

CBOE Regulatory Circular RG17-128

Date: September 12, 2017

To: Trading Permit Holders

From: CBOE Global Derivatives

RE: Enhancements for AIM Responses from Market-Makers and for AIM / SAM (AIM AON)
Contra-Side Match Orders from Market Makers

To assist with the enforcement of certain requirements related to the submission of Automated Improvement Mechanism (“AIM”) auction responses of Market-Makers and AIM and Solicited Auction Mechanism (“SAM” or “AIM AON”) contra-side match orders from Market-Makers, the Chicago Board Options Exchange, Incorporated (“CBOE” or “Exchange”) will make the following changes to its auction process:

- 1) Pursuant to Rule 6.74A(b)(1)(D), each CBOE Market-Maker with an appointment in the relevant option class may submit responses to an AIM Request for Response (“RFR”) auction (specifying prices and sizes). Currently, this provision of the rule is not system-enforced. With the system enhancement, AIM responses from CBOE Market-Makers will be accepted only if received from a login associated with a Market-Maker trading acronym that has an appointment in the relevant class. Auction responses from CBOE Market-Makers will be rejected if the associated trading acronym does not have an appointment in the relevant class.¹

The change described above applies to Simple, Complex, and Stock-Option AIM transactions.

- 2) Pursuant to Interpretation and Policy .04 of Rule 6.74A and .03 of Rule 6.74B, any solicited orders submitted by the Initiating Trading Permit Holder to trade against the Agency Order (the “Contra-Side Match Order”) may not be for the account of a CBOE Market-Maker assigned to the option class. Currently, this provision of the rule is not system-enforced. With the system enhancement, auction submissions with a Contra-Side Match Order with an “M” origin code will be systematically rejected if the CBOE Market-Maker trading acronym on the Match Order is appointed in the relevant class or if the CBOE Market-Maker trading acronym is not included in the required field on the order. On a Contra-Side Match Order with origin code “M”, the CBOE Market-Maker trading acronym is required in the Originator field (FIX tag 9465 or CMi2 Originator Acronym field).

The change described above applies to Simple, Complex, and Stock-Option AIM transactions, as well as SAM (AIM AON) transactions.

These enhancements are planned to be rolled out by BC beginning November 6, 2017. The Exchange plans to issue a circular confirming the roll-out date approximately two weeks prior to the initiation of the roll-out.

¹ The AIM provisions also allow for responses from Trading Permit Holders acting as agent for orders resting at the top of the Exchange’s book opposite the Agency Order that is the subject of the auction. As is the case today, this aspect of the rule will not be system-enforced. Please note, as also is the case today for any eligible responder (whether a CBOE Market-Maker or a Trading Permit Holder acting as agent), responses to AIM RFR auctions must be sent in the form of an AUCTION RESPONSE message. For additional information, please see Regulatory Circular RG12-081, which is available via this link: <http://www.cboe.com/publish/RegCir/RG12-081.pdf>.

Additional Information

- For additional information on AIM, please refer to the full text of Rule 6.74A, which is available here: http://wallstreet.cch.com/CBOETools/bookmark.asp?id=sx-policymanual-cboe_6.74A&manual=/CBOE/rules/cboe-rules/.
- For additional information on SAM (AIM AON), please refer to the full text of Rule 6.74B, which is available here: http://wallstreet.cch.com/CBOETools/bookmark.asp?id=sx-policymanual-cboe_6.74B&manual=/CBOE/rules/cboe-rules/.
- Requests for CBOE API specifications and testing may be directed to the CBOE API group at api@cboe.com or (312) 786-7300.
- Questions regarding the operational topics in this circular may be directed to the CBOE Help Desk at helpdesk@cboe.com or (866) 728-2263.