



**BYX Regulatory Circular RC19-015**  
**BZX Regulatory Circular RC19-015**  
**Cboe Options Regulatory Circular RG19-021**

**C2 Options Regulatory Circular RG19-019**  
**EDGA Regulatory Circular RC19-015**  
**EDGX Regulatory Circular RC19-015**

**Date: June 10, 2019**

**To: Members and Trading Permit Holders**

**From: Regulatory Division, Cboe Trade Desk, and Cboe Compliance**

**RE: Mandatory Participation in Disaster Recovery Testing**

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**Replaces Cboe Options Regulatory Circular 18-025 and  
BYX, BZX, C2 Options, EDGA, and EDGX Regulatory Circular 18-007**

## **Overview**

Pursuant to Regulation Systems Compliance and Integrity (“Reg SCI”) Rule 1004, Cboe BYX Exchange, Inc. (“BYX”), Cboe BZX Exchange, Inc. (“BZX”), Cboe EDGA Exchange, Inc. (“EDGA”), and Cboe EDGX Exchange, Inc. (“EDGX”) Rule 2.4, Cboe Exchange, Inc. (“Cboe Options”) Rule 6.18,<sup>1</sup> and Cboe C2 Exchange, Inc. (“C2 Options”) Rule 6.34, BYX, BZX, EDGA, EDGX, Cboe Options and C2 Options (collectively, the “Exchanges”) are each required to establish standards for the designation of those participants that the respective Exchange reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of the Exchange’s business continuity and disaster recovery plans and designate participants pursuant to those standards. Designated Members and Designated Trading Permit Holders (“Designated Participants”) are required to participate in testing of the respective Exchange’s business continuity and disaster recovery plans.<sup>2</sup>

Periodically the Exchanges announce mandatory testing dates. The next mandatory test is **October 26, 2019**.

Please note that, under BYX, BZX, EDGA and EDGX Rule 5.1 and Cboe Options and C2 Options Rule 4.24(e), Members are required to establish, maintain, and enforce written supervisory procedures designed to ensure compliance with the requirements of Reg SCI Rule 1004, BYX, BZX, EDGA and EDGX Rule 2.4, Cboe Options Rule 6.18, and C2 Options Rule 6.34. Please also note that, should a Member fail to supervise and/or participate in the industry mandated Reg SCI testing, as required under BYX, BZX, EDGA and EDGX Rule 2.4, Cboe Options Rule 6.18, and C2 Options Rule 6.34, such failure may result in disciplinary action against the Member.

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<sup>1</sup> The numbering and language of Cboe Options Rule 6.18 will change in conjunction with the technology migration expected October 7, 2019; however, the substantive requirements of the rule will remain as described in this circular.

<sup>2</sup> Where applicable, Members and TPHs are collectively referred to herein as Members.

## **Designation Criteria**

The Exchanges designate Members to participate in mandatory testing. Pursuant to Reg SCI Rule 1004, BYX, BZX, EDGA and EDGX Rule 2.4, Cboe Options Rule 6.18, and C2 Options Rule 6.34, Members meeting the following criteria have been determined to be Designated Participants of each Exchange and shall be required to connect to each applicable Exchange's Disaster Recovery ("DR") facility and participate in functional and performance testing:

- Member that accounts for five (5) percent or more of the executed volume, measured on a quarterly basis, on BZX Equities, BZX Options, BYX Equities, C2 Options, EDGA Equities, EDGX Equities or EDGX Options and measured during the designated quarter on Cboe Options; or
- Member participates as a Lead Market-Maker ("LMM") with respect to one or more securities listed on BZX Equities; or
- TPH accounts for two (2) percent or more of the executed customer volume in SPX and VIX combined on Cboe Options, measured during the designated quarter; or
- TPH participates as a Market-Maker ("MM") or Lead Market-Maker ("LMM") in option classes exclusively listed on Cboe Options and has streamed quotes in such class(es) at any point during the designated calendar quarter;<sup>3</sup> or
- TPH participates as a Designated Primary Market-Maker ("DPM") in any multiply listed option class(es) on Cboe Options.

Designated Participants are required to connect to and participate in testing on each Exchange market for which they meet the established criteria. Please note that Designated Participants that use a third party for connectivity must participate; it is not sufficient for only the third party to participate in testing. The Exchanges will announce mandatory testing dates periodically, with at least one mandatory test per year.

While Designated Participants are required to connect to the applicable Exchange DR facility, all Members are permitted and encouraged to connect to the Exchanges' DR facilities, as well as participate in the testing of the DR systems.

## **Notification and Applicability**

Pursuant to Interpretation and Policy .01 of BYX, BZX, EDGA and EDGX Rule 2.4, and to C2 Options Rule 6.34, the Exchanges will provide written notification to Designated Participants quarterly based on the prior calendar quarter's volume on each Exchange. Designated Participants not previously subject to the requirements of the respective rules shall have until the next calendar quarter before such requirements are applicable.

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<sup>3</sup> Exclusively listed means an option that is listed exclusively by an Exchange(s) because the Exchange(s) has an exclusive license to use, or has proprietary rights in, the interest underlying the option.

Pursuant to Cboe Options Rule 6.18, Cboe Options will periodically provide notice to Designated Participants that have a mandatory DR testing participation requirement.

### **October 26, 2019 Mandatory Testing**

The Exchanges have announced that the next mandatory test is **October 26, 2019**. The test is being conducted in coordination with other market centers, as part of the annual SIFMA/FIA industry test and in support of Reg SCI requirements. For additional information on Designated Participant requirements for this test, **which includes completing at least two (2) executions on each designated Exchange market**, as well as the test schedule and scripts, please refer to Exchange Notice [C2019042600](#).

### **Additional Information**

For additional information, please refer to BYX, BYX, EDGA, and EDGX Rule 2.4, Cboe Options Rule 6.18, and C2 Options Rule 6.34, as well as to the following rule filings:

- SR-BATS-2015-86
- SR-BYX-2015-44
- SR-EDGA-2015-40
- SR-EDGX-2015-45
- SR-C2-2018-005
- SR-CBOE-2015-088

For questions about mandatory participation requirements, please contact Cboe Compliance at [SCIQuestions@cboe.com](mailto:SCIQuestions@cboe.com) or 913-815-7136.

For questions about related rule requirements, please contact [RegInterps@cboe.com](mailto:RegInterps@cboe.com) or 312-786-8141.