



Market Maker Complex Orders in VIX

Overview

Beginning May 21, 2018, pursuant to Rule 6.53C(c), Cboe Exchange, Inc. (“Cboe Options”) will allow intra-day Market-Maker complex orders to rest in the Complex Order Book (COB) in option symbol VIX in certain specific circumstances.

Details

Currently on Cboe, complex orders for the accounts of Cboe Options TPH Market-Makers (origin/capacity code “M”) and non-Cboe Options TPH Market-Makers (origin/capacity code “N,” i.e., market-makers or specialists on another options exchange) in all classes other than VIX, SPX and SPXW may rest in the Complex Order Book (COB). In VIX, SPX and SPXW, M and N complex orders are systematically prevented from entering the COB, other than being allowed in the COB to participate in the opening process, requiring an “OPG” (on the open only) contingency, or to trade intraday against resting COB orders, requiring an “IOC” (immediate-or-cancel) contingency. In all other cases, M and N complex orders in VIX, SPX, and SPXW are routed for manual handling.

Beginning May 21, 2018, M and N complex orders will be allowed to route to COB in VIX. Market-Maker orders may be submitted intra-day to rest in the COB, but only under specific circumstances, and such orders may rest in COB only for a limited time period. Note that Routing of M and N complex orders in SPX and SPXW will remain unchanged.

Specifically, an M or N order may be entered into the COB in VIX for a given strategy when:

- A public customer complex order (origin code “C”) in the same complex strategy as and on the opposite side of the M or N order is resting in the COB and has a price that is at or within the implied/National Spread Market (NSM), or
- Two (2) Complex Order Auctions (COAs) on the same side of the market in the given complex strategy occur within 1000 milliseconds, and the M or N order is on the opposite side of the COA orders.

M or N complex orders routed under the above circumstances may rest in COB in VIX for a maximum of two (2) minutes.

Important: The above allowances for an M or N complex order entering the COB in VIX will not be system-enforced, nor will the two minute time limit.

Orders will not be rejected by the Exchange or automatically routed for manual handling if they are entered during times where there are no opposite-side public customer orders resting in the COB, nor if they are entered when there have not been at least two (2) COAs initiated within the prior 1000 milliseconds. Orders can be “force-routed” to a floor broker’s PAR workstation using a specific FIX field (tag 143). However, the system may route orders entered without tag 143 directly to the COB, even if there are no opposite-side customer orders in the COB or there are no opposite-side COAs. Any entry of M or N complex orders into the COB when these specific circumstances do not exist is not permissible under the rule.

Further, the Exchange will not automatically cancel Market-Maker orders that have been resting in the COB after two (2) minutes.

It is the responsibility of the floor broker or Market-Maker who submits the order into the COB to ensure the order is entered only during the above permitted circumstances and to cancel the remainder of any Market-Maker order that has been resting in the COB for two (2) minutes.

Note that this modification applies only to VIX during the regular trading hours (RTH) session and not during the global trading hours (GTH) session, during which Market-Makers are permitted in the COB without the above restrictions.

Please refer to Cboe Rule 6.53C(c) for further information

Additional Information

Questions regarding this subject may be directed to Cboe Derivatives Market Structure and Functionality. For additional information regarding operational matters, please contact the Cboe Operations Support Center.

Questions regarding regulatory matters may be directed to the Regulatory Interpretations team.

We appreciate your continued support and will work hard every day to keep earning your business by powering your potential to stay ahead of an evolving market. As always, we are committed to our customers and to making markets better as your partner in trading.

Cboe Derivatives Market Structure and Functionality

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