



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information (required)**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change (required)**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> BATS Exchange, Inc. (the “Exchange” or “BATS”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend BATS Rule 25.3, entitled “Penalty for Minor Rule Violations”, to expand the list of violations eligible for disposition under the Exchange’s Minor Rule Violation Plan (“MRVP”) as it relates to the equity options platform operated by the Exchange (“BATS Options”). The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>3</sup> The Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>4</sup> If such waiver is granted by the Commission, the Exchange shall implement this rule proposal immediately.

(a) The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>4</sup> Id.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on November 10, 2009. Exchange staff will advise the BATS Exchange Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions regarding this rule filing may be directed to Eric Swanson, Senior Vice President and General Counsel of the Exchange at (913) 815-7000.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change.

(a) Purpose

The purpose of the proposed rule change is to amend Rule 25.3, entitled "Penalty for Minor Rule Violations", to expand the list of violations eligible for disposition under the Exchange's Minor Rule Violation Plan ("MRVP") as it relates to options in order to improve the consistency of the Exchange's MRVP with other options exchanges. All options exchanges have entered into a plan pursuant to Rule 17d-2 of the Act (the "Plan") under which the exchanges have agreed to allocate regulatory responsibility for certain rules common to all options exchanges, which Plan is administered by a committee known as the Options Surveillance Group (the "OSG"). Adding the proposed rules to the MRVP makes the Exchange's MRVP more consistent with the minor rule violation plans of other self-regulatory organizations, including with respect to rules that are classified as common rules pursuant to the Plan (the "OSG 17d-2"). The Exchange believes that its MRVP with respect to violations of rules that are common rules pursuant to the OSG

17d-2 should be consistent with the other options exchanges that are parties to the OSG 17d-2.

Consistent with the goal of improved consistency between the Exchange's MRVP and the MRVP's of other options exchanges, the proposed additions include Rules 18.9, 18.10, 23.1(a) through (k), 23.1 (l), and 24.4, each of which is described below.

- Rule 18.9 provides that no Options Member may directly or indirectly exceed exercise limits established by the Chicago Board Options Exchange, BATS Options, or another exchange, as the limits apply to options trading on BATS Options.
- Rule 18.10 provides the requirements for accurately reporting position and account information to the Exchange.
- Rule 23.1(a) through (k) relates to expiring exercise declarations and the timely submission of "Advice Cancel" or exercise instruction relating to the exercise or non-exercise of non-cash-settled equity options.
- Rule 23.1(l) relates to the failure to submit an Exercise Advice; the submission of an advice and no subsequent exercise; the submission of an Exercise Advice after the designated cut-off time; the submission of an Exercise Advice for an amount different than the amount exercised; and the time-stamping of an advice or exercise instruction memorandum prior to purchasing contracts.
- Lastly, Rule 24.4 covers requests by the Exchange for submission of trade data.

The proposed changes would allow the Exchange to impose a fine of at least \$500 per violation of the above-listed rules, with a maximum fine amount of \$5,000. By promptly imposing a meaningful financial penalty for such violations, the MRVP focuses on correcting conduct before it gives rise to more serious enforcement action. The MRVP provides a reasonable means of addressing rule violations that do not necessarily rise to the level of requiring formal disciplinary proceedings, while also providing a greater flexibility in handling certain violations. Adopting a provision that would allow the Exchange to sanction violators under the MRVP by no means minimizes the importance of compliance with these rules. The Exchange believes that the violation of any of its rules is a serious matter. The addition of a sanction under the MRVP simply serves to add an additional method for disciplining violators of the additional rules. The Exchange will continue to conduct surveillance with due diligence and make its determination, on a case by case basis, whether a violation of these additional rules should be subject to formal disciplinary proceedings.

In addition to the changes proposed above, the Exchange proposes to modify its MRVP sanction for a violation of Exchange position limit rules (Rule 18.7) in order to conform to the sanctions imposed by a majority of other options exchanges. The Exchange's current MRVP sanction for violations of position limits differs depending on whether a violation occurs in an Options Member's account or a customer account, a distinction not present in the rules of most other options exchanges. Furthermore, the Exchange's current MRVP sanction for violations of position limits is based on a per contract amount, whereas most options exchanges would impose a flat amount as the fine. Consistent with the other changes proposed above, the Exchange believes that

conforming changes are appropriate, especially due to the fact that position limit rules are subject to the OSG 17d-2.

Finally, the Exchange also proposes modifying the headings of the sub-parts in its existing Rule 25.3 to correct typographical errors. Specifically, in each heading the “Number of Cumulative Violations Within One Period” and “Fine Amount” language is currently commingled into one heading.

(b) Statutory Basis

Approval of the rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>5</sup> In particular, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>6</sup> because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest, by giving the Exchange the ability to promptly impose a meaningful financial penalty for such violations before there is a need for more serious enforcement action. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning enforcement of common rules contained in the OSG 17d-2.

4. Self-Regulatory Organization’s Statement on Burden on Competition

The proposed rule change does not impose any burden on competition.

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<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any written comments from members or other interested parties.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

As described below, the proposed rule change is substantially similar to the rules of other self-regulatory organizations that have previously been approved by the Commission.<sup>7</sup> Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>8</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>9</sup> The Exchange believes that the proposed rule change should take effect immediately upon filing because it will effect a change that: (1) does not significantly affect the protection of investors or the public interest, (2) does not impose any significant burden on competition, and (3) does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate.

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<sup>7</sup> See, e.g., CBOE Rules 17.50(g)(1), 17.50(g)(8), 17.50(g)(9), 17.50(g)(15), and 17.50(g)(3); see also Securities Exchange Act Release No. 58092 (July 3, 2008), 73 FR 40144, 40149 (July 11, 2008) (where the Commission stated that a proposed change relating to an SRO's addition of rules to its MRVP may be designated as immediately effective if "each policy issue raised (i) has been considered previously by the Commission when the Commission approved another exchange's MRVP rule change, and (ii) the rule change resolves such policy issue in a manner consistent with such prior approval.")

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4.

The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.<sup>10</sup>

Because the proposed rule change is non-controversial and will provide the Exchange with a reasonable means of addressing rule violations that do not necessarily rise to the level of requiring formal disciplinary proceedings, the Exchange requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) under the Act.<sup>11</sup> The Exchange believes that consistency amongst the minor rule violation plans of self-regulatory organizations party to the OSG 17d-2 is an important change that should not be delayed. Waiver of this requirement is consistent with the protection of investors and the public interest.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

The proposed rule change is substantively the same as, among others, Chicago Board Options Exchange Rules 17.50(g)(1) (“Violation of position and exercise limit rules”), 17.50(g)(8) (“Violations of Exercise and Exercise Advice Rules for Noncash-Settled Equity Options”), 17.50(g)(9) (“Violations of Exercise and Exercise Advice Rules for American-Style, Cash-Settled Index Options”), 17.50(g)(15) (“Failure to Accurately Report Position and Account Information”), and 17.50(g)(3) (“Failure to respond in a timely manner to a request for automated submission of trading data (‘Blue Sheets’)”), all relating to rule violations that are minor in nature and the fines associated with their

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<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(6)(iii).

violation. The proposed rule change is also substantively the same as corresponding sections of International Securities Exchange (“ISE”) Rule 1614(d), entitled “Violations Subject to Fines” which includes in its list of rules eligible for disposition under ISE’s minor rule violation plan.

9. Exhibits

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2 – 4: Not applicable.

Exhibit 5: Text of Proposed Rule Change

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-BATS-2010-033)

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by BATS Exchange, Inc. to Modify the Minor Rule Violation Plan for BATS Options.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 18, 2010, BATS Exchange, Inc. (the “Exchange” or “BATS”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to amend BATS Rule 25.3, entitled “Penalty for Minor Rule Violations”, to expand the list of violations eligible for disposition under the Exchange’s Minor Rule Violation Plan (“MRVP”) as it relates to the equity options platform operated by the Exchange (“BATS Options”).

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6)(iii).

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.com>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend Rule 25.3, entitled "Penalty for Minor Rule Violations", to expand the list of violations eligible for disposition under the Exchange's Minor Rule Violation Plan ("MRVP") as it relates to options in order to improve the consistency of the Exchange's MRVP with other options exchanges. All options exchanges have entered into a plan pursuant to Rule 17d-2 of the Act (the "Plan") under which the exchanges have agreed to allocate regulatory responsibility for certain rules common to all options exchanges, which Plan is administered by a committee known as the Options Surveillance Group (the "OSG"). Adding the proposed rules to the MRVP makes the Exchange's MRVP more consistent with the minor rule violation plans of other self-regulatory organizations, including with respect to rules that are classified as common rules pursuant to the Plan (the "OSG 17d-2"). The Exchange believes that its MRVP with respect to violations of rules that are common rules pursuant to the OSG

17d-2 should be consistent with the other options exchanges that are parties to the OSG 17d-2.

Consistent with the goal of improved consistency between the Exchange's MRVP and the MRVP's of other options exchanges, the proposed additions include Rules 18.9, 18.10, 23.1(a) through (k), 23.1 (l), and 24.4, each of which is described below.

- Rule 18.9 provides that no Options Member may directly or indirectly exceed exercise limits established by the Chicago Board Options Exchange, BATS Options, or another exchange, as the limits apply to options trading on BATS Options.
- Rule 18.10 provides the requirements for accurately reporting position and account information to the Exchange.
- Rule 23.1(a) through (k) relates to expiring exercise declarations and the timely submission of "Advice Cancel" or exercise instruction relating to the exercise or non-exercise of non-cash-settled equity options.
- Rule 23.1(l) relates to the failure to submit an Exercise Advice; the submission of an advice and no subsequent exercise; the submission of an Exercise Advice after the designated cut-off time; the submission of an Exercise Advice for an amount different than the amount exercised; and the time-stamping of an advice or exercise instruction memorandum prior to purchasing contracts.
- Lastly, Rule 24.4 covers requests by the Exchange for submission of trade data.

The proposed changes would allow the Exchange to impose a fine of at least \$500 per violation of the above-listed rules, with a maximum fine amount of \$5,000. By promptly imposing a meaningful financial penalty for such violations, the MRVP focuses on correcting conduct before it gives rise to more serious enforcement action. The MRVP provides a reasonable means of addressing rule violations that do not necessarily rise to the level of requiring formal disciplinary proceedings, while also providing a greater flexibility in handling certain violations. Adopting a provision that would allow the Exchange to sanction violators under the MRVP by no means minimizes the importance of compliance with these rules. The Exchange believes that the violation of any of its rules is a serious matter. The addition of a sanction under the MRVP simply serves to add an additional method for disciplining violators of the additional rules. The Exchange will continue to conduct surveillance with due diligence and make its determination, on a case by case basis, whether a violation of these additional rules should be subject to formal disciplinary proceedings.

In addition to the changes proposed above, the Exchange proposes to modify its MRVP sanction for a violation of Exchange position limit rules (Rule 18.7) in order to conform to the sanctions imposed by a majority of other options exchanges. The Exchange's current MRVP sanction for violations of position limits differs depending on whether a violation occurs in an Options Member's account or a customer account, a distinction not present in the rules of most other options exchanges. Furthermore, the Exchange's current MRVP sanction for violations of position limits is based on a per contract amount, whereas most options exchanges would impose a flat amount as the fine. Consistent with the other changes proposed above, the Exchange believes that

conforming changes are appropriate, especially due to the fact that position limit rules are subject to the OSG 17d-2.

Finally, the Exchange also proposes modifying the headings of the sub-parts in its existing Rule 25.3 to correct typographical errors. Specifically, in each heading the “Number of Cumulative Violations Within One Period” and “Fine Amount” language is currently commingled into one heading.

## 2. Statutory Basis

Approval of the rule change proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>5</sup> In particular, the proposed change is consistent with Section 6(b)(5) of the Act,<sup>6</sup> because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest, by giving the Exchange the ability to promptly impose a meaningful financial penalty for such violations before there is a need for more serious enforcement action. The Exchange believes that the proposed rule meets these requirements in that it promotes transparency and uniformity across markets concerning enforcement of common rules contained in the OSG 17d-2.

### (B) Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change imposes any burden on competition.

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<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and Rule 19b-4(f)(6)(iii) thereunder.<sup>8</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-BATS-2010-033 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-BATS-2010-033. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site

(<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-BATS-2010-033 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

**Rules of BATS Exchange, Inc.**

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**CHAPTER XXV. DISCIPLINE AND SUMMARY SUSPENSIONS**

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Rule 25.3. Penalty for Minor Rule Violations

The following BATS Options rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Rule 8.15 (Imposition of Fines for Minor Violation(s) of Rules) and impose the fine set forth below. The Exchange is not required to proceed under said Rules as to any rule violation and may, whenever such action is deemed appropriate, commence a disciplinary proceeding under Chapter VIII (Discipline) rules as to any such violation. A subsequent violation is calculated on the basis of a rolling 24-month period (“Period”).

(a) Position Limit and Exercise Limit Violations.

Violations of Rule 18.7 (Position Limits) or Rule 18.9 (Exercise Limits) of these Rules shall be subject to the fines listed below.[that continue over consecutive business days will be subject to a separate fine, pursuant to this paragraph (a), for each day during which the violation occurs and is continuing.

(1) Customer Accounts. For purposes of this subparagraph (1) only, all accounts of non-Options Member broker-dealers will be treated as customer accounts. In calculating fine thresholds under this subparagraph (1) for each Options Member, all violations occurring within the Period in all of that Member’s customer accounts are to be added together. For violations of Rule 18.7 occurring in customer accounts, the Member shall be subject to fines as follows, with a minimum fine amount of \$100:]

**[Number of Cumulative Fine Amount  
Violations Within One Period**

1 to 6 (up to 5% in excess of applicable limit)	Letter of Caution
1 to 6 (above 5% in excess of applicable limit)	\$1 per contract
7 to 12	\$1 per contract over limit
13 or more	\$5 per contract over limit]

**Number of Violations Within  
One Period\***

**Fine Amount**

<u>First Offense</u>	<u>\$500</u>
<u>Second Offense</u>	<u>\$1,000</u>
<u>Third Offense</u>	<u>\$2,500</u>
<u>Fourth and Each Subsequent Offense</u>	<u>\$5,000</u>

\* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

[(2) Options Member Accounts. For violations occurring in an Options Member's account (i.e., proprietary accounts and accounts of other Options Members), the Options Member whose account exceeded the limits shall be subject to fines as follows, with a minimum fine amount of \$100. In calculating fine thresholds under this subparagraph (2) for each Options Member, all violations occurring within the Period in all of that Member's accounts, (i.e., proprietary accounts and accounts of other Options Members) are to be added together:

**Number of Cumulative Fine Amount  
Violations Within One Period**

1 to 3 (up to 5% in excess of applicable limit)	Letter of Caution
1 to 3 (above 5% in excess of applicable limit)	\$1 per contract
4 to 6	\$1 per contract over limit
7 or more	\$5 per contract over limit]

(b) Reports Related to Position Limits.

Violations of Rule 18.10 regarding the failure to accurately report position and account information shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$500</u>
<u>2</u>	<u>\$1,000</u>

<u>3</u>	<u>\$2,500</u>
<u>4 or more</u>	<u>\$5,000</u>

[(b)](c) Order Entry.

Violations of Rule 22.6(a) – (c), (Market Maker Quotations) regarding restrictions on orders entered by Market Makers, will be subject to the fines listed below. Each paragraph of such sections subject to this Rule shall be treated separately for purposes of determining the number of cumulative violations.

**[Number of Violations Fine Amount  
Within One Period]**

<b><u>Number of Violations Within One Period</u></b>	<b><u>Fine Amount</u></b>
1 to 5	Letter of Caution
6 to 10	\$500
11 to 15	\$1,000
16 to 20	\$2,000

[(c)](d) Continuous Quotes.

Violations of Rule 22.6(d) regarding Market Maker continuous bids and offers shall be subject to the fines listed below. Violations of the rule that continue over consecutive trading days will be subject to a separate fine, pursuant to this paragraph [(c)](d), for each day during which the violation occurs and is continuing up to a limit of fifteen consecutive trading days. In calculating fine thresholds for each Market Maker, all violations occurring within the Period in any of the Market Makers registered series are to be added together.

**[Number of Cumulative Fine Amount  
Violations Within One Period]**

<b><u>Number of Violations Within One Period</u></b>	<b><u>Fine Amount</u></b>
1	Letter of Caution
2 or more	\$300 per day

(e) Expiring Exercise Declarations.

(1) Non-Cash-Settled Equity Options. Violations of Rule 23.1(a) through (k) regarding expiring exercise declarations and the timely submission of “Advice Cancel” or exercise instruction relating to the exercise or non-exercise of non-cash-settled equity options shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>	
	<u>Individual</u>	<u>Member Organization</u>
<u>1</u>	<u>\$500</u>	<u>\$1,000</u>
<u>2</u>	<u>\$1,000</u>	<u>\$2,500</u>
<u>3 or more</u>	<u>\$2,500</u>	<u>\$5,000</u>

(2) American-Style, Cash-Settled Index Options. Violations of Rule 23.1(l) regarding the failure to submit an Exercise Advice; the submission of an advice and no subsequent exercise; the submission of an Exercise Advice after the designated cut-off time; the submission of an Exercise Advice for an amount different than the amount exercised; and the time-stamping of an advice or exercise instruction memorandum prior to purchasing contracts shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$500</u>
<u>2</u>	<u>\$1,000</u>
<u>3</u>	<u>\$2,500</u>
<u>4 or more</u>	<u>\$5,000</u>

(f) Requests for Trade Data.

Any Member who fails to respond within ten (10) business days to a request by the Exchange for submission of trade data pursuant to Rule 24.4 shall be subject to the fines listed below.

<u>Number of Violations Within One Period</u>	<u>Fine Amount</u>
<u>1</u>	<u>\$2,500</u>

2 or more

\$5,000 or Formal Disciplinary Action