



Update – Cboe Options to Automate Market Maker Compliance with SPX Minimum Size Requirements

Reference ID: C2022011001

Overview (UPDATED)

Applicable Cboe Exchanges: Cboe Options

Effective January 18, 2022, Cboe Options Exchange (“C1”) will begin rejecting Market Maker cancel/replace messages in SPX options (symbol SPX only) that aim to update a resting Market Maker order if the new display size would be less than the minimum regulatory size requirement.

On November 28, 2021, C1 began rejecting Market Maker quotes and orders in SPX options (symbol SPX only) with a quantity less than the regulatory size requirements. Quotes and orders in SPXW, currently subject to a minimum regulatory size requirement of one contract, were not impacted.

Technical Details (UPDATED)

SPX orders or quotes with a *OrderCapacity* (FIX Tag 47) of ‘M’ or ‘N’ are rejected if they do not meet the minimum regulatory size requirements. The most recent regulatory circular stating minimum sizes is available [here](#).

As of November 28, 2021, orders or quotes are rejected with reason code ‘A = Admin’ with subreason code ‘S = Minimum size requirement not met’. A quote update reject results in cancellation of a resting quote side in that series. **On January 18, 2022, cancel/replace messages will also be rejected with reason code ‘A = Admin’ if the new display size would be less than the minimum size requirement. In the case of the cancel/replace being rejected, the remaining size on the order targeted for replacement will also be cancelled, regardless of existing port settings regarding cancel/replace reject handling. A Market Maker can then reestablish that position by following up the reject with a new order with a size greater than or equal to the minimum requirement.**

Stop and Stop Limit Orders, as well as orders with a *TimeInForce* (FIX Tag 59) of ‘At The Close’ are subject to the minimum size validation at all times, including during global trading hours (“GTH”). For all other quotes and orders, size validation is enforced during regular trading hours (“RTH”) only. The validation is omitted in the following circumstances:

- If the market state is queuing.
- If the market state is halted.
- If the quote/order is received during GTH or curb session.

- If the order is complex (i.e., has more than one leg).
- If the quote side or order contains an IOC.
- If the order is force-routed to the floor. However, M/N orders will not be bookable from PAR if the size minimum is not met.
- If the message is an auction response of any kind.
- If the order is for a FLEX option.

As a result of the restrictions described above, Market Makers seeking to remove against a resting order with quantity less than the minimum regulatory size requirement during RTH will need to send Immediate-or-Cancel ("IOC") New Order messages in lieu of sending a Quote Update message. Details on IOC Quote Update messages can be found [here](#).

Testing Opportunities

This functionality is currently available to test in the C1 certification environment.

Additional Information

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

- [US Options BOE Specification](#)
- [US Options FIX Specification](#)

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

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