



SPX Conversion to Hybrid Platform

Overview

As announced in [RG17-136](#), Cboe Exchange, Inc. (“Cboe Options”) will be converting A.M.-settled SPX options series currently traded on the Hybrid 3.0 trading platform during Regular Trading Hours (“RTH”) to the standard Hybrid trading platform. The symbol for these series will remain SPX.

Conversion is planned for the 2nd quarter of 2018, subject to regulatory review. Additional details will be included in future exchange notices. Please note this notice updates previous circulars and notices that described the market model and trading parameters of SPX as a Hybrid 3.0 class.

Details

Effective upon conversion:

- Quotes in symbol SPX will be allowed from all Cboe Options Market-Makers with an SPX/SPXW appointment. Market-Makers will be permitted to quote in SPX, SPXW or both, with the continuous quoting obligations independently applied to each symbol. For example, a Market-Maker who chooses to quote only SPX must meet the continuous quoting obligations for symbol SPX. A Market-Maker who chooses to quote only SPXW must meet the continuous quoting obligations for symbol SPXW. A Market-Maker who chooses to quote both SPX and SPXW must meet the continuous quoting obligations for each symbol.
- Minimum Market-Maker quote size requirements will be in place for SPX, but not SPXW. Size tiers will be based on a premium and expiration basis. Specific size tiers will be announced prior to the conversion.
- Market-Maker in-crowd requirements for interaction with the SPX order book, Complex Order Book, and electronic auctions will no longer apply (i.e., electronic trading without an in-crowd participant will be permitted in symbol SPX, as in any other Hybrid class).
- Orders from all origin codes/capacities will be allowed to rest in the SPX order book and the Complex Order Book (COB), both pre-open and during open trading, with the exception of complex orders with an origin code/capacity of M or N, which will not be allowed to rest in COB intraday and must be marked OPG in order to rest pre-open. Complex M/N orders without the OPG or IOC contingency will be routed for manual handling unless marked “Electronic Only,” in which case they will be cancelled if they do not execute.

- The “professional customer” designation (origin code/capacity “W”) will apply. Prior to the conversion, orders with origin code/capacity “W” in symbol SPX were treated the same as orders entered with origin code/capacity “C”.
- Interaction with resting quotes, the SPX order book and the COB will be allowed from all order origin codes/capacities, opposite side quotes, and complex order legs when tradeable. Quotes that lock or cross with opposite side quotes will remain locked for two milliseconds prior to trading with each other. Complex orders with an origin code/capacity of M or N must be marked IOC in order to trade intraday.
- Trade allocation on electronic trades will be pro-rata with no customer priority or Market-Maker participation rights for simple orders. When trading in open outcry, floor brokers will be required to yield priority to customers in the electronic book. Trade allocation for complex orders will be consistent with Cboe Options Rule 6.53C.
- Complex orders that contain both SPX and SPXW legs will be eligible to interact in COA and COB but will not interact with individual leg quotes or orders.
- SAL auctions will no longer be available.
- HAL auctions will be initiated in cases of a quote drill-through (see Cboe [RG16-187](#)).
- “Manual quote” entry from PAR will no longer be available.
- Additional enhancements to the PAR workstation, which is utilized by floor brokers to execute orders in open outcry, will be implemented prior to the Hybrid launch. These enhancements are intended to improve efficiency of trading simple and complex orders with electronic bids/offers. Details and broker training on these enhancements will be provided prior to launch.
- As is the case currently, AIM will not be available in SPX or in SPXW in the RTH session.
- Wash Trade Prevention (WTP) orders will now be allowed in SPX for orders with origin code/capacity “M” and “N”.

SPX Market-Makers are required to certify for quoting and to confirm their QRM settings in advance of this conversion. Cboe API group contact information is noted below.

Note that this modification applies only to SPX during the RTH session and not to the global trading hours (GTH) session (referred to as extended trading hours in the Cboe Options Rules), where SPX trades electronically only.

Important: Market-Makers are reminded to manage their QRM settings for symbol SPX, as this will be the first time Market-Makers, other than LMMs, will be permitted to enter quotes in that symbol. LMMs may also want to adjust their SPX QRM settings as their quotes in that symbol will be electronically accessible for the first time. Order-routing TPHs are responsible for contacting the Cboe Operations Support Center at helpdesk@cboe.com if they require any updates to firm-specific order routing exceptions they may have set for SPX in Cboe’s Order Handling System.

Additional Information

Questions regarding this subject may be directed to Cboe Trading System Development (“TSD”). For additional information regarding operational matters, please contact the Cboe Operations Support Center.

Cboe Trading System Development

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