

CBOE Regulatory Circular RG17-077

Date: May 23, 2017

To: CBOE Trading Permit Holders

From: Market Operations

RE: Operational Procedures for Open Outcry “Compression Forum”

Chicago Board Options Exchange, Incorporated (“CBOE” or “the Exchange”) announces that the Exchange’s next compression forums will be held on May 26, May 30, and May 31, 2017 from 10:00 am CT to 2:00 pm CT in the front of the SPX trading pit. For Trading Permit Holders (“TPHs”) that would like to take advantage of the Compression Forum rebate for May compression trades, as described below, Compression-List Position must be submitted to the Exchange by no later than 3:15 pm CT on May 25, 2017.

What’s New

- Any open SPX (SPX/SPXW) position can be submitted as part of a Compression-List Position.
- The Exchange-published Compression-List Positions File will not include the long and short size of each listed series. Rather, the file will now include the offsetting Compression-List Positions in those series.

Summary

Pursuant to SR-CBOE-2017-035, CBOE has amended Rule 6.56 relating to Compression Forums.¹ The Exchange holds open outcry “compression forums” on the final three business days of each calendar month to facilitate closing-only transactions in series of the S&P 500 Index options class (the “SPX” class, which trades under ticker symbols SPX and SPXW). Under Rule 6.56, TPHs may submit lists of open SPX positions to the Exchange that they wish to close during the compression forums for that month (“Compression-List Positions”). Under amended Rule 6.56, TPHs may submit any open SPX class position for closure in the compression forums. The previously included restrictions related to position delta and risk-based haircut calculation have been removed. The Exchange combines these Compression-List Positions and makes available a Compression-List Positions File that includes each series for which both long and short Compression-List Positions have been submitted to the Exchange and the size of the offsetting Compression-List Positions in those series. TPHs that wish to apply for a Compression Forum fee rebate in any given month must submit Compression-List Positions to the Exchange before the end of Regular Trading Hours on the fourth-to-last business day of the month. The Exchange will rebate a TPH’s transaction fees for closing transactions executed through a compression forum, provided the rebate request is for a closing transaction of a Compression-List Position submitted to the Exchange by the TPH for that month.

Compression-List Positions Submission & Publication of Compression-List Positions File

Any TPH may submit a list of open SPX positions to the Exchange for compression (i.e. Compression-List Positions). TPHs also may choose to have their Clearing TPHs or the Clearing Corporation submit

¹ Available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2017-035.pdf>. This Circular replaces CBOE Regulatory Circular RG16-203.

Compression-List Positions on their behalf. **Compression-List Positions must be submitted via email to the Exchange at compressiontrades@cboe.com as password-protected .XLS file attachments. A second email with the .XLS file password must also be sent to the Exchange at the same email address (compressiontrades@cboe.com).** The emails should clearly indicate the name of the TPH that is submitting the list or the name of the TPH on behalf of which the positions are being submitted, and provide the contact information of a designated individual at the TPH to whom questions may be directed.

.XLS file attachments should contain the following fields for each position listed:

- **TPH/MARKET PARTICIPANT;**
- **TICKER SYMBOL** (SPX/SPXW);
- **EXPIRATION** (expressed as MM/DD/YY);
- **STRIKE;**
- **CALL/PUT;** and
- **SIZE** (number of contracts, with long positions expressed as positive numbers and short positions expressed in parentheses).

Prior to the open of trading on the third-to-last business day of each calendar month (i.e., the first day of the month on which a compression forum is held), the Exchange will make available to all TPHs, on its website at <http://www.cboe.com/micro/spx/compression-forum.aspx>, the Compression-List Positions File. This file is a list that includes each series for which both long and short Compression-List Positions have been submitted to the Exchange and the size of the offsetting Compression-List Positions in those series.

In addition, each TPH that submits Compression-List Positions to the Exchange will receive a copy of the Compression-List Positions File and a file containing a list of the TPHs that contributed to the Compression-List Positions File, including contact information for each TPH's designated point of contact. TPHs that do not wish to be included on this contact list should clearly indicate their desire to remain anonymous in the body of the email when they submit their Compression-List Positions. **In no case will a TPH be identified as having submitted a particular position or group of positions to the Exchange.**

Participation

The Compression Forum procedures set out in Rule 6.56(b) are open to all TPHs, including TPHs that submitted Compression-List Positions to the Exchange and those that did not, and for all series in the SPX class, regardless of whether a series was included in the Compression-List Positions submitted by TPHs and regardless of whether or not any of the positions that TPHs submitted to the Exchange appear on the final Compression-List Positions File disseminated by the Exchange.

Trading Rules

Both sides to transactions executed via compression forums, regardless of the number of legs, must be closing. Additionally, transactions executed via compression forums may be in penny increments. In all other respects, trades executed via compression forums must be conducted pursuant to all regularly applicable SPX trading rules, including, among others, solicitation, crossing, order allocation and priority, and trade reporting rules (e.g., Rules 6.9, 6.43, 6.45(b), 6.51, 6.58, and 6.74). Compression forum trades must be represented in the compression forum in the same manner as they would be represented in normal SPX trading. Compression forum trades involving simple orders cannot trade through the displayed best bid or offer ("BBO") for the series and must be at a price better than any customer order resting in the book. Compression forum trades involving complex orders that qualify for complex order priority (i.e., in a ratio of 3-to-1 or less) cannot trade through the derived net market for the series, and, if there is a customer order resting in the book on each leg, must better the price of the customer order on at least one leg.

Operational Procedures

Compression forum trades must be executed in open outcry. Tools such as PULSe, PAR, proprietary Market-Maker terminals, the Order Management Terminal (“OMT”), the CBOE Trade Match System/Continuous Trade Match Web-based Interface (“CTMi”), and third-party proprietary systems may be used for order entry, executing, and/or trade recording purposes, in the same manner as otherwise applicable and permitted for open outcry transactions by Exchange Rules. However, single-leg SPX orders cannot be executed in penny increments on PAR. TPHs may submit Market-Maker trades via the Market-Maker Terminal interface to the Exchange or may utilize CTMi to input trades into clearing, provided the CTMi transactions are also reported to the Exchange for trade matching and tape reporting. All normally applicable rules with respect to use of CTMi under Rule 6.67 will remain in effect for compression forums, including, but not limited to Exchange notification rules for price changes and with respect to adjustments made to accommodate trading in penny increments in SPX under Rule 6.56.

Solicited Orders

Under Rule 6.56(c), TPHs may solicit a TPH or a non-TPH customer or broker-dealer to transact through a compression forum in accordance with the provisions of this Rule 6.56 and the solicited transaction requirements contained in Rule 6.9. Rule 6.56(c) also provides that trades executed through a Compression Forum, pursuant to Rule 6.56 and otherwise in compliance with the Exchange’s Rules, including, but not limited to Rule 6.9, will not be deemed prearranged trades.²

Fee Rebate

Subject to qualifications described in Rule 6.56 and applicable provisions under footnote 41 of the Exchange’s Fees Schedule, the Exchange will rebate transaction fees (including the Index License Surcharge), incurred on compression trades involving positions that are submitted to the Exchange before the end of Regular Trading Hours on the fourth-to-last business day of the month. **For TPHs that would like to take advantage of these rebates for May compression trades, please note that Compression-List Positions must be submitted to the Exchange via email at compressiontrades@cboe.com by 3:15 pm CT on Thursday, May 25, 2017.** Transaction fees for qualifying compression trades (up to the quantity indicated on the Compression-List Positions for each series), including the Index License Surcharge, will be eligible for rebate provided a rebate request with supporting documentation is submitted to the Exchange within three business days of the transactions. Rebate requests must be submitted to the Exchange at DividendRebate@cboe.com with a completed Strategies Rebate Form within three business days of the transactions. The Strategies Rebate Form is available at http://www.cboe.com/publish/feeschedule/div-merger-ssi_spread_rebate_form.xls.

Additional Information

For more information regarding compression trades and compression forums generally, as well as the related fee rebate program, please refer to Rule 6.56, footnote 41 of the Fees Schedule and Rule Filings [SR-CBOE-2017-035](#) and [SR-CBOE-2016-094](#).

² Please see footnote 16 of Rule Filing SR-CBOE-2017-035 (<http://www.cboe.com/publish/LegApprove/SR-CBOE-2017-035.pdf>) and Regulatory Circular RG16-190 (<http://www.cboe.com/publish/RegCir/RegCir/16-190.pdf>) for additional information on the Exchange’s policy concerning pre-arranged trading. In this regard, please note that Rule 6.56(c) is not intended as an absolute safe harbor from prearranged trading prohibitions, but is instead intended to provide that, the act of soliciting another party to transact through a compression forum will not be deemed to be prearranged trading provided that the transaction is otherwise executed in accordance with the Rules, including, but not limited to, the Exchange’s solicitation rules and open outcry trading procedures, as modified by Rule 6.56(b).

For questions on how to complete and submit the Strategies Rebate Form, please contact Bill Speth at spethw@cboe.com or (312) 786-7141, John Hiatt at hiattj@cboe.com or (312) 786-7779, or Joe Green at greenj@cboe.com or (312) 786-7909.

Operational questions regarding this circular may be directed to the CBOE PAR Officials at (312) 786-8727 or barry@cboe.com. Technical issues can be directed to the CBOE Helpdesk at (312) 786-7100 or helpdesk@cboe.com. Additional questions regarding applicable rule requirements may be directed to Regulatory Interpretations at (312) 786-8141 or reginterps@cboe.com.