



## Novel Coronavirus Update, Trading Floor Closure

Reference ID: C2020031204

### Overview

Please be advised that as a precaution to reduce large gatherings that can contribute to the spread of the novel coronavirus (COVID-19), Cboe will be closing the Cboe Options ("C1") trading floor in Chicago effective Monday, March 16, 2020 until further notice.

Cboe will continue to evaluate the reopening of the trading floor as more medical guidance regarding COVID-19 becomes available. The Cboe headquarters at 400 S. LaSalle in Chicago will remain open.

### C1 Electronic Only Trading Mode Procedures

As a result of the closure of the trading floor, Cboe will be operating C1 in an electronic only trading mode. 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.

TPHs should also be aware of the following items regarding the operation of C1 in an electronic only mode, including behavior for which SEC approval has been received since previous notice.

- 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 consider testing both internal and Exchange-side risk limits in anticipation of electronically executed volume being higher than normal in an actual electronic only trading event.
- 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 intends to amend its rules to be effective Monday, March 16, 2020, subject to regulatory review, to permit complex option orders in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 to be eligible for electronic processing pursuant to Rule 5.33 and to be eligible for complex AIM

pursuant to Rule 5.38. This change to support electronic processing of complex option orders in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 will only apply during electronic only trading and would be reverted when open outcry trading resumes.

- 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.
- TPHs are reminded that while complex orders will be accepted with a ratio up to 25:1, these orders must be associated with *bona fide* complex strategies. Cboe Regulation will be monitoring this activity and, if a TPH is engaging in a pattern or practice of submitting a large number of complex orders greater than 20:1, will conduct a review of that firm's activity to determine whether these were in fact *bona fide* complex strategies or otherwise done to gain an undue benefit or circumvent other requirements.
- 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 intends to amend its rules to be effective Monday, March 16, 2020, subject to regulatory review, 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 in Cboe exclusively listed index options. This change to permit appointed market makers to be solicited as the contra-side order of single-leg AIM paired orders in Cboe exclusively listed index options will only apply during electronic only trading and will be reverted when open outcry trading resumes.
  - 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.
  - The length of the AIM response interval will be 1000 milliseconds for SPX/SPXW. It will remain at 100 milliseconds for all other classes.
- 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 intends to amend its rules to be effective Monday, March 16, 2020, subject to regulatory review, to permit complex FLEX option orders in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 to be eligible for electronic processing pursuant to Rules 5.72 and 5.73. This change to support electronic processing of complex FLEX option orders in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 will only apply during electronic only trading and will be reverted when open outcry trading resumes.
  - 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 intends to amend its rules to be effective Monday, March 16, 2020, subject to regulatory review, 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 in Cboe exclusively listed index options. This change to permit appointed market makers to be solicited as the contra-side order of single-leg FLEX AIM paired orders in Cboe exclusively listed index options will only apply during electronic only trading and will be reverted when open outcry trading resumes.
- 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. Effective as of March 3, 2020, such restatements occur at 3:30 p.m. CT/4:30 p.m. ET.**

The changes to Cboe Options' rules described above will be in effect until April 10, 2020. If the trading floor will be closed beyond that date, the Exchange will consider requesting an extension of these changes.

### **Limitation to ECRP Transactions in VX Futures and VIX Options**

It will not be possible to execute Exchange of Contract for Related Position ("ECRP") transactions involving VX futures and VIX options when C1 is operating in an electronic only trading mode given the nature of how ECRP transactions are required to be executed.

ECRP transactions involving VX futures can still be executed with other correlated instruments in accordance with Cboe Futures Exchange rules.

### **Electronic Only Trading Mode Testing Opportunities**

The C1 trading platform configuration changes noted above will be available for testing in the C1 Certification environment on Thursday, March 12 and Friday, March 13, 2020.

In addition, to facilitate floor participant testing of the C1 electronic only trading mode, Cboe will conduct testing in its production systems on Saturday, March 14, 2020 from 8:30 a.m. to 12 p.m CT. All TPHs are encouraged to participate.

### **400 S. LaSalle Building Access**

The Cboe building at 400 S. LaSalle will remain open to non-Cboe employees as normal on Friday, March 13, 2020. In addition, non-Cboe employees will be allowed to access the building from 6 a.m to 2 p.m CT on Saturday, March 14 and again on Sunday, March 15, 2020. As of Monday, March 16, 2020, the building will be closed to non-Cboe employees.

### **Silexx Setup for Off-Floor Usage**

Cboe encourages all TPHs utilizing Silexx for on-floor FLEX order routing to set up the application in their firms' offices as required at their earliest convenience.

- [Silexx Install Link](#) (will initiate download of cboe\_silexx\_setup.exe file)
- [Silexx Network Requirements](#)

Silexx does facilitate connectivity to the C1 Certification environment.

### **PULSe Setup for Off-Floor Usage**

Cboe encourages all TPHs utilizing PULSe for order routing to set up the application in their firms' offices as required at their earliest convenience. Note that PULSe customers must send their source IP address to the Cboe OSC to ensure the proper IP permissions are in place. In addition, the IP addresses must be **dedicated** IP addresses.

- [Pulse Install Link](#)

Firms should contact the OSC if they wish to access the C1 Certification environment via PULSe.

### **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**

Please contact the Cboe Trade Desk with any questions regarding the C1 Certification environment.

Please contact Cboe Silexx Support with any questions regarding Silexx setup for off-floor usage.

Please contact Cboe OSC with any questions regarding PULSe setup for off-floor usage.

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

### **Cboe Trade Desk**

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