

CBOE/C2 FORM OE-418

GENERAL INSTRUCTIONS¹

INDIVIDUAL TPHs WITH NO NON-TPH EMPLOYEES:²

At least once per year, complete, sign and date form OE-418. Retain it for a minimum of three years; the first two in an easily accessible place.

TPH ORGANIZATIONS WITH NO NON-TPH EMPLOYEES:

At least once per year, each nominee/"registered for" must complete, sign and date form OE-418. A copy of form OE-418 must be returned for each nominee/"registered for." All forms must be retained for a minimum of three years, the first two in an easily accessible place.

INDIVIDUAL TPHs AND TPH ORGANIZATIONS EMPLOYING NON-TPH EMPLOYEES:

At least once per year, each nominee/"registered for" must complete, sign and date form OE-418. A copy of form OE-418 must be returned for each nominee/"registered for".

Attachment A: In addition, at least once per year, each non-TPH employee must affirm that such employee understands that it is a violation to misuse material nonpublic information concerning a security. Attachment A, *Affirmation of Compliance by Non-TPH Employees*, is intended to satisfy this requirement. Copies of Attachment A must be returned along with form OE-418.

Attachment B: Further, TPHs must periodically review trading in non-TPH employee's retail securities brokerage accounts with a view to detecting such misconduct. Attachment B, *Employee Account Checklist*, is intended to facilitate this review. Attachment B needs to be completed only if the TPH's non-TPH employees maintain retail securities brokerage accounts during the period covered by form OE-418. Copies of Attachment B must be returned along with form OE-418; however, the *Account Review* portion of the form is maintained by the TPH/TPH organization and does not need to be submitted to the CBOE.

Non-TPH employees must as a condition of their employment furnish copies of account statements, confirmations and related documents to their employer upon request. At least one month of activity per quarter must be reviewed by the employer. As indicated on Attachment B, employers should scrutinize activity such as trading in the same security or underlying security in which the TPH(s) has an appointment and day trading securities on the same day that the TPH(s) traded the same or related securities, to determine if the employee traded on the basis of advance knowledge of the TPH's own transactions.

¹ For additional information, please refer to CBOE/C2 Rule 4.18, which is accessible on the "Legal and Regulatory" pages of the CBOE website, www.cboe.com, and the C2 website, www.C2exchange.com.

² The definition of "non-TPH employee" includes all associated persons. The term "person associated with a broker or dealer" or "associated person of a broker or dealer" means any partner, officer, director, or branch manager of such broker or dealer (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such broker or dealer, or any employee of such broker or dealer, except that any person associated with a broker or dealer whose functions are solely clerical or ministerial shall not be included in the meaning of such term for purposes of section 15(b) (other than paragraph (6) thereof).

All persons associated with a TPH are subject to the requirements of Rule 4.18, even if they are in some sense an independent contractor. This applies to anyone issued a CBOE floor access badge other than TPHs and Exchange staff. If there is doubt as to whether a given non-TPH is employed by an individual or the clearing firm, it is recommended that the issue be resolved and documented in writing by the two parties. If a non-TPH is employed by two different TPHs, one TPH for duties performed during trading hours and another TPH for duties performed outside of trading hours, then responsibility for reviewing that person's trades would normally devolve to the TPH who employs the non-TPH during trading hours.

Individual TPHs and Senior Reporting Parties (explained below) should complete, date and sign Attachment B at least once per quarter. The forms and documents used to conduct the employee account review (e.g., employee monthly account statements) must be retained along with the other OE-418 forms for a period of at least three years, the first two in an easily accessible place.

Senior Reporting Party. Each TPH organization which uses the OE-418 form and its attachments and which employs non-TPH employees, must designate a Senior Reporting Party to be responsible for the above-described review of employee accounts and obtain necessary signatures from the employees. Failure to designate a Senior Reporting Party may result in a finding of a violation by each of the TPHs associated with the organization. Form OE-418 contains a space for identifying the Senior Reporting Party.

QUESTIONS:

TPHs who have questions regarding how to complete the forms may call Regulatory Interpretations team at (312) 786-8141 or email RegInterps@cboe.com. **Note that Exchange Staff are not permitted to provide advice as to a TPH's eligibility to use the forms.** TPHs that, after reading the instructions and the forms, are unsure as to the suitability of the forms as a means of establishing their own compliance with Rule 4.18 are advised to consult their own legal counsel.