



**BYX Regulatory Circular 18-025**  
**BZX Regulatory Circular 18-025**  
**C2 Options Regulatory Circular 18-024**

**Cboe Options Regulatory Circular 18-050**  
**EDGA Regulatory Circular 18-025**  
**EDGX Regulatory Circular 18-025**

**Date: December 27, 2018**

**To: Trading Permit Holders and Members**

**From: Regulatory Division**

**RE: Prearranged Trades**

This Regulatory Circular restates Cboe Exchange, Inc.'s ("Cboe Options"), C2 Exchange, Inc.'s, ("C2 Options"), Cboe BYX Exchange, Inc.'s ("BYX Equities"), Cboe BZX Exchange, Inc.'s ("BZX Equities/Options"), Cboe EDGA Exchange, Inc.'s ("EDGA Equities") and Cboe EDGX Exchange, Inc.'s ("EDGX Equities/Options", collectively, the "Exchanges") policy concerning prearranged trading. Trading Permit Holders/Members are cautioned that any purchase or sale transaction or series of transactions, coupled with an agreement, arrangement, or understanding, directly or indirectly to reverse such transaction which is not done for a legitimate economic purpose or without subjecting the transactions to market risk, violates Exchange Rules and may be inconsistent with various provisions of the Securities Exchange Act of 1934, as amended, (the "Act") and rules thereunder. All transactions must be effected in accordance with applicable trading rules, must be subject to risk of the market, and must be reported for dissemination.

Section 9(a)(1) of the Act provides in relevant part that it shall be unlawful for any member of a national securities exchange, for the purpose of creating a false or misleading appearance of active trading in any security other than a government security or a false or misleading appearance with respect to the market for any such security, (A) to effect any transaction in such security which involves no change in the beneficial ownership thereof, or (B) to enter an order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or (C) to enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

Among other things, prearranged trading could result in a violation of Cboe Options Rule 4.1 and C2 Options Rule 4.1, and BYX Equities, BZX Equities/Options, EDGA Equities and EDGX Equities/Options Rule 3.1 (which prohibit conduct inconsistent with just and equitable principles of trade); Cboe Options Rule 6.45, C2 Options Rule 6.12, BYX Equities and BZX Equities Rule 11.12, EDGA Equities and EDGX Equities Rule 11.9, and BZX Options and EDGX Options Rule 21.8 (which address the priority of bids and

**BYX RC 18-025**  
**BZX RC 18-025**  
**C2 RG 18-024**  
**Cboe RG 18-050**  
**EDGA RC 18-025**  
**EDGX RC 18-025**

**December 27, 2018**

**Page 2 of 2**

offers); BYX Equities, BZX Equities/Options, EDGA Equities and EDGX Equities/Options Rule 12.2 (which prohibits fictitious transactions); and/or Rule 10b-5 under the Act (which prohibits any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security).

**Additional Information**

Please contact Regulatory Interpretations at [reginterps@cboe.com](mailto:reginterps@cboe.com) or (312) 786-8141 for additional information.