



Cboe Options Regulatory Circular 19-033
C2 Options Regulatory Circular 19-026

Date: October 4, 2019

To: TPHs and Trading Permit Holders

From: Regulatory Division

RE: Additional Regulatory Report Cards Available on the Cboe Customer Web Portal;
Historical Cboe Options and C2 Options Report Cards Available on FINRA Report Center
until December 13, 2019

This circular is being issued to notify Cboe Options Trading Permit Holders (“TPHs”) that Cboe Options will begin making certain regulatory report cards available for TPHs.¹ TPHs will be able to download the regulatory report cards via the [Cboe Customer Web Portal](#).² Further information is included on the portal related to the timing for each report (e.g., reports are available on a T+X basis).

In addition, historical Report Cards made available to Cboe Options and C2 Options TPHs will continue to be available on FINRA Report Center through **December 13, 2019**. After December 13, TPHs will be required to contact FINRA for historical Report Card information.

Report Cards Available on Customer Web Portal

Beginning **October 15, 2019** (for the October 7, 2019 trade date forward), the following regulatory report cards will be available to Cboe Options TPHs:

- Continuous Quote Exception Summary
- Continuous Quote Class Summary
- Continuous Quote Series Details
- Minimum Quote Size Summary
- Minimum Quote Size Report Detail

¹ Access to the report cards will be limited to effective Cboe Options TPHs. Cboe Options TPHs will continue to have access to certain regulatory report cards via the FINRA Report Center, which can be accessed via this [link](#). (FINRA makes those report cards available on behalf of Cboe Options pursuant to a regulatory services agreement between Cboe Options and FINRA. The FINRA Report Center also includes certain historical report cards made available on behalf of C2 Options pursuant to a regulatory services agreement between C2 Options and FINRA.)

² Account administrators for a firm may grant access to the report cards via the User Management tool within the Cboe Customer Web Portal.

Beginning **October 21, 2019** (for the October 7, 2019 trade date forward), the following regulatory report cards will be available to Cboe Options TPHs:

- Market Maker 75/25
- Opening Quote Series Details
- Market Maker Resting in COB
- Consolidated Options Audit Trail (“COATS”)
- Post Trade Capacity Change – Clearing Editor Detail
- Priority Book Trade Through
- Priority NBBO Trade Through
- Priority SPX Combo
- Priority Trade Through

Regulatory report cards are intended to provide firms with data that assists with supervising compliance with applicable Exchange Rules. Please note that the data contained within the reports has not been subject to review by the Regulatory Division and is provided “as is” without warranty of any kind, express or implied. Neither the Exchanges nor any person or entity affiliated with the Exchanges shall have any liability for any inaccuracies, omissions, human or machine errors, or other irregularities in the data. Any exceptions contained in this data resulting from trading activity in contravention of applicable Exchange Rules may result in formal disciplinary action, but the existence of an exception in this data does not necessarily reflect a determination by that Exchange that such a violation has occurred. The non-existence of an exception in the data does not necessarily reflect a determination by the Exchange that such a violation has not occurred.

General Descriptions of Report Cards

- *Continuous Quote Exception Summary (Cboe Options)*

A Market Maker, DPM, LMM, and PMM must enter continuous bids and offers as required by the rules applicable to each role type. See Cboe Options Rules 5.52 (Market Maker Quotes), 5.54 (DPMs), 5.55 (LMMs), and 5.56 (PMMs).³

The *Continuous Quote Exception Summary* Report Card calculates the percentage of time that the firm's Market Maker, LMM, DPM, or PMM was required to provide quotes in order to identify Market Makers, LMM, DPMs, or PMMs that failed to meet the Exchange quote-continuity requirements.

³ Please note, under applicable Cboe Options Rules, the Exchange determines compliance by Market Makers, DPMs, LMMs, and PMMs with the quoting obligations on a **monthly** basis. However, the Exchange’s determination of compliance on a monthly basis does not relieve a Market Maker from meeting this obligation on a **daily** basis, nor does it prohibit the Exchange from taking disciplinary action against a Market Maker for failing to meet this obligation each trading day.

- *Continuous Quote Class Summary (Cboe Options)*

The *Continuous Quote Class Summary* Report Card also supports firms' supervision of obligations to maintain continuous quotes as required by applicable Exchange Rules. The report provides the amount of time a given Market Maker, DPM, LMM, or PMM entered continuous bids and offers during the cumulative number of seconds that the role type was required to provide continuous electronic quotes during the specified period for the given trading day.

- *Continuous Quote Series Details (Cboe Options)*

The *Continuous Quote Series Details* Report Card supports firms' supervision of obligations to maintain continuous quotes as required by applicable Exchange Rules. The report displays the time (in milliseconds) for the specified period that the Market Maker, DPM, LMM, or PMM entered continuous bids and offers in each series of its appointed classes for the given trading day. This report will only generate for a firm if it did not meet the minimum required time for any role type on a given trading day.

- *Minimum Quote Size Summary (Cboe Options)*

Pursuant to Cboe Options Rule 5.52(b), a Market Maker's bid (offer) for a series must be accompanied by the minimum number of contracts determined by the Exchange on a class-by-class basis, the minimum of which will be one contract at the price of the bid (offer) the Market-Maker is willing to buy (sell). For SPX, the Exchange may also determine minimum an initial quote size on a premium basis and an expiration basis for series with expirations (1) no more than one week, (2) between one week and three months, (3) between three months and six months, (4) between six months and 15 months, and (5) 15 months or more.

The *Minimum Quote Size Summary* Report Card supports a firm's supervision of its obligations related to SPX minimum quote size requirements per Cboe Options Rule 5.52(b) and the related Regulatory Circular. This report card provides summary information related to apparent violations of the requirements.

- *Minimum Quote Size Report Detail (Cboe Options)*

The *Minimum Quote Size Report Detail* Report Card related to SPX minimum quote size requirements per Cboe Options Rule 5.52(b) and the related Regulatory Circular. This report card provides detailed information related to the specific series and quote/order in apparent violation of the requirements.

- *Market Maker 75/25 (Cboe Options)*

Cboe Options Rule 5.52 requires that the total number of contracts a Market Maker may execute in classes in which the Market Maker has no appointment may not exceed 25% of the total number of all contracts the Market Maker executes on the Exchange in any calendar quarter.

The *Market Maker 75/25 Report Card* supports firms' supervision of the appointed class volume requirement by providing a daily running calculation of the percentage of contract volume during the quarter-to-date that is in option classes to which the Market Maker has been appointed. The values are reset at the beginning of each quarter.

- *Opening Quote Series Details (Cboe Options)*

Cboe Options Rules 5.54(a)(6) and 5.55(a)(2) require DPMs and LMMs, respectively, to enter opening quotes for the Regular Trading session within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote pursuant to Rule 5.31. In option classes in which both an On-Floor LMM and an Off-Floor DPM or Off-Floor LMM have been appointed, the obligation set forth in this paragraph (a)(7) will be that of the Off-Floor DPM or Off-Floor LMM and not on the On-Floor LMM.

The *Opening Quote Series Details Report Card* displays the series where a DPM or LMM did not provide a quote within one minute of the initiation of the opening rotation of a series that was not open due to the lack of a quote as required by Cboe Options Rules 5.54(a)(6) and 5.55(a)(2).

- *Market Maker Resting in COB (Cboe Options)*

The Exchange determines which capacities (e.g., non-broker dealer customers, Market Makers, etc.) that are eligible for entry into the Complex Order Book ("COB"). In a class in which the Exchange determines complex orders with Capacity M or N are not eligible for entry into the COB, the Exchange may determine that a complex order with Capacity M or N may enter the COB if: (i) the complex order is on the opposite side of (a) a Priority Customer complex order(s) resting in the COB with a price not outside the SNBBO; or (b) orders on the same side of the market in the same complex strategy that initiated a COA(s) if there are "x" number of COAs within "y" milliseconds, counted on a rolling basis (the Exchange determines the number "x" (which must be at least two) and the time period "y" (which may be no more than 2,000); and (ii) the User cancels the complex order, if it remains unexecuted, no later than a specified time (which the Exchange determines and may be no more than five minutes) after the time the COB receives the M or N complex order.

The *Market Maker Resting in the COB Report Card* identifies instances where it appears a Market-Maker improperly rested in the COB. See Cboe Options Rule 5.33(b)(2)(A).

- *Consolidated Options Audit Trail ("COATS") (Cboe Options)*

Cboe Options Rule 5.7(f) requires that each order, cancellation of, or change to an order transmitted to the Exchange be "systematized" in a format approved by the Exchange, either before it is sent to the Exchange or upon receipt on the Exchange's trading floor. An order is systematized if (1) the order is sent electronically to the Exchange or (2) the order that is sent to the Exchange non-electronically (e.g., telephone orders) is input electronically into the Exchange's systems contemporaneously upon receipt on the Exchange, and prior to representation of the order.

The COATS Report Card is designed to identify open outcry transactions that appear to violate systematization requirements generally established under Cboe Options Rule 5.7. The report specifically highlights (1) trades that were executed before the corresponding order was systematized and (2) trades where a corresponding order was not received by the Exchange.

- *Post Trade Capacity Change – Clearing Editor Detail (Cboe Options)*

Various Cboe Options Rules provide for differing priorities, fees or other special processing of certain customer orders that utilize a customer capacity code (“C”).⁴

The *Post Trade Capacity Change - Clearing Editor Detail* Report Card supports firms’ supervision of its obligations to apply the proper capacity code on orders. The report identifies executed orders where a TPH executed an order on the Exchange with a customer capacity code (“C”) and subsequently changed it to a non-customer capacity code via the Clearing Editor Tool.

- *Priority Book Trade Through; Priority NBBO Trade Through; Priority SPX Combo; and Priority Trade Through*

The Priority suite of Report Card supports a firm’s supervision of priority and allocation requirements for open outcry trades on Cboe as required by various rules including, without limitation, Cboe Options Rules 5.52, 5.66, 5.85, and 5.91.

Additional Information

For more information regarding the technical details, see the [Cboe US Customer Web Portal Specification](#).

For questions regarding specific Report Card content, please contact the Cboe Options Regulation Department at optionsurveillance@cboe.com.

Any other questions regarding this Regulatory Circular may be referred to Regulatory Interpretations at RegInterps@cboe.com or 312-786-8141.

⁴ See, e.g., [Cboe Options Rule 5.32 and 5.85](#) and [Cboe Options Fee Schedule](#).