

## Regulatory Circular RG03-90

**To:** CBOE Membership

**From:** Equity Floor Procedure Committee  
Legal Division

**Date:** September 29, 2003

**Re:** CBOE Obvious Error Rule

The SEC today approved an amendment to a CBOE rule proposal (SR-CBOE-2001-04) regarding the nullification and adjustment of trades executed on the CBOE Hybrid System. Effective today, floor officials may bust or adjust Hybrid trades arising out of a “verifiable disruption or malfunction in the use or operation of any Exchange automated quotation, dissemination, execution, or communication system.”

Any member that believes it has participated in a transaction that resulted from a verifiable Exchange systems problem must notify trading officials (i.e., TFL or floor officials) within **15 minutes** of the execution in question. In most instances, trading officials will be required to render a decision within 60 minutes of receiving such notification.

Parties are also reminded that Rule 6.13 authorizes the mutual nullification of Hybrid trades. When all parties to a trade have agreed to bust the trade, one party must contact the Help Desk, which will confirm the agreement and disseminate cancellation information to OPRA.

### **CBOE’s Proposed Obvious Error Rule**

CBOE also has on file with the SEC a proposed rule change (SR-CBOE-2001-04) that would permit other types of “obvious error” trades executed on CBOE’s hybrid system to be busted or adjusted. These types of “obvious errors” include: obvious price errors, obvious quantity errors, erroneous prints in the underlying, erroneous quotes in the underlying, and trades executed more than \$0.10 below intrinsic value (parity). We expect CBOE’s proposal to be noticed in the Federal Register for comment within the next week. The SEC has thirty-five days following such notice to act on the proposal.

Any questions regarding application of the rule, including whether a specific system is considered to be an Exchange “quotation, dissemination, execution, or communication” system, should be directed to Joanne Moffic-Silver, General Counsel, CBOE at (312) 786-7462, Andrew Spiwak (312) 786-7483 or Steve Youhn at (312) 786-7416.