Auction-related handlingInstructions

March 19, 2024

Introduction and Background

▸ The compliance date for CAT Reporting for the recently-introduced auction-related *handlingInstructions* values ('APCL', 'APCM'. 'AUC') has been changed from April 29, 2024 until July 1, 2024 (See [FAQ E32](#)). These values were deployed to the Production Environment in February 2024.

▸ The 'IDX' *handlingInstructions* value retirement date has also been moved to align with these dates (Test 5/13/24 and Production 7/1/24) and the closure of the Industry Test Environment, as previously announced.

▸ Clarifications to existing auction-related *handlingInstructions* values will be incorporated into the Technical Specifications, pending Operating Committee approval, which is expected to be published by March 29, 2024. In the interim, planned changes have been added to the [Planned Industry Member Technical Specifications Update List](#).

▸ This presentation provides an overview of the auction-related *handlingInstructions* values and associated CAT Reporting requirements.

'AUC' DOES NOT Apply

If **ANY** of the following cases apply, the 'AUC' *handlingInstructions* value is **NOT** applicable.

Paired Option Orders	Offsetting orders sent to an options exchange crossing mechanism, even if a price improvement auction will be triggered. Must be reported with *pairedOrderID* (See FAQ K20).
Equity Opening or Closing Cross	Orders are marked with one of the following *handlingInstructions* values: 'LOO', 'LOC', 'MOO', 'MOC', 'IO'. 'AUC' and 'AucResp' *handlingInstructions* values must not be used.
Auction Responses	Orders that are in response to an active options exchange auction. The order must be reported with a *handlingInstructions* value of 'AucResp' and the Auction ID must be reported in a Name/Value Pair (See FAQ K3). The 'AUC' handlingInstructions value must not be used.
Auction-**eligible** by default	Some exchanges will trigger auctions and consider certain orders to be auction-eligible by default if they meet certain criteria. If no explicit auction instruction is given, then the *handlingInstructions* value of 'AUC' must not be used.

'AUC' DOES Apply

ALL of the following must apply for the 'AUC' *handlingInstructions* value to be applicable. Can be applicable to equities, options, and multi-leg reporting.

Single-sided order	Paired orders are not eligible for the 'AUC' *handlingInstructions* value. This only applies to single-sided orders.
Explicit instruction	A specific order-level instruction is given for the order to participate in unscheduled auction(s).
"Other" Auctions	Not otherwise noted on previous page. See following slide for (non-exhaustive) examples.

Examples of where 'AUC' Does Apply

The following list provides some examples of exchange order types/instructions that would require the 'AUC' *handlingInstructions* value. This list is <u>not</u> comprehensive:

Equities

- BYX Periodic Auction
- Reopening auction following LULD Pause or Reg Halt (if specifically flagged)
- Auction following direct listing or secondary offering (if specifically flagged)

Options

- NOBO Initiating "Request for PRISM" (but <u>not</u> PRISM Cross, which is paired nor RFP responses, which are AucResp)
- Nasdaq ISE & MRX's 'Exposure Complex Order' & "Exposure Only Complex Order' types
- MIAMI/EMLD Complex Auction-on-Arrival ("cAOA") Orders or Complex Auction-on-Arrival-Only ("cAOAO") Orders

Spec Updates Re: AUC/APCL/APCM/AOK

- AUC - Auction – Single-sided Order is received, originated or routed with instructions specifically designated for participation in an ~~unscheduled~~ ~~exchange~~ auction outside of the equity opening or closing cross (i.e., must not be used in combination with any of the following *handlingInstructions* values: 'LOO', 'LOC', 'MOO', 'MOC', 'IO'). Must not be used for paired orders (see FAQ K20) or in combination with 'AucResp' *handlingInstructions* value (see FAQ K3). ~~Must not be used for~~ ~~scheduled~~ ~~auctions, such as the opening or closing cross, for paired orders (see FAQ K20 for definition).~~

- APCL Auction Price Cap Limit – Indicates the price at which the contra party of a ~~crossing~~ paired option order (see FAQ K20) is willing to match price improvement (e.g., APCL=14.75). Also, see FAQ K26. Data Type: Price

- APCM Auction Price Cap Market – Indicates the contra party of a ~~crossing~~ paired option order (see FAQ K20) is willing to match any price improvement Also, see FAQ K26.

- AOK Auction or Kill – Order is to be executed only through an Exchange auction, and should be cancelled otherwise. Must be paired with *handlingInstructions* value of 'AUC' (See FAQ E32) or 'AucResp' (See FAQ K3).

*Planned Technical Specification Updates are subject to approval by the CAT NMS Plan Operating Committee.

New FAQ E32

Q: What handling instructions must be applied to order events designated for participation in auctions?
Added: 03/13/2024

There are designated *handlingInstructions* values for various auction-related order instructions. These values are intended to be mutually exclusive, and the CAT reporting requirements for each depends on the facts and circumstances of the scenario, as outlined in the below table: →

Paired Option Orders	Offsetting orders sent to an options exchange crossing mechanism must be reported with *pairedOrderID*. See FAQ K20. The 'AUC' *handlingInstructions* value must not be used, even if the paired orders will initiate an auction at the exchange.
Auction-eligible by default	Some exchanges will trigger auctions and consider orders to be 'auction-eligible' by default if they meet certain criteria. If no explicit auction instruction is given, then auction-related *handlingInstructions* values must not be used.
Equity Opening or Closing Cross	Orders must be marked with one of the following *handlingInstructions* values: 'LOO', 'LOC', 'MOO', 'MOC', 'IO' as applicable. 'AUC' or 'AucResp' must not be used.
Responses to Option Auctions	Orders that are routed in response to an active options exchange auction must be reported with a *handlingInstructions* value of 'AucResp' and the Auction ID must be reported in a Name/Value Pair. See FAQ K3. 'AUC' must not be used.
"Other" auctions	Single-sided orders received, originated, or routed with specific instructions to participate in an auction not listed above must include the 'AUC' *handlingInstructions* value. May include periodic auctions, complex order auctions, re-opening after a regulatory halt, secondary offerings, or other types of auctions for either equities or options.

Updated FAQ K26

K26. Are any handling instructions required when a paired options order is routed to an options exchange and the exchange member is willing to meet price improvement offered by other exchange participants?
Updated: 03/13/2024

Many exchanges offer cross order types that allow a submitter to match potential price improvement offered by other exchange participants, up to a limit prescribed by the submitter (an "Auction Price Cap"). Related Exchange terminology includes "AutoMatch", "No-Worse-Than" and "Step-Up".

Beginning ~~April 29,~~ July 1, 2024, when routing a paired option order to an options exchange with an instruction that the contra party is willing to meet price improvement offered by other exchange participants, Industry Members must include one of the "Auction Price Cap" *handlingInstructions* values: 'APCL' (Auction Price Cap Limit) or 'APCM' (Auction Price Cap Market). If the exchange member only wishes to match price improvement to a specified amount, the 'APCL' *handlingInstructions* value must be used. If the exchange member is willing to match any price improvement, the 'APCM' *handlingInstructions* value must be used. These *handlingInstructions* values must only be populated on the contra-side options route event to the exchange. The 'APCL' and 'APCM' *handlingInstructions* values are only valid in combination with the *pairedOrderID* field. These values are required on paired orders routed directly to an exchange (when applicable), although may be optionally reported if the *pairedOrderID* field is also optionally populated. See FAQ K20 for further information on paired orders.

Questions and Answers

▶ Can the 'AucResp' *handlingInstructions* value be reported without the 'AOK' *handlingInstructions* value?

○ Yes. There are instances when the 'AucResp' *handlingInstructions* value can be reported without the 'AOK' *handlingInstructions* value. However, the 'AOK' *handlingInstructions* value would never be reported without another auction-related *handlingInstructions* value.

▶ Can the 'AUC' *handlingInstructions* value be reported without the 'AOK' *handlingInstructions* value?

◦ Yes. There are instances when the 'AUC' *handlingInstructions* value can be reported without the 'AOK' *handlingInstructions* value. However, the 'AOK' *handlingInstructions* value would never be reported without another auction-related *handlingInstructions* value.

Questions and Answers

▸ Would the 'AUC' *handlingInstructions* value apply to reopening after a Limit Up Limit Down halt?

- If the order is a single-sided order with **a specific order-level instruction given for the order to participate in an auction**, and the order is not otherwise represented with another auctions-related reporting requirement (i.e., the auction is represented with the 'LOO', 'LOC', 'MOO', 'MOC', 'IO', or 'AucResp' *handlingInstructions* values), then 'AUC' must be applied to the reopening auctions after a Limit Up Limit Down halt.

▸ When reporting the 'AOK' *handlingInstructions* value, does the entire order need to execute?

- No. The 'AOK' indicates that the order is to be executed only through an Exchange auction, and should be cancelled otherwise. The order will be cancelled back (in part or full) after the auction is complete.

Questions and Answers

▸ Are certain auction-related *handlingInstructions* values applicable only to options? Equities? Both?

- The 'APCL', 'APCM', and 'AucResp' values are only applicable to simple options and multi-leg order events.

- The 'AUC' and 'AOK' values may be for equity, options, and multi-leg reporting, as applicable.

- The 'LOO', 'LOC', 'MOO', 'MOC', 'IO' values must only be used for equity reporting.

Appendix

FAQ K3

K3. Are responses to auctions reportable in Phase 2b?

Added: 10/30/2018

Yes. Responses to auctions of simple orders and paired simple orders are reportable in Phase 2b. The order must be reported with a *handlingInstructions* value of 'AucResp' and the Auction ID must be reported in a Name/Value Pair.

FAQ K20

K20. When must the pairedOrderID be reported to CAT?
Added: 09/21/2021

The *pairedOrderID* field is required on Option and Multi-leg Order Route events for orders that are routed electronically as a single message containing both the initial and contra side orders for simple or multileg options directly to an exchange for crossing and/or price improvement.

Industry Members may optionally populate the *pairedOrderID* field on Option, Multi-leg or Equity Order Route events for orders that are routed to another Industry Member, if two or more offsetting orders are sent with instructions to cross. These offsetting orders may be routed as either a single electronic message, individual electronic messages or manually conveyed to another Industry Member.

The *pairedOrderID* field is not required on Option, Multi-leg or Equity Order Accepted events reported by Industry Members. The *pairedOrderID* field may be optionally populated if two offsetting orders are received with instructions to cross.

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