



Regulatory Circular 24-007

Date: May 7, 2024

Exchanges: Cboe Options, C2 Options, BZX Options and EDGX Options

Markets: Options

To: Trading Permit Holders and Members

Re: Acceptable Use of IOC Quotes

Cboe Options, C2 Options, BZX Options, and EDGX Options (each an “Exchange” and collectively the “Exchanges”) introduced Immediate-or-Cancel BOE Quote Update Messages (“IOC Quotes”) in December 2021 to simplify the way in which Market Makers removed interest resting in the Book.¹ The Exchanges are issuing this circular to remind Market Makers of their market-making obligations, the role of IOC quotes in meeting those obligations, and serve as a reminder that excessive or intentional misuse of IOC quotes may result in violations of Exchange Rules.

Transactions of a Market Maker in its market-making capacity must constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and Market Makers should not make bids or offers or enter into transactions that are inconsistent with such course of dealings. A Market Maker is obligated to, among other things:²

- Compete with other Market Makers in its appointed classes;
- Update quotations in response to changed market conditions;
- Maintain active markets in its appointed classes; and
- Only effect purchases and sales on the exchange in a reasonable and orderly manner.

As part of a Market Maker’s efforts to satisfy these obligations, a Market-Maker may update quotes with the specific purpose of removing interest resting in the Book. Market-Makers may designate their bulk messages as IOC to more effectively and efficiently to execute against interest in the Book.

¹ See, e.g., Exchange Notice [RC2021120203](#). Prior to the introduction of IOC Quotes, if a Market Maker wished to execute against interest in the Book, a Market Maker would enter a Book Only bulk message or modify an existing bulk message to attempt execute against such interest, followed immediately by a bulk message to cancel the preceding bulk message (or unexecuted portion) so that no portion of that bulk message would remain displayed on the Book. Essentially, to execute against interest on the Book, a Market Maker would send a sequence of bulk messages that mimicked the result of an IOC instruction. Sending a bulk message to cancel immediately following the submission of a bulk message or a bulk message modification to execute against resting interest created an extra step for a Market Maker using bulk message functionality and required the System to process additional messages. See, e.g., Release [34-92988](#) (September 15, 2021), SR-CBOE-2021-053 (September 9, 2021)(immediately effective notice to amend rules in connection with time-in-force instructions available for bulk messages for the account of a Market Maker). Alternatively, a Market Maker could enter a New Order message with an IOC time-in-force using the BOE or FIX order entry formats.

² These obligations are in addition to requirements related to firm quotes, continuous electronic quotes, and initial quote size (as applicable).

Use of IOC quotes for purposes other than to remove resting interest in the book or excessive use of IOC Quotes may be considered a violation of Exchange Rules regarding, among others, obligations of Market Makers and just and equitable principles of trade.

Additional Information

For additional information on IOC Quotes, please refer to the following technical specification:

- [US Options BOE Specification](#)

Please also see the *Book Only* order instruction and *IOC* time-in-force values under Cboe Options/C2 Options Rules 5.5(c)(3) and 5.6(c) and (d), and BZX Options/EDGX Options Rule 21.1(d)(7), (f)(2) and (j)(3). For additional information on Market Maker obligations and quoting requirements, as well as just and equitable principles of trade, see Cboe Options/C2 Options Rules 5.51, 5.52 and 8.1,³ and BZX Options/EDGX Options Rules 22.5, 22.6, and 3.1.

For technical assistance related to use of IOC quotes, please contact the Trade Desk at tradedesk@cboe.com or 913.815.7001. For any rules-related questions, please contact Regulatory Interpretations at reginterps@cboe.com or 312.786.8141.

³ Rule 8.1 of the Cboe Options Rulebook is incorporated by reference into Chapter 8 of the C2 Options Rulebook.