Regulatory Circular RG14-096

Date: **June 20, 2014**

To: Trading Permit Holders
From: Business Development Division
RE: PAR Enhancements

A new PAR version will be rolled out to PAR Operators (i.e., Floor Brokers who use PAR and PAR Officials) beginning the week of June 30, 2014. In preparation of the changes, Trading Systems Development staff will review the new PAR functionality, and Regulatory Services Division staff will provide an overview of the regulatory requirements in several training sessions. All PAR Operators must attend at least one of these sessions.

Training Sessions:
Tuesday, June 24, 2014
3:15 p.m. CT
VIX Pit

Wednesday and Thursday, June 25, 2014 and June 26, 2014
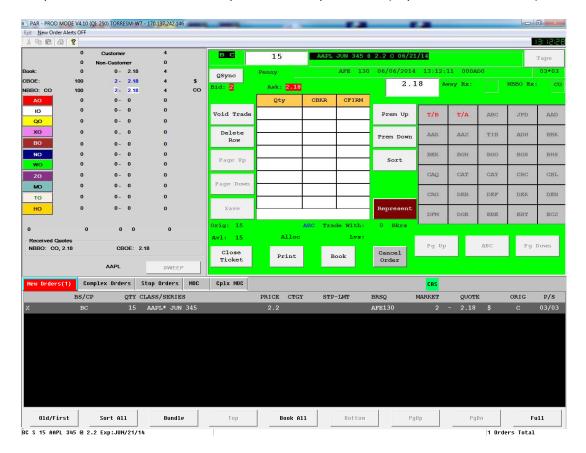3:15 p.m. CT
CBOE 4th Floor Auditorium

PAR Implementation

PAR Operators will be notified in advance of the date for the application rollout to their PAR device and will be provided a handout that details the functional changes. Further business functionality training will be available at the Reporting Desk located at Post 10. Additional educational materials will be provided at all training sessions, the Reporting Desk at Post 10, and upon request.

Represent Button:

Pursuant to SEC Release No. 34-71859 (see also SR-CBOE-2014-029), a Represent Button will be introduced as a new PAR feature to enhance the Exchange's audit trail. The Exchange will require PAR Operators to electronically capture the time they initially verbally present orders in the trading crowd by pressing this new Represent Button. In addition to being added to PAR, the Represent Button has been added to other Exchange-approved devices used by Floor Brokers (e.g., FBW, PULSe, etc.) for the purpose of recording the time the order was initially represented after being "systematized" for COATS requirements but prior to being routed to PAR.   Note, however, the new version of PAR is designed to systematically require that the Represent Button always be pressed prior to proceeding to the Trade process, regardless of whether the represent time for the order was previously recorded from another device (such as FBW, PULSe, etc.). After the order is selected and the Represent Button is pressed on a PAR order ticket, normal PAR processing, such as Trade and Endorsement, may continue. The time the Represent Button is pressed creates an audit trail of the time the order was announced to the trading crowd. If the ticket is closed and subsequently re-selected, the Represent Button must be pressed again when the order is re-represented and prior to proceeding with the Trade process.

Simple order ticket with the new Represent and Tape Buttons (Tape is described below):
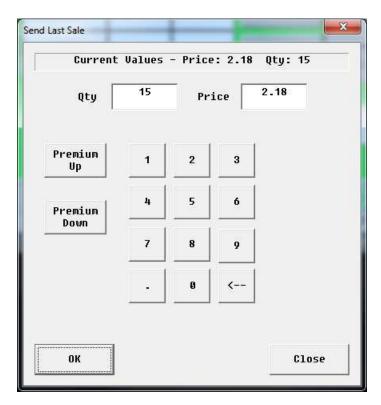

Tape Button:

The purpose of the Tape Button is to allow PAR Operators to quickly submit a trade price and quantity for dissemination to the tape contemporaneous with the consummation of the trade and before completing the Endorsement process. Below are the basic steps for utilizing this button.

- The Tape Button is located in the top right corner of the opened ticket (note above screen shot.)

- The Tape Button will remain disabled until the Represent Button has been pressed.

- After <Represent> is pressed and the trade is verbally consummated, PAR Operators may choose to either: (A) press <Tape> to report the print to the tape right away (after confirming quantity/price), prior to Endorsement, or (B) press <Trade> and continue the endorsement process. If the broker chooses to use the latter process, then the difference between the Trade Time and the Endorse Time will be used for determination as to whether Rule 6.51 reporting obligations are met (when PAR is the party responsible for reporting). As required by Rule 6.51, the designated TPH must report the transaction to the Exchange within 90 seconds of the execution.

- When the Tape Button is pressed, a dialog "Send Last Sale" entry box is presented. The remaining quantity of the order and either the limit price or the best price is initially displayed. Either may be adjusted but the price may only be improved.

IMPORTANT: Pressing <OK> will record the official time of execution for the audit trail and regulatory purposes, as well as disseminate the specified quantity and price to the Tape.

- After pressing <OK>, the PAR operator should continue to the Endorsement process to record contra-parties for the quantity and price that was disseminated to the tape.

Tape Errors

- If the Tape Button was pressed mistakenly or the disseminated price and quantity were incorrect, the PAR Operator, or a representative, must report the incorrect print in person to the Reporting Desk and complete a Tape Adjustment Request form. The Reporting Desk will then adjust the tape.

Trading With the Book and the Crowd Contemporaneously

- If the PAR Operator trades with the crowd and must also clear a book, the trade with the book must be completed first by pressing <TRADE>, which will record the official time of execution for that portion of the transaction, then the broker must press <T/B>, and then <ENDORSE>.
- The ticket will then be automatically opened and returned to PAR for the remaining quantity of the transaction, at which point the PAR operator may press <Tape> followed by the Endorsement process.
- PAR operators who contemporaneously execute a transaction with the book and the crowd must record the trade of the remainder promptly after the Book is cleared. For this remainder, a new time of execution will be recorded when <OK> is pressed following <Tape>.
- To the extent that the remainder trade is recorded promptly, the audit trail will demonstrate clearance of the book contemporaneous with the remainder trade, and the time of execution of the book trade will be taken into consideration when reviewing the trade for the remainder. If, for

example, the book re-populates after the initial book is cleared but before the time of execution is recorded on the remainder, the audit trail will identify that the PAR transaction of the remainder was related to the trade that cleared the book initially. It would be expected that there would not be a significant time difference between the two portions of the transaction.

- If the PAR Operator trades only with the book, that is, the crowd is not trading the remaining quantity contemporaneously at the same execution price as the quantity traded with the book, then the PAR Operator may press <Close> after the trade with the book.

NO TAPE Button:

The No Tape Button is designed to prevent duplicate tape prints and is to be used only for trades between two or more PAR Operators. In this scenario, if one PAR Operator pressed the Tape Button first, the PAR Operator on the other side of the trade must press <No Tape> after pressing <Trade> to prevent a duplicate Last Sale and Quantity from being disseminated upon completion of the Endorsement process.

- The No Tape Button replaces the Tape Button in the top right corner of the opened ticket after the Trade Button has been pressed.

- After <No Tape> is pressed by a PAR Operator, the broker will continue with the normal Endorsement process.

- A PAR Operator who should have pressed <Trade> and <No Tape> but instead pressed <Trade> and completed the Endorsement process must report, or have a representative report, the incorrect duplicate print to the Reporting Desk and complete a Tape Adjustment Request form. The Reporting Desk will then adjust the tape.

- It is imperative that PAR Operators who are trading with other PAR Operators communicate when using the Tape Button. Lack of effective communication may result in a failure to report a trade or a double report of a trade.

Contra Information Saved when using Split Price

- The Split Price Button functionality has been enhanced such that the application will now save the endorsement information that was entered on the first price and apply the same information to the order ticket for execution at the second price.

Additional Information:

- Questions regarding the operational matters related to this circular may be directed to the CBOE Help Desk at 866-728-2263 or helpdesk@cboe.com.

- Regulatory questions regarding this circular may be directed to the Regulatory Interpretations and Guidance team at reginterps@cboe.com or (312) 786-8141.