

Regulatory Circular RG14-125

Date: August 15, 2014

To: Trading Permit Holders
From: Regulatory Services Division
RE: Implementation of SPX Combo Order Indicator

Chicago Board Options Exchange, Incorporated (the “Exchange”) filed rule change SR-CBOE-2014-046 on May 19, 2014 to amend Rule 24.20. As amended, effective November 1, 2014, each Trading Permit Holder (“TPH”) that wishes to use and receive relief under the special open outcry “combo trading procedure” described in Rule 24.20 for “SPX Combo Orders” will be required to include an SPX “combo indicator” on the order upon systemization.¹ This new rule requirement will identify in the Exchange’s audit trail orders that are eligible to use and seek relief under the combo trading procedure. **IMPORTANT: As of November 1, 2014, orders that do not include the combo indicator at time of systemization will not be eligible to use and receive relief under the combo trading procedure of rule 24.20.**

For purposes of Rule 24.20, an “SPX Combo Order” is an order to purchase or sell SPX options and the offsetting number of SPX combinations defined by the delta. An “SPX combination” is defined as the purchase (sale) of an SPX call and a sale (purchase) of an SPX put having the same expiration date and strike price. A “delta” is the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with one or more SPX option series. Please note that the combo trading procedure may only be used in open outcry in the SPX options class (symbols SPX and SPXW).

As detailed in the June 29, 2013, Regulatory Circular **RG13-105, *New Order Designations***, the combo indicator has been added to CMI and FIX message formats, as well as to the order entry functions of Floor Broker Workstation (FBW) and PULSe. The combo indicator (1) may be entered *only* on orders for the SPX options class (symbols SPX and SPXW) and (2) may be included *only* on orders of three or more legs, two of which comprise an SPX combination. The Exchange will reject an order that includes the combo indicator but does not meet these requirements.

Acceptance by the system of an order that includes the combo indicator will not constitute a determination that the order satisfies the other requirements set forth in Rule 24.20. Moreover, if the TPH has no intention of using the combo trading procedure, the TPH is not obligated to apply the combo indicator to the order.

Orders entered with the combo indicator will be eligible for electronic or open outcry handling, even though the combo trading procedure applies only to open outcry trades. Further, last sales for orders with the combo indicator, whether executed electronically or in open outcry via PAR, will automatically include a “CMBO” prefix.

Compliance Date:

To provide TPHs with sufficient time to complete and test any minor systems enhancements necessary to provide the combo indicator, the implementation date for the proposed rule change to require use of

¹ Orders must be systematized in accordance with Rule 6.24 (Required Order Information).

the indicator is **November 1, 2014**. The Exchange expects that all TPHs currently utilizing the combo trading procedure will be able to comply with the new rule requirements by that date.

Additional Information:

Questions regarding the regulatory requirements referenced in this circular may be directed to the Regulatory Interpretations and Guidance team at reginterps@cboe.com or (312) 786-8141.

See rule filing SR-CBOE-2014-046 for more information regarding proposed rules related to the combo indicator.

Operational questions about the indicator and the associated CMI and FIX message specifications may be directed to the CBOE Help Desk at helpdesk@cboe.com or 866-728-2263.