and order cut-offs. Members that use these controls may implement and modify a number of port-based risk management settings via the Customer Web Portal.

The Customer Web Portal Port Control tool allows members to make real-time changes to a number of port-level risk attributes without the assistance of the Exchange Trade Desk. Members may also review their port level risk attributes at any time via the Customer Web Portal Port Control tool. Access to the Web Portal is outlined in the Web Portal Control Specifications which is available [here](#). The Customer Web Portal Logical Port Request tool can also be used to submit requests to the Exchange Trade Desk to establish or change Drop Port Monitoring settings.

Authorized Exchange Trade Desk employees only establish or change a port-level risk attribute upon the member’s request. Trade Desk employees do not unilaterally change any port level risk attribute on behalf of any member.

Please note that Exchanges do not guarantee that the controls are sufficiently comprehensive to be the exclusive means by which a member can satisfy its compliance obligations under the Market Access Rule and each Exchange's market access-related rules. Furthermore, the member, and not the Exchanges, retains full responsibility for complying with such regulatory requirements. Members with market access must perform their own appropriate due diligence to assure the controls are reasonably designed to be effective, and otherwise consistent with the Market Access Rule. The SEC has stated that broker-dealers may not rely merely on representations of the technology provider, even if an exchange or other regulated entity, to meet this due diligence standard.¹

Additional Information

For more information refer to the following documents:

- [US Equities/Options Web Port Controls Specification](#)
- [BATS Risk Based Web Portal Port Controls Available Effective November 26, 2012](#)

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¹ See Question No. 5, Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, Division of Trading and Markets, April 15, 2014 available at <https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm>