Cboe to Launch New Protective Trading Tool Against Quote Depletion

- Quote Depletion Protection designed to mitigate adverse selection risk and enhance trading outcomes
- Enhancement to Cboe's Midpoint Discretionary Order type
- Planned for launch in mid-June 2020

CHICAGO – June 8, 2020 – Cboe Global Markets, Inc. (Cboe: CBOE), one of the world's largest exchange holding companies, today announced it will introduce enhancements – including a new Quote Depletion Protection ("QDP") feature – that would offer new protective capabilities and increase the efficacy of its Midpoint Discretionary Order ("MDO").

Pioneered by Cboe in 2012[1], the MDO is an innovative order type that is designed to enable participants to trade more often with maximum price improvement. MDOs allow participants to post displayed or non-displayed liquidity at the National Best Bid or Offer ("NBBO") with discretion to execute up to and including the midpoint of the NBBO.

Market participants will have the choice to deploy QDP on MDOs entered on either the Cboe EDGX or EDGA Equities Exchange. When activated, QDP would disable discretion for a limited period to help prevent participants from exercising discretion in undesirable circumstances – i.e., buying right before a price declines, or selling right before a price rises.[2] In today's trading environment, aggressive sweeping orders and oversized orders may result in market impact risks and adverse price movements after executing a trade. QDP would equip fundamental investors with an additional trading tool to help protect against such adverse selection risk and enhance trading outcomes when using MDOs.

As designed, QDP would track significant executions of orders that constitute the best bid or offer on the EDGX or EDGA Book. The mechanism would be activated if the best bid or offer displayed on EDGX or EDGA is executed below one round lot. During a QDP Active Period, an MDO would not exercise discretion for a specified period of time. If participants choose to not use QDP, an MDO operates and functions as originally designed.

In addition to QDP, market participants will be able to enter MDOs with an offset instruction to the NBBO. This is designed to enable participants to specify more[3] or less aggressive pegged prices for MDOs resting on the order book, thereby increasing flexibility when using this order type. MDOs with QDP will default to a less aggressive offset of 1 Minimum Price Variation, but can be increased to a greater amount if a larger discretionary range is desired. Member firms will have the flexibility of choosing an offset that is consistent with the urgency and/or client's order handling instructions.

Adam Inzirillo, Senior Vice President and Head of U.S. Equities at Cboe Global Markets, said: "Cboe's Midpoint Discretionary Order was created to provide market participants with a greater selection of trading tools that may result in efficient executions and price improvement. We are pleased to enhance upon this innovation further with the Quote Depletion Protection feature. Developed in close consultation with our customers, we believe QDP will offer enhanced functionality, which broker-dealers may be free to incorporate into their strategies, to mitigate against potential adverse selection risks."

To learn more about Cboe's Midpoint Discretionary Order, visit the website.

About Cboe Global Markets, Inc.

Cboe Global Markets (Cboe: CBOE) is one of the world's largest exchange holding companies, offering cutting-edge trading and investment solutions to investors around the world. The company is committed to defining markets to benefit its

[1] *Pioneered by Direct Edge, a Bats Global Markets, Inc. subsidiary. Bats was acquired by Cboe Global Markets, Inc. in 2017.*
https://cdn.cboe.com/resources/regulation/rule_filings/approved/2012/SR-EDGA-2012-22-Final.pdf
[2] *MDOs would still be eligible to trade at their pegged prices when QDP is enabled.*
[3] *Hidden only.*

participants and drive the global marketplace forward through product innovation, leading edge technology and seamless trading solutions.

The company offers trading across a diverse range of products in multiple asset classes and geographies, including options, futures, U.S. and European equities, exchange-traded products (ETPs), global foreign exchange (FX) and volatility products based on the Cboe Volatility Index (VIX Index), recognized as the world's premier gauge of U.S. equity market volatility.

Cboe's subsidiaries include the largest options exchange and the third largest stock exchange operator in the U.S. In addition, the company operates one of the largest stock exchanges by value traded in Europe and is a leading market globally for ETP listings and trading.

The company is headquartered in Chicago with a network of domestic and global offices across the Americas, Europe and Asia, including main hubs in New York, London, Kansas City and Amsterdam. For more information, visit www.cboe.com.

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