

US Listed Options Electronic Order Handling FAQs

February 2020

1. Commissions and fees for electronic trading

Commissions and fees for electronic trading of listed equity options are negotiated on a client-by-client basis and may include per contract commissions as well as attribution of the rebates earned or fees incurred from exchanges or market making programs associated with the client's trading.

2. Payment for order flow (distribution of exchange marketing fees) and rebates

When trading listed equity options, Barclays and its third party algo provider may participate in exchange-sponsored market making programs that provide rebates and payment for order flow (also called distribution of exchange marketing fees). In addition, certain exchange fee schedules include rebates to participants executing on that exchange under certain conditions, such as providing liquidity. In some instances, the rebates that Barclays receives from an exchange or third party provider may exceed the amount that Barclays is charged by that exchange or third party provider.

Exchange rebates and payments may factor in routing decisions.

3. Barclays options market making

Barclays' status as a market maker at a particular venue is not a factor in routing decisions. However, once the decision has been made to route an order to an options exchange where Barclays is a registered market maker, and that exchange supports preferencing, the order will be preferenced to our market maker. For venues where Barclays is not a market maker, the third party algo provider might have arrangements to preference a market maker based on their agreement with that market maker.

4. Options Router overview

Barclays' Options Router uses a third party provider's algorithm for accessing exchange liquidity. In an effort to maximize fill rate, when an order is marketable, the Options Router may seek liquidity from a third party ATS using an RFQ process and/or use a Flash/Auction to find hidden exchange liquidity before targeting (& dynamically oversizing if necessary) all displayed liquidity. When an order is not marketable, the Options Router will post across multiple exchanges based on a pre-determined logic (see FAQ 6 *Posting Logic*).

5. Sweep logic

The Options Router aims to maximize liquidity by accessing a third party ATS with a network of liquidity providers and hidden liquidity through Flash/Auction before targeting displayed liquidity. When targeting displayed liquidity, the router tries to simultaneously sweep marketable quotes across all available exchanges (one price level at a time). The router will dynamically oversize where necessary and will also take exchange fees into account where marketable liquidity is available on multiple exchanges at the best price. Please see FAQ 7 *Customization options* for alternative methodologies that can be elected for routing behavior.

6. Posting logic

When posting, the Options Router will post across two different venues (currently, CBOE and ARCA) at pre-determined percentages, by default. In case of an exception (e.g., the venue is unavailable, or the symbol does not trade on the selected venue), the Options Router will post to one of the other options exchanges for the portion it was unable to post (only one exchange at a time). If both the pre-configured venues are not available, the Options Router will post the entire quantity to one of the other options exchanges (only one exchange at a time), per the third-party's venue ranking logic.

Please see FAQ 7 *Customization options* for alternative methodologies that can be elected for routing behavior.

7. Customization options

The following modifications to the default settings are available for the Options Router:

- a. Disable third party ATS
- b. Disable Flash/Auction process before sweeping displayed liquidity
- c. Select Posting Venue – change the Option Router's default posting venue and posting percentage.

8. Directed orders

Directed orders are routed to the indicated exchange using the third party provider and are not subject to the Options Router's order placement logic.

9. Spread orders

Barclays offers directed access to CBOE, ISE and PHLX spread order books. Directed spread orders are routed to the indicated exchange and are not subject to the Options Router's order placement logic. Spread Orders will be migrated to the third party provider, and the Options Router will become available for Spread Orders through the third party provider in the near future.

10. Accessible venues

For listed equity options, the following options exchanges¹ are accessible through the Options Router

- Bats BZX
- Bats EDGX
- BOX
- CBOE
- C2
- DASH ATS
- ISE
- ISE Gemini
- ISE Mercury
- Miami Options Exchange
- Miami Pearl Exchange
- MIAX Emerald Exchange
- NASDAQ BX
- NASDAQ Options
- NASDAQ PHLX
- NYSE AMEX
- NYSE ARCA

¹ List is subject to change and updated periodically. Also, Barclays may not support the full range of functionalities or order types that each venue offers.

11. Trading hours

The Options Router will only send orders to the market once the option has opened for trading. Clients can send orders until 4:00 p.m. EST for equity options and until 4:15 p.m. EST for ETF/Index options.

12. Options algorithms

Barclays offers algorithmic trading strategies for the execution of US listed options orders, including TWAP, Work and Pounce, and Spread Trader. Barclays algorithms use the algo logic provided by a third party provider customized for Barclays algorithms. The algorithms utilize the Options Router (as described in FAQ 4) to post orders passively on exchange or to sweep available exchange liquidity. For more information on Barclays' listed equity options algorithms, please contact your Barclays sales representative. The migration to the third party provider is taking place in a phased manner and, therefore, there might be an intermediate period of time when some algorithms use the third party provider's logic and Options Router, while others are using Barclays' options algorithms/router.

13. Electronic trading order handling

For information on electronic order handling, including how the Market Access Rule is applied and how Barclays preserves client anonymity, please refer to Barclays' latest *Equities Electronic Order Handling FAQs* document available at barclays.com/equities².

14. Platform enhancements

At any time, Barclays and its third party provider may implement enhancements to its listed equity options trading platform, which includes Barclays options algorithms, the options router and core infrastructure components. The enhancements may be rolled out across the platform as a whole or in multiple phases. For some enhancements, a group of internal traders, and in some circumstances clients who have opted in, may be given access to functionality for verification purposes that is not available to all clients and which is not fully described in this Order Handling document. Internal traders who are given access to this functionality may be trading on behalf of clients. Please contact your Barclays sales representative for details on enhancements or new features currently being rolled out.

² Full URL: <http://investmentbank.barclays.com/markets/equities-liquid-markets.html#order>

DISCLAIMER

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