

Regulatory Circular RG14-124

Date: August 14, 2014

To: Trading Permit Holders

From: Regulatory Services Division

RE: SPX Combination Order and Priority Rules FAQs

The purpose of this Regulatory Circular is to provide clarification regarding SPX Rule 24.20 – SPX Combination Orders (“SPX Combo Orders”).

1. When executing an SPX Combo Order pursuant to Rule 24.20, may a Trading Permit Holder (“TPH”) use quotes obtained prior to the receipt of the order?

No. Rule 24.20(b)(1) requires that a TPH be holding an order. Thus, a systematized order must be in hand before quotes can be obtained for purposes of Rule 24.20.

2. Can a TPH solicit contra-party interest in an SPX Combo Order?

Yes. TPHs may solicit contra-parties to an SPX Combo Order. The contra-party may execute at the originally quoted prices of the SPX Combo Order or he/she may provide improved bids/offers. The solicited order(s) will be allowed to use the originally quoted prices for the SPX Combo Order as long as they are executed within two (2) hours of the originally quoted prices for the SPX Combo Order. Partial fills may execute at the originally quoted prices as long as all executions are within the aforementioned 2-hour period.

3. With regard to Rule 24.20(b)(2), the SPX Combo Order may be executed and printed at the prices originally quoted for each component of the option series within 2 hours of the time of the original quotes. When does the “2 – hour time period” begin?

The “2 – hour time period” begins when quoting takes place after receipt and systemization of the order. The execution of the order must be within the 2-hour time period in order to be compliant with Rule 24.20. TPHs may not use quoted prices that occur prior to the receipt of the order and after the trade is reported.

4. Can the contra-party’s execution quantity exceed the quantity of the original SPX Combo Order?

No. the contra-party must receive a new quote for any additional quantity.

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Additional Information:

Questions regarding this circular may be directed to the Regulatory Interpretations and Guidance team at reginterps@cboe.com or (312) 786-8141.