



Regulatory Circular RG08-148

To: Members
From: Trading Operations and Legal Division
Date: November 5, 2008
Subject: Obvious Error Rule Changes

A rule change that amends CBOE's obvious error rules, Rules 6.25 and 24.16, was recently approved (see Release 34-58778, SR-CBOE-2008-90). The rule change amended the rules in two respects:

- The rules were amended to permit the nullification of opening transactions in a Rule 5.4 restricted series,¹ provided notification is received by designated personnel in the Exchange's control room from any member or person associated with a member that believes it participated in such transaction within 15 minutes after the execution in question. In addition, absent unusual circumstances, designated personnel in the control room (either on their own motion or upon request of a member) may initiate action within 60 minutes of such a transaction. These actions would be reviewed and determinations rendered by the senior official in the control room. Determinations rendered by the senior official would be subject to the review procedures set forth in the respective rules.
- For administrative convenience, the rules were amended to clarify that contacting either Trading Officials or designated personnel in the control room is sufficient to initiate any obvious error action. (Before the rules had simply referenced contacting Trading Officials, which includes several of the Exchange staff in our control room.) Once either a Trading Official or a control room designee is contacted, all reviews and determinations shall continue to be rendered by the Trading Officials except that, as noted above, actions to nullify an opening trade in a Rule 5.4 restricted series shall be reviewed and determinations rendered by the senior official in the control room.

Lastly, the rule change amended the text of Rule 5.4 to clarify that the restrictions on opening transactions contained in the rule, as well as the related exceptions, apply to both opening purchases and opening sales in restricted series. (Before the rule text only referenced opening purchase transactions.)

Members seeking further information as to the revised rule should refer to the rule change, which is available on CBOE's website at www.cboe.org/Legal. For any other questions, please contact Jim Corsey, Trading Operations, at (312) 786-7321, Jennifer Lamie, Legal Division, at (312) 786-7576, or the Help Desk at (312) 786-7914.

¹ In relevant part, Rule 5.4 provides that, whenever the Exchange determines that an underlying security previously approved for Exchange option transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, two floor officials, in consultation with a designated senior executive officer of the Exchange, may prohibit any opening transactions in series of options of that class (except that (i) opening transactions by Market-Makers executed to accommodate closing transactions of other market participants and (ii) opening transactions by CBOE member organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with paragraph (b) or (d) of Rule 6.74 may be permitted), to the extent it deems such action necessary or appropriate.