



EXECUTE SUCCESS<sup>SM</sup>

## Regulatory Circular RG16-026

**Date:** February 2, 2016

**To:** Trading Permit Holders

**From:** Competitive Analysis

**RE:** Solicitation for Lead Market-Makers in VIX and SPX/SPXW during Extended Trading Hours

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On March 2 and March 9, 2015, Chicago Board Options Exchange, Incorporated ("CBOE" or "the Exchange") commenced Extended Trading Hours ("ETH") for VIX and SPX/SPXW options respectively. At that time, CBOE appointed three (3) Lead Market-Makers ("LMMs") each in VIX and SPX/SPXW for a one year term. In VIX, the LMMs are Consolidated Trading, LLC, IMC Financial Markets, LLC and Sumo Capital, LLC and in SPX/SPXW, the LMMs are Belvedere Trading, LLC, Consolidated Trading, LLC and IMC Financial Markets, LLC. The current ETH LMM terms expire on March 2, 2016 for the VIX LMMs and March 9, 2016 for the SPX/SPXW LMMs. The Exchange intends to continue with the program, and is re-soliciting for interested parties to serve as ETH LMMs. In accordance with CBOE Rule 6.1A and as noted in RG14-092, the Exchange will appoint up to three (3) LMMs for the products traded during ETH for a one year term. CBOE may decide to reappoint one or all of the current ETH LMMs to new terms, should they reapply.

ETH LMMs, like any ETH Market-Maker, must maintain continuous two-sided quotes in 60% of the series with less than nine months to expiration in their appointed products for at least 90% of the time they are quoting during ETH (to be determined on a monthly basis) and satisfy all other Market-Maker obligations set forth in Rule 8.7 during ETH (see CBOE Rule 8.7). Additionally, ETH LMMs that meet a heightened continuous quoting standard of (1) at least the lesser of 99% of the non-adjusted series minus one call-put pair in an Extended Trading Hours allocated class (excluding intra-day add-on series on the day during which such series are added for trading) and (2) ensure that the same percentage of the series in the class open within five minutes of the start of opening rotation for 90% of the trading days during Extended Trading Hours in a month, will receive a rebate for that month in an amount set forth in the Fees Schedule. Subject to SEC review, LMMs that meet the heightened quoting standard will receive a pro-rata share of a "compensation pool" equal to \$15,000 times the number of LMMs in that class. For example, if two LMMs are appointed in SPX, a compensation pool will be established each month totaling \$30,000. If both of the LMMs meet the heightened continuous quoting standard during the month, each will receive \$15,000. If only one LMM meets the heightened continuous quoting standard during a month, that LMM would receive \$30,000 and the other LMM would receive nothing. Please note that the percentage of series quoted will be weighted by the availability to quote. Therefore, if a series is only listed for three days during a month, the performance in that series is only weighted for those three days.

Interested parties must indicate their interest in applying as an ETH LMM no later than **3:00 pm Friday, February 19, 2016** by contacting Allison Kile of the Competitive Analysis Department at [kilea@cboe.com](mailto:kilea@cboe.com).

### **Additional Information:**

Please contact Allison Kile at (312) 786-7210 or [kilea@cboe.com](mailto:kilea@cboe.com) for additional information.