Reminder: Cboe Options Technology Integration Feature Pack 1

Reference ID: C2018112800

Overview <mark>(UPDATED)</mark>

Effective **November 29, 2018,** Cboe Global Markets will introduce multiple features for the BZX Options ("BZX"), C2 Options ("C2"), and EDGX Options ("EDGX") Exchanges, *subject to regulatory review and approval*. These new features, listed below, are being released in preparation for migration of Cboe Options Exchange ("C1") to Bats technology.

- ➢ Harmonization of Designated Primary Market-Maker ("DPM") entitlements **(EDGX only)**
- ➢ DPM small order entitlement allocation **(EDGX only)**
- ➢ Implementation of Reserve orders **(EDGX only)**
- ➢ ~~Implementation of Complex Reserve orders **(C2 and EDGX)**~~
- ➢ Implementation of new Execution Firm ID ("EFID") Group Risk Control **(BZX, C2, and EDGX)**
- ➢ OCC Customer ID and Clearing Member optional data field mapping **(BZX, C2, and EDGX)**
- ➢ New sell market order behavior in a no bid series **(BZX, C2, and EDGX)**

Harmonization of DPM Entitlements

On EDGX, the Primary Market-Maker ("PMM") designation will be renamed to Designated Primary Market-Maker ("DPM") and the Directed Market-Maker ("DMM") designation will be renamed to Preferred Market Maker ("PMM", not to be confused with the prior definition) to be consistent with the Cboe Options Exchange.

Upon implementation, it will be possible for a DPM to be a PMM as well. In this case, if the DPM is preferred on an incoming order and at the best price, the DPM will receive the DPM entitlement allocation (including the DPM small order entitlement allocation if applicable) instead of the PMM entitlement allocation.

DPM Small Order Entitlement Allocation

On EDGX, DPMs will be allocated 100% of remaining contracts, after all customer orders have executed, when incoming orders consist of five contracts or less. The DPM entitlement allocation will be based upon the original number of contracts in an order, not the number of contracts remaining after customer orders have been satisfied.

Implementation of Reserve Orders

EDGX will support reserve orders for simple book transactions. The reserve portion of an order will only be executed after all displayed quantity at that price level has been executed. Members can designate a reserve order using the BOE or FIX protocol to send the following instructions:

FIX Tag	BOE Field	Description
40	*OrdType*	2 = Limit
111	*MaxFloor*	Portion of *OrderQty* to display. The balance is reserve. 0 = Display entire quantity (Default). The displayed quantity of each order at a price level is decremented first. When displayed quantity is fully decremented, it is reloaded up to *MaxFloor* from reserve. Ignored if order is IOC.
8020	*DisplayRange*	Used for random replenishment of reserve orders. This is the random replenishment amount in contracts. The value specified will create a *DisplayRange* around *MaxFloor*. Value must be less than the value specified for *MaxFloor*.

Implementation of Complex Reserve Orders (UPDATED)

Implementation of Complex Reserve Orders will not be included in the release of Feature Pack 1. This functionality will be released at a date yet to be determined, subject to regulatory review, which will be communicated in a future notice.

Implementation of New EFID Group Risk Control

In addition to the existing EFID level and Risk Root ("Symbol") level Risk Types, BZX, C2, and EDGX will introduce a new EFID Group level Risk Type that provides the ability to group EFIDs that are to be governed by this new aggregated risk control. An EFID will not be able to be assigned to more than one group. In addition to the new EFID Group Risk Type, a new Risk Trip Limit Type will be introduced that allows Customers to set a maximum number of class-level and EFID-level events that can occur for a defined EFID or group of EFIDs within a specified time frame. If the specified number of events occurs within the set time frame, all orders for the EFID or EFID Group risk count will be tripped and all open orders will be cancelled in all classes and for all EFIDs defined within the EFID Group. An event is the occurrence of any Risk Limit Type as defined in the US Options Risk Management Specification. Customers will have the ability to upload the new risk profile with this new functionality via the Risk Management Tool in the Customer Web Portal or through the Secure Web API.

OCC Customer ID and Clearing Member Optional Data Field Mapping

BZX, C2, and EDGX will support data field mapping to capture the order data reflected back on execution reports. Members can use this information to help reconcile and balance accounts each day.

FIX Tag 1 (*Account*) will continue to be sent to the OCC via the Customer ID field (only the first ten characters), but this tag will no longer be sent to OCC via the Optional Data field. A new FIX Tag, 9324

(BOE field *ClearingOptionalData*), will be sent to the OCC via the Optional Data field, which can contain up to 16 characters.

New Sell Market Orders in No Bid Series Behavior

BZX, C2, and EDGX will support new sell market order behavior. When a sell market order is received for a no-bid series and the NBO is ≤ $0.50, the order will be converted to a minimum tick increment limit order. For example, a sell market order in a nickel tick security will be converted to a limit order and priced at $0.05.

Testing Opportunities

Testing is currently available in the BZX, C2, and EDGX Options certification environments.

Additional Information

For more information, refer to the following technical specifications:
- ➢ US Options Risk Management Specification
- ➢ US Options FIX Specification
- ➢ US Options BOE Specification

Please contact the Cboe Trade Desk for support or with any questions. Additionally, you may refer to the C1 integration website for more details at http://batsintegration.cboe.com/c1.

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

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