



Cboe Options to Allow FLEX Orders with an Equity Leg

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OVERVIEW

Applicable Cboe Exchanges: Cboe Options

Effective March 11, 2024, Cboe Options Exchange (C1) will allow customers to submit FLEX option orders containing an equity leg. This new functionality will be available for both floor-routed and electronically processed orders.

Additionally, users will be able to optionally select an equity Broker Dealer (BD) of choice on electronically processed orders. For orders routed to the floor, users will be able to optionally identify an equity BD of choice for informational purposes only, as PAR does not currently transmit equity leg transactions to any equity BD. The designated firm will be displayed on PAR for informational purposes.

Firms may designate their equity BD of choice either by populating *EquityExDestination* (FIX Tag 22016) on individual orders or by enabling the new "Default EquityExDestination" port attribute. Further details on equity BD choice can be found in the [Cboe and EDGX Options to Allow Equity BD Choice on Stock-Option Orders; Cboe to Add New PAR Indicators](#) notice.

In conjunction with this enhancement, Cboe Silexx will also support FLEX option orders with an equity leg as well as equity BD choice, which will require give-up and MPID information.

TECHNICAL DETAILS

Upon the effective date, customers will be allowed to submit FLEX options orders containing an equity leg when routed to the floor or submitted for electronic processing (including FLEX AIM, FLEX SAM, or FLEX single-sided auction). QCC is not permitted for FLEX options orders. Fixed price, percent price, and Delta Adjusted at Close (DAC) orders will all support the new equity leg. Note that DAC will continue to be supported only via electronic processing and not on the floor. FLEX Asian and Cliquet option orders are exempt from this functionality and cannot include an equity leg.

Customers can submit orders containing up to 99 FLEX option legs and one equity leg or orders containing up to 98 FLEX option legs and one equity leg for FLEX DAC orders.

A limit price will be required on orders with equity legs (including on C1 orders routed to the floor). However, the Exchange may automatically adjust the equity leg price on electronically-processed orders as necessary to fit equity NBBO, Limit Up/Limit Down/Straddle, and short sale restricted requirements. In cases where the designated equity price is adjusted, the Exchange will also adjust the option leg price(s) to fit the order's overall net limit price.

For Percent Orders only, the Net Price calculation will NOT consider the equity leg price. Only fixed price and DAC orders will incorporate the equity leg price into the net price on the order.

FLEX Feed Specification Updates

To support this functionality, a new *Complex Instrument Type* and *Leg Security Type* value 'E' will be added to the *Complex FLEX Instrument Definition* message as follows:

Field Name	Offset	Length	Type/(Value)	Description
Complex Instrument Type	20	4	Alphanumeric	4 character field; each field describes a characteristic. Character 1: Complex Option Type X = All legs are FLEX options E = One leg is an equity leg Characters 2-4: Reserved
The following fields repeat <i>Message Leg Count</i> times. The <i>Leg Index</i> is from 0 to <i>Message Leg Count</i> – 1.				
Leg Security Type	40 + 13 *Leg Index	1	Alphanumeric	The instrument type of this leg. X = FLEX option E = One leg is an equity leg

For additional information, see the [US Options FLEX Feed Specification](#).

Examples

Example 1: Fixed price FLEX AIM order to buy 100 shares and sell 1 option:

- Equity NBBO = 100.00 - 100.03
- Buy 100 shares: equity price = \$100.03
- Sell 1 option price = \$1.03
- Net price = \$99

Equity NBBO moves to 100.00 - 100.02 before the order is received by the Exchange.

- The 100.03 equity leg price is accepted into the Exchange system.
 - The Exchange system changes the equity leg price to 100.02 and the option leg price to \$1.02 to retain the \$99 net price. The order is traded using those prices.

Example 2: Fixed price PAR/floor order to buy 100 shares and sell 1 option:

- Equity NBBO = 100.00 - 100.03
- Buy 100 shares: equity price = \$100.03
- Sell 1 option price = \$1.03
- Net price = \$99

Equity NBBO moves to 100.00 - 100.02 before the order is received by the Exchange.

- The 100.03 equity leg price is accepted into the Exchange system.
 - The Exchange system uses the equity leg price of \$100.03 and the option price of \$1.03 to retain the \$99 Net Price. The order is traded using those prices.
 - The PAR broker may, but is not required to, alternatively change the equity leg price to \$100.02 and the option price to \$1.02.

Example 3: DAC paired AIM order (reminder that DAC orders are not permitted on PAR/floor)

DAC Paired order to buy 100 shares along with both a Buy and a Sell option leg:

- Equity NBBO = 100.00 - 100.03
- Buy 100 shares: equity price = \$100.03
- Buy 1 option and sell 1 option – option leg prices on the order net to \$1.03 credit

- Net price = \$99

Equity NBBO moves to 100.00 - 100.02 before the order is received by the Exchange.

- The 100.03 equity leg price is accepted into the Exchange system.
 - The Exchange system changes the equity leg price to \$100.02 and adjusts the options to a net price of \$1.02 credit to retain the \$99 net price.
 - The DAC order initial option leg execution prices are automatically adjusted at the close based on the underlying closing price. The initial equity leg execution price is not adjusted at the market close.
 - This project will not introduce any behavior changes for DAC option legs.

Example 4: FLEX AIM percent paired order

Percent paired order to buy 100 shares along with both a Buy and a Sell option leg:

- Equity NBBO is 100.00 – 100.03
- Buy 100 shares: equity price = \$100.03
- Buy 1 option: option strike and price are expressed in percent terms
- Sell 1 option: option strike and price are expressed in percent terms
- Net price is the sum of the two option leg percent values (equity leg price is excluded)

Equity NBBO moves to 100.00 - 100.02 before the order is received by the Exchange.

- The 100.03 equity leg price is accepted into the Exchange system.
 - The Exchange system changes the equity leg price to 100.02 and executes the equity leg at that price. The option leg strike and execution prices are determined at the market close. The initial equity leg execution price is not adjusted at the market close.
 - This project will not introduce any behavior changes for percent option legs.

TESTING OPPORTUNITIES

This functionality will be available to test in the C1 certification environment on January 16, 2024.

ADDITIONAL INFORMATION

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

- [US Options FIX Specification](#)
- [US Options Complex Book Process](#)
- [US Options FLEX Feed Specification](#)

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