

## CBOE Regulatory Circular RG16-183

**Date:** November 23, 2016  
**To:** Trading Permit Holders  
**From:** Business Development Division  
**RE:** Limit Order Price Reasonability Checks

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### Updates and Replaces Regulatory Circular RG13-145

Beginning November 28, 2016, the Chicago Board Options Exchange, Incorporated (“CBOE” or “the Exchange”) will begin rolling out by Business Cluster (“BC”) enhancements to the simple limit order price reasonability checks.

- Simple orders that fail the check will be rejected rather than re-routed to the firm’s designated booth Order Management Terminal (“OMT”).
- The simple limit order check will compare the order’s price to the NBBO when available rather than the previous day’s closing price or BBO, as applicable.
- The simple limit order check will apply to IOC’s.

### Limit Order Price Reasonability Check Functionality (Rule 6.12(a)(3) – (5))

The manner in which the checks will be applied to incoming orders is based on the trading state, that is, pre-open, open state, or halt.

#### Pre-Open (Including Opening Rotation) State

For simple orders, if the Exchange receives a buy order with a limit price above, or a sell order with a limit price below, the last disseminated best opposite side price of away markets by more than the amount set forth in the table below, the order will be rejected. If the best bid/offer from away exchanges is locked, crossed or unavailable, then the previous day’s closing price for the series will be used. If neither a valid bid/offer from away exchanges nor a previous day’s settlement price is available, the check will be skipped.

For complex orders, if the Exchange receives a net debit order with a limit price above, or a net credit order with a limit price below, the opposite side Exchange derived spread market (calculated based on the previous day’s closing prices for the series legs) by more than the amount set forth in the table below, the order will be routed to the firm’s OMT for processing.

#### Open State

For simple orders, if the Exchange receives a buy order with a limit price above, or a sell order with a limit price below, the last disseminated best opposite side price of away markets by more than the amount set forth in the table below, the order will be rejected. If the best bid/offer from away exchanges is locked, crossed or unavailable, then the Exchange’s best bid/offer will be used. If neither a valid bid/offer from away exchanges nor an Exchange best bid/offer is available, the check will be skipped.

For complex orders, if the Exchange receives a net debit order with a limit price above, or a net credit order with a limit price below, the opposite side Exchange derived spread market (calculated based on the last disseminated Exchange’s best bids/offers) by more than the amount set forth in the table below, the order will be rejected.

## Halt (Including Pre-Open and Opening Rotation Following a Halt)

For simple orders, if the Exchange receives a buy order with a limit price above, or a sell order with a limit price below, the last disseminated best opposite side price of away markets by more than the amount set forth in the table below, the order will be rejected. If the best bid/offer from away exchanges is locked, crossed or unavailable, the check will be skipped. This check will apply to complex orders received during a halt, including the pre-open before opening following a halt, in the same manner as complex orders received during the pre-open (see above).

### Limit Order Price Reasonability Check Levels and Ranges

Limit order price reasonability checks for simple and complex orders in the ETH session will be the same as the levels and ranges utilized in the RTH session.

Levels and ranges are as follows:

Range	Pre-open and Halt Level A All Non-Level B Classes	Pre-open and Halt Level B See below	Open Level A All Non-Level B Classes	Open Level B See below
\$0.00 - \$1.99	\$0.50	\$1.00	\$0.50	\$1.00
\$2.00 - \$5.00	\$0.80	\$1.60	\$0.75	\$1.50
\$5.01 - \$10.00	\$1.00	\$2.00	\$1.00	\$2.00
\$10.01 - \$20.00	\$1.60	\$3.20	\$1.50	\$3.00
\$20.01 - \$50.00	\$2.00	\$4.00	\$2.00	\$4.00
\$50.01 - \$100.00	\$3.00	\$6.00	\$3.00	\$6.00
\$100.01 & Above	\$4.00	\$8.00	\$4.00	\$8.00
Level B Classes: DJX, FTEM, FXTM, MNX, MXEA, MXEF, NDX, OEX, RLG, RLV, RUI, RUT, RUTW, SPX, SPXPM, SPXW, UKXM, XEO, XSP				

### Intraday Adjustment of Reasonability Checks

Exchange officials may widen or inactivate these price reasonability checks on an intraday basis for one or more options series in the interest of maintaining a fair and orderly market. Notification of any such intraday changes will be disseminated by the CBOE Help Desk via verbal message to the trading floor, order management terminal message to TPH organizations on the floor, and electronic message to TPHs that request to receive messages.

Please note that, on any trading day where the front-month E-mini S&P 500 Future is trading more than twenty (20) points above or below the previous day's closing values by 8:00 AM CT, the Exchange will adjust all series that have the Level A reasonability check activated to Level B for the day. The next day the parameter levels will revert back to Level A unless the E-mini S&P 500 Future is more than twenty (20) points above or below the previous day's closing values by 8:00 AM CT.

### Additional Information:

For additional information regarding operational matters, please contact the CBOE Help Desk at [helpdesk@cboe.com](mailto:helpdesk@cboe.com) or 866-728-2263.