# Exchange Bulletin

**September 7, 2012 Volume 40, Number 36**

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 08/30/2012 THROUGH 09/05/2012

### TRADING PERMIT APPLICATIONS RECEIVED FOR WHICH BULLETIN PUBLICATION IS REQUIRED

#### Individual Applicants

**Daniel S. Glotzbach**
**CTC LLC**
440 S. LaSalle St., Suite 400
Chicago, IL 60605

**Arnav Chakravarty**
**CTC LLC**
440 S. LaSalle St., Suite 400
Chicago, IL 60605

**Eric B. Kuykendall**
**CTC LLC**
440 S. LaSalle St., Suite 400
Chicago, IL 60605

**Thomas S. Murray**
**CTC LLC**
440 S. LaSalle St., Suite 400
Chicago, IL 60605

**Sean T. Ellis**
**CTC LLC**
440 S. LaSalle St., Suite 400
Chicago, IL 60605

**Karol M. Kocemba**
**CTC LLC**
440 S. LaSalle St., Suite 400
Chicago, IL 60605

### TERMINATIONS

#### Individuals

| Nominees: | Termination Date |
|---|---|
| **Michael J Bartholomew (DEO)**<br>Sallerson-Troob LLC | 9/4/12 |
| **Matthew W. Shapiro (MXS)**<br>DRO WST Trading LLC | 9/4/12 |
| **Robert S. Creamer**<br>Geneva Securities, LLC | 9/4/12 |
| **Derek A. Yerkovich (YRK)**<br>Wellington Capital Markets, LLC | 9/4/12 |
| **David W. Silvester (WNL)**<br>Wellington Capital Markets, LLC | 9/4/12 |
| **Ahmed M. Khaleel (MOH)**<br>Diligentia Capital, LLC | 9/4/12 |
| **James E. Knight (VOL)**<br>Raymond James & Associates, Inc. | 9/4/12 |

#### TPH Organizations

| | |
|---|---|
| **Geneva Securities, LLC** | 9/4/12 |
| **Wellington Capital Markets, LLC** | 9/4/12 |
| **Diligentia Capital, LLC** | 9/4/12 |
| **Raymond James & Associates, Inc.** | 9/4/12 |

## EFFECTIVE TRADING PERMIT HOLDERS

### Individuals

| Nominees: | Effective Date |
|---|---|
| **Corey L Fisher (COR)**<br>Type of Business to be Conducted: Market Maker | 9/4/12 |
| **Yaqing Huang**<br>**Jane Street Capital, LLC**<br>Type of Business to be Conducted: Market Maker | 9/4/12 |
| **Marios K Sinapoglou (GRK)**<br>**DRO WST Trading LLC**<br>Type of Business to be Conducted: Market Maker | 9/4/12 |
| **Michael Dabrowski (YKI)**<br>**Sumo Capital LLC**<br>Type of Business to be Conducted: Market Maker | 9/4/12 |
| **Bradley G Griffith (GRF)**<br>**DRO WST Trading LLC**<br>Type of Business to be Conducted: Market Maker | 9/4/12 |
| **Michael J Bartholomew (DEO)**<br>**Sallerson-Troob LLC**<br>Type of Business to be Conducted: Market Maker | 8/31/12 |

### TPH Organizations

| | |
|---|---|
| **Jane Street Capital, LLC**<br>Type of Business to be Conducted: Market Maker/<br>Proprietary Trading Permit Holder | 9/4/12 |

## RESEARCH CIRCULARS

The following Research Circulars were distributed between August 31 and September 7, 2012. 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 #RS12-448
Genpact Limited ("G")
CONTRACT ADJUSTMENT FOR SPECIAL CASH DIVIDEND
Ex-Date: September 6, 2012

Research Circular #RS12-449
Cell Therapeutics, Inc. ("CTIC")
1-for-5 Reverse Stock Split
Ex-Distribution Date: September 4, 2012

Research Circular #RS12-453
Direxion Daily India Bear 3X Share ("INDZ")
Liquidation/Anticipated Cash Settlement

Research Circular #RS12-454
Direxion Daily Lation America Bear 3X Share ("LHB")
Liquidation/Anticipated Cash Settlement

Research Circular #RS12-455
Magellan Midstream Partners, L.P. ("MMP")
2-for-1 Common Unit Split
Ex-Distribution Date: October 15, 2012

Research Circular #RS12-456
MDVN Corporation ("MDVN")
2-for-1 Stock Split
Ex-Distribution Date: September 24, 2012

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# Regulatory Bulletin

September 7, 2012 Volume RB23, Number 36

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## REGULATORY CIRCULARS

**Regulatory Circular RG12-122**

**September 4, 2012**

**Re: CBSX Trader News Update**
**CBSX to Support New Order Types**

### Overview and Effective Date

Beginning on Monday, September 10, 2012, CBSX will rollout a system modification to support the following new order types:

- Silent order
- Silent-mid order
- Silent-post-mid order
- Silent-mid-seeker order

The software modification will be rolled out to each client trading server individually and is expected to complete over five business days, absent any unanticipated issues that would cause the rollout to be interrupted. Following the completion of the rollout, a CBSX Trading Permit Holder ("TPH") may elect that orders submitted to the exchange contain the new contingency types, including an optional contingency price, limiting the execution price of each order.

### Order Handling

A **silent order** is an order that is resting and not displayed publicly on the CBSX Book but is to be executed at the National Best Bid ("NBB") (for a "buy" order) or National Best Offer ("NBO") (for a "sell" order).

A **silent-mid order** is an order that may rest on the CBSX Book or remove liquidity, and is to be executed at the mid-point between the NBBO. If resting, the interest will not be displayed publicly.

A **silent-post-mid order** is an order that is resting and not displayed publicly on the CBSX Book but is to be executed at the mid-point between the NBBO. If a silent-post-mid order is to trade upon its arrival into the system (thereby "removing" liquidity), it will not trade, but instead rest until another order comes in for it to trade against.

A **silent-mid-seeker order** is a take-only order that will never rest in the CBSX Book and is to be executed only at the mid-point between the NBBO. If, upon the entry of a silent-mid-seeker order, there is undisplayed interest resting on the CBSX Book at the mid-point between the NBBO, the silent-mid-seeker order will interact with this

interest. If there is no undisplayed resting interest at the midpoint of the NBBO, the silent-mid-seeker order will be canceled. A silent-mid-seeker order will never be routed to an away market. When the NBBO is locked or crossed, a silent-mid-seeker order will be canceled.

**Contingency Price**

Silent orders, silent-mid orders, and silent-post-mid orders submitted to the exchange may be marked with an optional contingency price which will indicate the highest price that a buyer is willing to pay or the lowest price at which a seller is willing to accept (such contingency price to be in $0.01 (full penny) increments only). If NBB is higher than this contingency price for a Buy order, or the NBO is lower than this contingency price for a Sell, Sell Short, or Sell Short Exempt order, the order, or remainder of the order, will be canceled prior to trading.

**Priority & Trading Increment**

A silent order, silent-mid order, or silent-post-mid order may trade with any other type of order and is to execute following the execution of any displayed orders at the NBBO (if there are any displayed orders at the NBBO) and has a higher trading priority than All or None orders. Silent-mid orders have a higher priority than silent-post-mid orders.

When the NBBO is locked or crossed, a silent order, silent mid, or silent-post-mid order will never trade, but instead rest on the CBSX Book and remain eligible to trade once the NBBO is no longer locked or crossed.

A silent-mid order, silent-post-mid order, or silent-mid-seeker order may trade in $0.005 increments if priced at or above $1 and $0.0001 increments if priced below $1. If the midpoint between the NBBO is not at a tradable increment, CBSX will round down to the nearest tradable increment.

To see a more detailed description of the new order types, including examples of how orders would be handled if participants elect to make use of the optional contingency price, please go to the following website: http://www.sec.gov/rules/sro/cboe/2012/34-67548.pdf.

**Liquidity Flags & Pricing**

When a silent order, silent-mid order, or silent-post-mid order trades after resting in the book, the following new liquidity flags will be reported to participants on the execution:

- Silent Maker 'M'
- Silent Taker 'D'
- Silent-Mid Maker 'Y'
- Silent-Mid Taker 'Z'

Subject to Securities and Exchange Commission (SEC) review, the September, 2012 fee schedule will be amended to include four new transaction rates and rate-types as described in the table below. Participants should take note that non-Silent Orders may interact with Silent Orders and therefore are subject to the new rate-types and rates when the new forms of liquidity interaction occur on the exchange.

| Stock Price | Rate-Type | Rate (per share) | Liquidity Flag |
|---|---|---|---|
| >$0.9999 | Maker < 5,000,000 Daily | 0.0018 fee | A or B or Q or V or W or E or U |
| | Maker ≥ 5,000,000 Daily | 0.0017 fee | A or B or Q or V or W or E or U |
| | Maker ≥ 10,000,000 Daily | 0.0016 fee | A or B or Q or V or W or E or U |
| | Maker ≥ 15,000,000 Daily | 0.0015 fee | A or B or Q or V or W or E or U |
| | Maker ≥ 25,000,000 Daily | 0.0014 fee | A or B or Q or V or W or E or U |
| | **Silent Maker** | **0.0018 fee** | **M** |
| | **Silent-Mid Maker** | **0.0008 fee** | **Y** |
| | Taker < 10,000,000 Daily and <85% Execution Rate | 0.0015 credit | R or N or F or T |
| | Taker ≥ 10,000,000 Daily and ≥85% Execution Rate | 0.0017 credit | R or N or F or T |
| | **Silent Taker** | **0.0014 credit** | **D** |
| | **Silent-Mid Taker** | **0.0004 credit** | **Z** |
| | Routed | 0.0030 fee | X |
| Stock Price | Rate-Type | Rate (of value) | Liquidity Flag |
| $0.9999 or less | Maker | FREE | A or B or Q or V or W or E or U **or M or Y** |
| | Taker | .30% fee | R or N or F or T **or D or Z** |
| | Routed | .30% fee | X |

Please refer to the below links containing pricing information and applicable transaction fee rates.

http://www.cboe.com/publish/cbsxfeeschedule/cbsxfeeschedule.pdf
http://www.cbsx.com/transservices/maker_taker.aspx

**API Implementation**

The order-types described in this circular must be submitted to the Exchange with the appropriate "Order Type" (in the case of FIX) or "Order Contingency" (in the case of CMi). Please refer to the respective protocol documentation, and review the below examples.

| CMi - Order Contingency | FIX - Order Type (Tag 40) |
|---|---|
| DARK = 36 | X* |
| DARK_MID = 37 | Y* |
| DARK_POST_MID = 38 | Z* |
| DARK_MID_IOC = 39 | Y (TIF=IOC) |

*FIX Tag 5167 must be used to specify a Contingency Price

Please refer to the following links for further details related to accepted order-types and interface implementation requirements:

http://www.cbsx.com/transservices/matrix.aspx
http://www.cbsx.com/transservices/SOTs.aspx

## Contact Information

Jonathan Lewan, 866.458.2279
cbsxhelpdesk@cboe.com

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## PROPOSED RULE CHANGE(S)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"), and Rule 19b-4 thereunder, the Exchange has filed the following proposed rule change(s) with the Securities and Exchange Commission ("SEC"). Below, any additions to rule text are underlined and any deletions are [bracketed]. Copies of the rule change filing 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.*

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### SR-CBOE-2012-087 Furnishing Data in Relation to a Regulatory Review

On September 4, 2012, the Exchange filed Rule Change File No. SR-CBOE-2012-087, which filing proposes to require the electronic submission of trade information in a standardized format to the Regulatory Division with respect to any regulatory review. Any questions regarding the rule change may be directed to Jeff Dritz, Legal Division, at 312-786-7070. The rule text is shown below and the rule filing is available at http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2012-087.pdf.

**Rule 17.2. Complaint and Investigation**

* * * * *

. . . *Interpretations and Policies:*
.01 - .03. No change
.04 In addition to the existing obligation under Exchange rules regarding the production of books and records, each TPH or TPH organization shall furnish upon request, in the manner and standard electronic format prescribed by the Exchange, data concerning orders, transactions, and positions, including related hedges and offsets, in relation to a regulatory review conducted by the Exchange.

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## BUSINESS CONDUCT COMMITTEE DECISIONS

At its meeting on August 8, 2012, the Business Conduct Committee ("BCC") resolved the following disciplinary matters by accepting 3 Offers of Settlement and 5 Letters of Consent, in which the Respondents and Subjects, respectively, consented to stipulations of facts and findings as detailed below without admitting or denying that Exchange Rules had been violated.

In the Matter of Israel A. Englander & Co., Inc. and Emily Garber; File No. 12-0013; File No. 12-0013 (Offer of Settlement, Decision issued August 28, 2012).
Israel A. Englander & Co., Inc. ("IAE"), a TPH organization, and Emily Garber ("Garber"), IAE's Chief Compliance Officer, were each censured and jointly and severally fined in the amount of $50,000 for the following conduct: i) IAE failed to systematize numerous option orders prior to representation and execution; ii) Garber impeded and delayed the Exchange's investigation of this matter by failing to respond in a timely manner to certain requests made by the Exchange in connection with the Exchange's investigation in this matter; and iii) IAE failed to supervise its employees to assure compliance with Exchange Rule 6.24 and the obligation to systematize all non-electronic orders. In accepting the Offer of Settlement, the Committee considered the following mitigating factors: (1) Garber was facing a medical condition during the review period; (2) the firm was not fully aware of her condition; and (3) all requested information was ultimately provided. (CBOE Rules 4.2, 6.24 and 17.2(b))

In the Matter of Atlantic Trading Indices, L.L.C.; File No. 12-0016 (Letter of Consent, Decision issued August 28, 2012).
Atlantic Trading Indices, L.L.C. ("Atlantic"), a CBOE Trading Permit Holder, was censured and fined $7,500 for the following conduct. Atlantic failed to register 4 of 4 associated persons in WebCRD by January 11, 2011 and failed to designate a Chief Compliance Officer on Schedule A of Form BD in a timely manner. (CBOE Rules 3.6A and 15.1)

In the Matter of Donovan, Schayer & Massey Trading, L.L.C.; File No. 12-0017 (Letter of Consent, Decision issued August 28, 2012).
Donovan, Schayer & Massey Trading, L.L.C. ("DS&M Trading"), a CBOE Trading Permit Holder, was censured and fined $12,500 for the following conduct. DS&M Trading failed to register 7 of 7 associated persons in WebCRD by January 11, 2011 and failed to designate a Chief Compliance Officer on Schedule A of Form BD in a timely manner. (CBOE Rules 3.6A and 15.1)

In the Matter of Zydeco Trading, L.L.C.; File No. 12-0021 (Letter of Consent, Decision issued August 28, 2012).
Zydeco Trading, L.L.C. ("Zydeco"), a CBOE Trading Permit Holder, was censured and fined $12,500 for the following conduct. Zydeco failed to register 11 of 11 associated persons in WebCRD by January 11, 2011 and failed to designate a Chief Compliance Officer on Schedule A of Form BD in a timely manner. (CBOE Rules 3.6A and 15.1)

In the Matter of Edgewater Partners, L.L.C.; File No. 12-0023 (Letter of Consent, Decision issued August 28, 2012).
Edgewater Partners, L.L.C. ("Edgewater"), a CBOE Trading Permit Holder, was censured and fined $7,500 for the following conduct. Edgewater failed to register 5 of 5 associated persons in WebCRD by January 11, 2011 and failed to designate a Chief Compliance Officer on Schedule A of Form BD in a timely manner. (CBOE Rules 3.6A and 15.1)

In the Matter of Hard Eight Trading, LLC; File No. 12-0032 (Offer of Settlement, Decision issued August 28, 2012).
Hard Eight Trading, LLC ("Hard Eight"), a CBOE Trading Permit Holder, was censured and fined $20,000 for the following conduct. Hard Eight marked 120 sell orders as "sell short" when Hard Eight had a net long position and Hard Eight marked 10 sell orders as "sell long" when Hard Eight had a net short position. (CBOE Rules 4.2 and

15.1; and Section 17(a) of Securities and Exchange Act of 1934, as amended (the "Act") and Rule 17a-3 thereunder; and Regulation SHO of the Act and Rule 200 thereunder)

In the Matter of LiquidPoint, L.L.C.; File No. 12-0033 (Offer of Settlement, Decision issued August 28, 2012).
LiquidPoint, L.L.C. ("LiquidPoint") a CBOE TPH organization was censured and fined $7,500. Pursuant to Interpretation and Policy .04 to Exchange Rule 6.74A, "solicited orders submitted by the Initiating Trading Permit Holder to trade against the Agency Order may not be for the account of a Market-Maker assigned to the option class." LiquidPoint routed approximately 71 matched orders on behalf of a CBOE Market-Maker account(s) for execution where the CBOE Market-Maker was also appointed to the class. (CBOE Rule 6.74A)

In the Matter of GLP, LLC; File No. 12-0046 (Letter of Consent, Decision issued August 28, 2012).
GLP, LLC ("GLP"), a CBOE Trading Permit Holder, was censured and fined $20,000 for the following conduct: i) GLP failed to designate a Chief Compliance Officer on Schedule A of Form BD in a timely manner; ii) GLP failed to maintain its email communications and electronic financial statements in a WORM format; and iii) GLP failed to maintain adequate written supervisory procedures. (CBOE Rules 3.6A, 4.2 and 15.1; and Section 17(a) of Securities and Exchange Act of 1934, as amended and Rule 17a-4 thereunder)

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