CBOE EXECUTE SUCCESS℠

EXCHANGE BULLETIN

March 08, 2013 Volume 41, Number 10

The Bylaws and Rules of Chicago Board Options Exchange, Incorporated ("Exchange"), in certain specific instances, require the Exchange to provide notice to Exchange Trading Permit Holders. To satisfy this requirement, a copy of the Exchange Bulletin, including the Regulatory Bulletin, is delivered by e-mail or by hard copy free of charge to all effective Trading Permit Holders on a weekly basis.

Trading Permit Holders are encouraged to receive the Exchange and Regulatory Bulletin and Information Circulars via e-mail. E-mail subscriptions may be obtained by Trading Permit Holders by submitting your name, firm if applicable, e-mail address, and phone number, to registration@cboe.com. If you do sign up for e-mail delivery, please remember to inform the Registration Services Department of e-mail address changes. Subscriptions by Trading Permit Holders for hard copy delivery may be obtained by submitting your name, firm if any, mailing address and telephone number to: Chicago Board Options Exchange, Registration Services Department, 400 South LaSalle, Chicago, Illinois 60605, Attention: Bulletin Subscriptions.

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Trading Permit Information for 2/28/2013 through 3/06/2013

TRADING PERMIT APPLICATIONS RECEIVED FOR WHICH BULLETIN PUBLICATION IS REQUIRED

Individual Applicants

Brian K Gilbart
Belvedere Trading LLC
10 S. Riverside Plaza, Suite 2100
Chicago, IL 60606

TPH Organization Applicants

Zoo Trading, LLC
Scott M Lewis
240 Kent Avenue, Suite B12
New York, NY 11211
- Liberty I Management, LLC - Manager
  - Anonymous 1 LLC - Managing Member
  - Fishkin, Caleb F. - Member
- Fishkin, Caleb F. - President
- Dixon, Julianne C. - CCO
- Delaney, Elizabeth A. - FINOP
- Lewis, Scott M. - Head of Trading

TERMINATIONS

Individuals

Nominee:	Termination Date
John R Caffrey (COF) Ronin Capital LLC	3/1/13
Jonathan D Wysaski (JAY) Ronin Capital LLC	3/1/13
Ted M Piotrowski (PIO) Sumo Capital LLC	3/1/13
Jonathan M Birch (THE) TradingBlock	3/1/13
Michael G. Tuft (MGT) Ronin Capital LLC	3/5/13
Gabriel M Zelwin (GMZ) Grace Support Services LLC	3/5/13
Spencer E Young (KEG) Timber Hill LLC	3/5/13
Christopher P Cribari (SLC) Timber Hill LLC	3/5/13
Lionel R. Crassier BNP Paribas Securities Corp.	3/6/13

EFFECTIVE TRADING PERMIT HOLDERS

Individuals

Nominee:	Effective Date
Michael D. Mucharski (MMX) **CMZ Trading LLC** Type of Business to be Conducted: Market Maker	2/28/13
Keith F. Ellett (ELT) **Optiver US LLC** Type of Business to be Conducted: Market Maker	3/1/13
Matthew G. Poremba (POR) **DRO WST Trading LLC** Type of Business to be Conducted: Market Maker	3/1/13
Charles A Rock (ROK) **Grace Support Services LLC** Type of Business to be Conducted: Market Maker	3/5/13
Nicholas H. Cohen **BNP Paribas Securities Corp.** Type of Business to be Conducted: Proprietary Trading Permit Holder	3/6/13

CHANGES IN TRADING FUNCTION

Individuals	Effective Date
Amy K Butler From: Nominee For Compass Professional Services LLC; Floor Broker To: Nominee For MEB Options LLC; Floor Broker	3/1/13
Kevin W Cozzie From: Nominee For Compass Professional Services LLC; Floor Broker To: Nominee For MEB Options LLC; Floor Broker	3/1/13

Research Circulars

The following Research Circulars were distributed between March 01, 2013 and March 06, 2013. If you wish to read the entire document, please refer to the CBOE website at www.cboe.com and click on the “Trading Tools” Tab. New listings and series information is also available in the Trading Tools section of the website. For questions regarding information discussed in a Research Circular, please call The Options Clearing Corporation at 1-888-OPTIONS.

Research Circular #RS13-105
March 1, 2013
BioMimetic Therapeutics, Inc. ("BMTI") Merger COM
PLETED
with Wright Medical Group, Inc. ("WMGI")

Research Circular #RS13-106
March 1, 2013
Spartech Corporation ("SEH") Proposed Merger
with PolyOne Corporation ("POL")

Research Circular #RS13-107
March 1, 2013
MAP Pharmaceuticals, Inc. ("MAPP"):
Merger Completed -- Cash Settlement

Research Circular #RS13-108
March 4, 2013
ADVENTRX Pharmaceuticals, Inc. ("ANX")
Name, Stock and Option Symbol Change to
Mast Therapeutics, Inc. ("MSTX")
Effective Date: March 11, 2013

Research Circular #RS13-111
March 6, 2013
*****UPDATE*****UPDATE*****UPDATE*****
Somaxen Pharmaceuticals, Inc. ("SOMX & adj. SOMX1")
Further Adjustment to SOMX1 Option Contracts
Effective Date: March 7, 2013

The Bylaws and Rules of Chicago Board Options Exchange, Incorporated ("Exchange"), in certain specific instances, require the Exchange to provide notice to Trading Permit Holders. The weekly Regulatory Bulletin is delivered to all effective Trading Permit Holders to satisfy this requirement. Copyright © 2013 Chicago Board Options Exchange, Incorporated.

Regulatory Circulars

Regulatory Circular RG13-035

Date: February 28, 2013

To: Trading Permit Holders
From: Finance and Administration
RE: March 2013 Fee Changes

This circular explains March 2013 changes to the Fees Schedule for Chicago Board Options Exchange, Inc. (the "Exchange" or "CBOE").

Volume Incentive Plan (VIP)

The Exchange is expanding the Volume Incentive Program by separating and increasing the credit for customer, electronic, multiply-listed complex contracts.

The current credits will remain for simple contracts and an increased credit of $0.17 per contract will be paid for complex contracts, at every tier (excluding the $0.00/contract level), on each leg, for customer complex orders in multiply-listed options, including in the Complex Order Book (COB), Complex Order Auction (COA) and Automated Improvement Mechanism (AIM).

Effective March 1, 2013, the Volume Incentive Program Table is as follows:

Volume Incentive Program Table

Tiers	Percentage Thresholds of National Customer Multiply-Listed Monthly Volume	Per Contract Credit	
		Simple	Complex
First	0.00% - 0.75%	$0.00	$0.00
Second	Above 0.75% - 2.00%	$0.10	$0.17
Third	Above 2.00% - 2.75%	$0.11	$0.17
Fourth	Above 2.75%	$0.14	$0.17

SPX Tier Appointments

Currently the SPX Tier Appointment fee is assessed to any Market-Maker Trading Permit Holder that either (a) has an SPX Tier Appointment at any time during a calendar month; or (b) conducts any open outcry transactions in SPX or SPX Weeklys at any time during a calendar month. Effective March 1, 2013, the SPX Tier Appointment fee will be assessed to any Market-Maker Trading Permit Holder that either (a) has an SPX Tier Appointment at any time during a calendar month and trades at least 100 contracts while that appointment is active; or (b) conducts any open outcry transactions in SPX or SPX Weeklys at any time during a calendar month.

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CBOE Fees Schedule

http://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf

Additional Information

Questions may be directed to Don Patton at (312) 786-7026 or patton@cboe.com, Colleen Laughlin at (312) 786-8390 or laughlin@cboe.com, or John Mavindidze at (312) 786-7689 or mavindidze@cboe.com.

CBOE Regulatory Circular RG13-036
C2 Regulatory Circular RG13-013

Date: March 4, 2013

To: **Trading Permit Holders and TPH Organizations**

From: **Regulatory Services Division**

RE: **Mini Options (on SPY, AAPL, GLD, GOOG and AMZN) Information and FAQ**

Chicago Board Options Exchange, Incorporated (CBOE) and C2 Options Exchange, Incorporated (C2) recently adopted rules that permit the listing and trading of options overlying ten shares of SPDR S&P 500 (SPY), Apple, Inc. (AAPL), SPDR Gold Trust (GLD), Google Inc. (GOOG) and Amazon.com Inc. (AMZN) (mini-options) set to begin March 18, 2013. All existing CBOE/C2 rules applicable to regular sized options on equities/ETFs that overlie 100 shares (standard options) will apply to mini-options, except with respect to position and exercise limits.

The table below demonstrates the differences between a mini-options contract and a standard contract with a strike price of $125 per share and a bid/offer of $3.20 per share:

	Standard	Mini
Share Deliverable Upon Exercise	100 shares	10 Shares
Strike Price	125	125
Bid/offer	3.20	3.20
Premium Multiplier	$100	$10
Total Value of Deliverable	$12,500	$1,250
Total Value of Contract	$320	$32

Frequently Asked Questions

Q: If I select a symbol that has mini-options in my appointment list, am I obligated to quote the mini- option?

A: No. Standard options and mini-options on the same security are different classes and have separate appointments. Therefore, if you only have an appointment in and quote the standard option series you have no quoting obligations in the mini-options series. Additionally, if you only have an appointment in and quote the mini-options series you have no quoting obligations in the standard options series. However, if you quote the mini-options, normal quoting rules apply.

Q: Are the required CBOE Bid/Ask differentials and the initial quoting volume the same for the mini-options as the standard option?

A: Yes. In addition, if an exemption is granted in the standard options, the same exemption will apply to mini-options on the same security (See CBOE Regulatory Circular RG13-031 for Bid/Ask differentials).

Q: Does inter-market trade-through protection apply to mini-options?

A: Yes, however, price protection would not apply across standard and mini-options on an intra-market basis, as these are separate products.

Q: Regarding position and exercise limits, will the standard options and mini-options of the same underlying security be combined?

A: Yes. Interpretation and Policy .08 to Rule 4.11 provides that, for purposes of compliance with the applicable position limit amount, ten mini-option contracts will equal one standard contract overlying 100 shares. For example, a Trading Permit Holder (TPH) who is long 100,000 AAPL standard calls and long 200,000 AAPL7 mini-option calls will have a total position in AAPL of 120,000 contracts. The Exchange notes that, subject to a pilot program, there are no position and exercise limits for standard and mini-options on SPY. See Rule 4.11.07.

Q: With regard to the application of an equity hedge exemption to position and exercise limits, is there a difference between standard and mini-options?

A: Yes. For standard options, 100 shares are used to hedge 1 contract, whereas 10 shares are used to hedge 1 mini-option contract. For example, a TPH who is long 100,000 AAPL standard calls and long 200,000 AAPL7 mini-option, the calls will be hedged fully if the position is short 12 million AAPL shares ((100,000 x 100) + (200,000 x 10)).

Q: Are mini-options LOPR reportable and what is the threshold to report them?

A: Yes. The reportable threshold is 20,000 equivalent shares for mini-options and standard options combined. For example, a TPH who is long 150 standard option calls and long 100 mini-option calls is not required to report to LOPR because the aggregate equivalent shares is 16,000 shares. However, a TPH who is long 150 standard option calls and long 500 mini-option calls is required to report to LOPR because the aggregate equivalent shares is 20,000 shares.

Additional Information:

Please contact the Regulatory Interpretations and Guidance team at RegInterps@cboe.com or (312) 786-8141 for any additional information.

Regulatory Circular CBOE-RG13-037

Date: March 5, 2013

To: Trading Permit Holders
From: Business Development Division
RE: Operational Details for Mini-Options Trading on CBOE

Beginning on March 18, 2013, Chicago Board Options Exchange, Incorporated (CBOE) and C2 Options Exchange, Incorporated (C2) will begin trading mini-options on the following five securities:

Security Name	Underlying Symbol	Mini-Option Symbol	Price Increments[1]
APPLE INC COM STK	AAPL	AAPL7	$.01<=$3, $.05>$3
AMAZON.COM INC	AMZN	AMZN7	$.01<=$3, $.05>$3
SPDR GOLD SHARES	GLD	GLD7	$.01<=$3, $.05>$3
GOOGLE INC CLASS A	GOOG	GOOG7	$.05<=$3, $.10>$3
SPDR S&P 500 ETF TRUST	SPY	SPY7	$.01 all levels

Below are operational details regarding mini-options that will be traded on CBOE. A separate circular (C2 RG13-014) is being issued that will set forth the operational details regarding mini-options to be traded on C2. Transaction fees for mini-options will be announced in a separate circular that will be issued prior to launch.

Contract Share Multiplier – Each mini-option contract delivers ten (10) shares of the underlying security.

Premium Multiplier – The total cash price of a mini-option will be the premium amount times the share multiplier of ten. For example, an order to buy 1 mini-option executed at $1 would cost $1 * 10 = $10, not including any fees and commissions.

Symbology – The options symbol for each mini option will be the same symbol that currently exists for the standard options on the same security, **followed by the number seven ("7")**. Specifically, the options symbols for mini-options will be: AAPL7, AMZN7, GLD7, GOOG7, SPY7.

Option Class – Each mini-option will be considered a separate class from the standard option on the same security.[2]

Market-Maker Class Appointment – Since mini-options are a separate class from standard options on the same security, Market-Maker appointments will be made separately. Market-Makers interested in quoting mini-options must add the mini-option class symbol to their appointments. TPHs will be required to add the mini-option appointment via the appointments website at https://appointments.cboe.com. Appointments may be added the morning of Monday, March 18, 2013. The tier appointment cost for each mini-option will be .001.[3]

Market-Maker Quoting Obligations – Since mini-options are a separate class from the standard options on the same security, Market-Maker quoting obligations will be applied to mini options as a unique class, and mini-options will not be combined with standard options on the same security for determining obligations. For example, a Market-Maker with a mini class appointment will be required to quote 60% of the mini options with an expiration of 9 months or less 99% of the time that the Market-Maker is required to quote.

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[1] CBOE has proposed that the minimum price increments for mini-options be the same as standard options on the same security. This proposal is subject to regulatory approval.
[2] For purposes of compliance with position and exercise limits, ten mini-option contracts will equal one standard contract overlying 100 shares.
[3] See CBOE Rule 8.3. The appointment cost for mini-options is subject to the tiered structure set forth in Rule 8.3, which is based on trading volume statistics. As a result, the appointment cost for mini-options may be subject to change.

Price Increments[4] – The minimum trading price increment for mini-options will be the same as permitted for standard options on the same security. Specifically, AAPL7, AMZN7 and GLD7 will trade in penny increments up to $3 and in nickel increments above $3; GOOG7 will trade in nickel increments up to $3 and dime increments above $3; and SPY7 will trade in penny increments at all price levels.

Automated Improvement Mechanism (AIM) – The match order of an AIM paired order for a quantity of 499 or fewer mini contracts must be priced at least $0.01 inside the NBBO or at the market. Such orders of 500 and greater mini contracts may be priced at or inside the NBBO or at the market pending regulatory approval.

Solicitation Auction Mechanism (SAM, also referred to as "AON AIM") – Order quantity must be for a minimum of 5000 mini contracts to be eligible for SAM processing pending regulatory approval (see circular CBOE RG 08-53 for SAM details).

Qualified Contingent Cross (QCC) – Order quantity must be for a minimum of 10,000 mini contracts to be eligible for QCC processing pending regulatory approval (see circular CBOE RG 10-090 for QCC details).

Complex Orders – Complex orders (up to 4 legs) will be accepted and eligible for electronic processing via the Complex Order Auction (COA) and the Complex Order Book (COB), as long as all legs comprise mini-options and the ratio of the quantity on the largest to smallest leg does not exceed 3-to-1. Such orders that exceed this ratio will be accepted and routed for manual handling. Complex orders that include both mini and standard options on the same security will be accepted and routed for manual handling pending regulatory approval.

Complex Orders with A Stock Leg – Complex orders with stock (e.g., buy-writes, conversions, reversals, delta-neutrals, etc.) will be accepted and eligible for electronic processing via COA and COB, as long as the ratio of mini-options to shares does not exceed 80 mini-options-to-100 shares pending regulatory approval. Such orders that exceed this ratio will be accepted and routed for manual handling.

Product Creation for Orders with Stock – Products will be defined using the following logic:

1) The options-to-share quantity on the order will be reduced to its lowest value; and
2) The number of units per order will be the option order quantity divided by the reduced option portion from #1 above.

Per Unit Pricing for Orders with Stock – Products will be priced using the following logic:
(Stock portion of ratio from above product creation / share multiplier of 10)*(share premium) plus/minus (option portion of ratio from above product creation) *(option premium).

In each example below, assume the mini-option premium is $1 and the stock premium is $20:

Example 1: An order to sell 1 mini-option and buy 10 shares is created as a 1 option-to-10 share product, quantity 1, unit price is $19.

Example 2: An order to sell 2 mini-options and buy 20 shares is created as a 1 option-to-10 share product, quantity 2, unit price is $19.

Example 3: An order to sell 20 mini-options and buy 100 shares is created as a 1 option-to-5 share product, quantity 20, unit price is $9.

Weekend Testing - Production testing of mini-options will take place on Saturday, March 16th. Please contact the Helpdesk at (866) 728-2263, helpdesk@cboe.com, or API at (312) 786-7300, API@cboe.com for testing information.

Additional Information:
For information regarding mini-options please contact the CBOE Help Desk at helpdesk@cboe.com or (866) 728-2263 for additional information.

[4] See note 1.

Regulatory Circular RG13-038

Date: **March 7, 2013**

To: **Trading Permit Holders**
From: **Regulatory Services Division**
RE: **Order Origin Code Requirements**

This Regulatory Circular is being issued to remind Trading Permit Holders (TPHs) of the Exchange's rules relating to the requirement to record the appropriate account origin code when accepting orders electronically, via telephone or in-person. Since various rules of trading procedure distinguish between orders of differing origin, the correct code must be recorded on **all** orders at the time of entry to insure proper execution.

Current CBOE Order Origin Codes

"B" for orders for the account of a broker/dealer, *including foreign broker/dealers,* even though the account may clear in the customer range at OCC
"C" for non-broker/dealer customer account orders
"D" for non-TPH broker/dealer account **FLEX** orders
"F" for OCC clearing member firm proprietary account orders
"J" for joint back office (JBO) accounts to be cleared into the Firm range at the OCC
"L" for orders for the account of Non-Trading Permit Holder Affiliates effected for the purpose of hedging the proprietary over-the-counter trading of the Clearing Trading Permit Holder or its affiliates to be aggregated with the trading activity of the Clearing Trading Permit Holder for purposes of the Multiply-Listed Options Fee Cap and CBOE Proprietary Products Sliding Scale for Clearing Trading Permit Holder proprietary orders; a "Non-Trading Permit Holder Affiliate" is defined as a 100% wholly-owned affiliate or subsidiary of a Clearing Trading Permit Holder that is (i) registered as United States or foreign broker/dealer and (ii) is not itself a CBOE Trading Permit Holder
"M" for CBOE TPH Market-Maker orders
"N" for orders for the account of a market-maker or specialist on another options exchange
"W"[1] for orders for the account of non-broker/dealer customer accounts who (i) place more than 390 orders in listed options per day on average during a calendar month for their own beneficial account(s) pursuant to Exchange Rule 1.1(ggg) (i.e. "Professionals") or (ii) voluntarily have their orders categorized as broker/dealer orders for order handling, order execution and cancel fee calculation purposes pursuant to Exchange Rule 1.1(fff) (i.e. "Voluntary Professionals")
"Y" for orders for the account of a specialist registered in the underlying stock at the primary exchange for trading the stock

For FLEX Options, orders for TPHs must use origin code B, F or M and orders for non-TPHs must use origin codes C, D, L, N, or Y, as appropriate.

Please refer to the attached flow chart which illustrates the manner in which the various CBOE order origin codes clear at The Options Clearing Corporation.

Additional Information:

Transactions fees for origin codes are detailed in the Exchange's fee schedule which can be found at http://www.cboe.com/TradingResources/FeeSchedule.aspx

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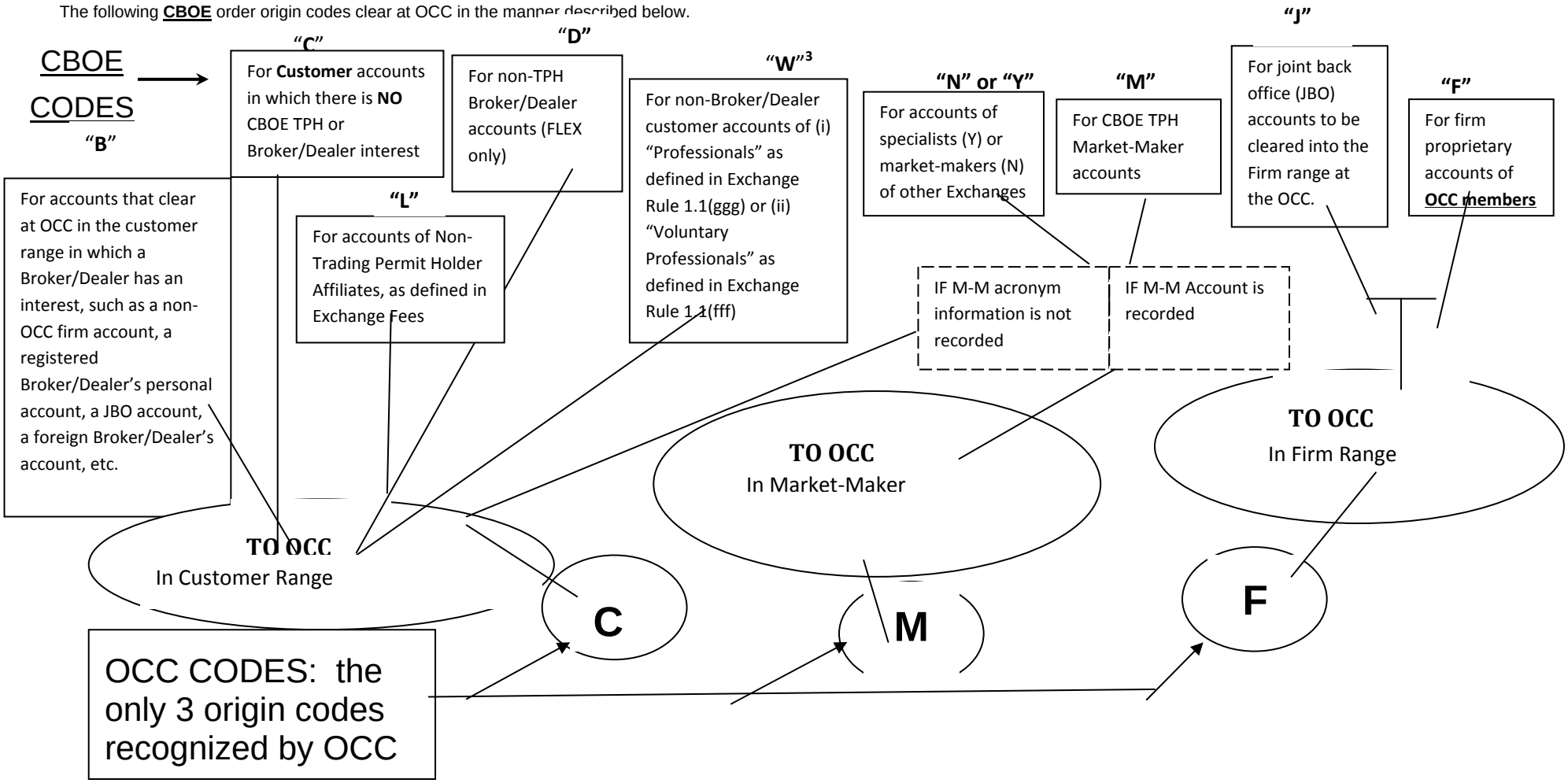
[1] This origin code is not available for use in Hybrid 3.0 or FLEX classes.

Please be advised that failure to obtain and record the correct account origin may constitute a violation of Exchange Rule 6.51. Clearing Trading Permit Holders and TPH organizations should assure that persons receiving orders are instructed to obtain and record the appropriate origin code information. Questions regarding this circular may be directed to the Regulatory Interpretations & Guidance team at (312) 786-8141 or reginterps@cboe.com.

(RG12-057, Revised)

The following **CBOE** order origin codes clear at OCC in the manner described below.



NOTE: As depicted above, an order for the proprietary account of a Broker/Dealer will clear at OCC in the customer range if the Broker/Dealer is not an OCC member; yet, the CBOE requires the "B" origin code. If the Broker/Dealer is an OCC member, then the proprietary order would be recorded with an "F" code. (Contact the Regulatory Interpretations & Guidance team at (312) 786-8141 or reginterps@cboe.com with any questions)

[3]The "W" origin code is not available for use in Hybrid 3.0 or FLEX classes.

EFFECTIVE-ON-FILING RULE CHANGE(S)

The following rule filings were submitted to the Securities and Exchange Commission ("SEC") "effective on filing," and may have taken effect pursuant to Section 19(b)(3) of the Securities Exchange Act of 1934 (the "Act"). They will remain in effect barring further action by the SEC within 60 days after publication in the Federal Register. Below, any additions to rule text are underlined, and any deletions are [bracketed]. Copies are available on the CBOE public website at www.cboe.org/legal/effectivefiling.aspx.

SR-CBOE-2013-028 Fees Schedule

On March 1, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-028, which filing proposes to amend the CBOE Fees Schedule to (i) amend the Volume Incentive Program ("VIP") to provide a $0.17 per contract credit for all complex orders for market participants in tiers 2-4 of the VIP, and (ii) stipulate that, in order for the SPX Tier Appointment to be assessed, a Market-Maker must have an SPX Tier Appointment at any time during a calendar month and trade at least 100 SPX contracts while that appointment is active. Any questions regarding the rule change may be directed to Jeff Dritz, Legal Division, at 312-786-7070. The rule filing is available at http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-028.pdf.

SR-CBOE-2013-029 CBSX Limit Up-Limit Down

On March 4, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-029, which filing proposes to update CBSX-related rules to comply with the National Market System Plan to Address Extraordinary Market Volatility ("Limit Up-Limit Down Plan"), which becomes operative on April 8, 2013. Any questions regarding the rule change may be directed to Megan Malone, Legal Division, at 312-786-7304. The rule text is shown below and the rule filing is available at http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-029.pdf.

Rule 52.15. Special Conditions due to Extraordinary Market Volatility

(a) *Market-wide Trading Halts Due to Extraordinary Market Volatility.* Please refer to Rule 6.3B regarding market-wide trading halts.

(b) *Individual Stock Trading Pause Due to Extraordinary Market Volatility.* Please refer to Rule 6.3C regarding individual stock halts.

(c) *Limit Up/Limit Down Mechanism to Address Extraordinary Market Volatility ("Plan")*

The "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The Exchange is a Participant in the Plan, as amended from time to time. The Plan requires the Security Information Processors ("SIPs") to calculate and publicly disseminate a Lower Band and an Upper Band during CBSX Regular Trading Hours for NMS Stock. The phase-out from the Trading Pauses referenced in 52.15(b) shall be gradual and coincide with the Plan. Stocks not yet subject to the Plan will continue to be subject to the Trading Pauses referenced in Rule 52.15. Specifically, during its first six-months of operation, the Plan will apply only to S&P 500 Index, the Russell 1000 Index, and select exchange-traded funds and notes while all other stocks will be subject to Rule 52.15(b). Thereafter, the Plan will apply to all covered stocks. Once the Plan has been fully implemented and all Stocks are subject to the Plan, a Trading Pauses referenced in 52.15(b) shall be subject only to applicable re-opening rules. CBSX will comply with all applicable rollout dates under the Plan as amended.

(1) TPHs, shall comply with all provisions and requirements under the Plan and this Rule thereunder including honoring the applicable Price Bands as defined in the Plan.

(2) *Clearly Erroneous Executions*. Rule 52.4 governs the Exchange clearly erroneous policy, including transactions in securities subject to the Plan which are outlined in paragraph (i) of Rule 52.4.

(3) *Special Order Handling.* The Exchange will not execute any order at a price outside of the Price Bands during Regular Trading Hours.

(A) *Market Orders*. The CBSX System will execute Market Orders at, or better than, the opposite side of the Price Band (i.e., sell orders to the lower Price Band and buy orders to the upper Price Band). A Market Order, or any portion of it, will be cancelled if it would result in an execution outside of the Price Band.

(B) *Price Adjustments*.

(i) Any order (other than an Immediate-or-Cancel Order) that is explicitly priced outside of the Price Band will be re-priced by the CBSX System to the corresponding Price Band.

(ii) Where the Price Band moves so that a previously accepted order on the CBSX Book is now explicitly priced outside of the Price Band, the order will be re-priced to the corresponding Price Band.

(iii) Re-priced orders will retain the original time price priority.

(C) *Immediate-or-Cancel*. The System will accept Immediate-Or-Cancel Limit orders that are priced, explicitly or not, outside of the Price Band. However, an Immediate-or-Cancel order will only execute against liquidity resting at or within the Price Bands. Any unexecuted portion of an Immediate-or-Cancel order will be cancelled.

(D) Any order priced passively outside of the Price Bands will be accepted by the CBSX System and put in the CBSX Book. Such order will not execute until the Price Band moves and the order is now at or within the Price Band

(E) *Routing to Away Exchanges.* The Exchange shall not route to an away market displaying a quote that is outside of the applicable Price Band.

(4) *Quotations*. Any quote that is priced outside of the Price Band will be cancelled. Any resting quote that becomes priced outside of the Price Bands will be re-priced to the corresponding Price Band.

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Appendix A – Applicability of Rules of the Exchange

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6.3C Individual Stock Trading Pause Due to Extraordinary Market Volatility

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PROPOSED RULE CHANGE(S)

Pursuant to Section 19(b)(1) of the Act, and Rule 19b-4 thereunder, the Exchange has filed the following proposed rule change(s) with the SEC. Below, any additions to rule text are underlined and any deletions are [bracketed]. Copies of the rule change filing(s) are available at: www.cboe.org/legal/submittedsecfilings.aspx. Trading Permit Holders may submit written comments to the Legal Division.

The effective date of a proposed rule change will be the date of approval by the SEC, unless otherwise noted.

SR-CBOE-2013-027 CBSX Customer Protection and Best Execution and Interpositioning Requirements

On March 5, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-027, which filing proposes to amend Rule 53.2, which prohibits a CBSX Trading Permit Holder from proprietarily trading ahead of a customer order, and to adopt Rule 53.8, which governs CBSX Trading Permit Holders' best execution and interpositioning requirements, which rules are consistent with Financial Industry Regulatory Authority ("FINRA") Rules 5320 (Prohibition Against Trading Ahead of Customer Orders) and 5310 (Best Execution and Interpositioning), to enhance customer order protection and help customers receive efficient executions of their transactions at the best market prices. Any questions regarding the rule change may

be directed to Laura Dickman, Legal Division, at 312-786-7572. The rule filing is available at http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-027.pdf.

Rule 53.2 [Trading Permit Holders Acting As Brokers]Prohibition Against Trading Ahead of Customer Orders

(a) [While Holding Unexecuted Market Order. No Trading Permit Holder shall on the CBSX System (1) personally buy or initiate the purchase of any security subject to the rules in these Chapters for his own account or for any account in which he or his TPH organization or any member, partner, officer, or employee is directly or indirectly interested, while such Trading Permit Holder personally holds or has knowledge that his TPH organization or any member, partner, officer or employee holds an unexecuted market order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security subject to the rules in these Chapters for any such account, while he personally holds or has knowledge that his TPH organization or any member, partner, officer or employee holds an unexecuted market order to sell such security in the unit of trading for a customer.]Except as provided herein, a Trading Permit Holder that accepts and holds an order in an equity security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.

(b) [While Holding Unexecuted Limit Order. No Trading Permit Holder shall on CBSX (1) personally buy or initiate the purchase of any security subject to the rules in these Chapters for any such account, at or below the price at which he personally holds or has knowledge that his TPH organization or any member, partner, officer or employee holds an unexecuted limited price order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security for any such account at or above the price at which he personally holds or has knowledge that his TPH organization or any member, partner, officer or employee holds an unexecuted limited price order to sell such security in the unit of trading for a customer.]A Trading Permit Holder must have written procedures in place governing the execution and priority of all pending orders that is consistent with the requirements of this Rule and Rule 53.8. A Trading Permit Holder also must ensure that these procedures are consistently applied.

[(c) Special Contract Exemption. The provisions of this Rule shall not apply to any purchase or sale of a security the delivery of which is to be upon a day other than the day of delivery provided in such unexecuted market or limited price order.]

. . . Interpretations and Policies:

.01 *Large Orders and Institutional Account Exceptions.* With respect to orders for customer accounts that meet the definition of an "institutional account" (as defined below) or for orders of 10,000 shares or more (unless such orders are less than $100,000 in value), a Trading Permit Holder is permitted to trade a security on the same side of the market for its own account at a price that would satisfy such customer order, provided that the Trading Permit Holder has provided clear and comprehensive written disclosure to such customer at account opening and annually thereafter that:

(a) discloses that the Trading Permit Holder may trade proprietarily at prices that would satisfy the customer order, and

(b) provides the customer with a meaningful opportunity to opt in to the Rule 53.2 protections with respect to all or any portion of its order.

If the customer does not opt in to the Rule 53.2 protections with respect to all or any portion of its order, the Trading Permit Holder may reasonably conclude that such customer has consented to the Trading Permit Holder trading a security on the same side of the market for its own account at a price that would satisfy the customer's order.

In lieu of providing written disclosure to customers at account opening and annually thereafter, a Trading Permit Holder may provide clear and comprehensive oral disclosure to and obtain consent from the customer on an order-by-order basis, provided that the Trading Permit Holder documents who provided such consent and such consent evidences the customer's understanding of the terms and conditions of the order.

For purposes of this rule, the term "institutional account" shall mean the account of:

(A) a bank, savings and loan association, insurance company, or registered investment company;

(B) an investment adviser registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or

(C) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

.02 *No-Knowledge Exception.* With respect to NMS stocks, as defined in Rule 600 of SEC Regulation NMS, if a Trading Permit Holder implements and utilizes an effective system of internal controls, such as appropriate information barriers, that operate to prevent one trading unit from obtaining knowledge of customer orders held by a separate trading unit, those other trading units trading in a proprietary capacity may continue to trade at prices that would satisfy the customer orders held by the separate trading unit. A Trading Permit Holder that structures its order handling practices in NMS stocks to permit its proprietary and/or market-making desk to trade at prices that would satisfy customer orders held by a separate trading unit must disclose in writing to its customers, at account opening and annually thereafter, a description of the manner in which customer orders are handled by the Trading Permit Holder and the circumstances under which the Trading Permit Holder may trade proprietarily at its proprietary and/or market-making desk at prices that would satisfy the customer order.

If a Trading Permit Holder intends to rely on this exception by implementing information barriers, those information barriers (i) must provide for the organizational separation of a Trading Permit Holder's customer order trading unit and proprietary trading unit; (ii) must ensure that one trading unit does not exert influence over the other trading unit; (iii) must ensure that information relating to each trading unit's stock positions, trading activities, and clearing and margin arrangements is not improperly shared (except with persons in senior management who are involved in exercising general managerial oversight of one or both entities); (iv) must require each trading unit to maintain separate books and records (and separate financial accounting); (v) must require each trading unit to separately meet all required capital requirements; (vi) must ensure the confidentiality of the trading unit's book as provided by Exchange rules; and (vii) must ensure that any other material, non-public information (e.g. information related to any business transactions between the trading unit and an issuer or any research reports or recommendations issued by the trading unit) is not made improperly available to the other trading unit in any manner that would allow that trading unit to take undue advantage of that information while trading on CBSX. A Trading Permit Holder must submit the proposed information barriers in writing to the Exchange upon request.

.03 *ISO Exception.* A Trading Permit Holder shall be exempt from the obligation to execute a customer order in a manner consistent with this Rule with regard to trading for its own account that is the result of an intermarket sweep order routed in compliance with Rule 600(b)(30)(ii) of SEC Regulation NMS ("ISO") where the customer order is received after the Trading Permit Holder routed the ISO. Where a Trading Permit Holder routes an ISO to facilitate a customer order and that customer has consented to not receiving the better prices obtained by the ISO, the Trading Permit Holder also shall be exempt with respect to any trading for its own account that is the result of the ISO with respect to the consenting customer's order.

.04 *Odd Lot and Bona Fide Error Transaction Exceptions.* The obligations under this Rule shall not apply to a Trading Permit Holder's proprietary trade that is (1) to offset a customer order that is in an amount less than a normal unit of trading; or (2) to correct a bona fide error. Trading Permit Holders are required to demonstrate and document the basis upon which a transaction meets the bona fide error exception.

.05 *Minimum Price Improvement Standards.* The minimum amount of price improvement necessary for a Trading Permit Holder to execute an order on a proprietary basis when holding an unexecuted limit order in that same security, and not be required to execute the held limit order is as follows:

(a) For customer limit orders priced greater than or equal to $1.00, the minimum amount of price improvement required is $0.01;

(b) For customer limit orders priced greater than or equal to $0.01 and less than $1.00, the minimum amount of price improvement required is the lesser of $0.01 or one-half (1/2) of the current inside spread;

(c) For customer limit orders priced less than $0.01 but greater than or equal to $0.001, the minimum amount of price improvement required is the lesser of $0.001 or one-half (1/2) of the current inside spread;

(d) For customer limit orders priced less than $0.001 but greater than or equal to $0.0001, the minimum amount of price improvement required is the lesser of $0.0001 or one-half (1/2) of the current inside spread;
(e) For customer limit orders priced less than $0.0001 but greater than or equal to $0.00001, the minimum amount of price improvement required is the lesser of $0.00001 or one-half (1/2) of the current inside spread;
(f) For customer limit orders priced less than $0.00001, the minimum amount of price improvement required is the lesser of $0.000001 or one-half (1/2) of the current inside spread; and
(g) For customer limit orders priced outside the best inside market, the minimum amount of price improvement required must either meet the requirements set forth above or the Trading Permit Holder must trade at a price at or inside the best inside market for the security.
In addition, if the minimum price improvement standards above would trigger the protection of a pending customer limit order, any better-priced customer limit order(s) must also be protected under this Rule, even if those better-priced limit orders would not be directly triggered under the minimum price improvement standards above.
.06 *Order Handling Procedures.* A Trading Permit Holder must make every effort to execute a marketable customer order that it receives fully and promptly. A Trading Permit Holder that is holding a customer order that is marketable and has not been immediately executed must make every effort to cross such order with any other order received by the Trading Permit Holder on the other side of the market up to the size of such order at a price that is no less than the best bid and no greater than the best offer at the time that the subsequent order is received by the Trading Permit Holder and that is consistent with the terms of the orders. In the event that a Trading Permit Holder is holding multiple orders on both sides of the market that have not been executed, the Trading Permit Holder must make every effort to cross or otherwise execute such orders in a manner that is reasonable and consistent with the objectives of this Rule and with the terms of the orders. A Trading Permit Holder can satisfy the crossing requirement by contemporaneously buying from the seller and selling to the buyer at the same price.
.07 *Trading Outside Normal Market Hours.* Trading Permit Holder s generally may limit the life of a customer order to the period of normal market hours of 8:30 a.m. to 3:00 p.m. Central Time. However, if the customer and Trading Permit Holder agree to the processing of the customer's order outside normal market hours, the protections of this Rule shall apply to that customer's order(s) at all times the customer order is executable by the Trading Permit Holder.

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Rule 53.8. Best Execution and Interpositioning[Reserved]

[Reserved](a)(1) In any transaction for or with a customer or a customer of another broker-dealer, a Trading Permit Holder and persons associated with a Trading Permit Holder shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Among the factors that will be considered in determining whether a Trading Permit Holder or person associated with a Trading Permit Holder has used "reasonable diligence" are:

(A) the character of the market for the security (e.g., price, volatility, relative liquidity, and pressure on available communications);

(B) the size and type of transaction;

(C) the number of markets checked;

(D) accessibility of the quotation; and

(E) the terms and conditions of the order which result in the transaction, as communicated to the Trading Permit Holder and persons associated with the Trading Permit Holder.

(2) In any transaction for or with a customer or a customer of another broker-dealer, no Trading Permit Holder or person associated with a Trading Permit Holder shall interject a third party between the Trading Permit Holder or the person associated with a Trading Permit Holder and the best market for the subject security in a manner inconsistent with paragraph (a)(1) of this Rule.
(b) When a Trading Permit Holder cannot execute directly with a market but must employ a broker's broker or some other means in order to ensure an execution advantageous to the customer, the burden of showing the acceptable circumstances for doing so is on the Trading Permit Holder.

(c) Failure to maintain or adequately staff a department assigned to execute customers' orders cannot be considered justification for executing away from the best available market; nor can channeling orders through a third party as described above as reciprocation for service or business operate to relieve a Trading Permit Holder of its obligations under this Rule.
(d) A Trading Permit Holder through which an order is channeled and that knowingly is a party to an arrangement whereby the initiating Trading Permit Holder has not fulfilled its obligations under this Rule will also be deemed to have violated this Rule.
(e) The obligations described in paragraphs (a) through (d) above exist not only when the Trading Permit Holder acts as agent for the account of its customer but also when transactions are executed as principal.
. . . Interpretations and Policies:
.01 *Execution of Marketable Customer Orders.* A Trading Permit Holder must make every effort to execute a marketable customer order that it receives fully and promptly.
.02 *Definition of "Market."* For the purposes of Rule 53.8 and the accompanying Interpretations and Policies, the term "market" or "markets" is to be construed broadly, and it encompasses a variety of different venues, including, but not limited to, market centers that are trading a particular security. This expansive interpretation is meant to both inform broker-dealers as to the breadth of the scope of venues that must be considered in the furtherance of their best execution obligations and to promote fair competition among broker-dealers, exchange markets, and markets other than exchange markets, as well as any other venue that may emerge, by not mandating that certain trading venues have less relevance than others in the course of determining a firm's best execution obligations.
.03 *Best Execution and Executing Brokers.* A Trading Permit Holder's duty to provide best execution in any transaction "for or with a customer of another broker-dealer" does not apply in instances when another broker-dealer is simply executing a customer order against the Trading Permit Holder's quote. The duty to provide best execution to customer orders received from other broker-dealers arises only when an order is routed from the broker-dealer to the Trading Permit Holder for the purpose of order handling and execution. This clarification is intended to draw a distinction between those situations in which the Trading Permit Holder is acting solely as the buyer or seller in connection with orders presented by a broker-dealer against the Trading Permit Holder's quote, as opposed to those circumstances in which the Trading Permit Holder is accepting order flow from another broker-dealer for the purpose of facilitating the handling and execution of such orders.
.04 *Use of a Broker's Broker.* Paragraph (b) of Rule 53.8 provides that when a Trading Permit Holder cannot execute directly with a market but must employ a broker's broker or some other means in order to ensure an execution advantageous to the customer, the burden of showing the acceptable circumstances for doing so is on the Trading Permit Holder. Examples of acceptable circumstances are where a customer's order is "crossed" with another firm that has a corresponding order on the other side, or where the identity of the firm, if known, would likely cause undue price movements adversely affecting the cost or proceeds to the customer.
.05 *Orders Involving Securities with Limited Quotations or Pricing Information.* Although the best execution requirements in Rule 53.8 apply to orders in all securities, markets for securities differ dramatically. One of the areas in which a Trading Permit Holder must be especially diligent in ensuring that it has met its best execution obligations is with respect to customer orders involving securities for which there is limited pricing information or quotations available. Each Trading Permit Holder must have written policies and procedures in place that address how the Trading Permit Holder will determine the best inter-dealer market for such a security in the absence of pricing information or multiple quotations and must document its compliance with those policies and procedures. For example, a Trading Permit Holder should analyze pricing information based on other data, such as previous trades in the security, to determine whether the resultant price to the customer is as favorable as possible under prevailing market conditions. In these instances, a Trading Permit Holder should generally seek out other sources of pricing information or potential liquidity, which may include obtaining quotations from other sources (e.g., other firms that the Trading Permit Holder previously has traded with in the security).
.06 *Customer Instructions Regarding Order Handling.* If a Trading Permit Holder receives an unsolicited instruction from a customer to route that customer's order to a particular market for execution, the Trading Permit Holder is not required to make a best execution determination beyond the customer's specific instruction. Trading Permit Holders are, however, still required to process that

customer's order promptly and in accordance with the terms of the order. Where a customer has directed that an order be routed to another specific broker-dealer that is also a Trading Permit Holder, the receiving Trading Permit Holder to which the order was directed would be required to meet the requirements of Rule 53.8 with respect to its handling of the order.

.07 *Regular and Rigorous Review of Execution Quality.*

(a) No Trading Permit Holder can transfer to another person its obligation to provide best execution to its customers' orders. A Trading Permit Holder that routes customer orders to other broker-dealers for execution on an automated, non-discretionary basis, as well as a Trading Permit Holder that internalizes customer order flow, must have procedures in place to ensure the Trading Permit Holder periodically conducts regular and rigorous reviews of the quality of the executions of its customers' orders if it does not conduct an order-by-order review. The review must be conducted on a security-by-security, type-of-order basis (e.g., limit order, market order, and market on open order). At a minimum, a Trading Permit Holder must conduct such reviews on a quarterly basis; however, Trading Permit Holders should consider, based on the firm's business, whether more frequent reviews are needed.

(b) In conducting its regular and rigorous review, a Trading Permit Holder must determine whether any material differences in execution quality exist among the markets trading the security and, if so, modify the Trading Permit Holder's routing arrangements or justify why it is not modifying its routing arrangements. To assure that order flow is directed to markets providing the most beneficial terms for their customers' orders, the Trading Permit Holder must compare, among other things, the quality of the executions the Trading Permit Holder is obtaining via current order routing and execution arrangements (including the internalization of order flow) to the quality of the executions that the Trading Permit Holder could obtain from competing markets. In reviewing and comparing the execution quality of its current order routing and execution arrangements to the execution quality of other markets, a Trading Permit Holder should consider the following factors:

(1) price improvement opportunities (i.e., the difference between the execution price and the best quotes prevailing at the time the order is received by the market);

(2) differences in price disimprovement (i.e., situations in which a customer receives a worse price at execution than the best quotes prevailing at the time the order is received by the market);

(3) the likelihood of execution of limit orders;

(4) the speed of execution;

(5) the size of execution;

(6) transaction costs;

(7) customer needs and expectations; and

(8) the existence of internalization or payment for order flow arrangements.

(c) A Trading Permit Holder that routes its order flow to another Trading Permit Holder that has agreed to handle that order flow as agent for the customer (e.g., a clearing firm or other executing broker-dealer) can rely on that Trading Permit Holder's regular and rigorous review as long as the statistical results and rationale of the review are fully disclosed to the Trading Permit Holder and the Trading Permit Holder periodically reviews how the review is conducted, as well as the results of the review.

SR-CBOE-2013-030 CBOE Limit Up-Limit Down

On March 6, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-030, which filing proposes to update CBOE-related rules to coincide with the implementation of the Limit Up-Limit Down Plan, which becomes operative on April 8, 2013. Any questions regarding the rule change may be directed to Megan Malone, Legal Division, at 312-786-7304. The rule text is shown below and the rule filing is available at http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-030.pdf.

Rule 6.2B. Hybrid Opening System ("HOSS")

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. . . *Interpretations and Policies:*

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.07 *Limit Up-Limit Down States:* If the underlying security for an option class is in a limit up- limit down state as defined in Rule 6.3A when the class moves to opening rotation, then all market orders in the system will be cancelled except market orders that are considered limit orders pursuant to Rule 6.13(b)(iv) and entered the previous trading day.

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Rule 6.3A. Equity Market Plan to Address Extraordinary Market Volatility [Trading Halt]

[Deleted May 31, 1995.]

This Rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility (the "Limit Up-Limit Down Plan" or the "Plan").

The Exchange shall modify option order processing during a limit up-limit down state. For purposes of this rule, a "limit up-limit down state" shall mean the period of time when the underlying security of an option enters a limit or straddle state as defined in the Plan.

(a) Exchange Order Types. The following order types will be handled specially during a limit up-limit down state: market orders, market-on-close orders, stop orders, and stock-option orders. Refer to Rule 6.53 and Rule 6.53C for descriptions of how such orders will be handled during a limit up-limit down state.

(b) Order Handling. The following electronic order handling features shall operate differently during a limit up-limit down state:

(1) *HOSS*. Refer to Rule 6.2B for a description of how HOSS will behave during a limit up-limit down state.

(2) *Hybrid Agency Liaison*. Refer to Rule 6.14A for a description of how HAL will operate during a limit up-limit down state.

(3) *Complex Order Request for Responses Auction*. Refer to Rule 6.53C for a description of how a complex order request for responses auction (referred to as "COA") will operate during a limit up-limit down state.

(4) *Canceling/Replacing Orders*. If a request to replace a limit order with a market order is received while the underlying security is in a limit up-limit down state, then the market order and the original limit order will be returned.

(c) Obvious Error. Refer to Rule 6.25 for a description of how the Exchange will handle potential obvious error executions during a limit up-limit down state.

(d) Market-Maker Quoting Obligations. Subject to certain limitations specified in the rules identified below, the Exchange will not require Market-Makers to quote in series of options when the underlying security is in a limit up-limit down state. Market-Maker participation entitlements will continue to apply during a limit up-limit down state. For the particular limitations, refer to the specific Market-Maker category, and corresponding obligations.

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Rule 6.14A. Hybrid Agency Liaison (HAL)

This Rule governs the operation of the Hybrid Agency Liaison ("HAL") system. HAL is a feature within the Hybrid System that provides automated order handling in designated classes trading on Hybrid for qualifying electronic orders that are not automatically executed by the Hybrid System.

(a) – (c) No change.

(d) *Early Termination of Exposure Period*. In addition to the receipt of a response to trade the entire exposed order at the NBBO or better, the exposure period will also terminate early under the following circumstances:

(i) – (iii) No change.

(iv) If during the exposure period of a market order the underlying security enters a limit up-limit down state, as defined in Rule 6.3A, then the exposure period shall terminate and any unexecuted portion of the exposed order shall cancelled.

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Rule 6.25. Nullification and Adjustment of Options Transactions

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. . . *Interpretations and Policies:*

.01 - .05 No change.

.06 Limit Up-Limit Down State. For purposes of the obvious pricing error provision in paragraph (a)(1) of this Rule, executions will not be adjusted or nullified if they occurred while the underlying security was in a limit up-limit down state, as defined in Rule 6.3A. Nothing in this provision shall prevent such executions to be reviewed on an Exchange motion. This provision will be on a one year pilot basis to coincide with the Plan as defined in Rule 6.3A. The Exchange will provide the Commission with data and analysis during the duration of this pilot as requested.

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Rule 6.53. Certain Types of Orders Defined

One or more of the following order types may be made available on a class-by-class basis. Certain order types may not be made available for all Exchange systems. The classes and/or systems for which the order types shall be available will be as provided in the Rules, as the context may indicate, or as otherwise specified via Regulatory Circular.

(a) - (v) No change.

. . . Interpretations and Policies:

.01 Certain order types may be handled in a different manner when the underlying security is in a limit up-limit down state, as defined in Rule 6.3A.

A. *Market Order*. A market order shall be returned by the System if the underlying security is in a limit up-limit down state. As an exception, market orders submitted to initiate an Automated Improvement Mechanism Auction will be accepted. In addition, market orders will not be returned if a Trading Permit Holder elects to route that order for manual handling.

B. *Market-on-close order.* A market-on-close order shall not be elected if the underlying security is in a limit up-limit down state, as defined in Rule 6.3A. If, near the conclusion of trading, the underlying security exits the limit up-limit down state, the system will attempt to re-evaluate, elect, and execute the order.

C. *Stop (stop-loss) order.* A stop order will not be triggered if the underlying security is in a limit up-limit down state. Such order will be held until the end of the limit up-limit down state, at which point the order will become eligible to be triggered if the market for the particular option contract reaches the specified contract price.

* * * * *

Rule 6.53C. Complex Orders on the Hybrid System.

(a) – (c) No change.

(d) Process for Complex Order RFR Auction: Prior to routing to the COB or once on PAR, eligible complex orders may be subject to an automated request for responses ("RFR") auction process.

(i) – (viii) No change.

(ix) Limit Up-Limit Down State. If during a COA of a market order, the underlying security of an option in a complex order of a COA-eligible order enters a limit up-limit down state, as defined in Rule 6.3A, the COA will end upon the entering of the limit up-limit down state and the remaining portion of the order will be cancelled.

. . . *Interpretations and Policies:*

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.06 Special Provisions Applicable to Stock-Options Orders: Stock-option orders may be executed against other stock-option orders through the COB and COA. Stock-option orders will not be legged against the individual component legs, except as provided in paragraph (d) below.

(a) – (e) No change.

(f) Limit up-Limit Down State. When the underlying security on a Stock-option order is in a limit up-limit down state as defined in Rule 6.3A, such order will only execute if the calculated stock price is within the permissible Price Bands as defined in Rule 52.15. If the calculated price is not within the permissible Price Bands, the Stock-option order will be routed for manual handling.

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Rule 8.7. Obligations of Market-Makers

(a) – (c) *No changes.*

(d) *Market-Making Obligations in Applicable Hybrid Classes*

No changes.

(i) – (ii) No change.

. . . *Interpretations and Policies:*

.01 – .11 No change.

.12 [Reserved.] When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, Market-Makers shall have no quoting obligations in the class.

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Rule 8.13. Preferred Market-Maker Program

(a) – (d) *No changes.*

. . . *Interpretations and Policies:*

.01 - .02 No change.

.03 When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, Preferred Market-Makers shall have no quoting obligations in the class. However, a Preferred Market-Maker may still receive a participation entitlement in series of such a class when the underlying security is in a limit up-limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.13(b).

* * * * *

Rule 8.15A. Lead Market-Makers in Hybrid Classes

(a) – (b) No changes.

. . . *Interpretations and Policies:*

.01 No change.

.02 When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, LMMs shall have no quoting obligations in the class.

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Rule 8.15B. Participation Entitlements of LLMs

(a) – (c) *No changes.*

. . . *Interpretations and Policies:*

.01 No Change.

.02 When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, LMMs shall have no quoting obligations in the class. However, an LMM may still receive a participation entitlement in series of such a class when the underlying security is in a limit up-limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.15B(b).

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Rule 8.85. DPM Obligations

(a) – (c) No change.

. . . *Interpretations and Policies:*

.01 No change.

.02 [Reserved.] When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, DPMs shall have no quoting obligations in the class.

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Rule 8.87. Participation Entitlement of DPMs and e-DPMs

(a) – (b) *No changes.*

. . . *Interpretations and Policies:*

.01 - .02 No change.

.03 Where the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, DPMs and e-DPMs shall have no quoting obligations in the class. However, a DPM or e-DPM may receive a participation entitlement in series of such a class when the underlying security has entered a limit up limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.87(b).

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Rule 8.93. e-DPM Obligations

Each e-DPM shall fulfill all of the obligations of a Market-Maker and of a DPM under the Rules (except those contained in Rules 8.85(a)(i), (iv), (v), (vii)–(x), and (xii), 8.85(c)(i) and (v), and 8.85(e)), and shall satisfy each of the following requirements:

(i) – (xi) No change.

. . . Interpretations and Policies:

.01 When the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, e-DPMs shall have no quoting obligations in the class.

BUSINESS CONDUCT COMMITTEE DECISIONS

At its meeting on February 13, 2013, the Business Conduct Committee ("BCC") resolved the following disciplinary matters by accepting six Offers of Settlement and one Letter of Consent in which the Respondents and Subject, respectively, consented to stipulations of facts and findings as detailed below without admitting or denying that Exchange Rules had been violated. In addition, the BCC instituted Summary Proceedings in one matter.

In the Matter of BNP Paribas Securities Corp.; File No. 12-0073 (Offer of Settlement, Decision issued February 21, 2013).
BNP Paribas Securities Corp. ("BNP"), an Exchange TPH organization, was censured and fined $25,000 for the following conduct. BNP failed to provide accurate information to the Options Clearing Corporation regarding its aggregate option position for each security exceeding the applicable position limit, in that BNP failed to report accurately its position via the OCEND Aggregator file to OCC. (Rules 4.11 – Position Limits and 4.22 – Communications to the Exchange or the Clearing Corporation)

In the Matter of Sallerson-Troob, LLC; File No. 12-0079 (Letter of Consent, Decision issued February 21, 2013).
Sallerson-Troob, LLC ("Sallerson") an Exchange TPH organization, was censured and fined $10,000 for the following conduct. Sallerson on various dates during October, November and December 2011, disseminated option quotations in the SPY option class that exceeded the bid/ask differentials established by the Exchange. (Exchange Rule 8.7 – Obligations of Market-Makers)

In the Matter of Geneva Stock, L.L.C.; File No.12-0083 (Offer of Settlement, Decision issued February 21, 2013).
Geneva Stock, L.L.C. ("Geneva"), an Exchange Trading Permit Holder, was censured and fined $2,500 for the following conduct. Geneva failed to designate a Chief Compliance Officer on Schedule A of its Form BD in a timely manner. (Exchange Rules 3.6A – Qualification and Registration of Certain Associated Persons and 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information.)

In the Matter of Hilltop Trading, L.L.C.; File No.12-0084 (Offer of Settlement, Decision issued February 21, 2013).
Hilltop Trading, L.L.C. ("Hilltop"), an Exchange Trading Permit Holder, was censured and fined $2,500 for the following conduct. Hilltop failed to designate a Chief Compliance Officer on Schedule A of its Form BD in a timely manner. (Exchange Rules 3.6A – Qualification and Registration of Certain Associated Persons and 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information.)

In the Matter of Rent Seeker, L.L.C.; File No.12-0090 (Offer of Settlement, Decision issued February 21, 2013).
Rent Seeker, L.L.C. ("Rent Seeker"), a CBSX Trading Permit Holder, was censured and fined $5,000 for the following conduct. Rent Seeker failed to register 2 of 2 associated persons as Approved persons in WebCRD by January 11, 2011. (Exchange Rule 3.6A – Qualification and Registration of Certain Associated Persons.)

In the Matter of Volant Liquidity, L.L.C.; File No.12-0096 (Offer of Settlement, Decision issued February 21, 2013).
Volant Liquidity, L.L.C. ("Volant"), a CBSX Trading Permit Holder, was censured and fined $2,500 for the following conduct. Volant failed to designate a Chief Compliance Officer on Schedule A of its Form BD in a timely manner. (Exchange Rules 3.6A – Qualification and Registration of Certain Associated Persons and 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information.)

In the Matter of Cowen & Company, LLC; File No.12-0101 (Offer of Settlement, Decision issued February 21, 2013).
Cowen & Company, LLC ("Cowen"), an Exchange Trading Permit Holder, was censured and fined $5,000 for the following conduct. Cowen failed to register the minimum number of individuals required to register as Proprietary Trader Principal (TP) in WebCRD by November 5, 2011. (Exchange Rule 3.6A – Qualification and Registration of Certain Associated Persons.)

The Business Conduct Committee ("BCC") resolved the following disciplinary matter by instituting Summary Proceedings, due to the respondent's failure to answer or deny the allegations set forth in the statement of charges, wherein the charges were deemed admitted by the respondent and disciplinary sanctions were accordingly imposed. (CBOE Rule 17.7)

In the Matter of Ocean View Capital, LLC and Lisa Hyatt; File No.12-0054 (Notice of Summary Proceedings issued February 21, 2013).
Ocean View Capital, LLC ("Ocean View"), a CBSX Trading Permit Holder and Lisa Hyatt an associated person[1] and Managing Partner of Ocean View were each censured and barred for 5 consecutive years for the following conduct. Ocean View and Lisa Hyatt failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the regulatory and other risks relating to market access. (Exchange Rule 4.2 – Adherence to Law; and Rule 15c3-5– Risk Management Controls for Brokers or Dealers with Market Access under the Securities and Exchange Act of 1934, as amended.)

[1] Person associated with a broker or dealer as defined in the Securities Exchange Act of 1934, as amended, Section 3(a)(18).