



Cboe Options (“C1”) Certification Environment Configured for Testing Electronic Only Trading

Reference ID: C2020031200

Overview

Please be advised that for today, Thursday March 12, 2020 and tomorrow, Friday March 13, 2020, the Cboe Options (“C1”) Certification (or UAT) environment has been configured to operate in its electronic only trading mode.

No changes to normal operations have been made to the C1 Production trading environment.

C1 Certification Environment Electronic Only Configuration Details

The configuration changes to the C1 Certification environment are intended to fully replicate anticipated system behavior should electronic only trading be activated in the C1 Production trading platform, including changes requiring additional feedback from the SEC as described in a [previous notice](#).

C1 TPHs testing in the Certification environment should note the following expected behaviors:

- TPHs should consider testing both internal and Exchange-side risk limits in anticipation of electronically executed volume being higher than normal in an actual electronic only trading event.
- Complex option orders will continue to be supported via COB, COA, and AIM.
 - During normal operations, complex option orders that exceed a ratio of 3:1 are not eligible for electronic processing. Cboe Options is engaged in ongoing discussions with the SEC during which we are seeking its approval to permit complex option orders in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 to be eligible for electronic processing pursuant to Rule 5.33 and to be eligible for complex AIM pursuant to Rule 5.38. If permitted, this change to support electronic processing of complex option orders in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.
 - Complex orders with an underlying security leg (stock/option orders) will be supported when they do not exceed a ratio of 8 options versus 100 shares (8:1). Stock/option orders with a greater ratio will be rejected.
 - As during normal operations, electronic processing will continue to be supported for complex orders with up to 12 legs.

- TPHs are reminded that while complex orders will be accepted with a ratio up to 25:1, these orders must be associated with *bona fide* complex strategies. Cboe Regulation will be monitoring this activity and, if a TPH is engaging in a pattern or practice of submitting a large number of complex orders greater than 20:1, will conduct a review of that firm's activity to determine whether these were in fact *bona fide* complex strategies or otherwise done to gain an undue benefit or circumvent other requirements.
- In order to support electronic crosses, AIM will be active in all classes, including SPX/SPXW. The change activating AIM for SPX/SPXW during the RTH session applies only during all-electronic trading and will be reverted when open outcry trading resumes. SAM will also be supported for multi-list classes but will remain inactive for all proprietary classes.
 - As during normal operations, all market participants will be able to respond to AIM auctions in all classes.
 - As during normal operations, all capacities/origin codes will be permitted on both the agency-side and contra-side of AIM paired orders.
 - As during normal operations, all market participants may be solicited as the contra-side order of complex/multi-leg AIM paired orders.
 - During normal operations, all market participants may be solicited as the contra-side order of single-leg paired AIM orders, except for Market-Makers with an appointment in the applicable class. Cboe Options is engaged in ongoing discussions with the SEC during which we are seeking its approval to permit Market-Makers with an appointment in the applicable class to be solicited as the contra-side order of single-leg AIM paired orders in Cboe exclusively listed index options. If permitted, this change to permit appointed Market-Makers to be solicited as the contra-side order of single-leg AIM paired orders in Cboe exclusively listed index options would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.
 - The minimum price increment for single-leg AIM transactions in SPX/SPXW will be the same as the minimum price increment otherwise applicable for the series (i.e., \$.05 below \$3, and \$.10 above \$3).
 - The minimum net price increment for multi-leg AIM transactions in SPX/SPXW is \$.05, although leg prices may print in \$.01 increments.
- Complex orders with a cash limit price will be rejected. Only standard convention debit/credit limits will be accepted.
- Orders residing on PAR will be cancelled back to the customer.
- With respect to FLEX orders:
 - FLEX access will continue to be available via the Cboe Silexx platform or via Cboe's FIX API.
 - FLEX option orders may be executed using any of the following electronic features:
 - Single-sided auction
 - AIM
 - SAM
 - Up to 100 legs are supported, and paired orders via AIM and SAM may contain up to 10 contra orders.
- Complex FLEX orders of any ratio will be supported via single-sided auctions and AIM (subject to regulatory review). SAM will be supported in multi-list classes but will remain inactive for all proprietary FLEX classes.
 - During normal operations, complex FLEX option orders that exceed a ratio of 3:1 are not eligible for electronic processing. Cboe Options is engaged in ongoing discussions with the SEC during which we are seeking its approval to permit complex FLEX option orders

in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 to be eligible for electronic processing pursuant to Rules 5.72 and 5.73. If permitted, this change to support electronic processing of complex FLEX option orders in Cboe exclusively listed index options exceeding a ratio of 3:1 up to 25:1 would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.

- As during normal operations, all market participants may be solicited as the contra-side order of complex/multi-leg FLEX AIM paired orders.
- During normal operations, all market participants may be solicited as the contra-side order of single-leg paired FLEX AIM orders, except for market makers with an appointment in the applicable class. Cboe Options is engaged in ongoing discussions with the SEC during which we are seeking its approval to permit Market-Makers with an appointment in the applicable class to be solicited as the contra-side order of single-leg FLEX AIM paired orders in Cboe exclusively listed index options. If permitted, this change to permit appointed Market-Makers to be solicited as the contra-side order of single-leg FLEX AIM paired orders in Cboe exclusively listed index options would only apply during electronic only trading and would be reverted when open outcry trading resumes. Cboe Options would seek to amend its rules to reflect this change. Once Cboe Options receives additional feedback from the SEC, a notice will be issued to inform market participants on whether this activity will be permissible during electronic only trading.
- As during normal operations, the minimum price increment for single-leg and multi-leg FLEX AIM transactions in all classes, including SPX/SPXW, will be \$.01.
- Complex FLEX orders with a cash limit price will be rejected; only standard convention debit/credit limits will be accepted.
 - Support will remain available for all FLEX order types, including fixed and percentage trades, where the strike and execution price are automatically determined and restated based on the official closing price of the underlying security or index. **IMPORTANT: Users are reminded that Clearing Editor modifications are not permitted on FLEX percentage trades once the restatement is completed. Effective as of March 3, 2020, such restatements occur at 3:30 p.m. CT/4:30 p.m. ET.**

Silexx Setup for Off-Floor Usage

Cboe encourages all TPHs utilizing Silexx for on-floor FLEX order routing to set up the application in their firms' offices as required at their earliest convenience.

- [Silexx Install Link](#)
- [Silexx Network Requirements](#)

Silexx does allow connectivity to the C1 Certification environment.

PULSe Setup for Off-Floor Usage

Cboe encourages all TPHs utilizing PULSe for order routing to set up the application in their firms' offices as required at their earliest convenience. Note that PULSe customers must send their source IP address to the Cboe OSC to ensure the proper IP permissions are in place. In addition, the IP addresses must be **dedicated** IP addresses.

➤ [Pulse Install Link](#)

Firms should contact the OSC if they wish to access the C1 Certification environment via PULSe.

Additional Information

Please contact the Cboe Trade Desk with any questions regarding the C1 Certification environment.

Please contact Cboe Silexx Support with any questions regarding Silexx setup for off-floor usage.

Please contact Cboe OSC with any questions regarding PULSe setup for off-floor usage.

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

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