



Cboe Options to Introduce New Electronic Position Compression Cross Paired-Order Type, New Procedures and Schedule for Compression Transactions

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Overview

Applicable Cboe Exchange: Cboe Options

Currently the Cboe Exchange, Inc. ("the Exchange") facilitates compression forums on the trading floor at the end of each calendar week, month, and quarter, in which Trading Permit Holders ("TPHs") may reduce open positions in series of S&P 500 Index (i.e., SPX/SPXW) options.

This notice details changes to the current compression forum schedule and process that will become **effective October 28, 2020, pending regulatory approval**. This includes rule and technology changes that will allow daily compression trades via open outcry and via a new electronic "Position Compression Cross" (PCC) paired-order mechanism, as well as changes to the procedures for position files.

Submission of SPX and SPXW Compression Orders

Electronic PCC Orders

Upon the effective date, brokers will be able to enter the new electronic PCC paired-order type, which may be executed as an unexposed cross, to electronically execute compression trades. TPHs utilizing PCCs will be required to follow the FIX or BOE protocols by submitting a two-sided New Order Cross or New Order Cross Multileg message with *CrossType* (FIX Tag 549) = 4. **Although not systematically enforced, when entering a PCC order, the *Compression* (FIX Tag 22006) field should not be specified. PCC orders entered with *Compression* = 'N' will be rejected.**

Floor-Based Compression Orders

TPHs may continue to execute compression trades on the floor by entering single-sided compression orders to be executed on the floor via PAR, which may be executed as unexposed crosses beginning on the effective date. **When entering a compression order for open outcry execution, the TPH must apply the "compression" flag to each order.**

Floor-based Compression and Electronic PCC Order Details

The following criteria will apply to both floor-based compression and electronic PCC orders (referred to collectively as “compression order”).

- A compression order may be comprised of all closing positions or a combination of opening and closing positions as long as the closing volume is equal to or greater than the opening volume for each user or contra.
- The Exchange will permit all positions (both opening and closing positions) in compression orders to be entered and executed in pennies. The legs of complex compression orders can be executed in \$0.01 increments.
- A TPH may not include a closing SPX position in a compression order unless that position was included on a compression list provided to the Exchange on the previous trading day/session by 6:00 p.m. ET.
- Compression orders for FLEX SPX options will be eligible to execute in the same manner as compression orders for non-FLEX SPX options.
- The current allowance for complex compression orders with **any ratio** in open outcry will be extended to complex electronic compression orders.
- For compression orders, the execution price must be at or inside the BBO and better than the price of any priority customer order resting in the book (if the order is single-leg), must be at or inside the SBBO or better than the SBBO if there is a priority customer on any leg of the SBBO, and better than the price of a priority customer complex order on the COB (if the order is multi-leg).
- The minimum size for compression orders = 1.
- Compression orders for complex orders will support up to 12 legs and up to 10 contra orders.

Updates to Compression-list and Individual Position Files

Currently, following the submission of compression-list positions, the Exchange provides a match file containing offsetting positions. Upon the effective date the Exchange will implement multiple changes to the compression list and individual position file. These changes will impact both electronic and floor-based Compression Forums.

- The Exchange will no longer post the match files containing offsetting positions the Cboe website.
- The Exchange will no longer send the compression list positions file to each TPH that submitted compression list positions to the Exchange. Instead, the Exchange will continue to provide the individual positions file which shows offsetting size to TPHs.
- Position files will no longer be provided on an anonymous basis. The updated individual position files distributed to TPHs will identify the TPHs that hold offsetting positions.
- The individual positions file currently contains the multi-leg positions and moving forward will also provide single-leg position information and combos, i.e., the purchase (sale) of a call and sale (purchase) of a put with the same expiration date and strike price.
- Compression list submissions sent by a Clearing TPH on behalf of a TPH will not be included in individual position files.

Schedule

Electronic compression forums will run during **regular and global trading hours** beginning at 3:00 a.m. ET and ending at 4:15 p.m. ET each trading day/session. Compression executions may take place at any time during the electronic compression forum. Floor-based compression forums will occur during regular trading hours beginning at 9:30 a.m. ET and ending at 4:15 p.m. ET. TPH compression-list positions files for the next trading day should be submitted utilizing the existing [Compression Forum Manager site](#) and are due by 6:00 p.m. ET.

Time (ET)	Action
6:00 p.m.	TPH compression list positions due.
By 7:00 p.m.	Cboe will electronically provide each TPH that submitted compression list positions that trading day their respective individualized file.

Cboe Applications

- To support compression orders, a 'Compression' flag will be added to PAR terminals. This will allow PAR operators to check the 'Compression' flag for compression orders that were routed to PAR without the indicator.
- Upon the effective date, Cboe Silexx will support PCC orders.

Testing Opportunities

This new functionality is currently available for testing in the C1 certification environment.

Additional Information

- For TPHs that have not already gained access to the [Compression Forum Manager site](#), **it is imperative that you request access soon as possible to ensure timely access.** Please reach out to Cboe Membership Services for additional assistance.
- Per the existing process, Cboe will distribute a list of electronic compression contacts for each TPH to all compression forum participants. Please provide the name, e-mail address, and phone number(s) for the appropriate electronic compression contact by emailing this information to CFM_Admin@cboe.com.
- For additional information refer to rule filing [SR-CBOE-2020-074](#).

For more information, please refer to the following technical specifications:

- [US Options BOE Specification](#)
- [US Options FIX Specification](#)
- [US Options Auction Process](#)
- [US Options Complex Book Process](#)

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

We appreciate your business. Our trading community inspires and drives our mission of defining markets.

Cboe Trade Desk

913.815.7001

tradedesk@cboe.com

Cboe Operations Support Center

866.728.2263

osc@cboe.com

Membership Services

312.786.7449

MembershipServices@cboe.com