



To: CBOE, C2 and CBSX Trading Permit Holders
From: Registration and Regulatory Services Division
Date: July 5, 2011
Re: New SEC Rule 15c3-5
Risk Management Controls for Brokers or Dealers with Market Access
Limited Extension of Compliance Date

Compliance Date

This circular is to advise CBOE, C2 and CBSX Trading Permit Holders that the SEC recently issued an order that granted a limited extension to the compliance date for SEC Rule 15c3-5. The limited extension provides, in pertinent part, that:

- The compliance date for only the requirements of Rule 15c3-5(c)(1)(i) for all securities has been extended to November 30, 2011. Rule 15c3-5(c)(1)(i) pertains to financial risk management controls and supervisory procedures that are reasonably designed to, “[p]revent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and the broker or dealer and, where appropriate, more finely-tuned by sector, security, or otherwise by rejecting orders if such orders would exceed the applicable credit or capital thresholds[.]”

The compliance date for all provisions of Rule 15c3-5 not subject to the limited extension noted above and in footnote 1 below remains July 14, 2011.¹ The SEC extension order can be viewed at the following link: <http://www.sec.gov/rules/final/2011/34-64748.pdf>.

Additional Information

For additional information about SEC Rule 15c3-5, please refer to CBOE Regulatory Circular RG11-065 and C2 Regulatory Circular C2 RG11-004. Please note that these circulars contain a summary of Rule 15c3-5 and the actual rule text and SEC adopting release are controlling. Therefore, TPHs should also review the adopting release on the SEC website at <http://www.sec.gov/rules/final/2010/34-63241.pdf>. The SEC has also made available a Small Entity Compliance Guide, which is located at <http://www.sec.gov/rules/final/2010/34-63241-secg.htm>. If you have questions regarding SEC Rule 15c3-5, you should speak with your firm’s compliance or legal department. You may also contact the SEC. To the extent you have further questions, those inquiries may also be directed to the Registration and Regulatory Services Division at (312) 786-7730 or (312) 786-8460.

For overview information about the risk management applications made available by the Exchange on CBOEDirect, OMT, CFLEX, FBW, and PULSe,² please contact Monica Wiedlin-Torres, Trading Operations, at 312-786-7368.

¹ The compliance date for all the requirements of Rule 15c3-5 for fixed income securities has also been extended to November 30, 2011.

² Please note that, in the adopting release, the SEC indicated that a broker-dealer relying on risk management technology developed by third parties should perform appropriate due diligence to help assure the controls are reasonably designed, effective, and otherwise consistent with Rule 15c3-5. Mere reliance on representations of the third party technology developer – even if an exchange or other regulated entity – is insufficient to meet this due diligence standard.