Cboe Options Regulatory Circular RG17-184

Date:	**December 18, 2017**
To:	**Cboe Trading Permit Holders**
From:	**Research**
RE:	**Compression Forum Process**

Compression Forum Summary

Pursuant to Rule 6.56, the Cboe Exchange, Inc. ("the Exchange") holds open outcry "compression forums" on the final three business days of every calendar month to facilitate closing transactions in series of S&P 500 Index options (i.e., SPX and SPXW) from 10:00 am CT to 2:00 pm CT. Trading Permit Holder ("TPH") compression-list positions must be submitted to the Exchange via email at compressiontrades@cboe.com by 4:30 pm (CT) on the last trading day prior to the start of the Compression Forums. **The final Compression Forum of 2017 will be held on December 27, 28, and 29 with compression-list positions due on December 26, 2017 by 4:30 pm (CT)**.

Changes to the Compression Forum

Pursuant to SR-CBOE-2017-070, and subject to regulatory approval, the Exchange has amended Rule 6.56 relating to Compression Forums. The Exchange will now:

- Accept TPH Compression-List Positions submitted to the Exchange prior to 4:30 p.m. CT on the fourth to last business day of each calendar month;
- Publish, before 8:30 am CT on the third to last business day of each calendar month via the Cboe website (http://www.cboe.com/products/stock-index-options-spx-rut-msci-ftse/s-p-500-index-options/spx-options-compression-forum-files), a list of single and multi-leg positions for which both long and short compression-list positions have been submitted, including the offsetting size ("Possibles-List");
  - o Multi-leg Positions will be limited to vertical put/call spreads and box spreads;
- Email to TPHs that submitted compression-list positions: 1) the published file(s) and 2) contact information for TPHs that submitted compression-list positions and did not opt out of inclusion in the contact list;
- Email an individualized multi-leg Positions file ("Individualized File") to each TPH that submitted compression-list positions.
- Allow TPHs to unmask their identities with regards to specific multi-leg Positions, according to the process detailed below.

Submission Format of TPH Compression-List Positions

To facilitate the changes described above, it is imperative that the TPH compression-list positions follow the standardized format (headers and data) below:

These are the only headers that should be included in the TPH compression-list position submission.

TPH	Class	Expiration	Strike	PutCall	Size

- TPH: The TPH name cannot include commas;
- Class: SPX or SPXW only (uppercase). SPXW should be listed as SPXW not SPX. Please adjust firm specific information to these standards;
- Expiration: only MM/DD/YYYY, no time should be included. Additionally, SPXW series expiring on the same day as SPX should list that Friday as Expiration, not the following Saturday.
- Strike: numeric values only with no other characters (e.g., hyphens);
- Put/Call: P or C only (uppercase); and
- Size: Positive numbers for Long and negative numbers for Short.

Additionally, there should be no duplicates of series on a single TPH's compression-list positions. For example, the following duplicates:

TPH	Class	Expiration	Strike	PutCall	Size
AAA	SPX	1/1/2001	2100	P	-50
AAA	SPX	1/1/2001	2100	P	-200
AAA	SPX	1/1/2001	2100	P	300

should be combined and listed once as:

TPH	Class	Expiration	Strike	PutCall	Size
AAA	SPX	1/1/2001	2100	P	50

Individualized File

The Exchange will email an Individualized File to the corresponding TPH that submitted the compression-list positions. The Individualized File will include:
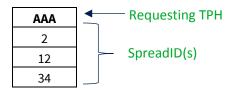
- A complete list of all possible multi-leg positions (composed of the TPH submitted compression-list position) that offset against another TPH; and
- A unique ID ("SpreadID") and offsetting size for each listed position
- Example format for a position being created for TPH AAA:

SPREADID	CLASS	EXPIRATION	STRIKE1	STRIKE2	TPH1	POSSIBLE
2	SPX	1/1/2001	1800	2400	AAA	150

Unmasking Process

First TPH Request: After receiving an Individualized File, a TPH may send a request to the Exchange that their identity be unmasked for a particular position(s). The request must be in the following format:

AAA
2
12
34

← Requesting TPH

SpreadID(s)

Individualized Match File: If TPHs request their identities be unmasked for a position with the same SpreadID, the Exchange will email the TPHs an Individualized Match file, which will contain all of the information included in the Individualized File with the addition of a second TPH indicator. Thus, assuming that the following requests were separately made AAA and BBB:

AAA	BBB
2	2
12	23
34	111

The following Individualized Match File would be emailed to both AAA and BBB, as both AAA and BBB included SpreadID 2 in their requests:

SPREADID	CLASS	EXPIRATION	STRIKE1	STRIKE2	TPH1	TPH2	POSSIBLE
2	SPX	1/1/2001	1800	2400	AAA	BBB	150

Individualized Not Match File: If a TPH does not initially request that their identify be unmasked for a particular position(s), the Exchange will email the TPH an Individualized "Not Match File", which will contain all positions for which the TPH did not request to unmask but for which a contra-party did express a willingness to unmask. Assuming TPH CCC is the contra-party for SpreadID 12, 34, 23, and 111 in the above example, CCC would receive the below Individualized Not Match File:

SPREADID	CLASS	EXPIRATION	STRIKE1	STRIKE2	TPH1	POSSIBLE
12	SPX	1/1/2001	1800	2400	CCC	165
34	SPXW	1/2/2001	1800	1900	CCC	160
23	SPX	1/1/2001	1900	2105	CCC	445
111	SPX	1/1/2001	2300	2375	CCC	42

Second TPH Request: After receiving an Individualized Not Match File, a TPH may subsequently send a request to the Exchange that their identity be unmasked for a particular position(s). The request must be in the following format:

CCC
23

If a Second TPH Request identifies a SpreadID that corresponds to a SpreadID identified in a First TPH Request, the Exchange will email the corresponding TPHs an Individualized Match File as described above. For example, assuming CCC sent a Second TPH Request for SpreadID 23 in the above example, the following Individualized Match File would be emailed to both BBB and CCC.

SPREADID	CLASS	EXPIRATION	STRIKE1	STRIKE2	TPH1	TPH2	POSSIBLE
23	SPX	1/1/2001	1900	2105	CCC	BBB	445

Timing of Compression Forum Process

TIME	ACTION
4:30 p.m. CT on fourth to the last business day of the month	TPH compression-list positions due
Before 8:30 a.m. CT on the third to the last business day of the month	Cboe will: • publish the Possibles-List to the Cboe website; • send a copy of the Possibles-List to TPHs that submitted compression-list positions along with the contact information for TPHs that submitted compression-list positions and did not opt out of inclusion on the contact list
7:00 p.m. CT on the fourth to the last business day of the month	Research will email each TPH that submitted compression-list positions their respective Individualized File
8:15 a.m. CT on the third to the last business day of the month	First TPH Requests due
9:30 a.m. CT on the third to the last business day of the month	Research will email each TPH that submitted compression-list positions their respective First Individualized Match and Not Match Files
10:30 a.m. CT on the third to the last business day of the month	Second TPH Requests due
11:30 a.m. CT on the third to the last business day of the month	Research will email each TPH (as appropriate) their respective Second Individualized Match File.
10:00 a.m. – 2:00 p.m. CT on last three business days of the month	Compression Forum in the SPX pit

Compression Forum 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 SPX (symbols SPX and SPXW) positions that are submitted to the Exchange before the end of Regular Trading Hours on the fourth-to-last business day of the month. Transaction fees, including the Index License Surcharge, for qualifying compression trades (up to the quantity indicated on the compression-list positions submitted by the TPH for the given series) will be eligible for rebate provided a rebate request with supporting documentation is submitted to the Exchange. Rebate requests must be submitted to the Exchange at DividendRebate@cboe.com with a completed Strategies Rebate Form within 3 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. Please see the "Additional Information" below for more information on the applicable requirements to obtain the fee rebate for qualifying compression trades executed through a Compression Forum.

Non-Compression Forum Fee Rebate

Pursuant to a separate program under footnote 41 of the Exchange's Fees Schedule, the Exchange will rebate transaction fees, including the Index License Surcharge, on SPX and SPXW transactions for compression trades not executed through a compression forum, provided they meet the following conditions:

(i)   involves a complex order with at least five (5) different series in SPX and/or SPXW;

(ii)   is a closing-only transaction or, if the transaction involves a Firm order (origin code "F"), is an opening transaction executed to facilitate a compression of option positions for a market-maker or joint-back office ("JBO") account executed as a cross pursuant to and in accordance with Cboe Options Rule 6.74(b) or (d);

(iii)   is a position with a required capital charge equal to the minimum capital charge under Option Clearing Corporation's ("OCC") rules RBH Calculator or is a position comprised of option series with a delta of ten (10) or less; and

(iv)   is entered on any of the final three (3) trading days of any calendar month.

Rebate requests for non-compression forum fee rebates must be submitted to the Exchange at DividendRebate@cboe.com with a completed Strategies Rebate Form within 3 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 forum requirements generally, as well as the related fee rebate program, please refer to Rule 6.56, footnote 41 of the Fee Schedule, and Rule Filing SR-CBOE-2017-070.

For information on the non-compression forum rebate (a program that operates separate from the compression forum fee rebate program), please refer to footnote 41 of the Fee Schedule and Rule Filings SR-CBOE-2015-117 and SR-CBOE-2016-074.

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