OneChicago

Notice to Members 2013-12

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.