



Regulatory Circular 20-047

Date: August 6, 2020
Exchanges: Cboe Options, C2 Options, Cboe BYX, Cboe BZX, Cboe EDGA and Cboe EDGX
Markets: Equities and Options
To: Trading Permit Holders and Members
Re: Minor Rule Violation Plan Provisions for CAT Compliance Rules

Supplements Regulatory Circular RC20-045

As previously noted in Regulatory Circular [RC20-045](#), the equities and options exchanges operated by Cboe Exchange, Inc. (“Cboe Options”), Cboe C2 Exchange, Inc. (“C2 Options”), Cboe BYX Exchange, Inc. (“BYX”), Cboe BZX Exchange, Inc. (“BZX”), Cboe EDGA Exchange, Inc. (“EDGA”) and Cboe EDGX Exchange, Inc. (“EDGX,” and collectively the “Exchanges”) have adopted changes to the Exchanges’ Minor Rule Violation Plans to make Trading Permit Holder/Member violations of the Consolidated Audit Trail (“CAT”) compliance rules (“CAT Compliance Rules”)¹ eligible for disposition as a minor rule violation, when warranted.²

As outlined in Regulatory Circular [RC20-045](#), the Exchanges, FINRA and all other CAT NMS Plan Participants have entered into an amended plan pursuant to Rule 17d-2 under the Securities Exchange Act of 1934 (the “Rule 17d-2 Plan”) and related regulatory services agreements (“RSAs”) to coordinate regulation of the CAT Compliance Rules. The changes to the Exchanges’ Minor Rule Violation Plans for CAT Compliance Rule violations discussed in this Regulatory Circular are consistent with coordinated regulation under the Rule 17d-2 Plan and the RSAs.³ A summary of the key changes follows.

For failures to comply with the CAT Compliance Rule requirements, the Exchanges may impose a minor rule violation fine of up to \$2,500. As with any minor rule violation, for more serious violations of the CAT Compliance Rule requirements, formal disciplinary action may be sought. The following factors will help guide the Exchanges and FINRA in determining the appropriate disposition:

¹ The common compliance rules adopted by each CAT NMS Plan Participant are designed to require Industry Members to comply with the provisions of the CAT NMS Plan, which broadly calls for Industry Members to record and report timely and accurate customer, order, and trade information relating to activity in NMS Securities and OTC Equity Securities. See, e.g., Cboe Options Rules 7.20 – 7.31; C2 Options Chapter 7, Section B; and BYX, BZX, EDGA and EDGX Rules 4.5 – 4.16. The Rulebooks of the Exchanges are available [here](#) and [here](#).

² The Exchanges’ Minor Rule Violation Plans are set out in Cboe Options Rule 13.15; C2 Options Chapter 13; BZX and EDGX Rules 8.15 and 25.3; and BYX and EDGA Rule 8.15. The text of the revised rules, and a full description of the revised rules as compared to the Exchanges’ former rules, are available in the rule changes filed with the Securities and Exchange Commission. Trading Permit Holders/Members should familiarize themselves with the revised rules. See Exchange Act Release Nos. [89257](#) (July 8, 2020)([SR-CBOE-2020-065](#)) (which is also incorporated by reference into the C2 Rules); [89235](#) (July 7, 2020)([SR-CboeBYX-2020-020](#)); [89273](#) (July 9, 2020)([SR-CboeBZX-2020-056](#)); [89236](#) (July 7, 2020)([SR-CboeEDGA-2020-020](#)); and [89272](#) (July 9, 2020)([SR-CboeEDGX-2020-034](#))(rule filings adding the CAT Compliance Rules to the list of rules eligible for disposition under the Exchanges’ Minor Rule Violation Plans).

³ For additional information, see Regulatory Circular [RC20-046](#) (notice regarding an industry presentation by the Cross Market Regulatory Working Group on the CAT Compliance Rules).

- total number of reports that are not submitted or submitted late;
- the timeframe over which the violations occur;
- whether violations are batched;
- whether the violations are the result of the actions of one individual or the result of faulty systems or procedures;
- whether the firm has taken remedial measures to correct the violations;
- prior minor rule violations within the past 24 months;
- collateral effects that the failure has on customers; and
- collateral effects that the failure has on the Exchange's ability to perform its regulatory function.⁴

Additional Information

Questions related to the Exchanges' CAT Compliance Rules and Minor Rule Violation Plan provisions, as well as the Rule 17d-2 Plan amendment (including requests to confirm the identity of the exchange that has been designated your firm's Designated CAT Surveillance Authority if your firm is not a FINRA member), can be directed to Cboe Regulatory Interpretations at RegInterps@cboe.com or 312.786.8141.

⁴ These factors also are used to inform dispositions for violations of OATS reporting rules. See FINRA Notice to Members 04-19 (March 2004), available at <https://www.finra.org/rules-guidance/notices/04-19>.