



Information Circular IC10-134

To: Trading Permit Holders
From: Trading Operations
Date: July 13, 2010
Re: Electronic Trade Busts, UIM, Short Sale Marking

The following are upcoming CBOE and CBSX implementations requiring trading firm system updates. Firms are being notified in advance to allow ample time for necessary programming changes.

CBOE Electronic Trade Bust Functionality

Currently, firm and exchange procedures related to trade cancellations are predominantly manual. With this change, many of the functions related to trade cancellations will be automated. Once verbal agreement of a trade cancellation is reached, Clearing Trading Permit Holders (CTPHs) and Trading Permit Holders (TPHs) will receive electronic bust messaging over the CBOE API. All firms are expected to comply with the new electronic methods by October 2010.

The following details apply:

1. Electronic busts will only be affected after verbal agreement among the Help Desk and all parties involved in the trade.
2. An electronic API message will be sent to each party involved.
3. The trade will be electronically deleted from CBOE's trade match system.
4. Clearing firms with an RTC connection will receive electronic notification of the deleted trade.
5. Last sale(s) will be electronically deleted from the trade tape.
6. CTPHs and TPHs may use API messaging and/or CTPH messaging to update their positions.

CBOE User Input Monitor (UIM)

The UIM is an optional feature that will be available in September 2010. The UIM will provide added protection for Market-Makers by automatically removing all quotes on a Hybrid Trade Server (HTS) for a given participant if a quote message is not detected on that trade server from that user over a set time frame. In order not to have quotes inadvertently removed from the market due to UIM, users may choose to send quotes to a "test" symbol that will be set up on each trade server or for an actual traded symbol.

As an example, if trader ABC is quoting 5 symbols on HTS1, and no quote updates are sent by ABC for any series on any of the HTS1 symbols, including the test symbol, for X seconds, UIM will detect the lack of quote activity and remove all quotes for ABC on the HTS1 symbols and send a quote cancel message. Any symbols being quoted which reside on other trade servers will not be affected.

Please note that use of the UIM does not relieve a Market-Maker of its obligations to provide continuous electronic quotes under CBOE rules nor to provide “firm” quotes pursuant to the requirements of Exchange Rule 8.51.

To set a UIM timer, users will be required to send an email specifying the desired setting to the Help Desk at helpdesk@cboe.com. Only one universal setting is permitted for a user and will be applied across all servers.

Short Sale/Short Sale Exempt

To conform with the upcoming short sale price test requirements under Rule 201 of Regulation SHO, CBSX quotes and orders, as well as the stock leg of CBOE multi-leg orders that are electronically routed to CBSX for execution, will be required to indicate Long, Short or Short Exempt when appropriate. Format specifications are currently available. Testing availability is expected in July. Compliance is scheduled for November 10, 2010.

Questions regarding this functionality may be directed to Anthony Montesano at 312-786-7365/montesan@cboe.com; or the CBOE Help Desk at 866-728-2263/helpdesk@cboe.com. API questions may be directed to the API group at 312-786-7300/api@cboe.com.