

Introduction

This pamphlet is intended to provide you with a general overview of the regulatory and disciplinary process of the Chicago Board Options Exchange, Incorporated (“Exchange” or “CBOE”).

The CBOE is registered with the United States Securities and Exchange Commission (“SEC”) as a national securities exchange. The SEC oversees the CBOE’s regulatory and disciplinary process. The CBOE is required under the Securities Exchange Act of 1934 (“Act”) to enforce compliance by its members and their associated persons¹ with the provisions of the Act, its rules and regulations, the rules of the Exchange, and certain rules of the Federal Reserve Board and the Options Clearing Corporation. The Act also requires the Exchange to discipline its members and associated persons for violations of these rules.

Members of the CBOE include many securities firms that conduct a public customer business. CBOE members and their associated persons all are subject to the Exchange’s regulatory and disciplinary authority. Former CBOE members and associated persons may also be subject to the Exchange’s regulatory and disciplinary authority.

Filing a Complaint

As a customer, you are very important to the Exchange. If you believe there have been improper practices related to your options transactions, or if you have information regarding improper practices, you may file a complaint with the Exchange’s Member and Regulatory Services Division at 400 South LaSalle Street, Chicago, IL 60605.

Your complaint should generally be in writing and should include as many details about those practices as you can provide. Once the Exchange receives your written complaint, the Exchange will acknowledge its receipt. The acknowledgment letter will inform you which Exchange department is handling your complaint, will provide you with the name of the investigator assigned to your complaint, and will notify you of any rights of review you may have.²

Investigation of Complaints

Exchange staff encourages your cooperation in determining whether rule violations have occurred. Staff will normally begin its investigation by requesting information from the member firm and its associated persons relating to the handling of your account.

¹ An associated person is a partner, officer, director, or branch manager of a CBOE member, a person directly or indirectly controlling, controlled by, or under common control with a CBOE member, or an employee of a CBOE member.

² If your complaint concerns conduct relating to someone who is not a CBOE member or person associated with a CBOE member, the Exchange will refer your complaint to the appropriate regulatory authority.

Additionally, staff may contact you to verify facts or obtain additional information to support your complaint.

Generally, the Exchange will provide you with periodic letters concerning the status of the investigation.

Investigations of members or their associated persons also may arise based upon information received from a variety of sources other than customer complaints, such as complaints by Exchange members, Exchange surveillance reviews, routine examinations, industry notifications, and referrals from other regulatory agencies. The Exchange's Constitution and Rules require that members and their associated persons cooperate fully with an Exchange investigation.

Resolution of Investigations

Once Exchange staff has completed an investigation, staff will determine whether or not to recommend to the Exchange's Business Conduct Committee ("BCC")³ that disciplinary proceedings be initiated against the subject of the investigation. The BCC then is responsible for making the determination whether to initiate disciplinary proceedings by issuing charges against the subject. If the BCC issues charges, the matter may be resolved in accordance with Exchange rules in several ways, including through settlement. If settlement does not occur, the matter may be resolved by a disciplinary hearing, which is regulated by the BCC.

If disciplinary action is taken against the subject of the investigation, the Exchange generally will notify you upon the issuance of charges. If the investigation results in a finding that no rules have been violated, the Exchange will notify you once that determination has been made.

Sanctions

If your complaint results in disciplinary action against a member or associated person, the BCC may impose one or more of the following sanctions upon the member or associated person: censure; fine; limitation of activities, functions or operations; suspension or bar from CBOE membership; suspension or bar from association with CBOE members; or any other fitting sanction, including undertakings to take specified future actions. Although there is no limit on the size of a fine that may be imposed, the BCC generally will not award monetary damages to you as part of a sanction. A sanction will not take effect until the Exchange's review process is completed.

³ The BCC is composed of CBOE members and member firm representatives from various segments of the securities industry, as well as one or more public representatives. It is responsible for initiating and resolving proceedings.

Confidentiality of Exchange Files

In general, Exchange files are confidential and are not publicly available. Only those persons who have been charged by the Exchange with rule violations are permitted limited access to Exchange files.

Dissemination of Exchange Decisions

Final Exchange disciplinary decisions are publicly available. A disciplinary decision is not final until the time for appeal has expired or the Exchange's review process has been completed. You may obtain a copy of a final Exchange disciplinary decision at www.cboe.com.

The Exchange reports each final Exchange disciplinary decision to the SEC and to the Central Registration Depository (CRD) through WebCRD. Further, a disciplinary decision becomes part of the member's or associated person's disciplinary record and may be considered in any future action brought by the Exchange against that person.

Recovery of Losses: Arbitration

Independent of the Exchange's regulatory and enforcement areas, the CBOE sponsors an impartial arbitration forum for the resolution of disputes arising out of Exchange business. Arbitration is a means for a public customer to seek recovery of damages, demand performance of an agreement, or obtain other appropriate relief. Determinations are made by neutral arbitrators who are knowledgeable about the securities industry. A packet of information concerning the arbitration process, as well as the fees associated with filing a claim, are available from the Exchange's Arbitration Department.

CBOE Offices

Further information concerning Exchange rules and disciplinary procedures may be obtained by contacting the Exchange departments listed below.

Arbitration Department
(312) 786-7031

Department of Member Firm Regulation
(312) 786-7713

Department of Market Regulation
(312) 786-7844

Department of Regulated Entities⁴
(312) 786-7752

⁴ Includes the areas of surveillance related to the Options Regulatory Surveillance Authority (ORSA), the CBOE Stock Exchange (CBSX) and the CBOE Futures Exchange (CFE).

Office of Enforcement
(312) 786-7483

Office of Corporate Secretary
(312) 786-7462

This pamphlet is an overview of the Exchange's disciplinary process and should serve only as a supplement to careful review of relevant Exchange rules and federal securities laws. The description of the Exchange's disciplinary process contained in this pamphlet is current through January 2008. Therefore, any amendments to Exchange rules since that date are not reflected in this pamphlet. However, to view the current CBOE Constitution and Rules or Exchange Regulatory Circulars, please visit our website at: www.cboe.com