

## **FINRA Podcast**

### **Fall 2015 Firm Element Advisory – Part 3**

KP Hello and welcome. I'm Kathleen Penfold.

MN And I'm Michael Nemeroff.

KP This is the third in a four-part series on the Security Industries Regulatory Council on Continuing Education Fall 2015 Firm Element Advisory. The Advisory covers some important topics for firms to consider in their firm element training plans. But firms should also consider other topics.

MN This podcast series only highlights new and updated topics in the Advisory, and this episode focuses on options.

KP First up, the Chicago Board Options Exchange, called CBOE, announced that no pre-open order availability for the extended trading hours session would begin at 4:00 p.m. the previous trading day for Tuesday through Friday ETH extensions. The trading hours for those sessions were not affected by the change.

MN CBOE and the C2 Options Exchange submitted rule filings to amend their rules about exchange liability and payments to trading permit holders. The changes specifically address certain types of losses such permit holders may allege arose out of business conducted on or through the exchange or in connection with the use of the exchange's facilities. The amendment set up a minimum threshold amount for all compensation requests and notification and submission deadlines for them.

- KP CBOE also amended order ticket requirements for complex orders with more than 12 legs. The changes permit those orders to be split across multiple order tickets if certain conditions are met. First, at least 12 legs must be on one ticket, and second, CBOE must be informed by submitting a form by noon Central Time on the next trading day.
- MN CBOE added a 4-broker practices rule that replaces a regulatory circular on the subject. The rule gives requirements for floor brokers related to a number of situations, like erroneously executed orders, lost market orders, and print-throughs, and it lays out requirements for error documentation and recordkeeping.
- KP CBOE is also replacing its rule about nullification and adjustment of options transactions including obvious errors. The updated rule includes requirements for topics like mutually agreed nullifications, error notification timeframes, and significant market events that may require transactions to be busted or adjusted.
- MN CBOE added new rule provisions that require each trading permit holder to report certain information about executed stock or convertible security lags of qualified contingent cross-orders, stock options orders, and other tied-to-stock orders. These orders must be reported on the business day following the order execution date. The changes are already effective for orders sent to CBOE for non-electronic processing, but the rest of the provisions are delayed for up to 18 months with effective dates to be announced in the future.
- KP CBOE issued a regulatory circular reminding firms about its policy on prearranged trading. It cautions trading permit holders that any transactions coupled with an agreement, arrangement or understanding to directly or indirectly reverse the transaction

violates CBOE rules. But it's important to note it's only a violation if it's not done for a legitimate economic purpose or if it does not subject the transaction to market risk.

MN And that's it for this podcast episode. But there's more to come. So stay tuned for the last one in the series. It will highlight the remaining new and updated Advisory topics. You can learn more from the Fall Advisory on the CE Council's website, [cecouncil.com](http://cecouncil.com), or the information notice on FINRA's website that lists educational resources FINRA offers related to these topics.

KP Until next time, for all of us at FINRA, thanks for listening.