



CBOE Regulatory Circular RG11-116
C2 Regulatory Circular C2 RG11-021

To: Trading Permit Holders
From: Regulatory Services Division
Date: October 4, 2011
Re: Treatment of Non-Market Maker Transactions

This circular is being issued to address various questions with respect to the entry of orders in the SPXpm option class traded on C2 for the account of a market maker that does not hold an appointment in SPXpm.

Trading Permit Holders are reminded that a market maker operating under the exemption contained in paragraph (b)(1) of the SEC Rule 15c3-1 may not engage in trading non-market maker securities in a market maker account (origin codes M or N). However, they may engage in hedging transactions if they are directly related to their market making. They may also make occasional investment account transactions in non-market maker securities (generally not more than 10 per year). Active trading in non-market-maker securities, whether effected in an options market-maker account, the related customer sub-account carried at the market maker clearing firm (origin code B), or Joint Back Office ("JBO") account (origin code F), would not be considered occasional.

Loss of Market-Maker Net Capital Exemption

Should a market maker initiate more than an occasional non-market maker related transaction, the market maker may lose the exemption under paragraph (b)(1). This would cause the market maker to be subject to, among other things, maintenance at all times of a minimum net capital, the filing with the Exchange of monthly and quarterly FOCUS reports (which include a net capital computation), an annual examination conducted by the Exchange's Department of Member Firm Regulation, submission of annual audited financial statements prepared by an independent accounting firm, and restrictions on capital withdrawals. Engaging in non-market-maker activity without also complying with all applicable financial responsibility requirements would be a serious matter subject to disciplinary action by the Exchange and/or the SEC.

For a more detailed discussion on the Limitation on Non-Market-Maker Activity, please see CBOE Regulatory Circular RG 96-90.

Questions concerning the net capital treatment of market maker transactions can be directed to Robert Gardner (312)786-7937.