

## Regulatory Circular RG13-105

**Date:** July 29, 2013

**To:** Trading Permit Holders

**From:** Business Development Division

**RE:** New Order Designations

Updates and Replaces Regulatory Circular RG13-083

CBOE is planning to file rules in the near future that will allow, pending regulatory approval, the introduction of two new order designations and an additional User Handling Instruction. Although implementation dates have not yet been defined, this circular will describe the basic points of each. A future circular will announce the start date of these order designations.

This circular updates and replaces Regulatory Circular RG13-083, *New Order Designations*, to make some clarifying points about the SPX Combo Order and Tied to Stock indicators and to correct the FIX tag information regarding the “Do Not COA” designation below.

### SPX Combo Order Indicator

By way of background, currently Rule 24.20 sets forth a special procedure that may be used to trade SPX Combo Orders in open outcry. The rule allows a TPH holding an SPX Combo Order to execute and print the SPX Combo Order at the prices originally quoted within 2 hours after the time of the original quotes, provided that the prices originally quoted satisfy the requirements of Rule 24.20(b)(1). For purposes of the rule: an “SPX Combo Order” is an order to purchase or sell SPX options and the offsetting number of SPX combinations defined by the delta. An “SPX combination” is a long SPX call and a short SPX put having the same expiration and strike price. A “delta” is the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with an SPX option position. Please note that SPX Combo Orders are required to include at least three legs, two of which must comprise an “SPX combination” as described above. Please also note that the SPX Combo Order procedures set forth in Rule 24.20 may only be used in open outcry in the SPX options class (symbols SPX, SPXW and SPXQ).

A new order designation will be added to CMI and FIX message specifications for required use upon the entry of SPX Combo Orders to be traded under the above-mentioned rule. The “combo” designation may be entered only on orders for the SPX options class and may only be included on orders of three or more legs, two of which comprise a combination, where “combination” is defined by the system as two legs, one to buy(sell) a number of calls and the other to sell(buy) the same number of puts with the same expiration month and strike price. Orders that include the combo designation but do not meet these requirements will be rejected back to the sender. Please note that acceptance by the system of an order that includes the combo designation will not constitute a determination that the SPX Combo Order requirements have been satisfied. The order must still satisfy the particular requirements of Rule 24.20. Please also note that, once systematized, an order marked with the combo designation will be eligible to route for open outcry or electronic processing. However, as noted above, the SPX Combo Order procedures set forth in Rule 24.20 may only be used in open outcry.

Last sales generated upon execution of orders containing the combo designation, whether executed electronically (via COA or COB) or in open outcry (e.g., via PAR), will be automatically disseminated by the system with a prefix of “CMBO.”

Please refer to Rule 24.20 for information on SPX Combo Orders.

FIX tag 21080 (OrdEntryType) will be used to designate this order type. A value of "2" in the tag will indicate "SPX Combo".

There are no API changes for CMi2 related to this order type/indicator. The order type/indicator will be defined in the CMi2 Extensions field as "ORDTYPE=2".

#### **"Tied to Stock" Order**

An indicator will be added for required use upon the entry of option orders that are tied to stock. This designation may be applicable to simple and complex orders tied to stock and must be included on any option order that is part of a strategy that includes an underlying component that may have been represented separately. Qualified Contingent Cross (QCC) orders should be modified to always include the indicator.

FIX tag 21080 (OrdEntryType) will be used to designate this order type. A value of "1" will indicate "Tied to Stock".

In CMi2, this new order type will be designated in the Extensions field as "ORDTYPE=1".

#### **Do-Not-COA Indicator**

A new User Handling Instruction, "Do-Not-COA", will be made available for use on complex orders. This instruction will cause the order to bypass COA (Complex Order Auction) processing upon initial entry into the CBOE Command trade engine. If such a complex order is routed to a PAR terminal, the instruction will no longer be in effect, and the order will be subsequently eligible for COA.

FIX tag 21081 (UserHandlingInstructions) will be used for this indicator. A value of "1" in the tag will indicate "Do-Not-COA".

In CMi2, this new order type will be designated in the Extensions field as "USRINST=1".

#### **Additional Information:**

- Questions regarding the operational topics in this circular may be directed to the CBOE Help Desk at 866-728-2263 or [helpdesk@cboe.com](mailto:helpdesk@cboe.com).
- Requests for CBOE API specifications and testing may be directed to the CBOE API group at CBOE API Group at [api@cboe.com](mailto:api@cboe.com) or (312) 786-7300.
- Regulatory questions regarding this matter may be directed to the Regulatory Interpretations and Guidance team at [reginterps@cboe.com](mailto:reginterps@cboe.com) or (312) 786-8141.