



## Regulatory Circular RG11-102

To: Trading Permit Holders  
From: Trading Operations  
Date: August 26, 2011  
Re: Price Protection Enhancements

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Effective August 29, 2011, CBOE will begin rollout of enhancements to various protection features designed to reduce the risk of extreme and potentially erroneous executions. Rollout is scheduled to be completed as of September 6, 2011. The enhancements apply to the opening rotation HALO process, as well as to intra-day marketable limit orders and certain complex orders. Details are provided below.

### Drill-Through Protection for HALO Openings

As part of the opening rotation HALO process (see Rule 6.2B.03 and circular RG08-101 for HALO details), orders may be exposed via a HALO flash. For classes where the HALO process is used, a new enhancement will limit the price(s) at which executions will be permitted following the HALO flash by applying a specified "drill-through amount" (see settings below) to the flash price. Orders that have a remainder after trading up to the drill-through amount will route to the PAR or booth, depending on the entering firm's routing parameters (except that any remaining balance of opening contingency orders will be cancelled). Orders not eligible to route to PAR will be cancelled.

Please note that, with this enhancement, opening contingency orders and AON orders will also be included in the HALO auctions and subject to the above-mentioned drill-through protections.

### Drill-Through Protection for Marketable Limit Orders-Intraday

The drill-through protection feature that is currently applied to market orders received after opening rotation for all option classes (see circular RG11-052 for details) is being expanded to include marketable limit orders. As such, both market, and now marketable limit orders, that require fills at multiple prices will initiate a HAL flash (see Rule 6.14A) once the next available price is more than a specified amount (see settings below) beyond the NBBO that existed when the order was first received. If the HAL exposure does not result in a fill, the remainder of the order will route to PAR or the booth, depending on the entering firm's routing parameters. Orders not eligible to route to PAR will be cancelled.

### Drill-Through Amounts: Initial HALO/NBBO

	Permissible execution beyond initial HALO/NBBO	
	Penny classes	Non-Penny classes
0 – .14 =	.02	.10
.15 – .49 =	.03	.10
.50 – .99 =	.04	.10
1.00 – 2.99 =	.05	.10
3.00 – 9.99 =	.10	.20
10.00 – 19.99 =	.15	.20
20.00 – 29.99 =	.20	.20
30.00 and above =	.25	.30

### **Protection for Same-Side Complex Orders**

The following price protection feature will be available in all classes. Complex orders with all legs on the same side of the market (i.e., all legs buying or all legs selling) will be rejected if:

- (1) All legs are to BUY, and limit price is a net credit, even (\$0.00) or a net debit that is less than the sum of the option leg ratio times the minimum net price increment for the strategy.
- (2) All legs are to SELL, and limit price is a net debit, even (\$0.00) or a net credit that is less than the sum of the option leg ratio times the minimum net price increment for the strategy.

Example:

Order to BUY 20 XYZ OCT 40 Calls and BUY 10 XYZ OCT 40 Puts will reject if:  
limit price is a net credit, even (\$0.00) or any net debit less than \$0.03 (i.e., ratio of 2 + 1 \* \$0.01).

For complex orders that include a stock leg, the minimum net debit or credit price increment calculation mentioned above will be applied based on the ratio of the options legs only.

Example:

Order to buy 100 shares of XYZ stock and buy 3 XYZ OCT 40 Puts will reject if:  
limit price is a net credit, even (\$0.00) or any net debit less than \$0.03 (i.e., options leg ratio of 3 \* \$0.01).

Note that the above complex order protection will also apply to the primary and match/contra-side orders submitted via the AIM and the AIM AON solicitation auction mechanisms (Rules 6.74A and 6.74B), as well as to AIM, AIM AON and COA auction responses. Also note that, to the extent only the match/contra-side paired order would exceed this protection feature, the match/contra-side order will be rejected, and the primary/agency order will be rejected or continue processing as an unpaired order, depending on instructions included by the entering broker. QCC orders (Rule 6.53(u)) will also have the price protection applied.

Questions regarding this functionality and the rollout schedule may be directed to Anthony Montesano at (312)786-7365 or [montesan@cboe.com](mailto:montesan@cboe.com) or the CBOE Help Desk at (866)728-2263 or [helpdesk@cboe.com](mailto:helpdesk@cboe.com).