



Cboe Global Markets

Technology Integration
Customer Conference Call

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CORPORATE PARTICIPANTS

Chris Isaacson, *Executive Vice President and Chief Operating Officer*

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PRESENTATION

Operator

Good morning and welcome to the Cboe Global Markets technology integration customer conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. The Q&A session is intended for customers only. To ask a question, you may press star, then 1 on your touchtone phone, and to withdraw your question, please press star, then 2. And those listening through the webcast may submit questions through the event by typing your question in the Submit Question box on your screen. Questions will be addressed after the prepared remarks have ended. And please note that this event is being recorded.

I would now like to turn the call over to Alyssa Strickland on the Corporate Communications team at Cboe Global Markets. Please go ahead.

Alyssa Strickland

Thank you, operator, and thank you all for your time today. Joining us for today's call are Chris Isaacson, Executive Vice President and Chief Operating Officer; Andy Lowenthal, Executive Vice President and Co-Head, Markets Division; and Eric Crampton, Senior Vice President and Chief Technology Officer. Following their prepared remarks, we will hold a Q&A session for customers only. Also joining us for the Q&A will be Anthony Montesano, Vice President, Market Structure and Functionality, and Jeremy Hiserote, Director, U.S. Operations Trade Desk.

Customers on the phone can queue up for questions by following the Operator instructions at the end of today's remarks. If you are online, you may submit a question via the box and Submit Question button on the right-hand side of your screen. If you are a journalist or analyst, please reach out to our Corporate Communications and Investor Relations teams, and they will address any questions you may have separately.

As a preliminary note, you should be aware that this presentation contains forward-looking statements which involve some risks and uncertainties. Actual results may vary. Please refer to our filings with the SEC for more detailed information about the risks and uncertainties. Also note that references made to the planned migration of the Cboe Options Exchange are subject to regulatory review. All planned dates and timelines are subject to change without notice.

Now, I'd like to turn over the call to Chris Isaacson.

Chris Isaacson

Thank you, Alyssa, and welcome, everyone. Thank you for joining us today for the call. The planned migration of Cboe Options Exchange, or C1, to Bats technology, is now less than five months away. The finish line is in sight and the C1 migration date is quickly approaching. As the timeline is becoming more compressed each day, it's vitally important we keep you updated on what we require of you as we enter this critical phase of preparations. With that in mind, our format for today's call will be slightly different than past calls, and we'll focus exclusively on the key dates and necessary work leading up to our planned October 7 migration.

On our call today, I'll cover the timeline and milestones. Andy will provide some color on planned enhancements to our VIX settlement process, and Eric will touch on our continued rollout of the nine feature packs. So, with that, let's get right to the timeline.

We have been accepting new 1G and 10G physical connections to the new C1 platform since February. C1 will have a dedicated network infrastructure and customer connections, separate from our other U.S. equities, options and futures exchanges. Please note that we've worked with Equinix and they are offering a waiver for the initial cross connect install fee and up to six months of the Equinix Monthly Recurring Charges for cross connects run to the new C1 latency equalized network. Please be sure to contact your Equinix representative directly to obtain the paperwork necessary to receive the waivers. And, of course, Cboe will not bill for these connections prior to October. Don't hesitate to reach out to Greg Nelson, Account Director at Equinix, with any additional questions you may have. You may contact him at gnelson@equinix.com.

In March, we opened the new C1 certification environment for testing. As a reminder, all C1 TPHs, vendors and ISVs must certify to the new platform. If you have not done so, we encourage all participants to get connected and to order their certification logical sessions using the Logical Port Request Form available on the Customer Web Portal as soon as possible. This is the first step in your ability to test in advance of the migration.

Last month, logical order entry sessions (FIX, Binary Order Entry, or BOE, or BOE Quoting) were created for each participant in the new production environment. The customer order entry sessions in the new production environment were created based on logins in use on the legacy C1 platform. In addition, firms are expected to review logical sessions on the new platform to ensure the number of ports is appropriate and default settings are acceptable. Any sessions existing on the new platform will become billable in October. Firms are also now able to order additional logical ports or request unnecessary ports to be deleted in the new production environment within the Customer Web Portal.

A couple of weeks ago, on Monday, May 6, daily production testing of test symbols in the new C1 NY5 production environment became available. We encourage you to participate and begin testing as soon as you are able. We hope you will take advantage of the certification and production testing environments to conduct numerous wide-ranging tests to ensure you are properly prepared for migration.

Regarding the PAR workstations on the trading floor, the Cboe Floor Support Team continues to work with users to prepare for the final migration. Phase two, or PAR 3.0, which is planned to launch with the C1 migration, will integrate seamlessly with Bats technology and will incorporate exchange platform changes to enhance order handling and market data delivery to PAR. Product demonstrations and opportunities to interact with PAR 3.0 are available at the Reporting Desk at Post 10 throughout the rollout period as new functionality is added.

We remind our on-floor TPHs that new tools will replace those that are currently used to review and manage order history, clearing records and printed tickets, in addition to PAR functionality. Training sessions will be scheduled with each floor broker group and certification of the new floor support technology will be required for each group. We also remind our Market-Maker firms that MMTN messaging will be part of certification.

Leading up to migration, we will conduct a series of five weekend tests in the new C1 production environment, with the first weekend test scheduled for next month on Saturday, June 15. We will have additional weekend tests each month leading up until migration in October on July 27, August 24, September 14 and October 5, the final Saturday before the migration. Please ensure these testing dates are on your calendar if you have not already made note of them.

To facilitate effective testing, OPRA and OCC will participate in each weekend test. Customers should plan to participate in as many of these weekend tests as possible. On at least three of the five Saturday tests, including June 15, we plan to simulate VIX settlements and encourage you to read our integration update notices for all the details. We have updated all our technical and process specifications to reflect the planned enhancements to the VIX settlement, so I encourage each of you to read the latest versions and take note of the upcoming changes.

Now, I'll turn it over to Andy to share some of these details on those enhancements that we're making to the VIX settlement process.

Andy Lowenthal

Thanks, Chris. And let me add my welcome to everyone on the call today. It's nice to speak with you all again.

As part of the migration onto our new technology platform, we are taking the opportunity to enhance the opening process used to calculate the settlement price for VIX futures and options. We are also enhancing the data that is available and disseminated during the auction process on expiration days for VIX derivatives. Some of these changes will be subject to regulatory approval and review. We will have many more detailed discussions on this topic, but I'll cover a few high-level points here as a preview.

First, we are planning to enhance our market data and Expected Opening Information (EOI) message content with additional data points. The additional data will include depth and top of market PITCH/TOP feeds, multiple collared and un-collared price fields, total buy-and-sell contracts at the indicative opening price and a status indicator which will clearly identify which series that are expected to open given the mix of orders and quotes. If series cannot open given current market conditions, the reason will be clearly indicated such as a crossed Market Maker BBO or one that is too wide or significant imbalances in either direction. The EOI data will be made available from a wider variety of channels, including Bloomberg. We also plan to systematically enforce certain aspects of the process, such as only allowing certain order types or quotes after systematic cutoff time leading up to the settlement. I encourage you to read the integration notices and specifications outlining these changes.

These planned changes are intended to encourage a broad range of interested buy-and-sell-side clients to participate in the auction used to generate the settlement value for VIX derivatives. I and the team will be happy to take any questions at the conclusion of our prepared remarks, but, for now, I'll hand it over to Eric, who will discuss the remaining three feature packs in detail.

Eric Crampton

Thanks, Andy. As you are aware, rollout of the feature packs began in November and will continue through the third quarter of this year. As mentioned on previous calls, the nine feature

packs are in preparation for the C1 migration, and are being rolled out in an effort to unify our options functionality as much as possible across our four options exchanges.

The first six feature packs have now been deployed, with feature pack six -- All-or-None orders and updates to Step-Up-Mechanism orders-- launched on the Cboe EDGX Options Exchange on May 2.

Turning to the final three feature packs, feature pack seven relates to global trading hours and the opening process. Abbreviated global trading hours (GTH) are planned to be introduced on the C2 Options Exchange for Dow Jones Industrial Average Index options (DJX), effective June 17, pending regulatory review. GTH for Mini-SPX Index (XSP) options are also planned to become available on the Cboe EDGX Options Exchange, effective June 24. The GTH session for both will run from 8:30 a.m. until 9:15 a.m. ET. Additionally, a new price-forming opening process, along with supporting order entry and protection features and market data changes are planned to be introduced for all products on C2 and EDGX Options Exchanges.

Testing for feature pack seven is now available in the C2 and EDGX options certification environments. Both Anthony's and Troy's teams will be working closely with you as we roll out this new functionality on June 17 on C2 and June 24 on EDGX.

Feature pack eight will introduce enhancements to complex crossing. Specifically, it will include: Market and Limit on Close orders, Complex AIM and Complex QCC. Further details, including certification and production dates on feature pack eight, will be announced via Trade Desk notice.

As mentioned previously, Cboe's ninth and final feature pack relates to complex orders with stock legs. We'll announce the certification and production date for feature pack nine in the near future via Trade Desk Notice. In the meantime, for all the latest information, refer to the Integration Website. With that, I'll hand it back to Chris.

Chris Isaacson

Thanks, Eric. As Eric just mentioned, I'd like to remind you of the Integration Website at batsintegration.cboe.com/C1. It's where you can find all of the resources related to the C1 migration, including the technical specifications, a FAQ, the planned migration timeline, the platform change matrix, new platform features and downloadable implementation guides.

The website also continues to be the source to find complete information on our series of customer calls including dates, times and call-in or webcast details for upcoming calls, along with archived materials from previous calls. We are regularly adding to and refining the resources on the integration site so I encourage you to look there often.

As always, we've covered a lot today, so before we begin the Q&A session, let me quickly recap the key points we touched on. It will be a critical less-than-five months as we prepare for the planned C1 migration to Bats technology on October 7. We are right on schedule, but we still have a lot of work ahead of us. Rest assured we are laser-focused on delivering on the target date of October 7. We'll be working closely with you to ensure you're ready for this migration.

As a reminder, the new certification environment is available for testing. All C1 TPHs and vendors/ISVs must certify to the new platform using BOE or FIX, so we encourage all participants to get connected as soon as possible if you have not done so.

Last month, logical order entry sessions were created in the new production environment. And customer review of the existing logical ports on the new platforms is available. On May 6, daily trading of test symbols became available in the new C1 production environment. We encourage you to participate and begin testing as soon as you are able.

Leading up to the migration, we will conduct a series of five weekend tests, with the first weekend test scheduled for next month on Saturday, June 15. As part of the transition onto our new technology platform, we are taking this opportunity, pending regulatory approval and review, to incorporate several exciting and important features into the opening process used to calculate the settlement price for our VIX futures and options. On at least three of the five Saturday tests, including June 15, we plan to simulate VIX settlements. We plan to have many more detailed discussions on this topic with our customers in the future and will release the full details via notices and specifications.

The first six of our nine feature packs have been rolled out. In just a few short weeks, we'll go live with feature pack seven, which relates to global trading hours and the opening process.

Work is underway on PAR 3.0, the second phase of upgrades to the PAR workstations on the trading floor. Product demonstrations and opportunities to interact with PAR 3.0 are available at the Reporting Desk at Post 10 throughout the rollout period. Training sessions will be scheduled with each floor broker group, and certification of the new floor support technology will be required by each group.

And, as a reminder, the C1 migration to Bats technology on October 7 will be a hard cut-over without a parallel production period.

Finally, you can find the complete information and resources related to the C1 migration at our dedicated migration website, batsintegration.cboe.com/C1.

Our team is hard at work on this migration and remains focused on executing a seamless technical and operational integration. And, as we enter these final critical months, we'll be working alongside you to ensure you are making the necessary preparations to be ready on day one. The more feedback you can share with us along the way, the better we will be able to assist you throughout the certification and testing phases in our lead up to October 7.

With this migration of C1, we look forward to providing a better trading experience with proven technology that seamlessly integrates electronic and open outcry trading. We also look forward to being able to provide our customers with a single, world-class trading experience across all our equities, options and futures markets.

Working with all of our customers, our goal is to continue defining the markets of tomorrow through cutting-edge technology that meets your evolving needs. With that, I'll hand the call over to our operator to begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

Thank you, and we will now begin the question-and-answer session. To ask a question, you may press star, then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then 2. You can also submit questions through the webcast by typing your question in the Submit Question box on your screen. At this time, we will pause momentarily to assemble our roster. And as a reminder, it is star, then 1 if you would like to ask a question.

Chris Isaacson

Operator, I have one question online. This comes from Jason at Susquehanna. I'll have Eric answer this one. *"Will feature pack functionality released in packs one through six be available for the Saturday, June 15 testing? And will all of feature pack seven's functionality be working in C1 pre-production on Saturday, June 15?"*

Eric Crampton

Yes. That's correct.

Chris Isaacson

So, Jason, I think we answered that question, so all the functionality that you want from feature packs one through six and seven will be there on June 15.

Operator, any questions on the phone?

Operator

And, sir, still no audio questions at this time. And just as a reminder to everyone, it is star, then 1 if you would like to ask a question on the audio side.

Chris Isaacson

Operator, seeing no further questions online or on the phone, I think we can conclude the call.

CONCLUSION

Operator

Okay. And the conference has now concluded. Thank you all for attending today's presentation. You may now disconnect your lines.