Cboe Options Exchanges Introduce Enhancement for Clearing Edits on FIX Drop

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Overview

Applicable Cboe Exchange: Cboe Options, BZX Options, EDGX Options, C2 Options

Effective May 13, 2020, the Cboe Options Exchange ("C1"), BZX Options Exchange ("BZX"), C2 Options Exchange ("C2"), and EDGX Options Exchange ("EDGX") will release enhancements to improve the handling of post-trade clearing edits, including allocations/splits, performed in the Clearing Editor.

Technical Details

Cboe currently offers FIX Drop customers the ability to opt-in to receive clearing edits on FIX Drop using the "Send Clearing Edits" port attribute. On the effective date, a new value of "2" will be added to this port attribute, which will enable "cancel + new" messaging for clearing edits to be sent on FIX Drop. Customers will be able to choose between using the current method utilizing the *WaveNo* field (option 1) and the new cancel + new method (option 2).

To enable the "cancel + new" behavior on their FIXDROP ports, customers must use the Logical Port Request form in the Cboe Web Portal to request that the "Send Clearing Edits" port attribute be set to a value of "2". Once enabled, cancellations will be sent as UCC messages (35=UCC) with a new *TradeAllocation* (FIX Tag 25011) set to "0", and clearing edits will appear as UCC messages (35=UCC) with *TradeAllocation* (FIX Tag 25011) set to "1".

The "cancel + new" method offers cleaner messaging, especially for cases where a trade is allocated/split in the Clearing Editor into multiple smaller pieces and the EFID has changed.

Current Allocation/Split Behavior (Wave Method)

Cboe currently permits a single trade to be re-allocated into multiple, smaller pieces using the Clearing Editor. The resulting allocations are sent to FIX Drop ports that received the original trade.

Example:
- 100 contracts SPX 05/15/20 $2500 Calls bought by EFID ABCD (clearing firm 1).
- Clearing firm 1 receives real-time drop copy for 100 contracts for EFID ABCD.
- Clearing Editor is used to split the trade: 50 contracts to ABCD (clearing firm 1) and 50 contracts to EFGH (clearing firm 2).

- Clearing firm 1 receives UCC message indicating the trade has been allocated. Clearing firm 2 receives no execution report on its FIXDROP.

What's Changing? (Cancel + New Method)

When the new clearing edit method is enabled on the FIX Drop port, all parties to the newly allocated trades will receive drop messages.

Example:
- 100 contracts SPX 05/15/20 $2500 Calls bought by EFID ABCD (clearing firm 1).
- Clearing firm 1 receives real-time drop copy for 100 contracts for EFID ABCD.
- Clearing Editor is used to split the trade: 50 contracts to ABCD (clearing firm 1) and 50 contracts to EFGH (clearing firm 2).
- Clearing firm 1 receives bust message for original trade followed by new trade for 50 contracts for EFID ABCD. **Clearing firm 2 receives a trade for 50 contracts for EFID EFGH.**

OCC Messaging Change

Separate from the above changes, Cboe is also updating the value sent to OCC when clearing edits occur such that a new EFID is assigned to a trade and that EFID belongs to a different firm than the one that executed the original trade. On the effective date, the *ExecBroker* field at OCC will now contain the four-character Firm ID of the new firm following the allocation and EFID change.

Testing Opportunities

This new functionality will be made available for testing on **April 28, 2020** in all Cboe Options Certification environments.

Additional Information

For additional information, refer to the following technical specifications.

➢ US Options FIX Specification

Please contact the Cboe Trade Desk for support or with any questions.

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