Cboe®

Reminder - Cboe Options to Update AIM Price Improvement Requirements for Orders of Less Than 50 Contracts

Reference ID: C2024011700

OVERVIEW

Applicable Cboe Exchanges: Cboe Options, EDGX Options

Effective for trade date January 19, 2024, Cboe EDGX Options Exchange (EDGX) and **effective for trade date January 22, 2024,** Cboe Options Exchange (C1) will require Automated Improvement Mechanism (AIM) price improvement for orders of less than 50 contracts when the NBBO is as wide as the minimum auction increment.

TECHNICAL DETAILS

Currently, AIM price improvement is required on orders of less than 50 contracts when the NBBO is $0.01 wide. On the effective dates, AIM price improvement for orders of less than 50 contracts will be required when the NBBO is as wide as the minimum auction increment.

For SPX/SPXW on C1, the Exchange has established the minimum auction increment at $0.05 under $3 and $0.10 above $3. For all other classes, the Exchange has established the minimum auction increment at $0.01.

Examples

Example 1: SPX/SPXW (NBBO is as wide as minimum auction tick)

The NBBO is $1.00-$1.05 and price improvement will be required under the new rule. The contra order must have a starting sell price of $1.00, or an Auto-Match price of market or $1.00 or lower to be accepted (excludes ISO AIM and Sweep AIM).

Accepted Examples:
Note: Example 1 specifies 10 contracts instead of 49 since 10 is the maximum size for SPX/SPXW in AIM during RTH. There is no size requirement for SPX/SPXW in AIM during GTH.
- AIM order with customer buying 10 contracts and contra selling with starting price of $1.10 and Auto-Match price of market is accepted. Auction starts at $1.00.
- AIM order with customer buying 10 contracts and contra selling with starting price of $1.10 and Auto-Match price of $1.00 is accepted. Auction starts at $1.00.
- AIM order with customer buying 10 contracts and contra selling with starting price of $1.05 and Auto-Match price of $0.95 is accepted. Auction starts at $1.00.
- AIM order with customer buying 10 contracts and contra selling with starting price of $1.00 and no Auto-Match price is accepted. Auction starts at $1.00.

Rejected Examples:
- AIM order with customer buying 10 contracts and contra selling with starting price of $1.10 and Auto-Match price of $1.05 is rejected.
- AIM order with customer buying 10 contracts and contra selling with starting price of $1.05 and no Auto-Match price is rejected.

Example 2: Non-penny class other than SPX/SPXW (NBBO is wider than minimum auction tick)

The NBBO is $1.00-$1.05 and price improvement will not be required under both the current and new rules. The contra order must have a starting price of $1.05 or lower, or an Auto-Match price of market or $1.05 or lower to be accepted (excludes ISO AIM and Sweep AIM).

Accepted Examples:
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.06 and Auto-Match price of market is accepted. Auction starts at $1.05.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.06 and Auto-Match price of $1.05 is accepted. Auction starts at $1.05.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.06 and Auto-Match price of $1.04 is accepted. Auction starts at $1.05.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.05 and no Auto-Match price is accepted. Auction starts at $1.05.

Rejected Examples:
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.07 and Auto-Match price of $1.06 is rejected.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.06 and no Auto-Match price is rejected.

Example 3: Penny class (NBBO is as wide as minimum auction tick)

The NBBO is $1.00-$1.01 and price improvement will be required under the new rule. The contra order must have a starting price of $1.00, or an Auto-Match price of market or $1.00 or lower to be accepted (excludes ISO AIM and Sweep AIM).

Accepted Examples:
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.03 and Auto-Match price of market is accepted. Auction starts at $1.00.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.03 and Auto-Match price of $0.99 is accepted. Auction starts at $1.00.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.00 and no Auto-Match price is accepted. Auction starts at $1.00.

Rejected Examples:
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.03 and Auto-Match price of $1.01 is rejected.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.01 and no Auto-Match price is rejected.

Example 4: Penny class (NBBO is wider than minimum auction tick)

The NBBO is $1.00-$1.02 and price improvement will not be required under both the current and new rules. The contra order must have a starting price of $1.02 or lower, or an Auto-Match price of market or $1.02 or lower to be accepted (excludes ISO AIM and Sweep AIM).

Accepted Examples:
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.03 and Auto-Match price of market is accepted. Auction starts at $1.02.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.03 and Auto-Match price of $1.02 is accepted. Auction starts at $1.02.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.03 and Auto-Match price of $1.01 is accepted. Auction starts at $1.02.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.02 and no Auto-Match price is accepted. Auction starts at $1.02.

Rejected Examples:
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.04 and Auto-Match price of $1.03 is rejected.
- AIM order with customer buying 49 contracts and contra selling with starting price of $1.03 and no Auto-Match price is rejected.

TESTING OPPORTUNITIES

This functionality is currently available for testing in the C1 and EDGX certification environments.

ADDITIONAL INFORMATION

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

We appreciate your business. Our trading community inspires and drives our purpose of building trusted markets.

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