

Regulatory Circular RG13-103

Date: July 22, 2013

To: Trading Permit Holders

From: Department of Market Regulation

RE: Supplement to Regulatory Circular RG13-098 - Changes to Information Barrier Requirements in CBSX Rule 53.2

Overview

On July 19, 2013, CBOE rule filing SR-CBOE-2013-074 regarding CBOE Stock Exchange ("CBSX") Rule 53.2, which applies to the prohibition against trading ahead of customer orders on CBSX, became immediately effective on filing with the Securities and Exchange Commission. The changes made in this rule filing go into effect on Monday, July 22, 2013 in conjunction with the previous changes to the rule as identified in CBOE Regulatory Circular RG13-098. For more details regarding these changes, please see the rule filing located on the CBOE website at: <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-074.pdf>.

Specifically, this filing made the following changes to the information barrier requirements in CBSX Rule 53.2 as it applies to the utilization of the "no knowledge" exception:

- removed from requirement (iii) the need to ensure that information relating to each trading unit's clearing and margin arrangements is not improperly shared; and
- eliminated information barrier requirements (iv) and (v), which required each trading unit to maintain separate books and records (and separate financial accounting) and each trading unit to separately meet all required capital requirements, respectively.

Therefore, effective July 22, 2013, for purposes of this rule, TPHs' information barriers should at a minimum: (i) provide for the organizational separation of a TPH's customer order trading unit and proprietary trading unit; (ii) ensure that one trading unit does not exert influence over the other trading unit; (iii) ensure that information relating to each trading unit's stock positions and trading activities is not improperly shared (except with persons in senior management who are involved in exercising general managerial oversight of one or both entities); and (iv) ensure that any other material, non-public information (e.g. information related to any business transactions between the trading unit and an issuer or any research reports or recommendations issued by the trading unit) is not made improperly available to the other trading unit in any manner that would allow that trading unit to take undue advantage of that information while trading on CBSX.

A TPH must submit the proposed information barriers in writing to the Exchange upon request.

In addition, this filing adds a new requirement that the TPH must maintain records that indicate which orders rely on this "no-knowledge" exception and shall be required to provide those records to the Exchange upon request.

Contact Information:

TPHs that have any questions regarding this circular may contact CBOE Regulatory Interpretations and Guidance at (312) 786-8141 or email RegInterps@cboe.com.