

EXHIBIT 5A

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

(currently effective)

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[CHAPTER IX. DOING BUSINESS WITH THE PUBLIC]

[Rule 9.1. Exchange Approval

An individual Trading Permit Holder may not transact business with the public. A TPH organization may transact business with the public after an application, submitted on a form prescribed by the Exchange, has been approved by the Exchange. Approval to transact business with the public shall be based on a TPH organization's meeting the general requirements set forth in this Chapter and the net capital requirements set forth in Chapter XIII of the Rules, and such approval may be withdrawn if any of the requirements cease to be met.]

[Rule 9.2. Registration of Options Principals

No TPH organization shall be approved to transact options business with the public until those persons associated with it who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the supervision of options sales practices or a person to whom the designated general partner or executive officer (pursuant to Rule 9.8) or another Registered Options Principal delegates the authority to supervise options sales practices shall be designated as Options Principals. In connection with their registration, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with Web CRD, shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business and of the Rules of the Exchange, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation.

Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with Web CRD. Termination of employment or affiliation of any Registered Options Principal in such capacity shall be promptly electronically reported to Web CRD together with a brief statement of the reason for such termination on Form U-5.

. . . Interpretations and Policies:

.01 Individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principals Examination (Series 4) or the Sales Supervision Examination (Series 9/10).

.02 Individuals who are delegated responsibility pursuant to Rule 9.8 for reviewing the acceptance of discretionary accounts, for approving exceptions to a TPH organization's criteria or standards for uncovered options accounts, and for approval of communications, shall be designated as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4).]

[Rule 9.3. Registration and Termination of Representatives

(a) Registration. No TPH organization shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been approved by and registered with the Exchange. Persons who perform duties for the TPH organization which are customarily performed by sales representatives, solicitors, or branch office managers shall be designated as Representatives. In connection with their registration, Representatives shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with Web CRD by appropriately checking the Cboe Options as a requested registration on the electronic U-4 filing, and shall successfully complete an examination for the purpose of demonstrating an adequate knowledge of the securities business, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation. Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with Web CRD.

(b) Termination - Filing of U-5's. The discharge or termination of employment of any registered person, together with the reasons therefor, shall be electronically reported to Web CRD by a TPH organization immediately following the date of termination, but in no event later than thirty (30) days following termination, on a Uniform Termination Notice for Securities Industry Registration (Form U-5). A copy of the Form U-5 shall be provided concurrently to the person whose association has been terminated.

(c) Termination - Filing of amended U-5's. The TPH organization shall electronically report to Web CRD, by means of an amendment to the Form U-5 filed pursuant to paragraph (b) above, in the event that the TPH organization learns of facts or circumstances causing any information set forth in the Form U-5 to become inaccurate or incomplete. Such amendment shall be provided concurrently to the person whose association has been terminated no later than thirty (30) days after the TPH organization learns of the facts or circumstances giving rise to the need for the amendment.

... Interpretations and Policies:

.01 A person accepting orders from non-Trading Permit Holder customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Representatives Examination (Series 7) and pass the Securities Industry Essentials Examination ("SIE").

.02 Any person who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.]

[Rule 9.3A. Continuing Education for Registered Persons

(a) Regulatory Element—No Trading Permit Holder or TPH organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date, also known as the "base date", shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule.

(1) Failure to complete—Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration.

The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(2) Disciplinary Actions—Unless otherwise determined by the Exchange, a registered person will be required to re-take the Regulatory Element and satisfy all of its requirements in the event such person:

(i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary action to re-take the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A re-taking of the Regulatory Element shall commence with participation within one hundred twenty days of the registered person becoming subject to the statutory

disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(3) Required Programs -- For purposes of this Rule, the Exchange offers the following Regulatory Elements for Exchange registered persons: the S201 Supervisor Program for registered principals and supervisors; the S106 Series 6 Program for Series 6 registered persons; until January 4, 2016, the S501 Series 56 Proprietary Trader Continuing Education Program for Series 56 registered persons, and the S101 General Program for Series 7, Series 57, and all other registered persons.

(b) Delivery of Regulatory Element —Effective January 4, 2016, the continuing education Regulatory Element set forth in paragraph (a) of this Rule will be administered through Web- based delivery or such other technological manner and format as specified by the Exchange.

(c) Firm Element

(1) Persons Subject to the Firm Element—The requirements of Section (c) of this Rule shall apply to any registered person who prior to January 4, 2016 has a Series 56 registration or, effective January 4, 2016, any registered person who has a Series 57 registration or any associated person who has direct contact with customers in the conduct of the Trading Permit Holder's or TPH organization's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(2) Standards

(i) Each Trading Permit Holder and TPH organization must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each Trading Permit Holder and TPH organization shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the Trading Permit Holder's and TPH organization's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a Trading Permit Holder or TPH organization's analysis determines a need for supervisory training for persons with supervisory responsibilities such training must be included in the Trading Permit Holder or TPH organization's training plan.

(ii) Minimum Standards for Training Programs—Programs used to implement a Trading Permit Holder's or TPH organization's training plan must be appropriate for the business of the Trading Permit Holder or TPH organization and, at a minimum, must cover the following matters concerning securities

products, services and strategies offered by the Trading Permit Holder or TPH organization:

- (a) General investment features and associated risk factors;
- (b) Suitability and sales practice considerations; and
- (c) Applicable regulatory requirements.

(iii) Administration of Continuing Education Program—Each Trading Permit Holder and TPH organization must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) Participation in the Firm Element—Covered registered persons included in a Trading Permit Holder’s or TPH organization’s plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Trading Permit Holder or TPH organization.

(4) Specific Training Requirements—The Exchange may require a Trading Permit Holder or TPH organization, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

... Interpretations and Policies:

.01 For purposes of this Rule, the term “registered person” means any Trading Permit Holder, registered representative or other person registered or required to be registered under Exchange rules.

.02 For purposes of this Rule, the term “customer” means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a Trading Permit Holder or TPH organization.

.03 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary— and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity.

Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to

satisfy the program's requirements in their entirety on three occasions, based on the most recent registration date.

.04 A registration that is deemed inactive for a period of two calendar years pursuant to section (a)(2) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of Exchange rules.]

[Rule 9.4. Other Affiliations of Registered Associated Persons

(a) No person associated with a Trading Permit Holder in any registered capacity shall be employed by, or accept compensation from, any other person or entity as a result of any business activity, other than a passive investment, outside the scope of his/her relationship with his/her employer firm, unless the person has provided prompt written notice to the Trading Permit Holder and has received prior written consent of the Trading Permit Holder.

(b) Except with the prior written consent of the Trading Permit Holder and prompt written notice to the Exchange, every Registered Options Principal, Sales Supervisor, and Financial/Operations Principal registered with a Trading Permit Holder for which the Exchange is the DEA shall devote his/her entire time during business hours to the business of the TPH organization employing or compensating him/her.]

[Rule 9.5. Discipline, Suspension, Expulsion of Registered Persons

The Exchange may discipline, suspend or terminate the registration of any Registered Representative or Registered Options Principal for violation of the Bylaws or Rules of the Exchange or the Rules of the Clearing Corporation.]

[Rule 9.6. Branch Offices of TPH Organizations

(a) Every TPH organization approved to do options business with the public under this Chapter shall file with the Exchange and keep current a list of each of its branch offices showing the location of each such office and the name of the manager of each such office.

(b) No branch office of a TPH organization shall transact options business with the public unless the manager of such branch office has been qualified as a Registered Options Principal; provided, that this requirement shall not apply to branch offices in which not more than three Registered Representatives are located so long as the TPH organization can demonstrate that the options activities of such branch offices are appropriately supervised by a Registered Options Principal.

. . . Interpretations and Policies:

.01 Definition of Branch Office. — A “branch office” is any location where one or more associated persons of a Trading Permit Holder or TPH organization regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(A) any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;

(B) any location that is the associated person's primary residence; provided that: (i) only one associated person, or multiple associated persons, who reside at that location and are members of the same immediate family, conduct business at the location; (ii) the location is not held out to the public as an office and the associated person does not meet with customers at the location; (iii) neither customer funds nor securities are handled at that location; (iv) the associated person is assigned to a designated branch office, and such branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; (v) the associated person's correspondence and communications with the public are subject to all supervisory provisions of the Exchange's rules; (vi) electronic communications (e.g., e-mail) are made through the Trading Permit Holder's or TPH organization's electronic system; (vii) all orders are entered through the designated branch office or an electronic system established by the Trading Permit Holder or TPH organization that is reviewable at the branch office; (viii) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the Trading Permit Holder or TPH organization; and (ix) a list of the locations is maintained by the Trading Permit Holder or TPH organization;

(C) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the Trading Permit Holder or TPH organization complies with the provisions of (ii) through (viii) of paragraph (B) above;

(D) an office of convenience, where the associated person occasionally and exclusively by appointment meets with customers, which is not held out to the public as a branch office (where such location is on bank premises, however, only signage required by the Interagency Statement (Statement on Retail Sales of Nondeposit Investment Products required under Banking Regulations) may be displayed);

(E) any location that is used primarily to engage in non-securities activities and from which the associated person effects no more than 25 securities transactions in any one calendar year; provided that any advertisements or sales literature identifying such location also sets forth the address and telephone number of the location from which the associated person conducting business at the non-branch locations are directly supervised;

(F) the Floor of a registered national securities exchange where a Trading Permit Holder or TPH organization conducts a direct access business with public customers; or

(G) a temporary location established in response to the implementation of a business continuity plan.

Notwithstanding the exclusions in subparagraphs .01(A) - (G) above, any location that is responsible for supervising the activities of persons associated with a Trading Permit Holder or TPH organization at one or more non-branch locations of such Trading Permit Holder or TPH organization is considered to be a branch office.

For purposes of this Rule, the term “business day” shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

For purposes of this Rule, the term “associated person of a Trading Permit Holder or TPH organization” is defined as a Trading Permit Holder or employee associated with a Trading Permit Holder or TPH organization.

For purposes of .01(B)(viii) above, written supervisory procedures shall include criteria for on-site for cause reviews of an associated person’s primary residence. Such reviews must utilize risk-based sampling or other techniques designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

For purposes of .01(B)(viii) and (C) above, written supervisory procedures for such residences and other remote locations must be designed to assure compliance with applicable securities laws and regulations and with Exchange Rules.

Factors which should be considered when developing risk-based sampling techniques to determine the appropriateness of on-site for cause reviews of selected residences and other remote locations shall include, but not be limited to, the following: (i) the firm’s size; (ii) the firm’s organizational structure; (iii) the scope of business activities; (iv) the number and location of offices; (v) the number of associated persons assigned to a location; (vi) the nature and complexity of products and services offered; (vii) the volume of business done; (viii) whether the location has a Series 9/10-qualified person on-site; (ix) the disciplinary history of the registered persons or associated persons, including a review of such person’s customer complaints and Forms U4 and U5; and (x) the nature and extent of a registered person’s or associated person’s outside business activities, whether or not related to the securities business.]

[Rule 9.7. Opening of Accounts

(a) Approval Required. No TPH organization shall accept an order from a customer to purchase or write an option contract unless the customer’s account has been approved for options transactions in accordance with the provisions of this rule.

(b) Diligence in Opening Account. In approving a customer’s account for options transactions, a TPH organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information which shall be retained in accordance with Rule 9.8. Based upon such information, the branch office manager or other Registered Options Principal shall approve in writing the customer’s account for options transactions; provided, that if the branch office manager is not a Registered Options Principal, his approval shall within a reasonable time be confirmed by a Registered Options Principal.

(c) Verification of Customer Background and Financial Information. The background and financial information upon which the account of every new customer that is a natural person has been approved for options trading, unless the information is included in the customer’s account agreement, shall be sent to the customer for verification within fifteen (15)

days after the customer's account has been approved for options transactions. A copy of the background and financial information on file with the TPH organization shall also be sent to the customer for verification within fifteen (15) days after the TPH organization becomes aware of any material change in the customer's financial situation.

(d) **Agreements to Be Obtained.** Within 15 days after a customer's account has been approved for options transactions, a TPH organization shall obtain from the customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Rules 4.11 and 4.12.

(e) **Options Disclosure Documents to Be Furnished.** At or prior to the time a customer's account is approved for options transactions, a TPH organization shall furnish the customer with one or more current options disclosure documents in accordance with the requirements of Rule 9.15.

(f) **Every TPH organization transacting business with the public in uncovered option contracts shall develop, implement and maintain specific written procedures governing the conduct of such business which shall include, at least, the following:**

1. Specific criteria and standards to be used in evaluating the suitability of a customer for uncovered short option transactions;
2. Specific procedures for approval of accounts engaged in writing uncovered short option contracts, including written approval of such accounts by a Registered Options Principal;
3. Designation of a specific Registered Options Principal qualified individual(s) as the person(s) responsible for approving accounts which do not meet the specific criteria and standards for writing uncovered short option transactions and for maintaining written records of the reasons for every account so approved;
4. Establishment of specific minimum net equity requirements for initial approval and maintenance of customer uncovered option accounts; and
5. Requirements that customers approved for writing uncovered short options transactions be provided with a special written description of the risks inherent in writing uncovered short option transactions, at or prior to the initial uncovered short option transaction. See Rule 9.15(c).

... Interpretations and Policies:

.01 In fulfilling its obligations pursuant to paragraph (b) of Rule 9.7 with respect to options customers that are natural persons, a TPH organization shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

1. Investment objectives (e.g., safety of principal, income, growth, trading profits, speculation)

2. Employment status (name of employer, self-employed or retired)
3. Estimated annual income from all sources
4. Estimated net worth (exclusive of family residence)
5. Estimated liquid net worth (cash, securities, other)
6. Marital status; number of dependents
7. Age
8. Investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

In addition, the customer's account records shall contain the following information, if applicable:

- a. Source or sources of background and financial information (including estimates) concerning the customer
- b. Discretionary trading authorization: agreement on file, name, relationship to customer and experience of person holding trading authority
- c. Date(s) options disclosure document(s) furnished to customer
- d. Nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions)
- e. Name of registered representative
- f. Name of ROP approving account; date of approval
- g. Dates of verification of currency of account information.

The TPH organization should consider utilizing a standard account approval form so as to ensure the receipt of all the required information.

.02 Refusal of a customer to provide any of the information called for in Interpretation .01 shall be so noted on the customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

.03 The requirement of paragraph (c) of Rule 9.7 for the initial and subsequent verification of customer background and financial information is to be satisfied by sending to the customer the information required in Items 1 through 6 of Interpretation .01 above as contained in the Trading Permit Holder's records and providing the customer with an opportunity to correct or complete

the information. In all cases, absent advice from the customer to the contrary, the information will be deemed to be verified.

.04 For purposes of Rule 9.7 (Opening of Accounts), Rule 9.8 (Supervision of Accounts) and Rule 9.15 (Delivery of Current Options Disclosure Documents), the term writing uncovered short option positions shall include combinations and any transactions which involve naked writing.]

[Rule 9.8. Supervision of Accounts

(a) Duty to Supervise. The general partners or directors of each TPH organization that conducts a non-Trading Permit Holder customer business shall provide for appropriate supervisory control and shall designate a general partner or executive officer, who shall be identified to the Exchange, to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations. This person, who may be the same individual designated pursuant to substantially similar New York Stock Exchange or National Association of Securities Dealers rules, shall:

1. Delegate to qualified employees responsibilities and authority for supervision and control of each office, department or business activity, and shall provide for appropriate written procedures of supervision and control.

2. Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

3. Develop and implement written policies and procedures reasonably designed to independently supervise the activities of accounts serviced by branch office managers, sales managers, regional/district sales managers or any person performing a similar supervisory function. Such supervisory reviews must be performed by a qualified Registered Options Principal who:

i. Is either senior to, or otherwise independent of, the producing manager under review. For purposes of this Rule, an “otherwise independent” person: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager’s customer activity that represents more than 10% of the designated person’s gross income derived from the TPH organization over the course of a rolling twelve-month period, the TPH organization must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

ii. If a TPH organization is so limited in size and resources that there is no qualified Registered Options Principal senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to paragraph (a)(3)(i) of this Rule (for instance, the TPH organization has only one office, or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a Registered Options Principal in compliance with paragraph (a)(3)(i) of this Rule to the extent practicable.

iii. A TPH organization relying on paragraph (a)(3)(ii) of this Rule must document the factors used to determine that complete compliance with all of the provisions of paragraph (a)(3)(i) of this Rule is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of paragraph (a)(3)(i) of this Rule to the extent practicable.

iv. A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraphs (a)(3)(i), (a)(3)(ii) and (a)(3)(iii) of this Rule will be deemed to have met such requirements.

(b) Maintenance of Customer Records.

1. Background and financial information of customers who have been approved for options transactions shall be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers shall be maintained at both the branch office supervising the accounts and the principal supervisory office having jurisdiction over that branch for the most recent six-month period. With respect to the record retention responsibility of principal supervisory offices, customer information and account statements may be maintained at a location off premises so long as the records are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts shall be maintained at a place easily accessible both to the branch office servicing the customer's account and to the principal supervisory office having jurisdiction over that branch office.

2. Upon the written instructions of a customer, a Trading Permit Holder may hold mail for a customer who will not be at his or her usual address for the period of his or her absence, but (A) not to exceed two months if the Trading Permit Holder is advised that such customer will be on vacation or traveling or (b) not to exceed three months if the customer is going abroad.

3. Before any customer order is executed, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a Trading Permit Holder or a person(s) designated by the designated general partner or executive officer (pursuant to Rule 9.8). Such person must,

prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the Trading Permit Holder. The essential facts relied upon by the person approving the change must be documented in writing and preserved for a period of not less than three years, the first two years in an easily accessible place, as the term “easily accessible place” is used in SEC Rule 17a-4.

For purposes of this paragraph (b)(3), a person(s) designated by the designated general partner or executive officer (pursuant to Rule 9.8) must be a Registered Options Principal.

(c) Internal Controls.

(i) TPH organizations must develop and maintain adequate controls over each of its business activities. Such controls must provide for the establishment of procedures for verification and testing of those business activities. An ongoing analysis, based upon appropriate criteria, may be employed to assess and prioritize those business activities requiring independent verification and testing. A review of each TPH organization’s efforts with respect to internal controls, including a summary of tests conducted and significant exceptions identified, must be included in the annual report required by paragraph (g) of this Rule.

(ii) A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (c)(i) of this Rule will be deemed to have met such requirements.

(d) Annual Branch Office Inspections.

1. Each branch office that supervises one or more non-branch locations must be inspected no less often than once each calendar year unless:

(i) it has been demonstrated to the satisfaction of the Exchange that because of proximity, special reporting or supervisory practice, other arrangements may satisfy this Rule’s requirements for a particular branch office; or

(ii) based upon the written policies and procedures of such TPH organization providing for a systematic risk-based surveillance system, the TPH organization submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to paragraph (e) of this Rule.

2. Every branch office, without exception, must be inspected at least once every three calendar-years. All required inspections must be conducted by a person who is independent of the direct supervision and control of the branch office in question (i.e., not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). Written reports reflecting the results of such inspections are to be maintained at the TPH organization for the longer of three years or until the next branch office inspection.

3. A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in paragraph (d)(1) and (d)(2) of this Rule as well as to related requirements in paragraphs (e) and (f) of this Rule will be deemed to have met such requirements.

(e) Risk -Based Surveillance and Branch Office Identification.

1. Any TPH organization seeking an exemption, pursuant to Rule 9.8(d)(1)(ii), from the annual branch office inspection requirement must submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices. Such policies and procedures should reflect, among other factors, the TPH organization's business model and product mix. Such policies and procedures must also, at a minimum, provide for:

(i) The inspection of branches where developments during the year require a reconsideration of such branch's exemption;

(ii) A requirement that no less than half of the branch offices inspected each year on a cycle basis be done on an unannounced basis; and

(iii) A system to enable employees to report compliance issues on a confidential basis outside of the branch office chain of command.

2. For purposes of paragraph (e)(1) of this Rule, the risk-based factors to be considered should include, but not necessarily be limited to, the following:

(i) Number of Registered Representatives;

(ii) A significant increase in the number of Registered Representatives;

(iii) Number of customers and volume of transactions;

(iv) A significant increase in branch office revenues;

(v) Incidence of concentrated securities positions in customer's accounts;

(vi) Aggregate customer assets held;

(vii) Nature of the business conducted and the sales practice risk to investors associated with the products sold, and product mix (e.g. options, equities, mutual funds, annuities, etc.);

(viii) Numbers of accounts serviced on a discretionary basis;

(ix) Compliance and regulatory history of the branch, including:

(A) Registered Representatives subject to special supervision by the TPH organization, self-regulatory authorities, state regulatory authorities or the

Securities and Exchange Commission in years other than the previous or current year;

(B) Complaints, arbitrations, internal discipline, or prior inspection findings; and

(C) Persons subject to recent disciplinary actions by self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission.

(x) Operational factors, such as the number of errors and account designation changes per Registered Representative;

(xi) Incidence of accommodation mailing addresses (e.g., post office boxes and “care of” accounts);

(xii) Whether the branch office permits checks to be picked up by customers or hand delivery of checks to customers;

(xiii) Experience, function (producing or non-producing) and compensation structure of branch office manager;

(xiv) Branch offices recently opened or acquired; and

(xv) Changes in branch location, status or management personnel.

3. Notwithstanding any policies or procedures implemented pursuant to this Rule, branch offices that meet any of the following criteria must be inspected no less often than once each calendar year:

(i) Offices with one or more Registered Representatives subject to special supervision as required by a self-regulatory authority or state regulatory authority during the current or immediately preceding year.

(ii) Offices with 25 or more registered individuals;

(iii) Offices in the top 20% of production or customer assets for the TPH organization;

(iv) Any branch office not inspected within the previous two calendar years; and

(v) Any branch office designated as exercising supervision over another branch office.

(f) Criteria for Inspection Programs. An annual branch office inspection program must include, but is not limited to, testing and independent verification of internal controls related to the following areas:

1. Safeguarding of customer funds and securities;
2. Maintaining books and records;
3. Supervision of customer accounts serviced by branch office managers;
4. Transmittal of funds between customers and Registered Representatives and between customers and third parties;
5. Validation of customer address changes; and
6. Validation of changes in customer account information.

(g) Written Report. By April 1 of each year, each TPH organization that conducts a non-Trading Permit Holder customer business shall submit to the Exchange a written report on the TPH organization's supervision and compliance effort during the preceding year and on the adequacy of the TPH organization's ongoing compliance processes and procedures. Each TPH organization that conducts a public customer options business shall also specifically include its options compliance program in the report. The report shall include, but not be limited to, the following:

1. A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations.
2. Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the proceeding year's efforts of this nature.
3. Discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in each of the following areas: (i) antifraud and trading practices; (ii) investment banking activities; (iii) sales practices; (iv) books and records; (v) finance and operations; (vi) supervision; (vii) internal controls, and (viii) anti-money laundering. If any of these areas do not apply to the TPH organization, the report shall so state.
4. For each TPH organization, the designation of a general partner or principal executive officer as Chief Compliance Officer (which designation shall be updated on Schedule A of Form BD).
5. A certification signed by the TPH organization's Chief Executive Officer (or equivalent), that:
 - (i) The TPH organization has in place processes to:
 - (A) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,

(B) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and

(C) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

(ii) In TPH organizations, the Chief Executive Officer (or equivalent officer) conducted one or more meetings with the organization's Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the organization's prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

(iii) In TPH organizations, the processes described in paragraph (g)(5)(i) of this Rule, are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the organization may deem necessary to make this certification, and submitted to the organization's board of directors and audit committee (if such committee exists) on or before April 1st of each year.

(iv) In TPH organizations, the Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(5)(iii) of this Rule and such other employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

A TPH organization that specifically includes its options compliance program in a report that complies with substantially similar requirements of the New York Stock Exchange or the National Association of Securities Dealers will be deemed to have met the requirements of this Rule 9.8(g) and Rule 9.8(h).

(h) **Reports to Control Persons.** By April 1 of each year, each TPH organization shall submit a copy of the report that Rule 9.8(g) requires the TPH organization to prepare to its one or more control persons or, if the TPH organization has no control person, to the audit committee of its board of directors or its equivalent committee or group. In the case of a control person that is an organization (a "controlling organization"), the TPH organization shall submit the report to the general counsel of the controlling organization and to the audit committee of the controlling organization's board of directors or its equivalent committee or group. For the purpose of this paragraph, "control person" means a person who controls the TPH organization.

. . . Interpretations and Policies:

.01 Each TPH organization that conducts a non-Trading Permit Holder customer business shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-Trading Permit Holder customer accounts, and all orders in such accounts.

Such written procedures shall specifically identify the titles and positions of individuals who have been delegated authority and responsibility for an identified segment of the TPH organization's business, including option compliance functions. The procedures shall also include the registration status and location of all such supervisory and compliance personnel. Each TPH organization shall also develop and implement specific written procedures concerning the manner of supervision of customer accounts maintaining uncovered short option positions, and specifically providing for frequent supervisory review of such accounts.

.02 Each TPH organization shall maintain at the principal supervisory office having jurisdiction over the office servicing the customer's account, or shall have readily accessible and promptly retrievable, information to permit review of each customer's options account on a timely basis to determine (i) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved; (ii) the size and frequency of options transactions; (iii) commission activity in the account; (iv) profit or loss in the account; (v) undue concentration in any options class or classes and (vi) compliance with the provisions of Regulation T of the Federal Reserve Board.

.03 Documentation evidencing the annual written report required by paragraph (g) of this rule, must be maintained in a place that is easily accessible and shall be provided to the Exchange upon request.]

[Rule 9.9. Suitability of Recommendations

Every Trading Permit Holder, Registered Options Principal or Registered Representative who recommends to a customer the purchase or sale (writing) of any option contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such customer on the basis of the information furnished by such customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such Trading Permit Holder, Registered Options Principal or Registered Representative.

No Trading Permit Holder, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any option contract unless the person making the recommendation has a reasonable basis for believing at the time of making the recommendation that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the option contract.

. . . Interpretations and Policies:

.01 No Trading Permit Holder, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any Delayed Start Option Series unless the customer previously has engaged in an options transaction.]

[Rule 9.10. Discretionary Accounts

(a) **Authorization and Approval Required.** No TPH organization shall exercise any discretionary power with respect to trading in options contracts in a customer's account unless such customer has given prior written authorization and the account has been accepted in writing by a Registered Options Principal. Each firm shall designate specific Registered Options Principal qualified individuals pursuant to Rule 9.8 to review discretionary accounts. A Registered Options Principal qualified person specifically delegated such responsibilities under Rule 9.8 (who is an individual other than the Registered Options Principal who accepted the account) shall review the acceptance of each discretionary account to determine that the Registered Options Principal accepting the account had a reasonable basis for believing that the customer was able to understand and bear the risks of the strategies or transactions proposed, and he shall maintain a record of the basis for his determination. Every discretionary order shall be identified as discretionary on the order at the time of entry. Discretionary accounts shall receive frequent appropriate supervisory review by a Registered Options Principal qualified person specifically delegated such responsibilities under Rule 9.8, who is not exercising the discretionary authority.

(b) **Record of Transactions.** A record shall be made of every option transaction for an account in respect to which a TPH organization is vested with any discretionary power, such record to include the name of the customer, the designation, number of contracts and premium of the option contracts, and the date and time when such transaction took place.

(c) **Excessive Transactions Prohibited.** No TPH organization shall effect with or for any customer's account in respect to which such TPH organization is vested with any discretionary power any transactions of purchase or sale of option contracts which are excessive in size or frequency in view of the financial resources and character of such account.

(d) **Discretion as to Price or Time Excepted.** This rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined below, pursuant to valid Good-Till-Cancelled instructions issued on a "not held" basis. Any exercise of time and price discretion must be reflected on the order ticket. As used in this paragraph (d) the term "institutional account" shall mean the account of: (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

(e) **Options Programs.** Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the customer shall be furnished

with a written explanation, meeting the requirements of Rule 9.21, of the nature and risks of such programs.

. . . Interpretations and Policies:

.01 Any TPH organization that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.]

[Rule 9.11. Confirmation to Customers

Every TPH organization shall promptly furnish to each customer a written confirmation of each transaction in option contracts which shall show the underlying security type of option expiration month, exercise price, number of option contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale, whether the transaction was an opening or a closing transaction and whether a principal or agency transaction. The confirmation shall by appropriate symbols distinguish between Exchange transactions and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.]

[Rule 9.12. Statements of Accounts to Customers

Every TPH organization shall send to its customers statements of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations. With respect to options customers having a general (margin) account, such statement shall also provide the mark-to-market price and market value of each option position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. The statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed option transactions has been included in confirmations of such transactions previously furnished to the customer, and that such information will be made available to the customer promptly upon request. The statement shall also bear a legend requesting the customer to promptly advise the Trading Permit Holder of any material change in the customer's investment objectives or financial situation. Such statements of account shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

. . . Interpretations and Policies:

.01 For purposes of the foregoing rule, general (margin) account equity shall be computed by subtracting the total of the "short" security values and any debit balance from the total of the "long" security values and any credit balance.]

[Rule 9.13. Statements of Financial Condition to Customers

Every TPH organization shall send to each of its customers statements of the TPH organization's financial condition as required by Rule 17a-5 under the Securities Exchange Act of 1934.]

[Rule 9.14. Addressing of Communications to Customers

No TPH organization shall address any communications to a customer in care of any other person unless either (a) the customer, within the preceding 12 months, has instructed the TPH organization in writing to send communications in care of such other persons, or (b) duplicate copies are sent to the customer at some other address designated in writing by him.]

[Rule 9.15. Delivery of Current Options Disclosure Documents

(a) Options Disclosure Documents. Every TPH organization shall deliver a current options disclosure document to each customer, at or prior to the time such customer's account is approved for options transactions. A copy of each amendment to an options disclosure document shall be furnished to each customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. Where such customer is a broker or dealer, the TPH organization shall take reasonable steps to see to it that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by him in order to enable him to comply with the requirements of this Rule. The Exchange will advise Trading Permit Holders when an options disclosure document is amended. The term "current options disclosure document" means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Securities Exchange Act of 1934.

(b) The written description of risks required by Rule 9.7(f)5 shall be in a format prescribed by the Exchange or in a format developed by the TPH organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

Sample Risk Description for Use by Firms to Satisfy Requirements of Exchange Rule 9.15(b)

Special Statement for Uncovered Option Writers

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.

2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying

instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

3. Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

(c) The special written disclosure statement describing the nature and risks of portfolio margining and acknowledgement for customer signature, required by Rule 12.4(c)(2) shall be in a format prescribed by the Exchange or in a format developed by the TPH organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.]

[Rule 9.16. Restrictions on Pledge and Lending of Customers' Securities

(a) No TPH organization shall lend, either to itself or to others, securities carried for the account of any customer, unless such TPH organization shall first have obtained a separate written authorization from such customer permitting the lending of such by such TPH organization; and, regardless of any agreement between a TPH organization and a customer authorizing the TPH organization to lend or pledge such securities, no TPH organization shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the customer to such TPH organization except such lending as may be specifically authorized under paragraph (b) hereof.

(b) No TPH organization shall lend securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be loaned in view of the indebtedness of the customer, unless such TPH organization shall first

have obtained from such customer a separate written authorization designating the particular securities to be loaned.

(c) No TPH organization shall hold securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be pledged in view of the indebtedness of the customer, unless such securities are segregated and identified by a method which clearly indicates the interest of such customer in those securities.]

[Rule 9.17. Transactions of Certain Customers

No TPH organization shall execute any transaction in securities or carry a position in any security in which (a) an officer or employee of the Exchange, or an officer or employee of a corporation in which the Exchange owns the majority of the capital stock is directly or indirectly interested, without the prior written consent of the Exchange, or (b) a partner, officer, director, principal shareholder or employee of another TPH organization is directly or indirectly interested, without the consent of such other TPH organization. Where the required consent has been granted, duplicate reports of the transaction and position shall be promptly sent to the Exchange or TPH organization, as the case may be.]

[Rule 9.18. Prohibition Against Guarantees and Sharing in Accounts

(a) *Prohibition Against Guarantees.* No TPH organization or person associated with a Trading Permit Holder shall guarantee a customer against loss in his account or in any transaction effected with or for such customer.

(b) *Sharing in Accounts; Extent Permissible*

(1)

(A) Except as provided in paragraph (2), no Trading Permit Holder or person associated with a Trading Permit Holder shall share directly or indirectly in the profits or losses in any account of a customer carried by the Trading Permit Holder or any other Trading Permit Holder; provided, however, that a Trading Permit Holder or person associated with a Trading Permit Holder may share in the profits or losses in such an account if:

(i) such person associated with a Trading Permit Holder obtains prior written authorization from the Trading Permit Holder employing the associated person;

(ii) such Trading Permit Holder or person associated with a Trading Permit Holder obtains prior written authorization from the customer; and

(iii) such Trading Permit Holder or person associated with a Trading Permit Holder shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made

to such account by either the Trading Permit Holder or person associated with a Trading Permit Holder.

(B) Exempt from the direct proportionate share limitation of paragraph (1)(A)(iii) are accounts of the immediate family of such Trading Permit Holder or person associated with a Trading Permit Holder. For purposes of this Rule, the term “immediate family” shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Trading Permit Holder or person associated with a Trading Permit Holder otherwise contributes directly or indirectly.

(2) Notwithstanding the prohibition of paragraph (1), a Trading Permit Holder or person associated with a Trading Permit Holder that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:

(A) such person associated with a Trading Permit Holder seeking such compensation obtains prior written authorization from the Trading Permit Holder employing the associated person;

(B) such Trading Permit Holder or person associated with a Trading Permit Holder seeking such compensation obtains prior written authorization from the customer; and

(C) all of the conditions in Rule 205-3 of the Investment Advisers Act (as the same may be amended from time to time) are satisfied.]

[Rule 9.19. Assuming Losses

No TPH organization shall assume for its own account any position in a security traded on the Exchange, where such position was established for a customer, after a loss to the customer has been established or ascertained, unless the contract was made by the TPH organization’s mistake or unless approval of the Exchange has first been obtained.]

[Rule 9.20. Transfer of Accounts

(a) When a customer whose securities account is carried by a TPH organization (the “carrying organization”) wants to transfer the entire account to another TPH organization (the “receiving organization”) and gives written notice of that fact to the receiving organization, both TPH organizations must expedite and coordinate activities with respect to the transfer.

(b)

(1) Upon receipt from the customer of a signed broker-to-broker transfer instruction to receive such customer’s securities account, the receiving organization will immediately submit such instruction to the carrying organization. The carrying organization must, within five business days following receipt of such instruction, (i) validate and return the transfer instruction (with an attachment reflecting all positions and money balances as shown on its books) to the receiving organization, or (ii) take

exception to the transfer instruction for reasons other than securities positions or money balance discrepancies and advise the receiving organization of the exception taken.

(2) The carrying organization and the receiving organization must promptly resolve any exceptions taken to the transfer instruction.

(3) Within five business days following the validation of a transfer instruction, the carrying organization must complete the transfer of the customer's securities account to the receiving organization. The carrying organization and the receiving organization must establish fail to receive and fail to deliver contracts at then current market values upon their respective books of account against the long/short positions (including options) in the customer's securities account that have not been physically delivered/received and the receiving/carrying organization must debit/credit the related money account. The customer's securities account shall thereupon be deemed transferred.

(c) Any fail contracts resulting from this account transfer procedure must be closed out within ten business days after their establishment.

(d) Any discrepancies relating to positions or money balances that exist or occur after transfer of a customer's securities account must be resolved promptly.

(e) When both the carrying organization and the receiving organization are participants in a Clearing Corporation having automated customer securities account transfer capabilities, the account transfer procedure, including the establishing and closing out of fail contracts, must be accomplished in accordance with the provisions of this Rule and pursuant to the rules of and through such Clearing Corporation.

(f) The Exchange may exempt from the provisions of this Rule, either unconditionally or on specified terms and conditions, (i) any TPH organization or class of TPH organizations, or (ii) any type of account, security or financial instrument.

(g) Unless an exemption has been granted pursuant to paragraph (f) of this Rule, the Exchange may impose upon a TPH organization a fee of up to \$100 per securities account for each day such TPH organization fails to adhere to the time frames or procedures required by this Rule and related published interpretations.

. . . Interpretations and Policies:

.01 For purposes of this Rule, the term "securities account" shall be deemed to include any and all of the account's money market fund positions or the redemption value thereof.

.02 Transfer instructions and reports required by this Rule shall be in such form as may be prescribed by the Exchange.]

[Rule 9.21. Options Communications

(a) Definitions. For purposes of this Rule and any interpretation thereof, “options communications” consist of:

(i) Correspondence. The term “correspondence” shall include any written (including electronic) communication distributed or made available to 25 or fewer retail customers within any 30 calendar-day period.

(ii) Institutional Communication. The term “institutional communication” shall include any written (including electronic) communication concerning options that is distributed or made available only to institutional investors, but does not include a Trading Permit Holder’s internal communications. The term institutional investor shall mean any qualified investor as defined in Section 3(a)(54) of the Securities Exchange Act of 1934.

(iii) Retail Communication. The term “retail communication” means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

(b) Approval by Registered Options Principal.

(i) All retail communications (except completed worksheets) issued by a Trading Permit Holder or TPH organization pertaining to options shall be approved in advance by a Registered Options Principal designated by the Trading Permit Holder or TPH organization’s written supervisory procedures.

(ii) Correspondence need not be approved by a Registered Options Principal prior to use. All correspondence is subject to the supervision and review requirements of Rule 9.8.

(iii) Institutional communications. Each Trading Permit Holder or TPH organization shall establish written procedures that are appropriate to its business, size, structure, and customers for review by a Registered Options Principal of institutional communications used by the Trading Permit Holder or TPH organization.

(iv) Copies of the options communications shall be retained by the Trading Permit Holder or TPH organization in accordance with Rule 17a-4 under the Securities Exchange Act of 1934. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein shall be retained by the Trading Permit Holder or TPH organization and kept in the form and for the time periods required for options communications by Rule 17a-4.

(c) Exchange Approval Required. In addition to the approval required by paragraph (b) of this Rule, retail communications of a Trading Permit Holder or TPH organization pertaining to standardized options that is not accompanied or preceded by the applicable current

options disclosure document (“ODD”) shall be submitted to the Exchange at least ten calendar days prior to use (or such shorter period as the Exchange may allow in particular instances) for approval and, if changed or expressly disapproved by the Exchange, shall be withheld from circulation until any changes specified by the Exchange have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, Exchange approval. The requirements of this paragraph shall not be applicable to:

(i) options communications submitted to another self-regulatory organization having comparable standards pertaining to such communications and

(ii) communications in which the only reference to options is contained in a listing of the services of the TPH organization;

(iii) the ODD; and

(iv) the prospectus.

(d) General Rule. No Trading Permit Holder or member organization or associated person shall use any options communication which:

(i) Contains any untrue statement or omission of a material fact or is otherwise false or misleading.

(ii) Contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labeled as forecasts.

(iii) Contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the materials.

(iv) Contains statements suggesting the certain availability of a secondary market for options.

(v) Fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies.

(vi) Fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary.

(vii) Fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics, or other technical data, will be supplied upon request.

(viii) would constitute a prospectus as that term is defined in the Securities Act of 1933, unless it meets the requirements of Section 10 of the Securities Act of 1933. Paragraphs

(ix) (vi) and (vii) shall not apply to institutional communications as defined in this Rule 9.21. Any statement in any options communications referring to the potential opportunities or advantages presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided.

Paragraphs (vi) and (vii) shall not apply to institutional sales material as defined in this Rule 9.21.

(e) Standards Applicable to Options Communications

(i) Unless preceded or accompanied by the ODD, options communications shall:

(A) Be limited to general descriptions of the options being discussed.

(B) Contain contact information for obtaining a copy of the ODD.

(C) Not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities.

(ii) Options communications used prior to ODD delivery may:

(A) Contain a brief description of options, including a statement that identifies registered clearing agencies for options. The text may also contain a brief description of the general attributes and method of operation of the exchanges on which options are traded, including a discussion of how an option is priced.

(B) Include any statement required by any state law or administrative authority.

(C) Include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics, provided such material is not misleading.

. . . Interpretations and Policies:

.01 The Rule 9.21(e)(i)(B) requirement to include contact information for obtaining a copy of the ODD may be satisfied by providing a name and address or one or more telephone numbers from which the current options disclosure document may be obtained; directing existing clients to contact their registered representative; or including a response card through which a current options disclosure document may be obtained. An internet address may also be used, however, such an address must be accompanied by either a telephone number or mailing address for use by those investors who do not have access to the internet.

.02 Projections.

Options communications may contain projected performance figures (including projected annualized rates of return), provided that:

- (i) All such communications are accompanied or preceded by the ODD.
- (ii) No suggestion of certainty of future performance is made.
- (iii) Parameters relating to such performance figures are clearly established (e.g., to indicate exercise price of option, purchase price of the underlying stock and its market price, option premium, anticipated dividends, etc.).
- (iv) All relevant costs, including commissions, fees and interest charges (as applicable) are disclosed.
- (v) Such projections are plausible and are intended as a source of reference or a comparative device to be used in the development of a recommendation.
- (vi) All material assumptions made in such calculations are clearly identified (e.g., “assume option expires”, “assume option unexercised”, “assume option exercised,” etc.).
- (vii) The risks involved in the proposed transactions are also discussed.
- (viii) In communications relating to annualized rates of return, that such returns are not based upon any less than a sixty-day experience; any formulas used in making calculations are clearly displayed; and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

.03 Historical Performance

Options communications may feature records and statistics which portray the performance of past recommendations or of actual transactions, provided that:

- (i) All such communications are accompanied or preceded by the ODD.
- (ii) Any such portrayal is done in a balanced manner, and consists of records or statistics that are confined to a specific “universe” that can be fully isolated and circumscribed and that covers at least the most recent 12-month period.
- (iii) Such communications include the date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics, in lieu of the complete record there may be included the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request.

(iv) All relevant costs, including commissions, fees, and interest charges (as applicable) are disclosed.

(v) Whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed.

(vi) An indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid.

(vii) Such communications state that the results presented should not and cannot be viewed as an indicator of future performance.

(viii) A Registered Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the report.

.04 Options Programs. In communications regarding an options program (i.e., an investment plan employing the systematic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.]

[Rule 9.22. Brokers' Blanket Bonds

Every TPH organization approved to transact business with the public under this Chapter and every Clearing Trading Permit Holder shall carry Brokers' Blanket Bonds covering their officers and employees in such form and in such amounts as the Exchange may require.

. . . Interpretations and Policies:

.01 The Exchange has determined that all Trading Permit Holders subject to the provisions of Rule 9.22 shall maintain Brokers' Blanket Bonds as follows:

(a) Coverage Required

(1) Maintain a Brokers' Blanket Bond similar to the standard form established by the Surety Association of America, covering officers and employees which provides against loss and has agreements covering at least the following:

- A. Fidelity
- B. On Premises
- C. In Transit
- D. Misplacement
- E. Forgery and Alteration (including check forgery)
- F. Securities Loss (including securities forgery)

G. Fraudulent Trading

H. A Cancellation Rider providing that the insurance carrier will promptly notify the Cboe Exchange, Inc., Inc. of cancellation, termination or substantial modification of the bond

(2) Maintain minimum coverage for all insuring agreements required in this paragraph (a) of not less than \$25,000.

(3) Maintain required coverage for Fidelity, On Premises, In Transit, Misplacement, and Forgery and Alteration insuring agreements of not less than 120% of its required net capital under SEC Rule 15c3-1 up to \$600,000. Minimum coverage for required net capital in excess of \$600,000 shall be determined by reference to the following table:

Net Capital Requirement Under SEC Rule 15c3-1	Minimum Coverage
\$ 600,001-\$1,000,000	\$750,000
\$1,000,001-\$2,000,000	\$1,000,000
\$2,000,001-\$3,000,000	\$1,500,000
\$3,000,001-\$4,000,000	\$2,000,000
\$4,000,001-\$5,000,000	\$3,000,000
\$6,000,001-\$12,000,000	\$4,000,000
\$12,000,001- and above	\$5,000,000

(4) Maintain Fraudulent Trading coverage of not less than \$25,000 or 50% of the coverage required in paragraph (a)(3) whichever is greater, up to \$500,000;

(5) Maintain Securities Forgery coverage of not less than \$25,000 or 25% of the coverage required in paragraph (a)(3), whichever is greater, up to \$250,000.

(b) Deductible Provision

(1) A deductible provision may be included in the bond of up to \$5,000 or 10% of the minimum insurance requirement established hereby, whichever is greater.

(2) If a Trading Permit Holder desires to maintain coverage in excess of the minimum insurance requirement, then a deductible provision may be included in the bond of up to \$5,000 or 10% of the amount of blanket bond coverage provided in the

bond purchased, whichever is greater. However, the excess of any such deductible amount over the maximum permissible deductible amount described in subparagraph (1) above must be deducted from the Trading Permit Holder's net worth in the calculation of the Trading Permit Holder's net capital for purposes of SEC Rule 15c3-1.

(3) When the Trading Permit Holder is covered under the Brokers' Blanket Bond of an affiliate, the Trading Permit Holder must deduct from its net capital the deductible provision in excess of the maximum permissible amount described in subparagraph (1) above.

(c) Annual Review of Coverage

(1) In determining the initial minimum coverage amount, the Trading Permit Holder is to use the highest required net capital during the twelve-month period immediately preceding (and make) the issuance of the Brokers' Blanket Bond. This amount shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subparagraphs (a)(3), (4), and (5).

(2) Each Trading Permit Holder, shall review, as of the anniversary date of the issuance of the bond, the adequacy thereof by reference to the highest required net capital during the immediately preceding twelve-month period, which amount shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subparagraphs (a)(2), (3), (4), and (5).

(3) Each Trading Permit Holder shall make required adjustments not more than thirty days after the anniversary date of the issuance of such bond.

(d) Notification of Change

Each Trading Permit Holder shall report the cancellation, termination or substantial modification of the bond to the Exchange within ten business days of such occurrences.

(e) Trading Permit Holders Subject to Other Bonding Rules

Trading Permit Holders subject to a bonding rule of another registered national securities exchange, the Securities and Exchange Commission, or a registered national securities association which imposes requirements that are equal to or greater than the requirements imposed by the Rule shall be deemed to be in compliance with the provisions of this Rule.]

[Rule 9.23. Customer Complaints

Every TPH organization conducting a non-Trading Permit Holder customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved. The term "options-related complaint" shall mean any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with listed options. The central file shall be located at the principal place of business of the TPH organization or such other principal office as shall be designated by the TPH organization. At a minimum, the central file shall

include: (i) identification of complainant, (ii) date complaint was received, (iii) identification of Registered Representative servicing the account, (iv) a general description of the matter complained of, and (v) a record of what action, if any, has been taken by the TPH organization with respect to the complaint. Each options-related complaint received by a branch office of a TPH organization shall be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office. A copy of every options-related complaint shall be maintained at the branch office that is the subject of the complaint.]

[Rule 9.24. Telemarketing

(a) Telemarketing Restrictions. No Trading Permit Holder or associated person shall make an outbound telephone call to:

- (1) any person's residence at any time other than between 8 a.m. and 9 p.m. local time at the called person's location;
- (2) any person that previously has stated that he or she does not wish to receive any outbound telephone calls made by or on behalf of the Trading Permit Holder; or
- (3) any person who has registered his or her telephone number on the Federal Trade Commission's national do-not-call registry.

(b) Caller Disclosures. No Trading Permit Holder or associated person shall make an outbound telephone call to any person without disclosing truthfully, promptly and in a clear and conspicuous manner to the called person the following information:

- (1) the identity of the caller and the TPH organization;
- (2) the telephone number or address at which the caller may be contacted; and
- (3) that the purpose of the call is to solicit the purchase of securities or related services.

The telephone number provided may not be a 900 number or any other number for which charges exceed local or long-distance transmission charges.

(c) Exceptions. The prohibition of paragraph (a)(1) does not apply to outbound telephone calls by a Trading Permit Holder or an associated person if:

- (1) the Trading Permit Holder has received that person's express prior consent;
- (2) the Trading Permit Holder has an established business relationship with the person; or
- (3) the person called is a broker or dealer.

(d) Trading Permit Holder's Firm-Specific Do-Not-Call List.

(1) Each Trading Permit Holder shall make and maintain a centralized list of persons who have informed the Trading Permit Holder or any of its associated persons that they do not wish to receive outbound telephone calls.

(2) Prior to engaging in telemarketing, a Trading Permit Holder must institute procedures to comply with paragraphs (a) and (b). Such procedures must meet the following minimum standards:

(A) Written policy. Trading Permit Holders must have a written policy for maintaining the do-not-call list described under paragraph (d)(1).

(B) Training of personnel engaged in telemarketing. Personnel engaged in any aspect of telemarketing must be informed and trained in the existence and use of the do-not-call list.

(C) Recording, disclosure of do-not-call requests. If a Trading Permit Holder receives a request from a person not to receive calls from that Trading Permit Holder, the Trading Permit Holder must record the request and place the person's name, if provided, and telephone number on the Trading Permit Holder's firm-specific do-not-call list at the time the request is made. Trading Permit Holders must honor a person's do-not-call request within a reasonable time from the date such request is made. This period may not exceed 30 days from the date of such request. If such requests are recorded or maintained by a party other than the Trading Permit Holder on whose behalf the outbound telephone call is made, the Trading Permit Holder on whose behalf the outbound telephone call is made will be liable for any failures to honor the do-not-call request.

(D) Identification of telemarketers. A Trading Permit Holder or associated person making an outbound telephone call must make the caller disclosures set forth in paragraph (b).

(E) Affiliated persons or entities. In the absence of a specific request by the person to the contrary, a person's do-not-call request shall apply to the Trading Permit Holder making the call, and shall not apply to affiliated entities unless the consumer reasonably would expect them to be included given the identification of the caller and the product being advertised.

(F) Maintenance of do-not-call lists. A Trading Permit Holder making outbound telephone calls must maintain a record of a person's request not to receive further calls.

(e) Do-Not-Call Safe Harbors.

(1) A Trading Permit Holder or associated person making outbound telephone calls will not be liable for violating paragraph (a)(3) if:

(A) the Trading Permit Holder has an established business relationship with the called person. A person's request to be placed on the Trading Permit Holder's firm-specific do-not-call list terminates the established business relationship exception to the national do-not-call registry provision for that Trading Permit Holder even if the person continues to do business with the Trading Permit Holder;

(B) the Trading Permit Holder has obtained the person's prior express written consent. Such consent must be clearly evidenced by a signed, written agreement (which may be obtained electronically under the E-Sign Act) between the person and the Trading Permit Holder, which states that the person agrees to be contacted by the Trading Permit Holder and includes the telephone number to which the calls may be placed; or

(C) the Trading Permit Holder or associated person making the call has a personal relationship with the called person.

(2) A Trading Permit Holder or associated person making outbound telephone calls will not be liable for violating paragraph (a)(3) if the Trading Permit Holder or associated person demonstrates that the violation is the result of an error and that as part of the Trading Permit Holder's routine business practice:

(A) the Trading Permit Holder has established and implemented written procedures to comply with paragraphs (a) and (b);

(B) the Trading Permit Holder has trained its personnel, and any entity assisting in its compliance, in the procedures established pursuant to paragraph (e)(2)(A);

(C) the Trading Permit Holder has maintained and recorded a list of telephone numbers that it may not contact in compliance with paragraph (d); and

(D) the Trading Permit Holder uses a process to prevent outbound telephone calls to any telephone number on the Trading Permit Holder's firm-specific do-not-call list or the national do-not-call registry, employing a version of the national do-not-call registry obtained from the Federal Trade Commission no more than 31 days prior to the date any call is made, and maintains records documenting this process.

(f) **Wireless Communications.** The provisions set forth in this Rule are applicable to Trading Permit Holders and associated persons making outbound telephone calls to wireless telephone numbers.

(g) **Outsourcing Telemarketing.** If a Trading Permit Holder uses another appropriately registered or licensed entity or person to perform telemarketing services on its behalf, the Trading Permit Holder remains responsible for ensuring compliance with all provisions contained in this Rule.

(h) **Billing Information.** For any telemarketing transaction, no Trading Permit Holder or associated person shall cause billing information to be submitted for payment, directly or indirectly, without the express informed consent of the customer. Each Trading Permit Holder or associated person must obtain the express informed consent of the person to be charged and to be charged using the identified account.

In any telemarketing transaction involving preacquired account information, the following requirements must be met to evidence express informed consent:

(1) In any telemarketing transaction involving preacquired account information and a free-to-pay conversion feature, the Trading Permit Holder or associated person must:

(A) obtain from the customer, at a minimum, the last four digits of the account number to be charged;

(B) obtain from the customer an express agreement to be charged and to be charged using the account number pursuant to paragraph (h)(1)(A); and

(C) make and maintain an audio recording of the entire telemarketing transaction.

(2) In any other telemarketing transaction involving preacquired account information not described in paragraph (h)(1), the Trading Permit Holder or associated person must:

(A) identify the account to be charged with sufficient specificity for the customer to understand what account will be charged; and

(B) obtain from the customer an express agreement to be charged and to be charged using the account number identified pursuant to paragraph (h)(2)(A).

(i) **Caller Identification Information.**

(1) Any Trading Permit Holder that engages in telemarketing must transmit or cause to be transmitted the telephone number and, when made available by the Trading Permit Holder's telephone carrier, the name of the Trading Permit Holder to any caller identification service in use by a recipient of an outbound telephone call.

(2) The telephone number so provided must permit any person to make a do-not-call request during regular business hours.

(3) Any Trading Permit Holder that engages in telemarketing is prohibited from blocking the transmission of caller identification information.

(j) Unencrypted Consumer Account Numbers. No Trading Permit Holder or associated person shall disclose or receive, for consideration, unencrypted consumer account numbers for use in telemarketing. The term “unencrypted” means not only complete, visible account numbers, whether provided in lists or singly, but also encrypted information with a key to its decryption. This paragraph will not apply to the disclosure or receipt of a customer’s billing information to process pursuant to a telemarketing transaction.

(k) Abandoned Calls.

(1) No Trading Permit Holder or associated person shall “abandon” any outbound telephone call. An outbound telephone call is “abandoned” if a called person answers it and the call is not connected to a Trading Permit Holder or associated person within two seconds of the called person’s completed greeting.

(2) A Trading Permit Holder or associated person shall not be liable for violating paragraph (k)(1) if:

(A) the Trading Permit Holder or associated person employs technology that ensures abandonment of no more than three percent of all outbound telephone calls answered by a person, measured over the duration of a single calling campaign, if less than 30 days, or separately over each successive 30-day period or portion thereof that the campaign continues;

(B) the Trading Permit Holder or associated person, for each outbound telephone call placed, allows the telephone to ring for at least 15 seconds or 4 rings before disconnecting an unanswered call;

(C) whenever a Trading Permit Holder or associated person is not available to speak with the person answering the outbound telephone call within two seconds after the person’s completed greeting, the Trading Permit Holder or associated person promptly plays a prerecorded message that states the name and telephone number of the Trading Permit Holder or associated person on whose behalf the call was placed; and

(D) the Trading Permit Holder or associated person retains records establishing compliance with paragraph (k)(2).

(l) Prerecorded Messages.

(1) No Trading Permit Holder or associated person shall initiate any outbound telephone call that delivers a prerecorded message, other than a prerecorded message permitted for compliance with the call abandonment safe harbor in paragraph (k)(2)(C), unless:

(A) the Trading Permit Holder has obtained from the called person an express agreement, in writing, that:

(i) the Trading Permit Holder obtained only after a clear and conspicuous disclosure that the purpose of the agreement is to authorize the Trading Permit Holder to place prerecorded calls to such person;

(ii) the Trading Permit Holder obtained without requiring, directly or indirectly, that the agreement be executed as a condition of purchasing any good or service;

(iii) evidences the willingness of the called person to receive calls that deliver prerecorded messages by or on behalf of the Trading Permit Holder; and

(iv) includes such person's telephone number and signature (which may be obtained electronically under the E-Sign Act);

(B) the Trading Permit Holder allows the telephone to ring for a least 15 seconds or four rings before disconnecting an unanswered call and, within two seconds after the completed greeting of the called person, plays a prerecorded message that promptly provides the disclosures in paragraph (b), followed immediately by a disclosure of one or both of the following:

(i) in the case of a call that could be answered in person, that the called person can use an automated interactive voice and/or keypress-activated opt-out mechanism to assert a firm-specific do-not-call request pursuant to the Trading Permit Holder's procedures instituted under paragraph (d)(2)(C) at any time during the message. The mechanism must automatically add the number called to the Trading Permit Holder's firm-specific do-not-call list; once invoked, immediately disconnect the call; and be available for use at any time during the message; and

(ii) in the case of a call that could be answered by an answering machine or voicemail service, that the call recipient can use a toll-free telephone number to assert a firm-specific do-not-call request pursuant to the Trading Permit Holder's procedures instituted under paragraph (d)(2)(C). The number provided must connect directly to an automated interactive voice or keypress-activated opt-out mechanism that automatically adds the number called to the Trading Permit Holder's firm-specific do-not-call list; immediately thereafter disconnects the call; and is accessible at any time throughout the duration of the telemarketing campaign; and

(C) the Trading Permit Holder complies with all other requirements of this Rule and other applicable federal and state laws.

(2) Any call that complies with all applicable requirements of paragraph (1) shall not be deemed to violate paragraph (k).

(m) Credit Card Laundering. Except as expressly permitted by the applicable credit card system, no Trading Permit Holder or associated person shall:

(1) present to or deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the Trading Permit Holder;

(2) employ, solicit, or otherwise cause a merchant, or an employee, representative or agent of the merchant, to present to or to deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the merchant; or

(3) obtain access to the credit card system through the use of a business relationship or an affiliation with a merchant, when such access is not authorized by the merchant agreement or the applicable credit card system.

(n) Definitions. For purposes of this Rule:

(1) The term “account activity” includes, but is not limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the Trading Permit Holder.

(2) The term “acquirer” means a business organization, financial institution, or an agent of a business organization or financial institution that has authority from an organization that operates or licenses a credit card system to authorize merchants to accept, transmit, or process payment by credit card through the credit card system for money, goods or services, or anything else of value.

(3) The term “billing information” means any data that enables any person to access a customer’s or donor’s account, such as a credit or debit card number, a brokerage, checking, or savings account number, or a mortgage loan account number. A “donor” means any person solicited to make a charitable contribution. A “charitable contribution” means any donation or gift of money or any other thing of value, for example a transfer to a pooled income fund.

(4) The term “broker-dealer of record” refers to the broker or dealer identified on a customer’s account application for accounts held directly at a mutual fund or variable insurance product issuer.

(5) The term “caller identification service” means a service that allows a telephone subscriber to have the telephone number and, where available, name of the calling party transmitted contemporaneously with the telephone call, and displayed on a device in or connected to the subscriber’s telephone.

(6) The term “cardholder” means a person to whom a credit card is issued or who is authorized to use a credit card on behalf of or in addition to the person to whom the credit card is issued.

(7) The term “credit” means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

(8) The term “credit card” means any card, plate, coupon book, or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.

(9) The term “credit card sales draft” means any record or evidence of a credit card transaction.

(10) The term “credit card system” means any method or procedure used to process credit card transactions involving credit cards issued or licensed by the operator of that system.

(11) The term “customer” means any person who is or may be required to pay for goods or services through telemarketing.

(12) The term “established business relationship” means a relationship between a Trading Permit Holder and a person if:

(A) the person has made a financial transaction or has a security position, a money balance, or account activity with the Trading Permit Holder or at a clearing firm that provides clearing services to such Trading Permit Holder within the 18 months immediately preceding the date of an outbound telephone call;

(B) the Trading Permit Holder is the broker-dealer of record for an account of the person within the 18 months immediately preceding the date of an outbound telephone call; or

(C) the person has contacted the Trading Permit Holder to inquire about a product or service offered by the Trading Permit Holder within the three months immediately preceding the date of an outbound telephone call.

A person’s established business relationship with a Trading Permit Holder does not extend to the Trading Permit Holder’s affiliated entities unless the person would reasonably expect them to be included. Similarly, a person’s established business relationship with a Trading Permit Holder’s affiliate does not extend to the Trading Permit Holder unless the person would reasonably expect the Trading Permit Holder to be included.

(13) The term “free-to-pay conversion” means, in an offer or agreement to sell or provide any goods or services, a provision under which a customer receives a product or service for free for an initial period and will incur an

obligation to pay for the product or service if he or she does not take affirmative action to cancel before the end of that period.

(14) (The term “merchant” means a person who is authorized under a written contract with an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.

(15) The term “merchant agreement” means a written contract between a merchant and an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.

(16) The term “outbound telephone call” means a telephone call initiated by a telemarketer to induce the purchase of goods or services or to solicit a charitable contribution from a donor.

(17) The term “person” means any individual, group, unincorporated association, limited or general partnership, corporation, or other business entity.

(18) The term “personal relationship” means any family member, friend, or acquaintance of the person making an outbound telephone call.

(19) The term “preacquired account information” means any information that enables a Trading Permit Holder or associated person to cause a charge to be placed against a customer’s or donor’s account without obtaining the account number directly from the customer or donor during the telemarketing transaction pursuant to which the account will be charged.

(20) The term “telemarketer” means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a customer or donor.

(21) The term “telemarketing” means consisting of or relating to a plan, program, or campaign involving at least one outbound telephone call, for example cold-calling. The term does not include the solicitation of sales through the mailing of written marketing materials, when the person making the solicitation does not solicit customers by telephone but only receives calls initiated by customers in response to the marketing materials and during those calls takes orders only without further solicitation. For purposes of the previous sentence, the term “further solicitation” does not include providing the customer with information about, or attempting to sell, anything promoted in the same marketing materials that prompted the customer’s call.

... Interpretations and Policies:

.01 Trading Permit Holders and associated persons that engage in telemarketing also are subject to the requirements of relevant state and federal laws and rules, including but not limited to the Telemarketing and Consumer Fraud and Abuse Prevention Act, the Telephone Consumer Protection Act, and the rules of the Federal Communications Commission (“FCC”) relating to telemarketing practices and the rights of telephone consumers.

.02 It is considered conduct inconsistent with just and equitable principles of trade and a violation of Exchange Rule 4.1 for any Trading Permit Holder or associated person to: (1) call a person repeatedly or continuously in a manner likely to annoy or be offensive; or (2) use threats, intimidation, or profane or obscene language in calling any person.]

[Rule 9.25. Borrowing From or Lending to Customers

(a) No person associated with a Trading Permit Holder or TPH organization in any registered capacity may borrow money from or lend money to any customer of such person unless:

(1) The Trading Permit Holder or TPH organization has written procedures allowing the borrowing and lending of money between such registered persons and customers of the Trading Permit Holder or TPH organization; and

(2) the lending or borrowing arrangement meets one of the following conditions:

(A) the customer is a member of such person’s immediate family;

(B) the customer is a financial institution regularly engaged in the business of providing credit, financing, or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business;

(C) the customer and the registered person are both registered persons of the same member organization;

(D) the lending arrangement is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the associated person not maintained a relationship outside of the broker/customer relationship; or

(E) the lending arrangement is based on a business relationship outside of the broker/customer relationship;

(b) Procedures.

(1) Trading Permit Holders or TPH organizations must pre-approve in writing the lending or borrowing arrangements described in subparagraphs (a)(2)(C), (D), and (E) above.

(2) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(A) above, a Trading Permit Holder or TPH organization's written procedures may indicate that registered persons are not required to notify the Trading Permit Holder or TPH organization, or receive Trading Permit Holder or TPH organization approval either prior to or subsequent to entering into such lending or borrowing arrangements.

(3) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(B) above, a Trading Permit Holder or TPH organization's written procedures may indicate that registered persons are not required to notify the Trading Permit Holder or TPH organization or receive their approval either prior to or subsequent to entering into such lending or borrowing arrangements, provided that the loan has been made on commercial terms that the customer generally makes available to members of the public similarly situated as to need, purpose, and creditworthiness. For purposes of this subparagraph, the Trading Permit Holder or TPH organization may rely on the registered person's representation that the terms of the loan meet the above-described standards.

(c) The term immediate family shall include parents, grandparents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and shall also include any other person whom the registered person supports, directly or indirectly, to a material extent.]

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[Rule 21.19A. Doing Business with the Public

The rules in Chapter IX have a parallel application to Government securities options with the four additions described below. The following examples illustrate that parallel application for purposes of Chapter XXI. Rule 9.1 requires specific approval for a firm to conduct a public business in Government securities options. Rule 9.2 requires registration of Debt Registered Options Principals. Rule 9.7 requires that an account must be specifically approved in writing for transactions in Government securities options by a Debt Registered Options Principal. Rule 9.8 requires a TPH organization to designate and specifically identify to the Exchange a Senior Debt Registered Options Principal and a Compliance Debt Registered Options Principal. Rule 9.15 requires delivery of the current options disclosure document. The four additions referred to above are as follows.

First, approval of the accounts of customers shall be conducted in accordance with Rule 9.7 and, in the case of institutional options customers (i.e., customers that are not natural persons), a TPH organization shall seek to obtain the following information:

(i) evidence of authority for the institution to engage in Government securities options transactions (corporate resolutions, trust documents, etc.);

(ii) written designation of individuals within the institution authorized to act for it in connection with Government securities options transactions; and

(iii) basic financial information concerning the institution.

Second, as a general matter, supervisory qualifications of a Senior Debt Registered Options Principal may be demonstrated only by successful completion of a ROP examination and an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of Government securities options and the underlying Government securities. In exceptional circumstances, however, the President of the Exchange or his designee may, upon written request by a TPH organization, accept as a demonstration of equivalent knowledge other evidence of a Senior Debt Registered Options Principal's supervisory qualifications. Advanced age, physical infirmity or experience in fields ancillary to the investment banking or securities business will not individually of themselves constitute sufficient grounds to excuse a Senior Debt Registered Options Principal from the general requirement that supervisory qualifications be shown by successful completion of an appropriate examination.

Third, the conduct of Government securities option business at a branch office of a TPH organization may be supervised by any Debt Registered Options Principal of the TPH organization.

Fourth, any sales personnel of a TPH organization who solicit or accept customer orders with regard to options on Government securities shall be deemed qualified with regard to such options after such person has successfully completed an examination prescribed by the Exchange for the purpose of demonstrating adequate knowledge of Government options and the underlying Government securities.

Rule 21.19A supplements Chapter 9.

Rule 21.20. Opening of Accounts

Deleted October 25, 1983. See Rule 21.19A.

Rule 21.21. Delivery of Current Basic and Debt Options Disclosure Documents and Prospectus

Deleted October 25, 1983. See Rule 21.19A.

Rule 21.22. Communications to Customers

Deleted October 25, 1983. See Rule 21.19A.]

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[Rule 28.13. Doing Business with the Public

The rules in Chapter IX have a parallel application to Corporate Debt Security options.]

EXHIBIT 5B

(additions are underlined; deletions are [bracketed])

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Rules of Cboe Exchange, Inc.

(Effective October 7, 2019)

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CHAPTER 3. TPH MEMBERSHIP, REGISTRATION, AND PARTICIPANTS

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SECTION B. TPH REGISTRATION

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Rule 3.33. Continuing Education for Registered Persons

(a) *Regulatory Element.* No Trading Permit Holder or TPH organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of paragraph (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date, also known as the "base date", shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the Rule.

(1) *Failure to Complete.* Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(2) *Disciplinary Actions.* Unless otherwise determined by the Exchange, a registered person will be required to re-take the Regulatory Element and satisfy all of its requirements in the event such person:

(A) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;

(B) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to re-take the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A re-taking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) or (C) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(3) *Required Programs.* For purposes of this Rule, the Exchange offers the following Regulatory Elements for Exchange registered persons: the S201 Supervisor Program for registered principals and supervisors; and the S106 General Program for Registered Persons.

(b) *Delivery of Regulatory Element.* The continuing education Regulatory Element set forth in paragraph (a) of this Rule will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange.

(c) *Firm Element.*

(1) *Persons Subject to the Firm Element.* The requirements of paragraph (c) of this Rule shall apply to any registered person who prior to January 4, 2016 has a Series 56 registration or, effective January 4, 2016, any registered person who has a Series 57 registration or any associated person who has direct contact with customers in the conduct of the Trading Permit Holder's or TPH organization's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

(2) *Standards.*

(A) General. Each Trading Permit Holder and TPH organization must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each Trading Permit Holder and TPH organization shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the Trading Permit Holder's and TPH organization's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a Trading Permit Holder or TPH organization's analysis determines a need for supervisory training for persons with supervisory responsibilities such training must be included in the Trading Permit Holder or TPH organization's training plan.

(B) Minimum Standards for Training Programs. Programs used to implement a Trading Permit Holder's or TPH organization's training plan must be appropriate for the business of the Trading Permit Holder or TPH organization and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the Trading Permit Holder or TPH organization:

(i) General investment features and associated risk factors;

(ii) Suitability and sales practice considerations; and

(iii) Applicable regulatory requirements.

(C) Administration of Continuing Education Program. Each Trading Permit Holder and TPH organization must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) Participation in the Firm Element. Covered registered persons included in a Trading Permit Holder's or TPH organization's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Trading Permit Holder or TPH organization.

(4) Specific Training Requirements. The Exchange may require a Trading Permit Holder or TPH organization, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(d) Registered Person. For purposes of this Rule, the term "registered person" means any Trading Permit Holder, registered representative or other person registered or required to be registered under Exchange rules.

(e) *Customer.* For purposes of this Rule, the term “customer” means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a Trading Permit Holder or TPH organization.

(f) *Reassociation.* Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary— and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity.

Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program’s requirements in their entirety on three occasions, based on the most recent registration date.

(g) *Inactive Registration.* A registration that is deemed inactive for a period of two calendar years pursuant to subparagraph (a)(2) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Rules.

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Rule 3.35. Exchange Approval

An individual Trading Permit Holder may not transact business with the public. A TPH organization may transact business with the public after an application, submitted on a form prescribed by the Exchange, has been approved by the Exchange. Approval to transact business with the public shall be based on a TPH organization’s meeting the general requirements set forth in this Chapter 3, Section B and Chapter 9, and the net capital requirements set forth in Chapter 11 of the Rules, and such approval may be withdrawn if any of the requirements cease to be met. Specific approval for a firm to conduct a public business in Government securities options is required under this Rule.

Rule 3.36. Registration of Options Principals

(a) *General.* No TPH organization shall be approved to transact options business with the public until those persons associated with it who are designated as Options Principals have been approved by and registered with the Exchange. Persons engaged in the supervision of options sales practices or a person to whom the designated general partner or executive officer (pursuant to Rule 9.2) or another Registered Options Principal delegates the authority to supervise options sales practices shall be designated as Options Principals. This Rule requires registration of Debt Registered Options Principals for firms conducting a public business in Government securities

options. In connection with their registration, Options Principals shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with Web CRD, shall successfully complete an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of the options business and of the Rules of the Exchange, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation.

Any person required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with Web CRD. Termination of employment or affiliation of any Registered Options Principal in such capacity shall be promptly electronically reported to Web CRD together with a brief statement of the reason for such termination on Form U-5.

(b) *Individuals Supervising Options Sales Practices.* Individuals engaged in the supervision of options sales practices and designated as Options Principals are required to qualify as an Options Principal by passing the Registered Options Principals Examination (Series 4) or the Sales Supervision Examination (Series 9/10).

(c) *Individuals Reviewing Acceptance of Discretionary Accounts.* Individuals who are delegated responsibility pursuant to Rule 9.2 for reviewing the acceptance of discretionary accounts, for approving exceptions to a TPH organization's criteria or standards for uncovered options accounts, and for approval of communications, shall be designated as Options Principals and are required to qualify as an Options Principal by passing the Registered Options Principal Examination (Series 4).

Rule 3.37. Registration and Termination of Representatives

(a) *Registration.* No TPH organization shall be approved to transact business with the public until those persons associated with it who are designated as Representatives have been approved by and registered with the Exchange. Persons who perform duties for the TPH organization which are customarily performed by sales representatives, solicitors, or branch office managers shall be designated as Representatives. In connection with their registration, Representatives shall electronically file a Uniform Application for Securities Industry Registration or Transfer (Form U-4) with Web CRD by appropriately checking the Cboe Options as a requested registration on the electronic U-4 filing, and shall successfully complete an examination for the purpose of demonstrating an adequate knowledge of the securities business, and shall further agree in the U-4 filing to abide by the Bylaws and Rules of the Exchange and the Rules of the Clearing Corporation. Any person required to complete Form U- 4 shall promptly electronically file any required amendments to Form U-4 with Web CRD.

(b) *Termination - Filing of U-5's.* The discharge or termination of employment of any registered person, together with the reasons therefor, shall be electronically reported to Web CRD by a TPH organization immediately following the date of termination, but in no event later than 30 days following termination, on a Uniform Termination Notice for Securities Industry Registration (Form U-5). A copy of the Form U-5 shall be provided concurrently to the person whose association has been terminated.

(c) Termination - Filing of amended U-5's. The TPH organization shall electronically report to Web CRD, by means of an amendment to the Form U-5 filed pursuant to paragraph (b) above, in the event that the TPH organization learns of facts or circumstances causing any information set forth in the Form U-5 to become inaccurate or incomplete. Such amendment shall be provided concurrently to the person whose association has been terminated no later than 30 days after the TPH organization learns of the facts or circumstances giving rise to the need for the amendment.

(d) Examinations. A person accepting orders from non-Trading Permit Holder customers (unless such customer is a broker-dealer registered with the Securities and Exchange Commission) is required to register with the Exchange and to be qualified by passing the General Securities Representatives Examination (Series 7) and pass the Securities Industry Essentials Examination ("SIE").

(e) Exemption. Any person who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

Rule 3.38. Other Affiliations of Registered Associated Persons

(a) No person associated with a Trading Permit Holder in any registered capacity shall be employed by, or accept compensation from, any other person or entity as a result of any business activity, other than a passive investment, outside the scope of his/her relationship with his/her employer firm, unless the person has provided prompt written notice to the Trading Permit Holder and has received prior written consent of the Trading Permit Holder.

(b) Except with the prior written consent of the Trading Permit Holder and prompt written notice to the Exchange, every Registered Options Principal, Sales Supervisor, and Financial/Operations Principal registered with a Trading Permit Holder for which the Exchange is the DEA shall devote his/her entire time during business hours to the business of the TPH organization employing or compensating him/her.

Rule 3.39. Discipline, Suspension, Expulsion of Registered Persons

The Exchange may discipline, suspend or terminate the registration of any Registered Representative or Registered Options Principal for violation of the Bylaws or Rules of the Exchange or the Rules of the Clearing Corporation.

Rule 3.40. Branch Offices of TPH Organizations

(a) Branch Office List. Every TPH organization approved to do options business with the public under this Chapter shall file with the Exchange and keep current a list of each of its branch offices showing the location of each such office and the name of the manager of each such office.

(b) Registered Branch Office Manager. No branch office of a TPH organization shall transact options business with the public unless the manager of such branch office has been qualified as a Registered Options Principal; provided, that this requirement shall not apply to branch offices in which not more than three Registered Representatives are located so long as the TPH organization can demonstrate that the options activities of such branch offices are appropriately supervised by a Registered Options Principal.

(c) Definition of Branch Office. A “branch office” is any location where one or more associated persons of a Trading Permit Holder or TPH organization regularly conduct the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security, or is held out as such, excluding:

(1) any location that is established solely for customer service and/or back office type functions where no sales activities are conducted and that is not held out to the public as a branch office;

(2) any location that is the associated person’s primary residence; provided that: (A) only one associated person, or multiple associated persons, who reside at that location and are members of the same immediate family, conduct business at the location; (B) the location is not held out to the public as an office and the associated person does not meet with customers at the location; (C) neither customer funds nor securities are handled at that location; (D) the associated person is assigned to a designated branch office, and such branch office is reflected on all business cards, stationery, advertisements and other communications to the public by such associated person; (E) the associated person’s correspondence and communications with the public are subject to all supervisory provisions of the Exchange’s rules; (F) electronic communications (e.g., e-mail) are made through the Trading Permit Holder’s or TPH organization’s electronic system; (G) all orders are entered through the designated branch office or an electronic system established by the Trading Permit Holder or TPH organization that is reviewable at the branch office; (H) written supervisory procedures pertaining to supervision of sales activities conducted at the residence are maintained by the Trading Permit Holder or TPH organization; and (I) a list of the locations is maintained by the Trading Permit Holder or TPH organization;

(3) any location, other than a primary residence, that is used for securities business for less than 30 business days in any one calendar year, provided the Trading Permit Holder or TPH organization complies with the provisions of (B) through (H) of subparagraph (c)(2) above;

(4) an office of convenience, where the associated person occasionally and exclusively by appointment meets with customers, which is not held out to the public as a branch office (where such location is on bank premises, however, only signage required by the Interagency Statement (Statement on Retail Sales of Nondeposit Investment Products required under Banking Regulations) may be displayed);

(5) any location that is used primarily to engage in non-securities activities and from which the associated person effects no more than 25 securities transactions in any one calendar year; provided that any advertisements or sales literature identifying such location also sets forth the address and telephone number of the location from which the associated person conducting business at the non-branch locations are directly supervised;

(6) the Floor of a registered national securities exchange where a Trading Permit Holder or TPH organization conducts a direct access business with public customers; or

(7) a temporary location established in response to the implementation of a business continuity plan.

Notwithstanding the exclusions in subparagraphs (c)(1)-(7) above, any location that is responsible for supervising the activities of persons associated with a Trading Permit Holder or TPH organization at one or more non-branch locations of such Trading Permit Holder or TPH organization is considered to be a branch office.

(d) *Business Day.* For purposes of this Rule, the term “business day” shall not include any partial business day provided that the associated person spends at least four hours on such business day at his or her designated branch office during the hours that such office is normally open for business.

(e) *Associated Person.* For purposes of this Rule, the term “associated person of a Trading Permit Holder or TPH organization” is defined as a Trading Permit Holder or employee associated with a Trading Permit Holder or TPH organization.

(f) *Written Supervisory Procedures.*

(1) For purposes of subparagraph (c)(2)(H) above, written supervisory procedures shall include criteria for onsite for cause reviews of an associated person’s primary residence. Such reviews must utilize risk-based sampling or other techniques designed to assure compliance with applicable securities laws and regulations and with the Rules.

(2) For purposes of subparagraph (c)(2)(H) and (c)(3) above, written supervisory procedures for such residences and other remote locations must be designed to assure compliance with applicable securities laws and regulations and with the Rules.

(g) *Risk-based Sampling Factors.* Factors which should be considered when developing risk-based sampling techniques to determine the appropriateness of on-site for cause reviews of selected residences and other remote locations shall include, but not be limited to, the following: (1) the firm’s size; (2) the firm’s organizational structure; (3) the scope of business activities; (4) the number and location of offices; (5) the number of associated persons assigned to a location; (6) the nature and complexity of products and services offered; (7) the volume of business done; (8) whether the location has a Series 9/10-qualified person on-site; (9) the disciplinary history of the registered persons or associated persons, including a review of such person’s customer

complaints and Forms U4 and U5; and (10) the nature and extent of a registered person's or associated person's outside business activities, whether or not related to the securities business.

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CHAPTER 9. DOING BUSINESS WITH THE PUBLIC

Rule 9.1. Opening of Accounts

(a) Approval Required. No TPH organization shall accept an order from a customer to purchase or write an option contract unless the customer's account has been approved for options transactions in accordance with the provisions of this rule.

(b) Diligence in Opening Account. In approving a customer's account for options transactions, a TPH organization shall exercise due diligence to learn the essential facts as to the customer and his investment objectives and financial situation, and shall make a record of such information which shall be retained in accordance with Rule 9.2. Based upon such information, the branch office manager or other Registered Options Principal shall approve in writing the customer's account for options transactions; provided, that if the branch office manager is not a Registered Options Principal, his approval shall within a reasonable time be confirmed by a Registered Options Principal.

(1) In fulfilling its obligations pursuant to this paragraph (b) with respect to options customers that are natural persons, a TPH organization shall seek to obtain the following information at a minimum (information shall be obtained for all participants in a joint account):

(A) Investment objectives (e.g., safety of principal, income, growth, trading profits, speculation)

(B) Employment status (name of employer, self-employed or retired)

(C) Estimated annual income from all sources

(D) Estimated net worth (exclusive of family residence)

(E) Estimated liquid net worth (cash, securities, other)

(F) Marital status; number of dependents

(G) Age

(H) Investment experience and knowledge (e.g., number of years, size, frequency and type of transactions for options, stocks and bonds, commodities, other).

In addition, the customer's account records shall contain the following information, if applicable:

(I) Source or sources of background and financial information (including estimates) concerning the customer

(J) Discretionary trading authorization: agreement on file, name, relationship to customer and experience of person holding trading authority

(K) Date(s) options disclosure document(s) furnished to customer

(L) Nature and types of transactions for which account is approved (e.g., buying, covered writing, uncovered writing, spreading, discretionary transactions)

(M) Name of registered representative

(N) Name of ROP approving account; date of approval

(O) Dates of verification of currency of account information.

The TPH organization should consider utilizing a standard account approval form so as to ensure the receipt of all the required information.

(2) Refusal of a customer to provide any of the information called for in subparagraph (b)(1) shall be so noted on the customer's records at the time the account is opened. Information provided shall be considered together with other information available in determining whether and to what extent to approve the account for options transactions.

(c) *Verification of Customer Background and Financial Information.* The background and financial information upon which the account of every new customer that is a natural person has been approved for options trading, unless the information is included in the customer's account agreement, shall be sent to the customer for verification within 15 days after the customer's account has been approved for options transactions. A copy of the background and financial information on file with the TPH organization shall also be sent to the customer for verification within 15 days after the TPH organization becomes aware of any material change in the customer's financial situation. The requirement in this paragraph (c) is to be satisfied by sending to the customer the information required in subparagraphs (b)(1)(A) through (F) above as contained in the Trading Permit Holder's records and providing the customer with an opportunity to correct or complete the information. In all cases, absent advice from the customer to the contrary, the information will be deemed to be verified.

(d) *Agreements to Be Obtained.* Within 15 days after a customer's account has been approved for options transactions, a TPH organization shall obtain from the customer a written agreement that the account shall be handled in accordance with the Rules of the Exchange and the Rules of the Clearing Corporation and that such customer, acting alone or in concert with others, will not violate the position or exercise limits set forth in Rules 8.30 and 8.42.

(e) *Options Disclosure Documents to Be Furnished.* At or prior to the time a customer's account is approved for options transactions, a TPH organization shall furnish the customer with one or more current options disclosure documents in accordance with the requirements of Rule 9.9.

(f) *Written Procedures for TPH Business in Uncovered Options Contracts.* Every TPH organization transacting business with the public in uncovered option contracts shall develop, implement and maintain specific written procedures governing the conduct of such business which shall include, at least, the following:

(1) Specific criteria and standards to be used in evaluating the suitability of a customer for uncovered short option transactions;

(2) Specific procedures for approval of accounts engaged in writing uncovered short option contracts, including written approval of such accounts by a Registered Options Principal;

(3) Designation of a specific Registered Options Principal qualified individual(s) as the person(s) responsible for approving accounts which do not meet the specific criteria and standards for writing uncovered short option transactions and for maintaining written records of the reasons for every account so approved;

(4) Establishment of specific minimum net equity requirements for initial approval and maintenance of customer uncovered option accounts; and

(5) Requirements that customers approved for writing uncovered short options transactions be provided with a special written description of the risks inherent in writing uncovered short option transactions, at or prior to the initial uncovered short option transaction pursuant to Rule 9.9(b).

(g) *Writing Uncovered Short Option Positions.* For purposes of this Rule, Rule 9.2 and Rule 9.9, the term writing uncovered short option positions shall include combinations and any transactions which involve naked writing.

(h) *Public Business in Government Securities Options.* This Rule requires that an account must be specifically approved in writing for transactions in Government securities options by a Debt Registered Options Principal. Approval of the accounts of customers shall be conducted in accordance with this Rule and, in the case of institutional options customers (i.e., customers that are not natural persons), a TPH organization shall seek to obtain the following information:

(1) evidence of authority for the institution to engage in Government securities options transactions (corporate resolutions, trust documents, etc.);

(2) written designation of individuals within the institution authorized to act for it in connection with Government securities options transactions; and

(3) basic financial information concerning the institution.

Rule 9.2. Supervision of Accounts

(a) *Duty to Supervise.* The general partners or directors of each TPH organization that conducts a non-Trading Permit Holder customer business shall provide for appropriate supervisory control and shall designate a general partner or executive officer, who shall be identified to the Exchange, to assume overall authority and responsibility for internal supervision and control of the organization

and compliance with securities laws and regulations. This person, who may be the same individual designated pursuant to substantially similar New York Stock Exchange or National Association of Securities Dealers rules, shall:

(1) Delegate to qualified employees responsibilities and authority for supervision and control of each office, department or business activity, and shall provide for appropriate written procedures of supervision and control.

(2) Establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.

(3) Develop and implement written policies and procedures reasonably designed to independently supervise the activities of accounts serviced by branch office managers, sales managers, regional/district sales managers or any person performing a similar supervisory function. Such supervisory reviews must be performed by a qualified Registered Options Principal who:

(A) Is either senior to, or otherwise independent of, the producing manager under review. For purposes of this Rule, an “otherwise independent” person: may not report either directly or indirectly to the producing manager under review; must be situated in an office other than the office of the producing manager; must not otherwise have supervisory responsibility over the activity being reviewed; and must alternate such review responsibility with another qualified person every two years or less. Further, if a person designated to review a producing manager receives an override or other income derived from that producing manager’s customer activity that represents more than 10% of the designated person’s gross income derived from the TPH organization over the course of a rolling 12-month period, the TPH organization must establish alternative senior or otherwise independent supervision of that producing manager to be conducted by a qualified Registered Options Principal other than the designated person receiving the income.

(B) If a TPH organization is so limited in size and resources that there is no qualified Registered Options Principal senior to, or otherwise independent of, the producing manager to conduct the reviews pursuant to subparagraph (a)(3)(A) (for instance, the TPH organization has only one office, or an insufficient number of qualified personnel who can conduct reviews on a two-year rotation), the reviews may be conducted by a Registered Options Principal in compliance with subparagraph (a)(3)(A) to the extent practicable.

(C) A TPH organization relying on subparagraph (a)(3)(B) must document the factors used to determine that complete compliance with all of the provisions of subparagraph (a)(3)(A) is not possible, and that the required supervisory systems and procedures in place with respect to any producing manager comply with the provisions of subparagraph (a)(3)(A) of this Rule to the extent practicable.

(D) A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially

similar to the requirements in subparagraphs (a)(3)(A) through (C) will be deemed to have met such requirements.

(b) Maintenance of Customer Records.

(1) Background and financial information of customers who have been approved for options transactions shall be maintained at both the branch office servicing the customer's account and the principal supervisory office having jurisdiction over that branch office. Copies of account statements of options customers shall be maintained at both the branch office supervising the accounts and the principal supervisory office having jurisdiction over that branch for the most recent six-month period. With respect to the record retention responsibility of principal supervisory offices, customer information and account statements may be maintained at a location off premises so long as the records are readily accessible and promptly retrievable. Other records necessary to the proper supervision of accounts shall be maintained at a place easily accessible both to the branch office servicing the customer's account and to the principal supervisory office having jurisdiction over that branch office.

(2) Upon the written instructions of a customer, a Trading Permit Holder may hold mail for a customer who will not be at his or her usual address for the period of his or her absence, but (A) not to exceed two months if the Trading Permit Holder is advised that such customer will be on vacation or traveling or (B) not to exceed three months if the customer is going abroad.

(3) Before any customer order is executed, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts) for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a Trading Permit Holder or a person(s) designated by the designated general partner or executive officer (pursuant to this Rule). Such person must, prior to giving his or her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the Trading Permit Holder. The essential facts relied upon by the person approving the change must be documented in writing and preserved for a period of not less than three years, the first two years in an easily accessible place, as the term "easily accessible place" is used in SEC Rule 17a-4.

For purposes of this subparagraph (b)(3), a person(s) designated by the designated general partner or executive officer (pursuant to this Rule) must be a Registered Options Principal.

(c) Internal Controls.

(1) TPH organizations must develop and maintain adequate controls over each of its business activities. Such controls must provide for the establishment of procedures for verification and testing of those business activities. An ongoing analysis, based upon appropriate criteria, may be employed to assess and prioritize those business activities requiring independent verification and testing. A review of each TPH organization's efforts

with respect to internal controls, including a summary of tests conducted and significant exceptions identified, must be included in the annual report required by paragraph (g) of this Rule.

(2) A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in subparagraph (c)(1) of this Rule will be deemed to have met such requirements.

(d) Annual Branch Office Inspections.

(1) Each branch office that supervises one or more non-branch locations must be inspected no less often than once each calendar year unless:

(A) it has been demonstrated to the satisfaction of the Exchange that because of proximity, special reporting or supervisory practice, other arrangements may satisfy this Rule's requirements for a particular branch office; or

(B) based upon the written policies and procedures of such TPH organization providing for a systematic risk-based surveillance system, the TPH organization submits a proposal to the Exchange and receives, in writing, an exemption from this requirement pursuant to paragraph (e) of this Rule.

(2) Every branch office, without exception, must be inspected at least once every three calendar-years. All required inspections must be conducted by a person who is independent of the direct supervision and control of the branch office in question (i.e., not the branch office manager, or any person who directly or indirectly reports to such manager, or any person to whom such manager directly reports). Written reports reflecting the results of such inspections are to be maintained at the TPH organization for the longer of three years or until the next branch office inspection.

(3) A TPH organization that complies with requirements of the New York Stock Exchange or the National Association of Securities Dealers that are substantially similar to the requirements in subparagraph (d)(1) and (d)(2) above as well as to related requirements in paragraphs (e) and (f) below will be deemed to have met such requirements.

(e) Risk -Based Surveillance and Branch Office Identification.

(1) Any TPH organization seeking an exemption, pursuant to subparagraph (d)(1)(B) above, from the annual branch office inspection requirement must submit to the Exchange written policies and procedures for systematic risk-based surveillance of its branch offices. Such policies and procedures should reflect, among other factors, the TPH organization's business model and product mix. Such policies and procedures must also, at a minimum, provide for:

(A) The inspection of branches where developments during the year require a reconsideration of such branch's exemption;

(B) A requirement that no less than half of the branch offices inspected each year on a cycle basis be done on an unannounced basis; and

(C) A system to enable employees to report compliance issues on a confidential basis outside of the branch office chain of command.

(2) For purposes of subparagraph (e)(1) above, the risk-based factors to be considered should include, but not necessarily be limited to, the following:

(A) Number of Registered Representatives;

(B) A significant increase in the number of Registered Representatives;

(C) Number of customers and volume of transactions;

(D) A significant increase in branch office revenues;

(E) Incidence of concentrated securities positions in customer's accounts;

(F) Aggregate customer assets held;

(G) Nature of the business conducted and the sales practice risk to investors associated with the products sold, and product mix (e.g. options, equities, mutual funds, annuities, etc.);

(H) Numbers of accounts serviced on a discretionary basis;

(I) Compliance and regulatory history of the branch, including:

(i) Registered Representatives subject to special supervision by the TPH organization, self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission in years other than the previous or current year;

(ii) Complaints, arbitrations, internal discipline, or prior inspection findings; and

(iii) Persons subject to recent disciplinary actions by self-regulatory authorities, state regulatory authorities or the Securities and Exchange Commission.

(J) Operational factors, such as the number of errors and account designation changes per Registered Representative;

(K) Incidence of accommodation mailing addresses (e.g., post office boxes and "care of" accounts);

(L) Whether the branch office permits checks to be picked up by customers or hand delivery of checks to customers;

(M) Experience, function (producing or non-producing) and compensation structure of branch office manager;

(N) Branch offices recently opened or acquired; and

(O) Changes in branch location, status or management personnel.

(3) Notwithstanding any policies or procedures implemented pursuant to this Rule, branch offices that meet any of the following criteria must be inspected no less often than once each calendar year:

(A) Offices with one or more Registered Representatives subject to special supervision as required by a self-regulatory authority or state regulatory authority during the current or immediately preceding year.

(B) Offices with 25 or more registered individuals;

(C) Offices in the top 20% of production or customer assets for the TPH organization;

(D) Any branch office not inspected within the previous two calendar years; and

(E) Any branch office designated as exercising supervision over another branch office.

(f) *Criteria for Inspection Programs.* An annual branch office inspection program must include, but is not limited to, testing and independent verification of internal controls related to the following areas:

(1) Safeguarding of customer funds and securities;

(2) Maintaining books and records;

(3) Supervision of customer accounts serviced by branch office managers;

(4) Transmittal of funds between customers and Registered Representatives and between customers and third parties;

(5) Validation of customer address changes; and

(6) Validation of changes in customer account information.

(g) *Written Report.* By April 1 of each year, each TPH organization that conducts a non-Trading Permit Holder customer business shall submit to the Exchange a written report on the TPH organization's supervision and compliance effort during the preceding year and on the adequacy of

the TPH organization's ongoing compliance processes and procedures. Each TPH organization that conducts a public customer options business shall also specifically include its options compliance program in the report. The report shall include, but not be limited to, the following:

(1) A tabulation of customer complaints (including arbitrations and civil actions) and internal investigations.

(2) Identification and analysis of significant compliance problems, plans for future systems or procedures to prevent and detect violations and problems, and an assessment of the preceding year's efforts of this nature.

(3) Discussion of the preceding year's compliance efforts, new procedures, educational programs, etc. in each of the following areas: (A) antifraud and trading practices; (B) investment banking activities; (C) sales practices; (D) books and records; (E) finance and operations; (F) supervision; (G) internal controls, and (H) anti-money laundering. If any of these areas do not apply to the TPH organization, the report shall so state.

(4) For each TPH organization, the designation of a general partner or principal executive officer as Chief Compliance Officer (which designation shall be updated on Schedule A of Form BD).

(5) A certification signed by the TPH organization's Chief Executive Officer (or equivalent), that:

(A) The TPH organization has in place processes to:

(i) establish and maintain policies and procedures reasonably designed to achieve compliance with applicable Exchange Rules and federal securities laws and regulations,

(ii) modify such policies and procedures as business, regulatory and legislative changes and events dictate, and

(iii) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Exchange Rules and federal securities laws and regulations.

(B) In TPH organizations, the Chief Executive Officer (or equivalent officer) conducted one or more meetings with the organization's Chief Compliance Officer during the preceding 12 months, and that they discussed and reviewed the matters described in this certification, including the organization's prior compliance efforts, and identified and addressed significant compliance problems and plans for emerging business areas.

(C) In TPH organizations, the processes described in subparagraph (g)(5)(A) above, are evidenced in a report reviewed by the Chief Executive Officer (or equivalent officer), Chief Compliance Officer and such other officers as the organization may deem necessary to make this certification, and submitted to the organization's board

of directors and audit committee (if such committee exists) on or before April 1st of each year.

(D) TPH organizations, the Chief Executive Officer (or equivalent officer) has consulted with the Chief Compliance Officer and other officers referenced in paragraph (g)(5)(C) above and such other employees, outside consultants, lawyers and accountants, to the extent they deem appropriate, in order to attest to the statements made in this certification.

A TPH organization that specifically includes its options compliance program in a report that complies with substantially similar requirements of the New York Stock Exchange or the National Association of Securities Dealers will be deemed to have met the requirements of this paragraph (g) and paragraph (h) below. Documentation evidencing the annual written report required by this paragraph (g), must be maintained in a place that is easily accessible and shall be provided to the Exchange upon request.

(h) Reports to Control Persons. By April 1 of each year, each TPH organization shall submit a copy of the report that paragraph (g) above requires the TPH organization to prepare to its one or more control persons or, if the TPH organization has no control person, to the audit committee of its board of directors or its equivalent committee or group. In the case of a control person that is an organization (a “controlling organization”), the TPH organization shall submit the report to the general counsel of the controlling organization and to the audit committee of the controlling organization’s board of directors or its equivalent committee or group. For the purpose of this paragraph, “control person” means a person who controls the TPH organization.

(i) Non-Trading Permit Holder Customer Business. Each TPH organization that conducts a non-Trading Permit Holder customer business shall establish, maintain, and enforce written procedures which detail the specific methods used to supervise all non-Trading Permit Holder customer accounts, and all orders in such accounts.

(1) Such written procedures shall specifically identify the titles and positions of individuals who have been delegated authority and responsibility for an identified segment of the TPH organization’s business, including option compliance functions.

(2) The procedures shall also include the registration status and location of all such supervisory and compliance personnel.

(3) Each TPH organization shall also develop and implement specific written procedures concerning the manner of supervision of customer accounts maintaining uncovered short option positions, and specifically providing for frequent supervisory review of such accounts.

(j) Review of Customer Options Accounts. Each TPH organization shall maintain at the principal supervisory office having jurisdiction over the office servicing the customer’s account, or shall have readily accessible and promptly retrievable, information to permit review of each customer’s options account on a timely basis to determine (1) the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved; (2) the

size and frequency of options transactions; (3) commission activity in the account; (4) profit or loss in the account; (5) undue concentration in any options class or classes and (6) compliance with the provisions of Regulation T of the Federal Reserve Board.

(k) *Firms Conducting Business in Government Securities Options.* A TPH organization conducting public business in Government securities options must designate and specifically identify to the Exchange a Senior Debt Registered Options Principal and a Compliance Debt Registered Options Principal.

(1) Supervisory qualifications of a Senior Debt Registered Options Principal may be demonstrated only by successful completion of a ROP examination and an examination prescribed by the Exchange for the purpose of demonstrating an adequate knowledge of Government securities options and the underlying Government securities. In exceptional circumstances, however, the President of the Exchange or his designee may, upon written request by a TPH organization, accept as a demonstration of equivalent knowledge other evidence of a Senior Debt Registered Options Principal's supervisory qualifications. Advanced age, physical infirmity or experience in fields ancillary to the investment banking or securities business will not individually of themselves constitute sufficient grounds to excuse a Senior Debt Registered Options Principal from the general requirement that supervisory qualifications be shown by successful completion of an appropriate examination.

(2) The conduct of Government securities option business at a branch office of a TPH organization may be supervised by any Debt Registered Options Principal of the TPH organization.

(3) Any sales personnel of a TPH organization who solicit or accept customer orders with regard to options on Government securities shall be deemed qualified with regard to such options after such person has successfully completed an examination prescribed by the Exchange for the purpose of demonstrating adequate knowledge of Government options and the underlying Government securities.

Rule 9.3. Suitability of Recommendations

(a) Every Trading Permit Holder, Registered Options Principal or Registered Representative who recommends to a customer the purchase or sale (writing) of any option contract shall have reasonable grounds for believing that the recommendation is not unsuitable for such customer on the basis of the information furnished by such customer after reasonable inquiry as to his investment objectives, financial situation and needs, and any other information known by such Trading Permit Holder, Registered Options Principal or Registered Representative.

(b) No Trading Permit Holder, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any option contract unless the person making the recommendation has a reasonable basis for believing at the time of making the recommendation that the customer has such knowledge and experience in financial matters that he may reasonably be expected to be capable of evaluating the risks of the recommended transaction, and is financially able to bear the risks of the recommended position in the option contract.

(c) No Trading Permit Holder, Registered Options Principal or Registered Representative shall recommend to a customer an opening transaction in any Delayed Start Option Series unless the customer previously has engaged in an options transaction.

Rule 9.4. Discretionary Accounts

(a) Authorization and Approval Required. No TPH organization shall exercise any discretionary power with respect to trading in options contracts in a customer's account unless such customer has given prior written authorization and the account has been accepted in writing by a Registered Options Principal. Each firm shall designate specific Registered Options Principal qualified individuals pursuant to Rule 9.2 to review discretionary accounts. A Registered Options Principal qualified person specifically delegated such responsibilities under Rule 9.2 (who is an individual other than the Registered Options Principal who accepted the account) shall review the acceptance of each discretionary account to determine that the Registered Options Principal accepting the account had a reasonable basis for believing that the customer was able to understand and bear the risks of the strategies or transactions proposed, and he shall maintain a record of the basis for his determination. Every discretionary order shall be identified as discretionary on the order at the time of entry. Discretionary accounts shall receive frequent appropriate supervisory review by a Registered Options Principal qualified person specifically delegated such responsibilities under Rule 9.2, who is not exercising the discretionary authority.

(b) Record of Transactions. A record shall be made of every option transaction for an account in respect to which a TPH organization is vested with any discretionary power, such record to include the name of the customer, the designation, number of contracts and premium of the option contracts, and the date and time when such transaction took place.

(c) Excessive Transactions Prohibited. No TPH organization shall effect with or for any customer's account in respect to which such TPH organization is vested with any discretionary power any transactions of purchase or sale of option contracts which are excessive in size or frequency in view of the financial resources and character of such account.

(d) Discretion as to Price or Time Excepted. This rule shall not apply to discretion as to the price at which or the time when an order given by a customer for the purchase or sale of a definite number of option contracts in a specified security shall be executed, except that the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer. This limitation shall not apply to time and price discretion exercised in an institutional account, as defined below, pursuant to valid Good-Till-Cancelled instructions issued on a "not held" basis. Any exercise of time and price discretion must be reflected on the order ticket. As used in this paragraph (d) the term "institutional account" shall mean the account of: (1) a bank, savings and loan association, insurance company, or registered investment company; (2) an investment adviser registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (3) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

(e) Options Programs. Where the discretionary account utilizes options programs involving the systematic use of one or more options strategies, the customer shall be furnished with a written explanation, meeting the requirements of Rule 9.15, of the nature and risks of such programs.

(f) Implementation of Procedures. Any TPH organization that does not utilize computerized surveillance tools for the frequent and appropriate review of discretionary account activity must establish and implement procedures to require Registered Options Principal qualified individuals who have been designated to review discretionary accounts to approve and initial each discretionary order on the day entered.

Rule 9.5. Confirmation to Customers

Every TPH organization shall promptly furnish to each customer a written confirmation of each transaction in option contracts which shall show the underlying security type of option expiration month, exercise price, number of option contracts, premium, commissions, date of transaction and settlement date, and shall indicate whether the transaction is a purchase or sale, whether the transaction was an opening or a closing transaction and whether a principal or agency transaction. The confirmation shall by appropriate symbols distinguish between Exchange transactions and other transactions in option contracts though such confirmation does not need to specify the exchange or exchanges on which such option contracts were executed.

Rule 9.6. Statements of Accounts to Customers

(a) Every TPH organization shall send to its customers statements of account showing security and money positions, entries, interest charges and any special charges that have been assessed against such account during the period covered by the statement; provided, however, that such charges need not be specifically delineated on the statement if they are otherwise accounted for on the statement and have been itemized on transaction confirmations. With respect to options customers having a general (margin) account, such statement shall also provide the mark-to-market price and market value of each option position and other security position in the general (margin) account, the total market value of all positions in the account, the outstanding debit or credit balance in the account, and the general (margin) account equity. The statement shall bear a legend stating that further information with respect to commissions and other charges related to the execution of listed option transactions has been included in confirmations of such transactions previously furnished to the customer, and that such information will be made available to the customer promptly upon request. The statement shall also bear a legend requesting the customer to promptly advise the Trading Permit Holder of any material change in the customer's investment objectives or financial situation. Such statements of account shall be sent at least quarterly to all accounts having a money or a security position during the preceding quarter and at least monthly to all accounts having an entry during the preceding month.

(b) For purposes of the foregoing rule, general (margin) account equity shall be computed by subtracting the total of the "short" security values and any debit balance from the total of the "long" security values and any credit balance.

Rule 9.7. Statements of Financial Condition to Customers

Every TPH organization shall send to each of its customers statements of the TPH organization's financial condition as required by Rule 17a-5 under the Exchange Act.

Rule 9.8. Addressing of Communications to Customers

No TPH organization shall address any communications to a customer in care of any other person unless either (a) the customer, within the preceding 12 months, has instructed the TPH organization in writing to send communications in care of such other persons, or (b) duplicate copies are sent to the customer at some other address designated in writing by him.

Rule 9.9. Delivery of Current Options Disclosure Documents

(a) Options Disclosure Documents. Every TPH organization shall deliver a current options disclosure document to each customer, at or prior to the time such customer's account is approved for options transactions. A copy of each amendment to an options disclosure document shall be furnished to each customer who was previously furnished the options disclosure document to which the amendment pertains, not later than the time a confirmation of a transaction in the category of options to which the amendment pertains is delivered to such customer. Where such customer is a broker or dealer, the TPH organization shall take reasonable steps to see to it that such broker or dealer is furnished reasonable quantities of current options disclosure documents, as requested by him in order to enable him to comply with the requirements of this Rule. The Exchange will advise Trading Permit Holders when an options disclosure document is amended. The term "current options disclosure document" means, as to any category of underlying security, the most recent edition of such document that meets the requirements of Rule 9b-1 under the Exchange Act.

(b) Written Description of Risks. The written description of risks required by Rule 9.1(f)(5) shall be in a format prescribed by the Exchange or in a format developed by the TPH organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

(c) Sample Risk Description for Use by Firms to Satisfy Requirements of paragraph (b).

Special Statement for Uncovered Option Writers

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.

2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

3. Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read the booklet entitled CHARACTERISTICS AND RISKS OF STANDARDIZED OPTIONS available from your broker. In particular your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

(d) *Written Disclosure of Risks of Portfolio Margining.* The special written disclosure statement describing the nature and risks of portfolio margining and acknowledgement for customer signature, required by Rule 10.4(c)(2) shall be in a format prescribed by the Exchange or in a format developed by the TPH organization, provided it contains substantially similar information as the prescribed Exchange format and has received prior written approval of the Exchange.

Rule 9.10. Restrictions on Pledge and Lending of Customers' Securities

(a) No TPH organization shall lend, either to itself or to others, securities carried for the account of any customer, unless such TPH organization shall first have obtained a separate written authorization from such customer permitting the lending of such by such TPH organization; and, regardless of any agreement between a TPH organization and a customer authorizing the TPH organization to lend or pledge such securities, no TPH organization shall lend or pledge more of such securities than is fair and reasonable in view of the indebtedness of the customer to such TPH organization except such lending as may be specifically authorized under paragraph (b) below.

(b) No TPH organization shall lend securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be loaned in view of the indebtedness of the customer, unless such TPH organization shall first have obtained from such customer a separate written authorization designating the particular securities to be loaned.

(c) No TPH organization shall hold securities carried for the account of any customer which have been fully paid for or which are in excess of the amount which may be pledged in view of the

indebtedness of the customer, unless such securities are segregated and identified by a method which clearly indicates the interest of such customer in those securities.

Rule 9.11. Transactions of Certain Customers

No TPH organization shall execute any transaction in securities or carry a position in any security in which (a) an officer or employee of the Exchange, or an officer or employee of a corporation in which the Exchange owns the majority of the capital stock is directly or indirectly interested, without the prior written consent of the Exchange, or (b) a partner, officer, director, principal shareholder or employee of another TPH organization is directly or indirectly interested, without the consent of such other TPH organization. Where the required consent has been granted, duplicate reports of the transaction and position shall be promptly sent to the Exchange or TPH organization, as the case may be.

Rule 9.12. Prohibition Against Guarantees and Sharing in Accounts

(a) *Prohibition Against Guarantees.* No TPH organization or person associated with a Trading Permit Holder shall guarantee a customer against loss in his account or in any transaction effected with or for such customer.

(b) *Sharing in Accounts; Extent Permissible.*

(1) Except as provided in subparagraph (b)(3), no Trading Permit Holder or person associated with a Trading Permit Holder shall share directly or indirectly in the profits or losses in any account of a customer carried by the Trading Permit Holder or any other Trading Permit Holder; provided, however, that a Trading Permit Holder or person associated with a Trading Permit Holder may share in the profits or losses in such an account if:

(A) such person associated with a Trading Permit Holder obtains prior written authorization from the Trading Permit Holder employing the associated person;

(B) such Trading Permit Holder or person associated with a Trading Permit Holder obtains prior written authorization from the customer; and

(C) such Trading Permit Holder or person associated with a Trading Permit Holder shares in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by either the Trading Permit Holder or person associated with a Trading Permit Holder.

(2) Exempt from the direct proportionate share limitation of subparagraph (b)(1)(C) are accounts of the immediate family of such Trading Permit Holder or person associated with a Trading Permit Holder. For purposes of this Rule, the term “immediate family” shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the Trading Permit Holder or person associated with a Trading Permit Holder otherwise contributes directly or indirectly.

(3) Notwithstanding the prohibition of subparagraph (b)(1) and (2), a Trading Permit Holder or person associated with a Trading Permit Holder that is acting as an investment adviser may receive compensation based on a share in profits or gains in an account if:

(A) such person associated with a Trading Permit Holder seeking such compensation obtains prior written authorization from the Trading Permit Holder employing the associated person;

(B) such Trading Permit Holder or person associated with a Trading Permit Holder seeking such compensation obtains prior written authorization from the customer; and

(C) all of the conditions in Rule 205-3 of the Investment Advisers Act (as the same may be amended from time to time) are satisfied.

Rule 9.13. Assuming Losses

No TPH organization shall assume for its own account any position in a security traded on the Exchange, where such position was established for a customer, after a loss to the customer has been established or ascertained, unless the contract was made by the TPH organization's mistake or unless approval of the Exchange has first been obtained.

Rule 9.14. Transfer of Accounts

(a) When a customer whose securities account is carried by a TPH organization (the "carrying organization") wants to transfer the entire account to another TPH organization (the "receiving organization") and gives written notice of that fact to the receiving organization, both TPH organizations must expedite and coordinate activities with respect to the transfer.

(b) Upon receipt from the customer of a signed broker-to-broker transfer instruction to receive such customer's securities account, the receiving organization will immediately submit such instruction to the carrying organization.

(1) The carrying organization must, within five business days following receipt of such instruction, (A) validate and return the transfer instruction (with an attachment reflecting all positions and money balances as shown on its books) to the receiving organization, or (B) take exception to the transfer instruction for reasons other than securities positions or money balance discrepancies and advise the receiving organization of the exception taken.

(2) The carrying organization and the receiving organization must promptly resolve any exceptions taken to the transfer instruction.

(3) Within five business days following the validation of a transfer instruction, the carrying organization must complete the transfer of the customer's securities account to the receiving organization. The carrying organization and the receiving organization must establish fail to receive and fail to deliver contracts at then current market values upon their respective books of account against the long/short positions (including options) in the customer's securities account that have not been physically delivered/received and the

receiving/carrying organization must debit/credit the related money account. The customer's securities account shall thereupon be deemed transferred.

(c) Any fail contracts resulting from this account transfer procedure must be closed out within 10 business days after their establishment.

(d) Any discrepancies relating to positions or money balances that exist or occur after transfer of a customer's securities account must be resolved promptly.

(e) When both the carrying organization and the receiving organization are participants in a Clearing Corporation having automated customer securities account transfer capabilities, the account transfer procedure, including the establishing and closing out of fail contracts, must be accomplished in accordance with the provisions of this Rule and pursuant to the rules of and through such Clearing Corporation.

(f) The Exchange may exempt from the provisions of this Rule, either unconditionally or on specified terms and conditions, (1) any TPH organization or class of TPH organizations, or (2) any type of account, security or financial instrument.

(g) Unless an exemption has been granted pursuant to paragraph (f) of this Rule, the Exchange may impose upon a TPH organization a fee of up to \$100 per securities account for each day such TPH organization fails to adhere to the time frames or procedures required by this Rule and related published interpretations.

(h) For purposes of this Rule, the term "securities account" shall be deemed to include any and all of the account's money market fund positions or the redemption value thereof.

(i) Transfer instructions and reports required by this Rule shall be in such form as may be prescribed by the Exchange.

Rule 9.15. Options Communications

(a) Definitions. For purposes of this Rule and any interpretation thereof, "options communications" consist of:

(1) Correspondence. The term "correspondence" shall include any written (including electronic) communication distributed or made available to 25 or fewer retail customers within any 30 calendar-day period.

(2) Institutional Communication. The term "institutional communication" shall include any written (including electronic) communication concerning options that is distributed or made available only to institutional investors, but does not include a Trading Permit Holder's internal communications. The term institutional investor shall mean any qualified investor as defined in Section 3(a)(54) of the Exchange Act.

(3) Retail Communication. The term "retail communication" means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

(b) Approval by Registered Options Principal.

(1) Retail Communications. All retail communications (except completed worksheets) issued by a Trading Permit Holder or TPH organization pertaining to options shall be approved in advance by a Registered Options Principal designated by the Trading Permit Holder or TPH organization's written supervisory procedures.

(2) Correspondence. Correspondence need not be approved by a Registered Options Principal prior to use. All correspondence is subject to the supervision and review requirements of Rule 9.2.

(3) Institutional Communications. Each Trading Permit Holder or TPH organization shall establish written procedures that are appropriate to its business, size, structure, and customers for review by a Registered Options Principal of institutional communications used by the Trading Permit Holder or TPH organization.

(4) Copies. Copies of the options communications shall be retained by the Trading Permit Holder or TPH organization in accordance with Rule 17a-4 under the Exchange Act. The names of the persons who prepared the options communications, the names of the persons who approved the options communications, and the source of any recommendations contained therein shall be retained by the Trading Permit Holder or TPH organization and kept in the form and for the time periods required for options communications by Rule 17a-4 under the Exchange Act.

(c) Exchange Approval Required. In addition to the approval required by paragraph (b) above, retail communications of a Trading Permit Holder or TPH organization pertaining to standardized options that is not accompanied or preceded by the applicable current options disclosure document ("ODD") shall be submitted to the Exchange at least 10 calendar days prior to use (or such shorter period as the Exchange may allow in particular instances) for approval and, if changed or expressly disapproved by the Exchange, shall be withheld from circulation until any changes specified by the Exchange have been made or, in the event of disapproval, until the communication has been resubmitted for, and has received, Exchange approval. The requirements of this paragraph shall not be applicable to:

(1) options communications submitted to another self-regulatory organization having comparable standards pertaining to such communications and

(2) communications in which the only reference to options is contained in a listing of the services of the TPH organization;

(3) the ODD; and

(4) the prospectus.

(d) General Rule. No Trading Permit Holder or member organization or associated person shall use any options communication which:

- (1) Contains any untrue statement or omission of a material fact or is otherwise false or misleading.
- (2) Contains promises of specific results, exaggerated or unwarranted claims, opinions for which there is no reasonable basis or forecasts of future events which are unwarranted or which are not clearly labeled as forecasts.
- (3) Contains cautionary statements or caveats that are not legible, are misleading, or are inconsistent with the content of the materials.
- (4) Contains statements suggesting the certain availability of a secondary market for options.
- (5) Fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies.
- (6) Fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary.
- (7) Fails to include a statement that supporting documentation for any claims (including any claims made on behalf of options programs or the options expertise of sales persons), comparisons, recommendations, statistics, or other technical data, will be supplied upon request.
- (8) Would constitute a prospectus as that term is defined in the Securities Act of 1933, unless it meets the requirements of Section 10 of the Securities Act of 1933. Paragraphs

Subparagraphs (d)(6) and (7) shall not apply to institutional communications as defined in this Rule. Any statement in any options communications referring to the potential opportunities or advantages presented by options shall be balanced by a statement of the corresponding risks. The risk statement shall reflect the same degree of specificity as the statement of opportunities, and broad generalities must be avoided. Paragraphs (6) and (7) shall not apply to institutional sales material as defined in this Rule 9.15.

(e) Standards Applicable to Options Communications.

(1) Unless preceded or accompanied by the ODD, options communications shall:

(A) Be limited to general descriptions of the options being discussed.

(B) Contain contact information for obtaining a copy of the ODD.

(C) Not contain recommendations or past or projected performance figures, including annualized rates of return, or names of specific securities.

(2) Options communications used prior to ODD delivery may:

(A) Contain a brief description of options, including a statement that identifies registered clearing agencies for options. The text may also contain a brief description

of the general attributes and method of operation of the exchanges on which options are traded, including a discussion of how an option is priced.

(B) Include any statement required by any state law or administrative authority.

(C) Include advertising designs and devices, including borders, scrolls, arrows, pointers, multiple and combined logos and unusual type faces and lettering as well as attention-getting headlines and photographs and other graphics, provided such material is not misleading.

(3) The subparagraph (e)(1)(B) requirement to include contact information for obtaining a copy of the ODD may be satisfied by providing a name and address or one or more telephone numbers from which the current options disclosure document may be obtained; directing existing clients to contact their registered representative; or including a response card through which a current options disclosure document may be obtained. An internet address may also be used, however, such an address must be accompanied by either a telephone number or mailing address for use by those investors who do not have access to the internet.

(f) *Projections.* Options communications may contain projected performance figures (including projected annualized rates of return), provided that:

(1) All such communications are accompanied or preceded by the ODD.

(2) No suggestion of certainty of future performance is made.

(3) Parameters relating to such performance figures are clearly established (e.g., to indicate exercise price of option, purchase price of the underlying stock and its market price, option premium, anticipated dividends, etc.).

(4) All relevant costs, including commissions, fees and interest charges (as applicable) are disclosed.

(5) Such projections are plausible and are intended as a source of reference or a comparative device to be used in the development of a recommendation.

(6) All material assumptions made in such calculations are clearly identified (e.g., “assume option expires”, “assume option unexercised”, “assume option exercised,” etc.).

(7) The risks involved in the proposed transactions are also discussed.

In communications relating to annualized rates of return, that such returns are not based upon any less than a 60-day experience; any formulas used in making calculations are clearly displayed; and a statement is included to the effect that the annualized returns cited might be achieved only if the parameters described can be duplicated and that there is no certainty of doing so.

(g) *Historical Performance.* Options communications may feature records and statistics which portray the performance of past recommendations or of actual transactions, provided that:

- (1) All such communications are accompanied or preceded by the ODD.
- (2) Any such portrayal is done in a balanced manner, and consists of records or statistics that are confined to a specific “universe” that can be fully isolated and circumscribed and that covers at least the most recent 12-month period.
- (3) Such communications include the date of each initial recommendation or transaction, the price of each such recommendation or transaction as of such date, and the date and price of each recommendation or transaction at the end of the period or when liquidation was suggested or effected, whichever was earlier; provided that if the communications are limited to summarized or averaged records or statistics, in lieu of the complete record there may be included the number of items recommended or transacted, the number that advanced and the number that declined, together with an offer to provide the complete record upon request.
- (4) All relevant costs, including commissions, fees, and interest charges (as applicable) are disclosed.
- (5) Whenever such communications contain annualized rates of return, all material assumptions used in the process of annualization are disclosed.
- (6) An indication is provided of the general market conditions during the period(s) covered, and any comparison made between such records and statistics and the overall market (e.g., comparison to an index) is valid.
- (7) Such communications state that the results presented should not and cannot be viewed as an indicator of future performance.
- (8) A Registered Options Principal determines that the records or statistics fairly present the status of the recommendations or transactions reported upon and so initials the report.

(h) *Options Programs.* In communications regarding an options program (i.e., an investment plan employing the systematic use of one or more options strategies), the cumulative history or unproven nature of the program and its underlying assumptions shall be disclosed.

Rule 9.16. Brokers’ Blanket Bonds

Every TPH organization approved to transact business with the public under this Chapter and every Clearing Trading Permit Holder shall carry Brokers’ Blanket Bonds covering their officers and employees in such form and in such amounts as the Exchange may require. The Exchange has determined that all Trading Permit Holders subject to the provisions of this Rule 9.16 shall maintain Brokers’ Blanket Bonds as follows:

(a) *Coverage Required.*

- (1) Maintain a Brokers’ Blanket Bond similar to the standard form established by the Surety Association of America, covering officers and employees which provides against loss and has agreements covering at least the following:

(A) Fidelity(B) On Premises(C) In Transit(D) Misplacement(E) Forgery and Alteration (including check forgery)(F) Securities Loss (including securities forgery)(G) Fraudulent Trading(H) A Cancellation Rider providing that the insurance carrier will promptly notify the Cboe Exchange, Inc., Inc. of cancellation, termination or substantial modification of the bond(2) Maintain minimum coverage for all insuring agreements required in this paragraph (a) of not less than \$25,000.(3) Maintain required coverage for Fidelity, On Premises, In Transit, Misplacement, and Forgery and Alteration insuring agreements of not less than 120% of its required net capital under SEC Rule 15c3-1 up to \$600,000. Minimum coverage for required net capital in excess of \$600,000 shall be determined by reference to the following table:

<u>Net Capital Requirement Under SEC Rule 15c3-1</u>	<u>Minimum Coverage</u>
<u>\$ 600,001-\$1,000,000</u>	<u>\$750,000</u>
<u>\$1,000,001-\$2,000,000</u>	<u>\$1,000,000</u>
<u>\$2,000,001-\$3,000,000</u>	<u>\$1,500,000</u>
<u>\$3,000,001-\$4,000,000</u>	<u>\$2,000,000</u>
<u>\$4,000,001-\$5,000,000</u>	<u>\$3,000,000</u>
<u>\$6,000,001-\$12,000,000</u>	<u>\$4,000,000</u>
<u>\$12,000,001- and above</u>	<u>\$5,000,000</u>

(4) Maintain Fraudulent Trading coverage of not less than \$25,000 or 50% of the coverage required in subparagraph (a)(3) whichever is greater, up to \$500,000;

(5) Maintain Securities Forgery coverage of not less than \$25,000 or 25% of the coverage required in subparagraph (a)(3), whichever is greater, up to \$250,000.

(b) Deductible Provision.

(1) A deductible provision may be included in the bond of up to \$5,000 or 10% of the minimum insurance requirement established hereby, whichever is greater.

(2) If a Trading Permit Holder desires to maintain coverage in excess of the minimum insurance requirement, then a deductible provision may be included in the bond of up to \$5,000 or 10% of the amount of blanket bond coverage provided in the bond purchased, whichever is greater. However, the excess of any such deductible amount over the maximum permissible deductible amount described in subparagraph (b)(1) above must be deducted from the Trading Permit Holder's net worth in the calculation of the Trading Permit Holder's net capital for purposes of SEC Rule 15c3-1.

(3) When the Trading Permit Holder is covered under the Brokers' Blanket Bond of an affiliate, the Trading Permit Holder must deduct from its net capital the deductible provision in excess of the maximum permissible amount described in subparagraph (b)(1) above.

(c) Annual Review of Coverage.

(1) In determining the initial minimum coverage amount, the Trading Permit Holder is to use the highest required net capital during the 12-month period immediately preceding (and make) the issuance of the Brokers' Blanket Bond. This amount shall be used to determine minimum required coverage for the succeeding twelve-month period pursuant to subparagraphs (a)(3), (4), and (5).

(2) Each Trading Permit Holder, shall review, as of the anniversary date of the issuance of the bond, the adequacy thereof by reference to the highest required net capital during the immediately preceding 12-month period, which amount shall be used to determine minimum required coverage for the succeeding 12-month period pursuant to subparagraphs (a)(2), (3), (4), and (5).

(3) Each Trading Permit Holder shall make required adjustments not more than 30 days after the anniversary date of the issuance of such bond.

(d) Notification of Change.

Each Trading Permit Holder shall report the cancellation, termination or substantial modification of the bond to the Exchange within 10 business days of such occurrences.

(e) Trading Permit Holders Subject to Other Bonding Rules.

Trading Permit Holders subject to a bonding rule of another registered national securities exchange, the Commission, or a registered national securities association which imposes requirements that are equal to or greater than the requirements imposed by the Rule shall be deemed to be in compliance with the provisions of this Rule.

Rule 9.17. Customer Complaints

Every TPH organization conducting a non-Trading Permit Holder customer business shall make and keep current a separate central log, index or other file for all options-related complaints, through which these complaints can easily be identified and retrieved. The term “options-related complaint” shall mean any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with listed options. The central file shall be located at the principal place of business of the TPH organization or such other principal office as shall be designated by the TPH organization. At a minimum, the central file shall include: (1) identification of complainant, (2) date complaint was received, (3) identification of Registered Representative servicing the account, (4) a general description of the matter complained of, and (5) a record of what action, if any, has been taken by the TPH organization with respect to the complaint. Each options-related complaint received by a branch office of a TPH organization shall be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office. A copy of every options-related complaint shall be maintained at the branch office that is the subject of the complaint.

Rule 9.18. Telemarketing

(a) Telemarketing Restrictions. No Trading Permit Holder or associated person shall make an outbound telephone call to:

- (1) any person’s residence at any time other than between 8:00 a.m. and 9:00 p.m. local time at the called person’s location;
- (2) any person that previously has stated that he or she does not wish to receive any outbound telephone calls made by or on behalf of the Trading Permit Holder; or
- (3) any person who has registered his or her telephone number on the Federal Trade Commission’s national do-not-call registry.

(b) Caller Disclosures. No Trading Permit Holder or associated person shall make an outbound telephone call to any person without disclosing truthfully, promptly and in a clear and conspicuous manner to the called person the following information:

- _____ (1) the identity of the caller and the TPH organization;
- _____ (2) the telephone number or address at which the caller may be contacted; and
- _____ (3) that the purpose of the call is to solicit the purchase of securities or related services.

The telephone number provided may not be a 900 number or any other number for which charges exceed local or long-distance transmission charges.

(c) Exceptions. The prohibition of subparagraph (a)(1) does not apply to outbound telephone calls by a Trading Permit Holder or an associated person if:

- _____ (1) the Trading Permit Holder has received that person’s express prior consent;

(2) the Trading Permit Holder has an established business relationship with the person; or

(3) the person called is a broker or dealer.

(d) *Trading Permit Holder's Firm-Specific Do-Not-Call List.*

(1) Each Trading Permit Holder shall make and maintain a centralized list of persons who have informed the Trading Permit Holder or any of its associated persons that they do not wish to receive outbound telephone calls.

(2) Prior to engaging in telemarketing, a Trading Permit Holder must institute procedures to comply with paragraphs (a) and (b). Such procedures must meet the following minimum standards:

(A) *Written Policy.* Trading Permit Holders must have a written policy for maintaining the do-not-call list described under subparagraph (d)(1).

(B) *Training of Personnel Engaged in Telemarketing.* Personnel engaged in any aspect of telemarketing must be informed and trained in the existence and use of the do-not-call list.

(C) *Recording, Disclosure of Do-Not-Call Requests.* If a Trading Permit Holder receives a request from a person not to receive calls from that Trading Permit Holder, the Trading Permit Holder must record the request and place the person's name, if provided, and telephone number on the Trading Permit Holder's firm-specific do-not-call list at the time the request is made. Trading Permit Holders must honor a person's do-not-call request within a reasonable time from the date such request is made. This period may not exceed 30 days from the date of such request. If such requests are recorded or maintained by a party other than the Trading Permit Holder on whose behalf the outbound telephone call is made, the Trading Permit Holder on whose behalf the outbound telephone call is made will be liable for any failures to honor the do-not-call request.

(D) *Identification of Telemarketers.* A Trading Permit Holder or associated person making an outbound telephone call must make the caller disclosures set forth in paragraph (b).

(E) *Affiliated Persons or Entities.* In the absence of a specific request by the person to the contrary, a person's do-not-call request shall apply to the Trading Permit Holder making the call, and shall not apply to affiliated entities unless the consumer reasonably would expect them to be included given the identification of the caller and the product being advertised.

(F) *Maintenance of Do-Not-Call Lists.* A Trading Permit Holder making outbound telephone calls must maintain a record of a person's request not to receive further calls.

(e) *Do-Not-Call Safe Harbors.*

(1) A Trading Permit Holder or associated person making outbound telephone calls will not be liable for violating subparagraph (a)(3) if:

(A) the Trading Permit Holder has an established business relationship with the called person. A person's request to be placed on the Trading Permit Holder's firm-specific do- not-call list terminates the established business relationship exception to the national do- not-call registry provision for that Trading Permit Holder even if the person continues to do business with the Trading Permit Holder;

(B) the Trading Permit Holder has obtained the person's prior express written consent. Such consent must be clearly evidenced by a signed, written agreement (which may be obtained electronically under the E-Sign Act) between the person and the Trading Permit Holder, which states that the person agrees to be contacted by the Trading Permit Holder and includes the telephone number to which the calls may be placed; or

(C) the Trading Permit Holder or associated person making the call has a personal relationship with the called person.

(2) A Trading Permit Holder or associated person making outbound telephone calls will not be liable for violating subparagraph (a)(3) if the Trading Permit Holder or associated person demonstrates that the violation is the result of an error and that as part of the Trading Permit Holder's routine business practice:

(A) the Trading Permit Holder has established and implemented written procedures to comply with paragraphs (a) and (b);

(B) the Trading Permit Holder has trained its personnel, and any entity assisting in its compliance, in the procedures established pursuant to subparagraph (e)(2)(A);

(C) the Trading Permit Holder has maintained and recorded a list of telephone numbers that it may not contact in compliance with paragraph (d); and

(D) the Trading Permit Holder uses a process to prevent outbound telephone calls to any telephone number on the Trading Permit Holder's firm-specific do-not-call list or the national do-not-call registry, employing a version of the national do-not-call registry obtained from the Federal Trade Commission no more than 31 days prior to the date any call is made, and maintains records documenting this process.

(f) *Wireless Communications.* The provisions set forth in this Rule are applicable to Trading Permit Holders and associated persons making outbound telephone calls to wireless telephone numbers.

(g) *Outsourcing Telemarketing.* If a Trading Permit Holder uses another appropriately registered or licensed entity or person to perform telemarketing services on its behalf, the Trading Permit Holder remains responsible for ensuring compliance with all provisions contained in this Rule.

(h) *Billing Information.* For any telemarketing transaction, no Trading Permit Holder or associated person shall cause billing information to be submitted for payment, directly or indirectly, without

the express informed consent of the customer. Each Trading Permit Holder or associated person must obtain the express informed consent of the person to be charged and to be charged using the identified account.

In any telemarketing transaction involving preacquired account information, the following requirements must be met to evidence express informed consent:

(1) In any telemarketing transaction involving preacquired account information and a free-to-pay conversion feature, the Trading Permit Holder or associated person must:

(A) obtain from the customer, at a minimum, the last four digits of the account number to be charged;

(B) obtain from the customer an express agreement to be charged and to be charged using the account number pursuant to subparagraph (h)(1)(A); and

(C) make and maintain an audio recording of the entire telemarketing transaction.

(2) In any other telemarketing transaction involving preacquired account information not described in subparagraph (h)(1), the Trading Permit Holder or associated person must:

(A) identify the account to be charged with sufficient specificity for the customer to understand what account will be charged; and

(B) obtain from the customer an express agreement to be charged and to be charged using the account number identified pursuant to subparagraph (h)(2)(A).

(i) *Caller Identification Information.*

(1) Any Trading Permit Holder that engages in telemarketing must transmit or cause to be transmitted the telephone number and, when made available by the Trading Permit Holder's telephone carrier, the name of the Trading Permit Holder to any caller identification service in use by a recipient of an outbound telephone call.

(2) The telephone number so provided must permit any person to make a do-not-call request during regular business hours.

(3) Any Trading Permit Holder that engages in telemarketing is prohibited from blocking the transmission of caller identification information.

(j) *Unencrypted Consumer Account Numbers.* No Trading Permit Holder or associated person shall disclose or receive, for consideration, unencrypted consumer account numbers for use in telemarketing. The term "unencrypted" means not only complete, visible account numbers, whether provided in lists or singly, but also encrypted information with a key to its decryption. This paragraph will not apply to the disclosure or receipt of a customer's billing information to process pursuant to a telemarketing transaction.

(k) *Abandoned Calls.*

(1) No Trading Permit Holder or associated person shall “abandon” any outbound telephone call. An outbound telephone call is “abandoned” if a called person answers it and the call is not connected to a Trading Permit Holder or associated person within two seconds of the called person’s completed greeting.

(2) A Trading Permit Holder or associated person shall not be liable for violating subparagraph (k)(1) if:

(A) the Trading Permit Holder or associated person employs technology that ensures abandonment of no more than three percent of all outbound telephone calls answered by a person, measured over the duration of a single calling campaign, if less than 30 days, or separately over each successive 30-day period or portion thereof that the campaign continues;

(B) the Trading Permit Holder or associated person, for each outbound telephone call placed, allows the telephone to ring for at least 15 seconds or four rings before disconnecting an unanswered call;

(C) whenever a Trading Permit Holder or associated person is not available to speak with the person answering the outbound telephone call within two seconds after the person’s completed greeting, the Trading Permit Holder or associated person promptly plays a prerecorded message that states the name and telephone number of the Trading Permit Holder or associated person on whose behalf the call was placed; and

(D) the Trading Permit Holder or associated person retains records establishing compliance with paragraph (k)(2).

(l) Prerecorded Messages.

(1) No Trading Permit Holder or associated person shall initiate any outbound telephone call that delivers a prerecorded message, other than a prerecorded message permitted for compliance with the call abandonment safe harbor in subparagraph (k)(2)(C), unless:

(A) the Trading Permit Holder has obtained from the called person an express agreement, in writing, that:

(i) the Trading Permit Holder obtained only after a clear and conspicuous disclosure that the purpose of the agreement is to authorize the Trading Permit Holder to place prerecorded calls to such person;

(ii) the Trading Permit Holder obtained without requiring, directly or indirectly, that the agreement be executed as a condition of purchasing any good or service;

(iii) evidences the willingness of the called person to receive calls that deliver prerecorded messages by or on behalf of the Trading Permit Holder; and

(iv) includes such person's telephone number and signature (which may be obtained electronically under the E-Sign Act);

(B) the Trading Permit Holder allows the telephone to ring for a least 15 seconds or four rings before disconnecting an unanswered call and, within two seconds after the completed greeting of the called person, plays a prerecorded message that promptly provides the disclosures in paragraph (b), followed immediately by a disclosure of one or both of the following:

(i) in the case of a call that could be answered in person, that the called person can use an automated interactive voice and/or keypress-activated opt-out mechanism to assert a firm-specific do-not-call request pursuant to the Trading Permit Holder's procedures instituted under subparagraph (d)(2)(C) at any time during the message. The mechanism must automatically add the number called to the Trading Permit Holder's firm-specific do-not-call list; once invoked, immediately disconnect the call; and be available for use at any time during the message; and

(ii) in the case of a call that could be answered by an answering machine or voicemail service, that the call recipient can use a toll-free telephone number to assert a firm-specific do-not-call request pursuant to the Trading Permit Holder's procedures instituted under subparagraph (d)(2)(C). The number provided must connect directly to an automated interactive voice or keypress-activated opt-out mechanism that automatically adds the number called to the Trading Permit Holder's firm-specific do-not-call list; immediately thereafter disconnects the call; and is accessible at any time throughout the duration of the telemarketing campaign; and

(C) the Trading Permit Holder complies with all other requirements of this Rule and other applicable federal and state laws.

(2) Any call that complies with all applicable requirements of paragraph (l) shall not be deemed to violate paragraph (k).

(m) Credit Card Laundering. Except as expressly permitted by the applicable credit card system, no Trading Permit Holder or associated person shall:

(1) present to or deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the Trading Permit Holder;

(2) employ, solicit, or otherwise cause a merchant, or an employee, representative or agent of the merchant, to present to or to deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the merchant; or

(3) obtain access to the credit card system through the use of a business relationship or an affiliation with a merchant, when such access is not authorized by the merchant agreement or the applicable credit card system.

(n) Definitions. For purposes of this Rule:

(1) The term “account activity” includes, but is not limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the Trading Permit Holder.

(2) The term “acquirer” means a business organization, financial institution, or an agent of a business organization or financial institution that has authority from an organization that operates or licenses a credit card system to authorize merchants to accept, transmit, or process payment by credit card through the credit card system for money, goods or services, or anything else of value.

(3) The term “billing information” means any data that enables any person to access a customer’s or donor’s account, such as a credit or debit card number, a brokerage, checking, or savings account number, or a mortgage loan account number. A “donor” means any person solicited to make a charitable contribution. A “charitable contribution” means any donation or gift of money or any other thing of value, for example a transfer to a pooled income fund.

(4) The term “broker-dealer of record” refers to the broker or dealer identified on a customer’s account application for accounts held directly at a mutual fund or variable insurance product issuer.

(5) The term “caller identification service” means a service that allows a telephone subscriber to have the telephone number and, where available, name of the calling party transmitted contemporaneously with the telephone call, and displayed on a device in or connected to the subscriber’s telephone.

(6) The term “cardholder” means a person to whom a credit card is issued or who is authorized to use a credit card on behalf of or in addition to the person to whom the credit card is issued.

(7) The term “credit” means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

(8) The term “credit card” means any card, plate, coupon book, or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.

(9) The term “credit card sales draft” means any record or evidence of a credit card transaction.

(10) The term “credit card system” means any method or procedure used to process credit card transactions involving credit cards issued or licensed by the operator of that system.

(11) The term “customer” means any person who is or may be required to pay for goods or services through telemarketing.

(12) The term “established business relationship” means a relationship between a Trading Permit Holder and a person if:

(A) the person has made a financial transaction or has a security position, a money balance, or account activity with the Trading Permit Holder or at a clearing firm that provides clearing services to such Trading Permit Holder within the 18 months immediately preceding the date of an outbound telephone call;

(B) the Trading Permit Holder is the broker-dealer of record for an account of the person within the 18 months immediately preceding the date of an outbound telephone call; or

(C) the person has contacted the Trading Permit Holder to inquire about a product or service offered by the Trading Permit Holder within the three months immediately preceding the date of an outbound telephone call.

A person’s established business relationship with a Trading Permit Holder does not extend to the Trading Permit Holder’s affiliated entities unless the person would reasonably expect them to be included. Similarly, a person’s established business relationship with a Trading Permit Holder’s affiliate does not extend to the Trading Permit Holder unless the person would reasonably expect the Trading Permit Holder to be included.

(13) The term “free-to-pay conversion” means, in an offer or agreement to sell or provide any goods or services, a provision under which a customer receives a product or service for free for an initial period and will incur an obligation to pay for the product or service if he or she does not take affirmative action to cancel before the end of that period.

(14) The term “merchant” means a person who is authorized under a written contract with an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.

(15) The term “merchant agreement” means a written contract between a merchant and an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.

(16) The term “outbound telephone call” means a telephone call initiated by a telemarketer to induce the purchase of goods or services or to solicit a charitable contribution from a donor.

(17) The term “person” means any individual, group, unincorporated association, limited or general partnership, corporation, or other business entity.

(18) The term “personal relationship” means any family member, friend, or acquaintance of the person making an outbound telephone call.

(19) The term “preacquired account information” means any information that enables a Trading Permit Holder or associated person to cause a charge to be placed against a customer’s or donor’s account without obtaining the account number directly from the customer or donor during the telemarketing transaction pursuant to which the account will be charged.

(20) The term “telemarketer” means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a customer or donor.

(21) The term “telemarketing” means consisting of or relating to a plan, program, or campaign involving at least one outbound telephone call, for example cold-calling. The term does not include the solicitation of sales through the mailing of written marketing materials, when the person making the solicitation does not solicit customers by telephone but only receives calls initiated by customers in response to the marketing materials and during those calls takes orders only without further solicitation. For purposes of the previous sentence, the term “further solicitation” does not include providing the customer with information about, or attempting to sell, anything promoted in the same marketing materials that prompted the customer’s call.

(o) *Applicable Rules.* Trading Permit Holders and associated persons that engage in telemarketing also are subject to the requirements of relevant state and federal laws and rules, including but not limited to the Telemarketing and Consumer Fraud and Abuse Prevention Act, the Telephone Consumer Protection Act, and the rules of the Federal Communications Commission (“FCC”) relating to telemarketing practices and the rights of telephone consumers. It is considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 8.1 for any Trading Permit Holder or associated person to: (1) call a person repeatedly or continuously in a manner likely to annoy or be offensive; or (2) use threats, intimidation, or profane or obscene language in calling any person.

Rule 9.19. Borrowing From or Lending to Customers

(a) *General.* No person associated with a Trading Permit Holder or TPH organization in any registered capacity may borrow money from or lend money to any customer of such person unless:

(1) The Trading Permit Holder or TPH organization has written procedures allowing the borrowing and lending of money between such registered persons and customers of the Trading Permit Holder or TPH organization; and

(2) the lending or borrowing arrangement meets one of the following conditions:

(A) the customer is a member of such person’s immediate family;

(B) the customer is a financial institution regularly engaged in the business of providing credit, financing, or loans, or other entity or person that regularly arranges or extends credit in the ordinary course of business;

(C) the customer and the registered person are both registered persons of the same member organization;

(D) the lending arrangement is based on a personal relationship with the customer, such that the loan would not have been solicited, offered, or given had the customer and the associated person not maintained a relationship outside of the broker/customer relationship; or

(E) the lending arrangement is based on a business relationship outside of the broker/customer relationship;

(b) Procedures. Trading Permit Holders or TPH organizations must pre-approve in writing the lending or borrowing arrangements described in subparagraphs (a)(2)(C), (D), and (E) above.

(1) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(A) above, a Trading Permit Holder or TPH organization's written procedures may indicate that registered persons are not required to notify the Trading Permit Holder or TPH organization, or receive Trading Permit Holder or TPH organization approval either prior to or subsequent to entering into such lending or borrowing arrangements.

(2) With respect to the lending or borrowing arrangements described in subparagraph (a)(2)(B) above, a Trading Permit Holder or TPH organization's written procedures may indicate that registered persons are not required to notify the Trading Permit Holder or TPH organization or receive their approval either prior to or subsequent to entering into such lending or borrowing arrangements, provided that the loan has been made on commercial terms that the customer generally makes available to members of the public similarly situated as to need, purpose, and creditworthiness. For purposes of this subparagraph, the Trading Permit Holder or TPH organization may rely on the registered person's representation that the terms of the loan meet the above-described standards.

(c) Immediate Family. The term immediate family shall include parents, grandparents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and shall also include any other person whom the registered person supports, directly or indirectly, to a material extent.

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