



EXECUTE SUCCESS<sup>SM</sup>

## Regulatory Circular RG14-148

**Date:** October 23, 2014

**To:** Trading Permit Holders

**From:** CBOE Market Services

**RE:** Give Up of Clearing Trading Permit Holders

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### This circular updates Regulatory Circular RG14-128

On July 24, 2014, the Securities and Exchange Commission (SEC) approved Chicago Board Options Exchange, Incorporated's (CBOE or Exchange) rule to amend CBOE rules governing the process in which a Trading Permit Holder (TPH) "gives up" or selects the Clearing Trading Permit Holder (CTPH) responsible for the clearance of an Exchange transaction. As announced in Regulatory Circular RG14-128, effective **October 24, 2014**, all non-Market-Maker TPHs will only be permitted to give up a Designated Give Up or their Guarantor.

#### Who can be a Give Up

As a reminder, a non-Market-Maker TPH will only be able to give up either a "Designated Give Up" or the TPH's "Guarantor." A Designated Give Up is any CTPH that a TPH (other than a Market-Maker) identifies to the Exchange as a CTPH that the TPH would like to have the ability to give up. A Guarantor is defined for purposes of Rule 6.21 as a CTPH that has issued a letter of guarantee or letter of authorization for the executing TPH. There is no minimum or maximum number of CTPHs that a TPH must identify as a Designated Give Up.

#### Acceptance of a Trade

Effective October 24, 2014, a Designated Give Up may determine to not accept a trade on which its name was given up so long as it believes in good faith that it has a valid reason not to accept the trade. If a Designated Give Up determines to not accept a trade on which its name was given up, the executing TPH's Guarantor or another CTPH that agrees to be the Give Up on the trade will become the Give Up. A Guarantor may determine not to accept a trade on which its name was given up only if another CTPH agrees to be the Give Up on the trade and has notified the Exchange and executing TPH in writing of its intent to accept the trade. A trade may only be rejected on (i) the trade date or (ii) before 12:00 pm CT on the business day following the trade date (T+1) (except that transactions in expiring options series may not be rejected on T+1). If a Designated Give Up or Guarantor decides to reject a trade, it must first notify, in writing, the executing TPH or its designated agent, as soon as possible and attempt to resolve the disputed give up. The Exchange notes that a Designated Give Up or Guarantor may request from the Exchange the contact information of the executing TPH or its designated agent for any trade it wishes to reject.

#### Procedure to Reject a Trade

1. Following notification to the executing TPH, a Designated Give Up or Guarantor may request the ability from the Exchange to change the Give Up on the trade. This request must be made by completing and submitting the "Give Up Change Form." The form is located at <https://www.cboe.org/publish/TPHForms/GiveUpChangeForm.pdf>. The form is to be submitted to [giveupchange@cboe.com](mailto:giveupchange@cboe.com).

2. In addition, a copy of the trade record to be changed should be attached to the form. If a Designated Give Up or Guarantor determines to not accept a trade and another CTPH has agreed to accept the trade, then the CTPH that is to become the new Give Up on the trade must complete and submit the "Give Up Change Form for Accepting Clearing Trading Permit Holders." This form is located at:  
<https://www.cboe.org/publish/TPHForms/CBOEGiveUpChangeFormforAcceptingCTPH.pdf>. The form is to be submitted to [giveupchange@cboe.com](mailto:giveupchange@cboe.com).
3. A Designated Give Up or Guarantor which changes the give up on a trade must also immediately thereafter notify, in writing, the Exchange, the Clearing Trading Permit Holder given up and all parties to the trade of the change.

If a Designated Give Up determines to not accept the trade and the Guarantor is to become the new give up, no form from the Guarantor is needed. The Exchange will not provide the ability to change the give up on any trade until the appropriate give up change form(s) are received.

### Other Give Up Changes

There are three scenarios in which the Give Up on a transaction may be changed without the involvement of the Exchange. First, if an executing TPH has the ability through an Exchange system to do so, it may change the Give Up on a trade to another Designated Give Up or its Guarantor. Second, if a Designated Give Up has the ability to do so, it may change the Give Up on a transaction for which it was given up to (i) another CTPH affiliated with the Designated Give Up or (ii) a CTPH for which the Designated Give Up is a back office agent. Finally, if both a Designated Give Up and a CTPH have the ability through an Exchange system to do so, the Designated Give Up and CTPH may each enter trade records into the Exchange's systems on T+1 that would effect a transfer of the trade in a non-expired option series from that Designated Give Up to that CTPH.

### Additional Information

Please see rule filing [SR-CBOE-2014-048](#) for additional information. Questions regarding the operational matters related to this circular may be directed to CBOE Market Services at (312) 786-7950 or [marketservices@cboe.com](mailto:marketservices@cboe.com). Regulatory questions regarding this circular may be directed to the Regulatory Interpretations and Guidance team at [reginterps@cboe.com](mailto:reginterps@cboe.com) or (312) 786-8141.