



Cboe Options Town Hall
CAT Phase 2d Reporting for Open Outcry Trading
June 29, 2021

Agenda

- Phase 2d Key Dates, Scope and Reference Materials
- Open Outcry Trade Reporting to CAT in General
- Open Outcry Trade Reporting to CAT for Cboe Options Floor Activity
- Other Phase 2d Topics and CAT Resources
- Q&A (questions may be submitted through the Teams Q&A functionality or emailed to RegInterps@cboe.com)

Phase 2d Overview

Phase 2d Overview - Key Dates

- 06/28/2021 Test Environment Opened for Options Phase 2d Reporting Requirements
- 11/29/2021 Small Industry Members*** and their CAT Reporting Agents must complete production readiness testing for 2a, 2b, 2c and 2d reporting
- 12/13/2021 Production Go-Live for Options 2d Reporting Requirements (Large & Small Industry Members)
- 12/13/2021 LTID Account Information Reporting Go-Live for Phase 2d (Large Industry Members)
- 12/13/2021 LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)

In addition, a subsequent version of the CAT IM Phase 2d Technical Specification is scheduled for publication on August 2, 2021. FINRA CAT will also facilitate six coordinated industry tests with the first test commencing with CAT Trading Day September 10, 2021.

Details on the timeline are available in the June 24, 2021 *CAT Phase 2d Industry Webinar* materials located [here](#).

*** See, e.g., [CAT FAQ A29](#) for information on what broker-dealers are considered Small Industry Members.

Phase 2d Overview – Key Scope

- For Options
 - Manual Options Order Activity
 - Multi-leg Options Order Activity
 - Paired Order Activity
 - Options Combined Orders Linkage
- In General
 - Modification/Cancellation Requests
 - Route Modified/Cancelled
 - Handling Instruction Changes
 - New Fields
 - OTC Link ATS and New Quote Event

Details on the scope of Phase 2d are available in the June 24, 2021 *CAT Phase 2d Industry Webinar* materials located [here](#) and in the June 15, 2021 *CAT Phase 2 Reporting Requirements for Open Outcry Trades Webinar* materials located [here](#).

Today we will focus on manual options order activity and, in particular, manual option trade events (MOOTs).

Phase 2d Overview – Key Reference Materials



- [CAT IM Phase 2d Technical Specifications](#) (updated MOOT details published June 18)
- [CAT IM Phase 2d Reporting Scenarios](#) (updated open outcry scenarios will be provided for all exchange floors – last version published June 18 - see, e.g., Section 8.2, *Cboe Floor Trader Scenarios*)
- [CAT Alert 2021-03](#) (regarding Phase 2d transition from Phase 2c and coordinated industry tests, initially published June 24)
- [CAT Options Exchanges Trade Field Mapping Doc](#) (for MOOT events, initially published June 21)
- [CAT Webinars](#) - Apart from periodic CAT update and testing checkpoint calls, some CAT webinars related to Phase 2d are as follows:
 - 2021-06-15: [Phase 2d CAT Reporting Requirements for Open Outcry Trades Webinar](#)
 - 2021-06-24: [Phase 2d Industry Webinar](#)
 - 2021-07-21: [Multi-Leg/Complex Option Order Webinar](#)
 - 2021-09-14: [Phase 2d Cutover Webinar](#)

MOOT Event Overview

MOOT Event Overview - Manual Activity in General

- Phase 2d includes reporting of manual order and trade events for options.
- Exclusions:
 - Requests for quotes are not reportable to CAT.
 - Indications of interest and other verbal negotiations that do not constitute firm quotes or orders are not reportable to CAT.
- Temporary Exemption - Verbal Quote Relief:
 - On November 12, 2020, the SEC issued an order granting temporary conditional exemptive relief (Exchange Act Release No. [90405](#)) from reporting certain exchange floor and “upstairs” order activity originating from verbal quotes until July 31, 2023 (the “Verbal Quote Relief”).
 - With respect to the floor, the Verbal Quote Relief applies to:
 - Floor Broker verbal announcements of firm bids and offers on an exchange floor that are otherwise reported as systematized orders; and
 - Floor Market Maker verbal announcements of firm quotes on an exchange trading floor.
 - The Verbal Quote Relief does not exempt the reporting of trades executed in open outcry as the result of a verbal quote.

MOOT Event Overview - Reporting Framework



- The new MOOT event was created for manual exchange trades that:
 - Occur in open outcry trading on an options exchange floor (applicable to Floor Brokers and Floor Market Makers); and
 - Are not part of an existing workflow where an order is routed to the exchange's matching engine.
- The MOOT event is a single-sided event. Each Industry Member is responsible for reporting their own MOOT event(s) with appropriate linkage identifiers provided.
- The MOOT event allows for a trade to be reported to CAT with or without a corresponding New Order event.
 - When no New Order event is required by a Floor Market Maker (subject to the Verbal Quote Relief), the FDID must be provided on the MOOT event.
- Objectives:
 - Linkage – CAT links all related order and trade events into a “lifecycle”
 - Customer and account identification – the parties to the trade must be properly and consistently identified

MOOT Event Overview – CAT Webinar

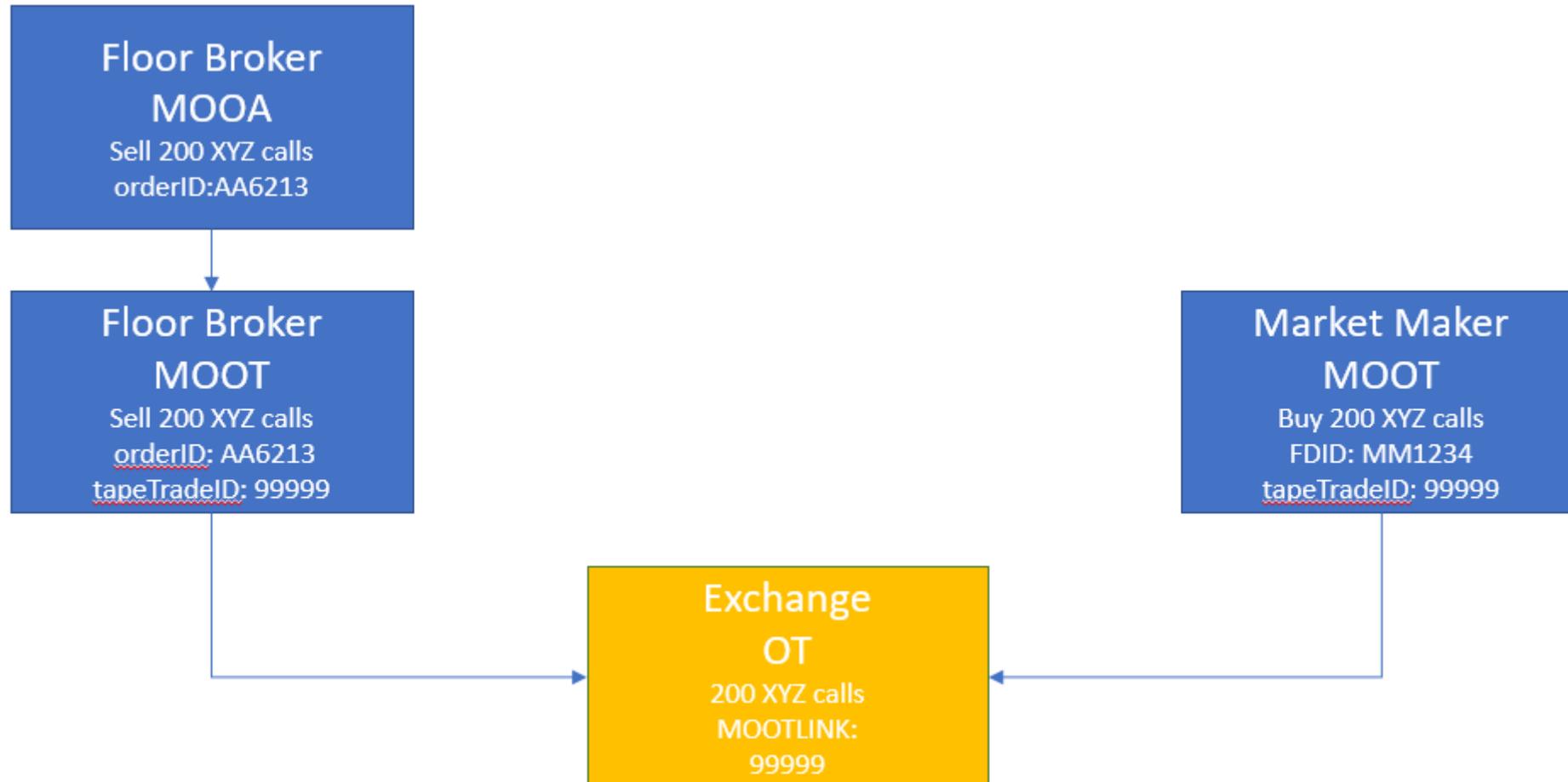


See the June 14 CAT webinar [deck](#) (located [here](#)) for additional information on the reporting framework, as well as:

- Basic Workflows
- MOOT Event fields (e.g., eventTimestamp, firmDesignatedID)
- Linkage
- Scenarios
 - Floor Broker vs. Floor Market Maker
 - Floor Broker Cross
 - Floor Broker Cross – Broken
 - Floor Market Maker vs. Floor Market Maker
 - Floor Broker vs. Floor Market Maker – Multileg
 - Floor Broker vs. Floor Market Maker – Multileg w/ Equity
- Published Guidance

Cboe Options Floor Trades

Cboe Options Floor Trades – Basic Workflow



Cboe Options Floor Trades – Floor Broker MOOT



- As a reminder, CAT-formatted files are available through Cboe Silexx, LLC to TPHs for orders processed on the PAR Workstation. A TPH can also have Cboe Silexx, LLC transmit the resulting files to CAT on the TPH's behalf. (See Cboe Options Notice [C202040203](#).)
- Under existing Cboe Options trading rules and procedures, a Floor Broker is required to report an open outcry trade by pressing the <TRADE> or <TAPE> button on a PAR Workstation immediately at the time of execution. The pressing of the button generates a timestamp signifying the time of the trade.
- No changes or additional steps are expected on PAR to generate Floor Broker MOOT events.
 - Daily CAT-formatted files for PAR will be updated to include MOOT events.
 - The <TRADE> or <TAPE> button timestamp will be used to generate the MOOT eventTimestamp (date/time at which the trade was executed).
 - To the extent needed,*** the <TRADE> or <TAPE> button timestamp will also be used to generate the MOOT electronicTimestamp (time at which the event is systematized, which is required when the manualFlag is true and the event is systematized).
 - The tapeTradeID information necessary to link a MOOT to the related Cboe Options OT event will be supplied in the daily CAT-formatted files (see [CAT Options Exchanges Trade Field Mapping Doc](#)).

*** Use of the MOOT electronicTimestamp field for Cboe Options floor trades is a topic that Cboe is evaluating with FINRA CAT.

Cboe Options Floor Trades – Market Maker MOOT



- For Phase 2d, we intend to begin generating CAT-formatted files through Cboe Silexx, LLC for Floor Market Maker MOOT events leveraging the existing Market Maker Trade Notification (MMTN) application. We anticipate that a TPH could also elect to have Cboe Silexx, LLC transmit the resulting files to CAT on the TPH's behalf. More details will be announced at a later date.
- Under existing Cboe Options trading rules and procedures, a Floor Market Maker is permitted to utilize the time of execution recorded by a PAR operator (i.e., the timestamp created when a PAR operator presses the <TRADE> or <TAPE> button) for his trade time, or to input his own timestamp into the MMTN application.
- No changes or additional steps are expected on the front-end trading side to generate Floor Market Maker MOOT events.
 - As noted above, daily CAT-formatted files will be introduced for Floor Market Maker MOOT events.
 - The Floor Market Maker's reported trade time or, if left blank, the PAR operator's <TRADE> or <TAPE> button timestamp, will be used to generate the MOOT eventTimestamp (date/time at which the trade was executed).
 - To the extent needed,^{***} we are discussing what timestamp(s) will be used to generate a Floor Market Maker's MOOT electronicTimestamp (time at which the event is systematized, which is required when the manualFlag is true and the event is systematized).
 - The tapeTradeID information necessary to link a MOOT to the related Cboe Options OT event will be supplied in the daily CAT-formatted files (see [CAT Options Exchanges Trade Field Mapping Doc](#)).
 - Details on collecting firmDesignatedID information when no New Order Event is required by a Floor Market Maker are being discussed.

^{***} Use of the MOOT electronicTimestamp field for Cboe Options floor trades is a topic that Cboe is evaluating with FINRA CAT.

Cboe Options Floor Trades – 2d Scenarios Doc



Cboe Floor Trader Scenarios are included in Section 8.2 of [CAT Phase 2d Reporting Scenarios Doc](#):

- #1: Floor Broker receives and routes order to Exchange Matching Engine for further handling and execution
- #2: Floor Broker receives and routes an order to Exchange Matching Engine with instructions to return any unexecuted portion to the Floor Broker
- #3: Industry Member cancels a routes to a Floor Broker
- #4: Floor Broker manually trades an options order against a Market Maker in open outcry
- #5a: Floor Broker manually trades the options leg of a complex order against a Market Maker's verbal quote in open outcry, then the Floor Broker and Market Maker each route their side of the equity leg to another Industry Member (a "meets" scenario)
- #5b: Floor Broker manually trades the options leg of a complex order against a Market Maker's verbal quote in open outcry, then the Market Maker routes his side of the equity leg to the Floor Broker, who then routes both sides of the equity leg to another Industry Member (a "cross" scenario)

Other Topics and Resources

Other Topics

Other Phase 2d and common floor-related topics that we are happy to discuss include:

- Other manual events (e.g., phone orders, stock leg processing)
- Multi-leg/complex order nuances (e.g., stock leg processing, multiple order ticket linking)
- Verbal quote exemption
- Paired order processing
- Erroneous trading scenarios
- Clearing Editor usage

- CAT Website (<https://catnmsplan.com/>)
 - CAT NMS Plan Amendments ([link](#))
 - CAT NMS Plan Exemptions ([link](#))
 - CAT Alerts ([link](#))
 - CAT FAQs ([link](#))
 - CAT Webinars and Events ([link](#))
 - CAT Website Updates ([link](#); chronological list of website updates, such as changes to specs, reporting scenarios, user guides and FAQs)
 - CAT Email Notifications and Feeds Subscriptions ([link](#))
- Cboe Options CAT Compliance Rule ([Cboe Options Rulebook Section 7B \(Rules 7.20 – 7.32\)](#))

Contacts



Contact the FINRA CAT Helpdesk (help@finracat.com; 888.696.3348) for general assistance and troubleshooting related to CAT reporting.

Cboe-specific questions may be directed as follows:

Operational/Linkage Contact

Cboe Trade Desk

tradedesk@cboe.com

913.815.7001

Interpretative Contact

Cboe Reg Interps

reginterps@cboe.com

312.786.8141

A Plan Participant Contact List is posted on the CAT Website [here](#).

Q&A

Asking Questions During Today's Session



Questions may be submitted through the Teams Q&A functionality or emailed to RegInterps@cboe.com.