



International Securities Exchange®

Industry Harmonization of the Obvious Error Rule Explained

Standard Trade Review Request

Notification times

A trade review request must be made within the time frames below after an execution.

Submitter	Permitted Time Window
Priority Customer	30 minutes
Non-Priority Customer	15 minutes
Linkage – Priority Customer	45 minutes
Linkage – Non-Priority Customer	30 minutes

Theoretical Price determination

To qualify, an execution price must be greater than the Minimum Amount through the Theoretical Price, defined as NBBO, according to the table.

Theoretical Price	Minimum Amount
Below \$2.00	\$0.25
\$2.00 to \$5.00	\$0.40
Above \$5.00 to \$10.00	\$0.50
Above \$10.00 to \$20.00	\$0.80
Above \$20.00 to \$50.00	\$1.00
Above \$50.00 to \$100.00	\$1.50
Above \$100.00	\$2.00

There are three exceptions that will allow the Exchange to determine TP

- Transactions at the open
- No quote or no valid quote
- Wide quotes

Adjust or Bust

Qualifying trades where at least one party is a Priority Customer will be busted.

- An exception to the Priority Customer bust exists if any Member requests to review transactions, and in aggregate that Member has 200 or more Priority Customer transactions submitted during the course of 2 minutes or less, where at least one party to the Obvious Error is a non-Customer, the Exchange will apply the non-Customer adjustment criteria.

Qualifying trades between non Priority Customers will be adjusted using the following table for 50 contracts or less.

Theoretical Price	Buy Side Adjust – TP+	Sell Side Adjust – TP-
Below 3.00	0.15	0.15
At or Above 3.00	0.30	0.30

For qualifying trades exceeding 50 contracts between non Priority Customers on an order, a Size Adjustment Modifier will be used to determine the adjusted trade price.

Number of Contracts per Execution	Adjustment – TP Plus/Minus
1 – 50	N/A
51 – 250	2 times adjustment amount
251 - 1000	2.5 times adjustment amount
1001 or more	3 times adjustment amount

Catastrophic Trade Review Request

Notification times

Request for a Catastrophic Review must be received by 8:30 a.m. ET on the first trading day following the execution, OR, for expiring options, 45 minutes after the market close on trade date.

Theoretical Price determination

To qualify, an execution price must be greater than the Minimum Amount through the theoretical price, NBBO, according to the table in the rule. The Minimum Amount is at least 2X the value in the chart for a Standard Trade Review with the same Theoretical Price levels.

Adjust or Bust

If deemed an error, an adjustment will occur according to the Theoretical Price/Minimum Amount values defined in the rule. It is the same table used for determining if a trade qualifies as an obvious error. If one party is a Priority Customer, and the adjustment price is through their limit, the trade is busted.

Official Acting on Own Motion

An Exchange Official may review a trade believed to be erroneous on their own motion for the protection of investors.

Significant Market Event

The new provision will allow coordination by all options exchanges when an event occurs on multiple options exchanges.

A Significant Market Event will be deemed to have occurred when the result of transactions that are potentially erroneous would meet or exceed a total Worst-Case Adjustment Penalty of \$30,000,000.

Or,

A threshold is met or exceeded, based on a calculation of the four factors as expressed in percentage terms; measured in aggregate across all exchanges.

- (A) Transactions that are potentially erroneous would result in a total Worst-Case Adjustment Penalty of \$30,000,000, where the Worst-Case Adjustment Penalty is computed as the sum, across all potentially erroneous trades.
- (B) Transactions involving 500,000 options contracts are potentially erroneous;
- (C) Transactions with a notional value (i.e., number of contracts traded multiplied by the option premium multiplied by the contract multiplier) of \$100,000,000 are potentially erroneous;
- (D) 10,000 transactions are potentially erroneous.
 - Should one party be a priority Customer, and the adjustment price is through their limit, the trade is busted.
 - For a Significant Market Event, if the exchanges determine that timely adjustment is not feasible, then the exchanges will nullify some or all transactions.
 - All determinations are final.

Other Considerations

Trading Halts	Stop and Stop Limit Trades	Limit Up-Limit Down State
Erroneous Print in the Underlying	Linkage Trades	Adjustment to a worse price
Erroneous Quote in the Underlying	Appeals	Complex Order Executions

Please note that this is merely a summary of the Exchanges' Rule 720 – Nullification and Adjustment of Options Transactions including Obvious Error. Members should read the rule in its entirety to ensure compliance with its requirements. In the event of a discrepancy between the summary and the rule, the rule supersedes.