Market Maker Complex Orders in VIX

Reference ID: C2019080201

Overview

Pursuant to Cboe Options Exchange, Inc. ("Cboe Options" or "Exchange") Rule 6.53C(c), and as detailed in this April 18, 2018 Exchange Notice, intra-day market maker (origin/capacity "M" or "N") complex orders may only rest in the Complex Order Book (COB) in symbol VIX in certain specific circumstances.

This notice is being issued to add two clarifying points:

1. *The procedure applies to the VIX Options class, which includes symbols VIX and VIXW, the latter of which was created after the publication of the prior notice on this matter.*

2. *With respect to the instance where two COAs on the same side of the market occur within 1000 milliseconds (as detailed below), the M or N complex order(s) must be entered into the COB within one minute of the conclusion of the second COA, then be cancelled within two minutes of that entry time.*

Details

Under Rule 6.53C(c), a market maker order (origin code "M" or "N") may be entered into the COB in the VIX options class (symbols VIX or VIXW) for a given strategy when:

- a priority 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 not outside the national spread market (i.e., the price is at or within the implied/leg market comprising the individual components of the strategy); 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 and is entered with one minute of the conclusion of the second COA.

An M or N complex order routed under the above circumstances may rest in COB for a maximum of two (2) minutes and, if the aforementioned orders remain unexecuted, those orders must be cancelled.

Important: The above allowances for an M or N complex order entering the COB 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 priority 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 M or N orders that have been resting in the COB after two (2) minutes.

Additional Information

Please contact Regulatory Interpretations, MSF, or OSC with questions related to this notice.

We appreciate your business and remain committed to powering your potential with Cboe products, technologies and solutions.

Regulatory Interpretations
312.786.8141
reginterps@cboe.com

Cboe Market Structure and Functionality
msfmgt@cboe.com

Cboe Operations Support Center
866.728.2263
osc@cboe.com