Reminder - Cboe Adds Support for Solicitation Auction Mechanism (SAM) and Complex SAM (C-SAM) Auctions on EDGX Options Exchange

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Overview

Applicable Cboe Exchange: EDGX Options

Effective **February 3, 2020**, Cboe will add support for Solicitation Auction Mechanism (SAM) and Complex SAM (C-SAM) auctions on the EDGX Options ("EDGX") Exchange.

Technical Details

The SAM auctions are electronic crossing mechanisms, similar to AIM, which allows an All-Or-None allocation to solicited, but not facilitating, contra order(s).

The initiating agency-side order must include a minimum of 500 contracts (applicable to the smallest leg for complex order transactions), and be submitted with a contra-side order(s) totaling an equal number of contracts. A maximum of ten contra-orders will be accepted per order. The price on the contra order(s) must be at or inside the local BBO and improve the price of all orders on the same side as the agency order, unless the agency order is a customer order and the order on the book is not a customer order, in which case the contra-order can be at the price of the non-customer order.

SAM orders can optionally include the ISO flag, which will allow the auction to commence outside the displayed price of away markets. It is the responsibility of the initiating member to clear away markets that are priced better than the contra order's price.

Initiating Orders

Members may initiate a SAM auction by submitting a two-sided `New Order Cross` message using either FIX or Binary Order Entry (BOE) protocol and setting *CrossType (FIX Tag 549)* = '3'. A C-SAM auction may be initiated by submitting a two-sided `New Order Cross Multileg` message using either FIX or Binary Order Entry (BOE) protocol and setting *CrossType (FIX Tag 549)* = '3'.

SAM Execution and Early Termination

At the auction's conclusion, the agency order will execute against the contra order(s) unless the full quantity of the agency order can be satisfied by any combination of: (A) better-priced displayed and non-

displayed (reserve) orders and auction responses; and (B) displayed customer orders that can be combined with other interest at the same price or better prices. In such cases where allocation is to responses and/or orders other than the contra order, allocation is generally pro-rata with customer priority at a given price.

If there is a priority customer order on the simple book at the stop price and the combined size of the priority order and any other contra-side interest at the same or better prices cannot satisfy the agency order, the system will cancel the SAM order without execution at the end of the auction period.

A SAM auction will terminate naturally at the end of the exposure interval. In addition, receipt of same side customer orders at or better than the auction price and same side non-customer orders better than the auction price will cause early termination. Opposite side orders received after the start of the auction will **not** cause early termination but may be eligible to trade with the agency-side order at the end of the auction.

C-SAM Execution and Early Termination

At the auction's conclusion, the agency order will execute against the contra order(s) as long as there are no priority customer orders on the opposite side of the agency order resting in the complex order book ("COB") at the stop price and the aggregate size of contra-side interest at the same or improved price(s) is insufficient to satisfy the agency order.

If only a portion of the agency quantity can be price improved by responses and other contra-side interest (and there are no priority customer orders in the COB), the system will trade the entire agency quantity against the contra side order(s).

The System will cancel the C-SAM order without execution at the end of the auction period if: (1) there is a priority customer order in the COB on the opposite side of the agency order at or better than the stop price and only a portion of the agency quantity can be satisfied by that order and other contra-side interest at the same or better prices; or (2) there is an opposite side non-customer order in the COB on the opposite side of the agency order at a price better than the agency order, and only a portion of the agency quantity can be satisfied by that order and other contra-side interest at better prices.

A C-SAM auction will terminate naturally at the end of the exposure interval. In addition, the auction may terminate early under various scenarios. Refer to the Cboe EDGX Options Exchange Rule Book for a detailed list of early termination scenarios.

Testing Opportunities

Testing of the new auction functionality is currently available in the EDGX Options certification environment.

Additional Information

For more information, refer to the following technical specifications:
  ➢ US Options Auction Process Specification
  ➢ US Options Complex Book Process
  ➢ US Options FIX Specification
  ➢ US Options BOE Specification

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

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