

Regulatory Circular RG14-037

Date: March 25, 2014

To: Trading Permit Holders
From: Business Development Division
RE: PAR Enhancements

A new PAR application version, v3.40, will be rolled out to PAR Officials and PAR Brokers beginning the week of March 24, 2014. All PAR users will be notified in advance of the date for the rollout to their PAR device and will be provided a handout that details the functional changes. Below is a list of the enhancements in this PAR release.

General PAR Enhancements:

- Complex orders that are otherwise eligible for the Complex Order Auction (COA) and are booked from PAR will go through COA before being routed to the Complex Order Book (COB).
- PAR brokers may use the SAVE button on orders that have been crossed using the PAR crossing function. Saved orders retain all information entered by the PAR broker until the order is re-addressed.
- The customer account entered on simple orders will be displayed on a selected order ticket.
- The BUNDLE button, a feature which has previously been available for customer orders, will now be separately available for non-customer orders (a single bundle may not contain both customer and non-customer orders).
- Marketable orders that are routed to PAR will cause the NEW ORDER tab to flash anytime the PAR user is accessing one of the other tab displays. The tab will flash until the order is selected.

PAR Trade-Through Enhancements:

The PAR trade-through exception reasons have been expanded to include new alerts. In most cases the PAR user will be required to respond to the alert by touching OK, Yes, or No. The following changes are specific to a trade-through alert:

- The preference to turn off trade-through alerts has been removed.
- NBBO trade-through alerts will no longer be displayed for complex orders where the ratio is 3:1 or less.
- Orders that are endorsed using the SPLIT PRICE button will be systematically checked for trade-through exceptions.
- Alerts will occur if there are exceptions at the time the TRADE button is pressed and at the time the ENDORSE button is pressed regardless of the origin code on the order. The BBO and NBBO information will be provided on the alert when applicable.
- Users attempting to trade through the NBBO will now be required to choose from a list of exceptions in a pop-up alert at the time the ENDORSE button is pressed. The displayed list includes:
 - "Crossed NBBO Market" - the transaction that constitutes the trade-through occurred when there was a crossed NBBO market.
 - "Complex Trade" - this trade is being affected as a portion of a complex order.
 - "Complex Trade with Stock" - this trade is being affected as a portion of a complex order with a stock component.
 - "Stop not Trade-Through" - the order was stopped at a price that was not outside the NBBO at the time of the stop.

- “Underwater Stop” - an order for which the execution was, at time of receipt, guaranteed to be no worse than a specified price, where:
 - The order is for the account of a customer and not a broker dealer
 - The customer agreed to the specified price on an order-by-order basis, and
 - The price of the trade was, for a stopped buy order, lower than the NBB or, for a stopped sell order, higher than the NBO.

Profile Page Enhancements:

- “Allow Partial AON Trades” - When enabled, this setting will allow the PAR user to manually reduce the quantity of an order with an AON contingency and trade with the Exchange Book or route to an away exchange for a partial execution.
- “Auto-Auction Size Limit” - The Auto-Auction feature, COA, is available for complex orders that are marketable against the NBBO. Brokers may indicate the order quantity that will be eligible for this function. Orders that are not executed during the auction will return to PAR.
- “Warn Better Than Limit Price” - When enabled, this setting will activate a pop-up warning to alert the broker if the price on a complex order is “extremely” marketable (e.g., a Credit Order that may have been sent as a Debit or vice-versa).

Additional Information:

- Questions regarding the operational matters related to this circular may be directed to the CBOE Help Desk at 866-728-2263 or helpdesk@cboe.com.
- Regulatory questions regarding this circular may be directed to the Regulatory Interpretations and Guidance team at reginterps@cboe.com or (312) 786-8141.