

Overview

Midpoint Discretionary Order (MDO) is a patent-pending feature having a blended order type that incorporates the characteristics of Primary Peg, Midpoint Peg and Discretionary orders. Members can use MDOs to post displayed or non-displayed liquidity at the National Best Bid/ National Best Offer for Buy/ Sell orders with a discretionary range extending to and including the NBBO midpoint. MDOs do not execute at a price more aggressive than the NBBO midpoint. MDO is available on EDGA and EDGX exchanges, providing the opportunity to use MDOs in two different trading markets that offer comparable MDO advantages, but also provide a few distinguishing characteristics to meet varying needs of investors.

Behavior

- MDOs to buy are pegged to the NBB.
- MDOs to sell are pegged to the NBO.
- MDOs can be entered as displayed or non-displayed orders.
- MDOs can use offsets to adjust their pegged price to be less aggressive if displayed or to be either less or more aggressive if hidden.
- MDOs have discretion to execute at prices ranging to and including the midpoint of the NBBO, consistent with their limit price.
- If an MDO's limit price does not reach the NBBO midpoint, then the MDO will have discretion to its limit price.
- MDOs allow access to midpoint liquidity, but at the same time preserve the ability to execute at more favorable prices.

Benefits and Distinguishing Characteristics

- Best Possible Execution Price for Resting MDOs – EDGA and EDGX
 - For any given contra order, Buy MDOs execute at the lowest possible buy price and Sell MDOs execute at the highest possible sell price.
 - Execution prices more favorable than the midpoint are received whenever contra-side orders are priced more aggressively than the NBBO midpoint.
 - Displayed MDOs receive displayed priority at their ranked price.
 - Non-displayed MDOs receive Hidden order priority at their ranked price.
- MDOs Maximize Execution Opportunities in EDGA
 - MDOs can execute against any eligible contra-side orders upon arrival.
 - MDOs can execute against contra-side MDOs at the NBBO midpoint.
- MDOs Add Liquidity in EDGX
 - Arriving MDOs in EDGX function similar to Post Only orders.

Technical Details

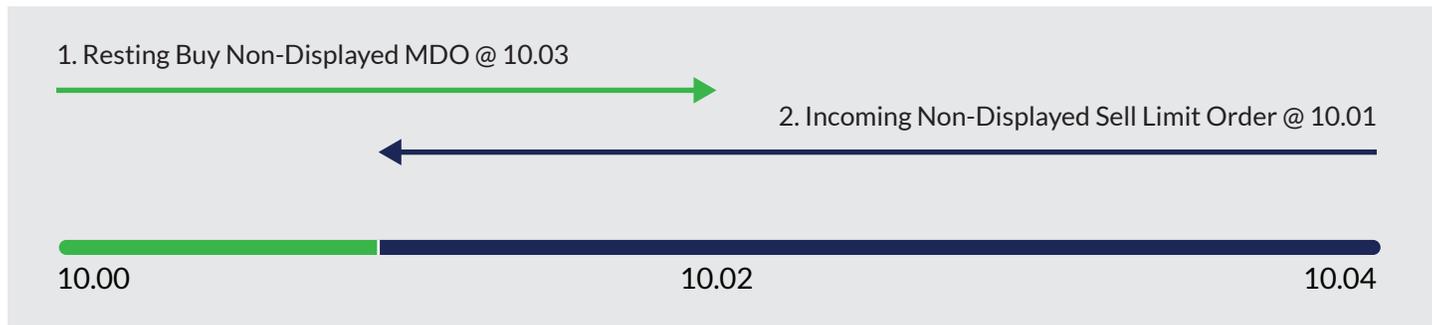
Members may send an MDO on EDGA and EDGX using either FIX or BOE, utilizing the following instructions:

BOE Field	FIX Tag	Req'd	Comments
ExecInst	18	Y	d = Midpoint Discretionary Order
OrdType	40	Y	P = Peg
Display Indicator	9479	Y	v = Visible (Default)
			I = Invisible
RoutingInst	9303	Y	B = Book Only (EDGA) P = Post Only (EDGX)
Price	44	N	Optional Cap Price

Note: Time in Force using IOC or FOK instructions will be rejected.

Examples

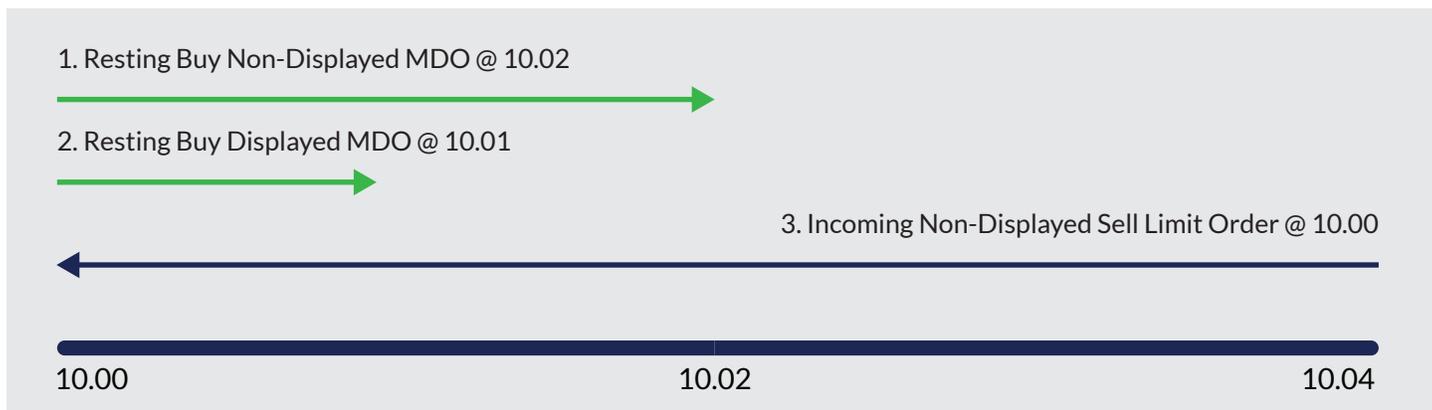
Example 1: Non-Displayed MDO uses discretion against an incoming contra order



1. Resting Buy Non-Displayed MDO with a limit price of 10.03 for 100 shares
2. Incoming Sell order with a limit price of 10.01 for 100 shares

The resting Buy Non-Displayed MDO is capped at 10.02 since MDO will never extend beyond the midpoint. The Buy MDO is hidden at 10.00 and has discretion up to and including 10.02. The Buy MDO will use discretion and execute at 10.01 with the incoming Sell order for 100 shares.

Example 2: Order Priority for Displayed and Non-Displayed MDOs at the NBBO



1. Resting Buy Non-Displayed MDO with a limit price of 10.02 for 100 shares
2. Resting Buy Displayed MDO with a limit price of 10.01 for 100 shares
3. Incoming Sell Limit at 10.00 for 150 shares

The incoming Sell Limit executes at 10.00 with the resting Buy Displayed MDO for 100 shares and then executes at 10.00 with the Buy Non-Displayed MDO for the remaining 50 shares. At the NBBO, Displayed MDOs have order priority that is the same as other displayed orders. Non-Displayed MDOs have priority that is the same as other hidden orders. Displayed order priority always supersedes Non-Displayed order priority.

Examples, Cont.

Example 3: Non-Displayed MDO executes against an incoming MDO (EDGA Only)



1. Resting Buy Non-Displayed MDO with a limit price of 10.02 for 100 shares
2. Incoming Sell Displayed MDO with a limit price of 10.01 for 150 shares

The Incoming Sell displayed MDO executes at 10.02 with the Resting Non-Displayed MDO for 100 shares. And the remaining 50 shares from order 2 are posted to the book. Two contra MDOs are only eligible to execute at the midpoint in EDGA, since MDOs never extend beyond the midpoint. Note that since MDO orders function as Post Only orders in EDGX, two contra MDO orders are ineligible to execute against each other at the midpoint.

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