

Regulatory Circular RG14-113

Date: July 16, 2014

To: Trading Permit Holders

From: Business Development Division

RE: Quote Risk Monitor (QRM) for Classes Overlaying the Same Underlying

Updates Regulatory Circular RG14-077

CBOE Quote Risk Monitor (QRM) functionality cancels a Market-Maker's remaining quotes in a given class when a pre-set number of contracts is traded by the Market-Maker in a given time period. Effective immediately, when the QRM contract limit is exceeded within the QRM timeframe for a given Market-Maker in a given class, the QRM functionality is also invoked for that same Market-Maker for any other related option symbol(s) with the same underlying security. The reason code on the API message returned to the Market-Maker for the QRM event in the related option symbol(s) will be QRM_REMOVED_SAME_UNDERLYING = 34 for FIX and CMi2.

Example:

Market-Maker 1 Contracts Traded QRM in SPY is set to 500 contracts over any 2000 millisecond interval.

Market-Maker 1 trades 500 contracts in SPY in a single transaction, triggering QRM.

All remaining quotes for Market-Maker 1 in SPY and the related SPY7 symbol are removed (as both SPY and SPY7 have the same underlying security).

The reason code returned to Market-Maker 1 for the SPY QRM event will be QRM_REMOVED = 7 for FIX and CMi2.

The reason code returned to Market-Maker 1 for the SPY7 QRM event will be QRM_REMOVED_SAME_UNDERLYING = 34 for FIX and CMi2.

The exception to the above described functionality is SPX and SPXW. Because those symbols trade on separate platforms (Hybrid 3.0 and Hybrid, respectively), a QRM in SPX would not cause the Market-Maker's quotes to be removed in SPXW, and vice-versa, even though both SPX and SPXW have the same underlying (SPX).

Please note that other new QRM features described in Regulatory Circular RG14-077 are expected to be available by August 2014. CBOE will announce the effective date of those features in a separate circular prior to activation. Until then, Market-Makers are reminded that testing for the new features is currently available in the Exchange's test environment.

Additional Information:

Please contact the CBOE Help Desk at helpdesk@cboe.com or (866) 728-2263 for additional information.

Please contact the API Group at api@cboe.com or 312-786-7300 with API questions or to schedule testing.

Please see Rule 8.18 and rule filing SR-CBOE-2014-002 for additional information regarding QRM.