



## Novel Coronavirus Update

Reference ID: C2020030502

### Overview

Please be advised that Cboe is continuing to closely monitor the current situation regarding the novel coronavirus (COVID-19). Cboe has reviewed its pandemic planning procedures and is prepared to respond appropriately if and when the situation progresses.

Currently there are no plans for any changes that would impact trading operations or support of trading on the Cboe Options Exchange (“C1”) floor, nor any that would impact Cboe equities, options, futures, or FX electronic trading platforms. In addition, Cboe is prepared to facilitate the normal operation of all trading platforms by staff working from remote locations, including from home, if warranted. However, please note that effective Wednesday, March 4, 2020, visitor access to the trading floor will not be permitted.

### C1 Electronic Only Trading Mode Procedures

In the event the situation escalates such that it would become necessary to suspend open outcry trading on the C1 trading floor to attempt to prevent the spread of COVID-19, Cboe is prepared for C1 to operate in an electronic only trading mode, this mode having been previously tested. In an electronic only trading mode, the trading floor and all routing to the trading floor will be disabled and unavailable. Input of orders on C1 will only be available electronically via FIX and BOE, similar to all other Cboe options trading platforms. Any orders with instructions to route directly to the floor will be rejected.

Some additional considerations C1 TPHs should make in the event of an electronic only mode:

- Electrical power will remain available on the floor, and floor equipment will remain powered up to facilitate remote access. However, TPHs will not have physical access to the trading floor and their floor tools, including their proprietary PCs and trading terminals, PULSe, Silexx, Blaze, speed-dial turret phone systems, etc. As such, arrangements should be made to conduct business outside of the trading floor at off-site locations which have been ensured to be adequately equipped and have proper access.
- As on-floor phone turrets will be inaccessible, floor broker groups should review their methods of two-way communication with their clients from the broker groups’ off-site locations.
- Floor broker groups should verify they have adequate off-site PULSe and Silexx login access; please contact the OSC if assistance is required.
- TPHs should review both internal and Exchange-side risk limits in anticipation of electronically executed volume being higher than normal.
- Complex option orders will continue to be supported via COB, COA, and AIM.
  - During normal operations, complex option orders that exceed a ratio of 3:1 are not eligible for electronic processing. Cboe Options is engaged in ongoing discussions with

the SEC during which we are seeking its approval to permit complex option orders exceeding a ratio of 3:1 to be eligible for electronic processing pursuant to Rule 5.33 and to be eligible for complex AIM pursuant to Rule 5.38. If permitted, this change to support electronic processing of complex option orders exceeding a ratio of 3:1 would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.

- Complex orders with an underlying security leg (stock/option orders) will be supported when they do not exceed a ratio of 8 options versus 100 shares (8:1). Stock/option orders with a greater ratio will be rejected.
- As during normal operations, electronic processing will continue to be supported for complex orders with up to 12 legs.
- In order to support electronic crosses, AIM will be active in all classes, including SPX/SPXW. The change activating AIM for SPX/SPXW during the RTH session applies only during all-electronic trading and will be reverted when open outcry trading resumes. SAM will also be supported for multi-list classes but will remain inactive for all proprietary classes.
  - As during normal operations, all market participants will be able to respond to AIM auctions in all classes.
  - As during normal operations, all capacities/origin codes will be permitted on both the agency-side and contra-side of AIM paired orders.
  - As during normal operations, all market participants may be solicited as the contra-side order of complex/multi-leg AIM paired orders.
  - During normal operations, all market participants may be solicited as the contra-side order of single-leg paired AIM orders, except for Market-Makers with an appointment in the applicable class. Cboe Options is engaged in ongoing discussions with the SEC during which we are seeking its approval to permit Market-Makers with an appointment in the applicable class to be solicited as the contra-side order of single-leg AIM paired orders. If permitted, this change to permit appointed Market-Makers to be solicited as the contra-side order of single-leg AIM paired orders would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.
  - The minimum price increment for single-leg AIM transactions in SPX/SPXW will be the same as the minimum price increment otherwise applicable for the series (i.e., \$.05 below \$3, and \$.10 above \$3).
  - The minimum net price increment for multi-leg AIM transactions in SPX/SPXW is \$.05, although leg prices may print in \$.01 increments.
- Complex orders with a cash limit price will be rejected. Only standard convention debit/credit limits will be accepted.
- Orders residing on PAR will be cancelled back to the customer.
- With respect to FLEX orders:
  - FLEX access will continue to be available via the Cboe Silexx platform or via Cboe's FIX API.
  - FLEX option orders may be executed using any of the following electronic features:
    - Single-sided auction
    - AIM
    - SAM
  - Up to 100 legs are supported, and paired orders via AIM and SAM may contain up to 10 contra orders.

- Complex FLEX orders of any ratio will be supported via single-sided auctions and AIM (subject to regulatory review). SAM will be supported in multi-list classes but will remain inactive for all proprietary FLEX classes.
  - During normal operations, complex FLEX option orders that exceed a ratio of 3:1 are not eligible for electronic processing. Cboe Options is engaged in ongoing discussions with the SEC during which we are seeking its approval to permit complex FLEX option orders exceeding a ratio of 3:1 to be eligible for electronic processing pursuant to Rules 5.72 and 5.73. If permitted, this change to support electronic processing of complex FLEX option orders exceeding a ratio of 3:1 would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.
  - As during normal operations, all market participants may be solicited as the contra-side order of complex/multi-leg FLEX AIM paired orders.
  - During normal operations, all market participants may be solicited as the contra-side order of single-leg paired FLEX AIM orders, except for Market-Makers with an appointment in the applicable class. Cboe Options is engaged in ongoing discussions with the SEC during which we are seeking its approval to permit Market-Makers with an appointment in the applicable class to be solicited as the contra-side order of single-leg FLEX AIM paired orders. If permitted, this change to permit appointed Market-Makers to be solicited as the contra-side order of single-leg FLEX AIM paired orders would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.
- As during normal operations, the minimum price increment for single-leg and multi-leg FLEX AIM transactions in all classes, including SPX/SPXW, will be \$.01.
- Complex FLEX orders with a cash limit price will be rejected; only standard convention debit/credit limits will be accepted.
  - Support will remain available for all FLEX order types, including fixed and percentage trades, where the strike and execution price are automatically determined and restated based on the official closing price of the underlying security or index. **IMPORTANT: Users are reminded that Clearing Editor modifications are not permitted on FLEX percentage trades once the restatement is completed. Such restatements currently occur at 3:20CT/4:20ET and will be changed to 3:30CT/4:30ET effective March 3, 2020.**

Additional information in response to TPH feedback and questions will be provided in future updates to this notice. Cboe also intends to hold a Town Hall, tentatively scheduled for Monday March 9, 2020 at 3:30 pm CT/4:30 pm ET to discuss this topic; details will be provided in a separate notice.

## **Interim Guidance for Business and Employers from the CDC**

The CDC has published interim guidance to provide recommended strategies for employers that may help prevent workplace exposures to acute respiratory illnesses, including COVID-19, in non-healthcare settings. Just as we encourage Cboe staff to review and follow this guidance, we encourage the Cboe trading community to do the same.

**Current strategies recommended by the CDC include:**

- Actively encouraging sick employees to stay home;
- Separating sick employees;
- Emphasizing respiratory etiquette and hand hygiene by all employees;
- Performing routine environmental cleaning;
- Advising employees before traveling to follow certain guidance and recommendations, as detailed in the [CDC's Traveler's Health Notices](#), for each country to which they will travel; and
- Conducting risk assessments for those who may have been exposed to a family member or co-worker with a COVID-19 infection.

Additional information regarding CDC recommended strategies can be found via the links below:

- [CDC Guidance for Businesses and Employers](#)
- [About the Coronavirus Disease 2019 \(COVID-19\)](#)

### **Travel Advisories from the CDC**

The CDC has issued a “Warning – Level 3, Avoid Nonessential Travel” advisory for travel to multiple countries related to COVID-19. The CDC maintains current travel advisories listings [here](#).

### **Unscheduled Market Closure Guidance from the OCC**

The OCC has provided the following guide In the case of an unscheduled market closure:

- [OCC Unscheduled Market Closing Guide](#)

### **Additional Information**

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

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