



## REGULATORY CIRCULAR RG09-93

**DATE:** August 28, 2009  
**TO:** Members and Member Organizations  
**FROM:** Member and Regulatory Services Division  
**RE:** Changes to Minor Rule Violation Plan – Rule 17.50

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The Securities and Exchange Commission has approved the Exchange's proposal to amend Rule 17.50 - Imposition of Fines for Minor Rule Violations<sup>1</sup>. The amendment has, among other things, (i) modified the fine levels for certain violations set forth in the Exchange's Minor Rule Violation Plan ("MRVP"); (ii) established a twenty-four (24) month look-back period for violations addressed in the MRVP<sup>2</sup>; (iii) incorporated additional violation types into the MRVP, including, but not limited to, exercise limit violations, trading in restricted classes, quoting obligation violations, linkage-related violations and failure to provide capital withdrawal notice; and (iv) modified the trading conduct and decorum policies<sup>3</sup>. Applicable violations which occur on or after August 12, 2009 will be processed in accordance with the revised MRVP.

The following highlights some of the key changes to the sanction levels and new violations covered under the MRVP:

- The sanction levels for the following violations have been modified:

Failure to Respond in a Timely Manner to a Blue Sheet Request (Rule 15.7)

1 <sup>st</sup> Offense	Subsequent Offenses
\$2,500	\$5,000 or Referral to BCC <sup>4</sup>

Failure to Honor Firm Quote (Rule 8.51); Failure to Honor Book Priority (Rule 6.45); Failure to Use Due Diligence in Executing Agency Orders (Rule 6.73)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	3 <sup>rd</sup> Offense	4 <sup>th</sup> & 5 <sup>th</sup> Offenses	Subsequent Offenses
\$500 - \$1,500	\$1,000 - \$3,000	\$2,000 - \$5,000	\$3,500 - \$5,000	Referral to BCC

Violations of Exercise/Exercise Advice Rules for American-Style, Cash Settled Index Options (Rule 11.1, Interpretation and Policy .03)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	3 <sup>rd</sup> Offense	Subsequent Offenses
\$500	\$1,000	\$2,500	\$5,000 or Referral to BCC

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<sup>1</sup> See Securities Exchange Act Release No. 34-60488 (August 12, 2009), 74 FR 42139 (August 20, 2009) (SR-CBOE-2009-037).

<sup>2</sup> Pursuant to Rule 17.50(g)(2), sanctions for failure to file timely Focus Reports pursuant to Rule 15.5 are based on the number of days in which the filing is late and are not subject to the twenty-four month look-back period.

<sup>3</sup> See Regulatory Circular RG09-92.

<sup>4</sup> Business Conduct Committee

- The following violations and respective sanctions have been incorporated into the MRVP:

Violation of Exercise Limits (Rule 4.12)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	3 <sup>rd</sup> Offense	4 <sup>th</sup> Offense
\$500	\$1,000	\$2,500	\$5,000

Trading in a Restricted Class (Rule 5.4)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	3 <sup>rd</sup> Offense	Subsequent Offenses
\$500	\$2,500	\$5,000	Referral to BCC

Trading Through the NBBO (Rule 6.83); Locked or Crossed Markets (Rule 6.84)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	3 <sup>rd</sup> Offense	Subsequent Offenses
\$500 - \$1,000	\$1,000 - \$2,000	\$2,500 - \$5,000 and Staff Interview	\$5,000 or Referral to BCC

Failure to Meet Exchange Quoting Obligations (Rules 8.7, 8.15A, 8.85, 8.93)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	Subsequent Offenses
\$2,000 - \$4,000	\$4,000 - \$5,000	Referral to BCC

Failure to Accurately Report Position and Account Information (Rule 4.13)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	3 <sup>rd</sup> Offense	Subsequent Offenses
\$500	\$1,000	\$2,500	\$5,000 or Referral to BCC

Failure to Provide Prior Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	Subsequent Offenses
\$2,500	\$5,000	Referral to BCC

Failure to Provide Post Capital Withdrawal Notice (Rule 15c3-1(e) under the Securities Exchange Act of 1934); Failure to Designate an Anti-Money Laundering Program Compliance Officer (Rule 4.20)

1 <sup>st</sup> Offense	2 <sup>nd</sup> Offense	Subsequent Offenses
\$1,000	\$2,500	Referral to BCC

Please be reminded the above only reflects an overview of the key revisions to the MRVP and is not an all-inclusive representation of the revisions to Rule 17.50. Members are encouraged to review the full text of the revised Rule which is available at <http://cchwallstreet.com/cboe/>. Questions pertaining to the referenced MRVP revisions can be directed to Regulatory staff as follows:

Blue Sheet Requests:  
Capital Withdrawal Notice/AML Compliance Designees:  
All Other Categories:

Pat Sizemore at (312) 786-7752  
Larry Bresnahan at (312) 786-7712  
Linda Gerdes at (312) 786-7844