

**Notice to Members 2012-13**

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Date: June 19, 2012

Re: **OCX Rule 416 Exchange of Future for Physical**  
**OCX Rule 417 Block Trading**  
(Guidance for reporting bi-lateral Exchange of Future for Physical and bi-lateral Block Trades).

Effective Date: July 5, 2012

OneChicago (“OCX”), in response to OneChicago trading community inquiries, would like to clarify the term “without delay” in regards to the reporting/posting of a bi-lateral Exchange of Future for Physical (“EFP”) and bi-lateral Block Trades to OCX.

A deal is “completed” at the moment two parties agree upon the price of the single stock future to be posted at OCX. Market participants may agree on trade prices based on executions in other related markets including the underlying stock markets, related stocks, equity options, or OTC trades. For clarity, the related market trades may be executed at different times and prices over the course of a trading day, including, without limitation, at the close of the market, at the opening of the market or throughout the day in a manner designed to track the volume weighted average price.

During normal market conditions, all completed bi-lateral EFP and Block Trades must be reported/posted to OCX within 5 minutes of the bi-lateral trade being completed by the parties.

To complete compliance with this requirement, one party must post the completed deal on OCX.BETS “without delay” and the opposing party must accept the deal “without delay”, i.e., within 5 minutes.

Any questions can be directed to [marketsurveillance@onechicago.com](mailto:marketsurveillance@onechicago.com) or 312.424.8530.



**Notice to Members 2012-14**

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Date: July 02, 2012

Re: Information Update: Booking of EFP cash leg transactions to reflect fees.

Effective Date: July 18, 2012

Based on customer feedback and industry guidance, OneChicago would like to acknowledge the practice of Marking Up and Marking Down pricing of the cash leg of an EFP that reflect the fees charged to the holder to be consistent with OCX Rule 416 provided that the original stock price is provided on the confirmation to the customer.

Additionally, a member firm may facilitate, as principal, the stock leg on behalf of a customer, provided that the member firm can demonstrate that the stock leg was passed through to the customer who received the OneChicago contract position as part of the EFP.

Any questions can be directed to [marketsurveillance@onechicago.com](mailto:marketsurveillance@onechicago.com) or 312.424.8530

**Notice to Members 2013-09**

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Date: April 3, 2013  
Re: EFP Confirmations  
Effective Date: April 18, 2013

As noted in OneChicago Notice to Members 2012-14, securities firms can markup/markdown the cash leg price on exchange future for physical (“EFP”) trades to include commissions and fees provided the stock confirmation shows the original stock price and the markup.

After reviewing these practices for EFPs, OneChicago has determined that the firm also needs to provide the actual (gross) EFP execution price as well as the net EFP price to the customer when the trade is confirmed, regardless of whether the confirmation is verbal, text, instant message, email, or fax. For example, a firm buys an EFP at \$0.10, the futures leg is priced at \$20.00 and the stock leg is priced at \$19.90 with a \$0.30 markdown to \$19.60. The EFP confirmation needs to indicate EFP execution price of \$0.10 with net price of \$0.40 including the markdown.

Any questions can be directed to [marketsurveillance@onechicago.com](mailto:marketsurveillance@onechicago.com) or 312.424.8530

**Notice to Members 2013-12**

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Date: July 9, 2013

Re: Disclosure of Payment for Order Flow Arrangements

Effective Date: July 24, 2013

OneChicago, LLC (“OCX”) is providing guidance regarding disclosure in payment for order flow arrangements. “Payment for order flow” refers to the practice of a broker-dealer (“BD”) or futures commission merchant (“FCM”) routing orders to a liquidity provider in exchange for a fee paid to the referrer. For example, consider a hypothetical scenario involving market participants A, B, and C. A, the customer, contacts B, an FCM, requesting a market be made in a particular single-stock future (“SSF”). B, in turn, contacts C, a liquidity provider. C agrees to make a market in that SSF, and in exchange for B executing the order with C, C pays B a fee.

While OCX does not endorse or oppose payment for order flow arrangements, we recognize that these arrangements are commonplace in the financial services industry, including in OCX products. Consistent with industry practice, we believe that disclosure of such arrangements is critical to ensure market integrity and best execution for customers. We also believe that informed customers are capable of making determinations as to whether they find such arrangements acceptable. Therefore, firms engaging in payment for order flow arrangements in OCX products are required to disclose that fact to their customers.

A firm may meet that disclosure requirement in any reasonable manner, including but not limited to: (i) by providing notice within the customer confirmation; (ii) by placing a notice on the firm’s public website; or (iii) by incorporating the disclosure within its customer account agreements.

If you have any questions or concerns about this notice, please feel free to contact Waseem Barazi, Director of Market Regulation, by phone at (312) 424-8524 or through e-mail at [wbarazi@onechicago.com](mailto:wbarazi@onechicago.com).

**August 1, 2012 Revised Submission**  
**Attachment A - Revised**

**701. General**

Paragraphs (a) through (c) unchanged.  
Paragraphs (e) through (g) unchanged.

(d) Counsel may represent any Member or Access Person during any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, and summary imposition of fines, summary suspension or other summary actions pursuant to this Chapter 7 provided that counsel may not be a member of the Board or disciplinary panel, any employee of the exchange or any person substantially related to the underlying investigation such as a material witness or respondent.

**712. Respondent Review of Evidence**

Paragraphs (b) through (d) unchanged.

(a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of the Exchange that the Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the Exchange will have no obligation to disclose, any information protected by attorney-client privilege, any documents that were prepared by an Exchange employee but will not be entered into evidence in the disciplinary proceedings, any documents that may disclose techniques or guidelines used in examinations, investigations or enforcement proceedings or any documents that reveal a confidential source.

**713. Conducting Hearings of Disciplinary Proceedings**

Paragraphs (a) through (f) unchanged.  
Paragraph (h) unchanged.

(g) The Exchange will arrange for any hearing conducted in connection with disciplinary proceedings (or any appeal therefrom pursuant to Rule 716 below) to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription, which will become part of the record of the proceedings. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may within his or her sole discretion order the respondent to pay the costs for transcribing the recording of the hearing.

**714. Decision of Disciplinary Panel**

Paragraphs (a) and (c) unchanged.

(b) The Exchange will serve a copy of the order of the disciplinary proceedings on the respondent and the Department. The order will include:

- (i) The notice of charges or summary of the allegations;
- (ii) The answer, if any, or a summary of the answer;
- (iii) A [brief] summary of the evidence introduced at the hearing;

(iv) A statement of f[F]indings of fact and conclusions, and a complete explanation of the evidentiary and other basis for such findings and conclusions concerning each allegation, including each specific Rule of the Exchange and provision of Applicable Law that the respondent is found to have violated;

(v) A declaration of t[T]he imposition of sanctions, if any, and the effective date of each sanction; and

- (vi) Notice of the respondent's right to appeal pursuant to Rule 716.

**715. Sanctions**

Paragraph (a) and (b) unchanged.

Paragraph (c) added.

(c) The sanctions must be sufficient to deter recidivism or similar violations by other market participants and must take into account the respondent's disciplinary history. In the event of demonstrated customer harm, any disciplinary sanction must also include full customer restitution, except where the amount of restitution, or to whom it should be provided, cannot be reasonably determined.

**716. Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions**

Paragraphs (b) through (h) unchanged.

Paragraph (j) unchanged.

(a) Each respondent found by the Disciplinary Panel to have violated a Rule of the Exchange, a provision of Applicable Law, or who is subject to any summary fine imposed pursuant to Rule 717 or any summary action imposed pursuant to Rule 718 may appeal the decision within 20 days of receiving the order of the disciplinary action or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Regulatory Officer. While an appeal is pending, the effect of the order of disciplinary proceedings or the summary action (including any sanctions, remedies or costs imposed

thereby) shall be suspended, except as provided in Rule 701[1](g) with respect to any denial or limit on Trading Privileges.

(i) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the weight of the evidence before the Appeals Panel. The decision of the Appeals Panel will include a statement of findings of fact and conclusions, and a complete explanation of the evidentiary and other basis for such finding and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule of the Exchange and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.

**August 6, 2012 Revised Submission****Attachment A****307. Application of Rules and Jurisdiction**

(a) By accessing, or entering any Order into, the OneChicago System, and without any need for any further action, undertaking or agreement, a Clearing Member, Exchange Member or Access Person agrees (i) to be bound by, and comply with, the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to it, and (ii) to become subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Clearing Member, Exchange Member or Access Person.

(b) Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.

[(b)] (c) Any Clearing Member, Exchange Member or Access Person whose Access Privileges are revoked or terminated, whether pursuant to Rule 306 or Chapter 7, shall remain bound by the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Clearing Member, Exchange Member or Access Person prior to such revocation or termination.



**Attachment B**

## Exchange Rulebook

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE ONECHICAGO SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A CLEARING MEMBER, EXCHANGE MEMBER OR ACCESS PERSON AGREES (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, THE RULES OF THE CLEARING CORPORATION AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH CLEARING MEMBER, EXCHANGE MEMBER OR ACCESS PERSON. SEE RULE 307(A) AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

ANY PERSON INITIATING OR EXECUTING A TRANSACTION ON OR SUBJECT TO THE RULES OF THE EXCHANGE DIRECTLY OR THROUGH AN INTERMEDIARY, AND ANY PERSON FOR WHOSE BENEFIT SUCH A TRANSACTION HAS BEEN INITIATED OR EXECUTED, EXPRESSLY CONSENTS TO THE JURISDICTION OF THE EXCHANGE AND AGREES TO BE BOUND BY AND COMPLY WITH THE RULES OF THE EXCHANGE IN RELATION TO SUCH TRANSACTIONS, INCLUDING, BUT NOT LIMITED TO, RULES REQUIRING COOPERATION AND PARTICIPATION IN INVESTIGATORY AND DISCIPLINARY PROCESSES.

**August 29, 2012 Submission**

**Attachment A**

**307. Application of Rules and Jurisdiction**

Paragraphs (a) through (c) unchanged.

(d) Any Person subject to Rule 307(b) that is not a Clearing Member, Exchange Member or Access Person is bound by and required to comply with the following Rules of the Exchange for purposes of Rule 307(b) to the same extent that a Clearing Member, Exchange Member or Access Person is bound by and required to comply with those Rules of the Exchange:

Rules 306, Limitations of Access Privileges; 308, Recording of Conversations; 309, Notices; 402, Trading Hours; 406, Execution of Orders by OneChicago System; 411, Requirements for Average Price System Transactions; 412, Application and Closing Out of Offsetting Positions, 413, Errors of Clearing Members; 414, Position Limits and Position Accountability; 416, Exchange of Future for Physical; 417, Block Trading; 421, Limitation of Liability, No Warranties; 422, Transfer of Trades; 423, Concurrent Long and Short Positions; 501, Books and Records; 502, Inspection and Delivery; 510, Risk Disclosure Statement; 511, Fraudulent or Misleading Communications; 512, Responsibility for Customer Orders; 513, System Security; 601, Fraudulent Acts; 602, Fictitious Transactions; 603, Market Manipulation; 604, Adherence to Law; 605, Sales Practice Rules; 607, Use of Access Privileges; 608, Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; 610, Priority of Customers' Orders; 611, Trading Against Customers' Orders; 612, Withholding Orders; 613, Disclosing Orders; 614, Pre-Arranged Trades; 615, Simultaneous Buying and Selling Order; and all of chapters 7, 9, 10 and 11.

**February 27, 2013 Submission**

**Attachment A**

**127. Disciplinary Panel**

The Disciplinary Panel shall consist of three individuals selected by the Chief Regulatory Officer from the Exchange's Board and/or [Exchange Members ]members of the public, including at least one individual who would qualify as a Public Director [and ]of OneChicago who shall act as chairman.

**March 4, 2013 Submission**

**Attachment A**

127. Disciplinary Panel

The Disciplinary Panel shall consist of three individuals selected by the Chief Regulatory Officer from the Public Directors on the Exchange's Board and/or [Exchange M ]members of the public, all of which would [including at least one individual who would ]qualify as a Public Director at OneChicago[and shall act as chairman].