



Regulatory Circular RG11-024

To: Trading Permit Holders
From: Trading Operations
Date: October 20, 2011
Re: Market-Maker Wash Trade Prevention (WTP) Orders

CBOE will introduce Market-Maker Wash Trade Prevention (WTP) contingency orders on October 28th, 2011. In summary, a WTP contingency order is an Immediate-or-Cancel (IOC) order that will be protected from trading with an opposing quote or order from the same Market-Maker. Details are as follows:

- 1) If a WTP order touches an opposing quote or order from the same Market-Maker (defined in #2 below) at a price within the NBBO, both the WTP order and the opposing quote or order will be cancelled. The message on the cancel report will be "Wash Trade Prevention." If an incoming WTP order touches a quote or order from the same Market-Maker at a price outside the NBBO, only the incoming WTP order will be cancelled.
- 2) WTP orders will be considered to be "from the same Market-Maker" if any of the following are true:
 - (A) the WTP order and opposing quote or order are received over the same log-in;
 - (B) the WTP order and opposing quote or order are received over different log-ins, but both log-ins are listed by CBOE under the same trading acronym; or
 - (C) the WTP order and opposing quote or order contain the same SUB-ACCOUNT.
- 3) WTP orders are treated as IOC. As such, they may trade immediately against quotes and orders from other users at or within the NBBO, and any remainder will be cancelled. Note that if the incoming WTP order is fully filled against quotes or orders from other users and the user has quotes or orders resting at that price, the resting interest will not be cancelled.
- 4) The WTP contingency will be permitted only on orders with origin of CBOE Market-Maker (origin code "M") and Non-CBOE Market-Maker (origin code "N"). Orders for origins other than M and N that contain a WTP contingency are not permitted, and such orders will be rejected.
- 5) WTP orders are not permitted in option series trading on the Hybrid 3.0 Platform (which currently includes only options series on the S&P 500 Index that trade under the symbols SPX and SPXQ), and such orders will be rejected.
- 6) The WTP contingency is not permitted on complex (multi-leg) orders, and such orders will be rejected.
- 7) The WTP contingency is not permitted on quotes or I-orders, and such I-orders will be rejected.
- 8) If an incoming WTP order is tradable with an order being auctioned by the same user the WTP order will be cancelled immediately and the auction will not be impacted. If there are tradable quotes or orders resting in the book from the same user of the WTP order that came in during such auction they will not be cancelled.

API specifications and testing support are available through the API Group at 312-786-7300 or api@cboe.com. Other questions regarding this functionality may be directed to Anthony Montesano at 312-786-7365 or montesan@cboe.com or the Help Desk at 866-728-2263 or helpdesk@cboe.com.