



Cboe Options Exchange RTH XSP LMM Solicitation

Reference ID: 2024020903

OVERVIEW

Applicable Cboe Exchanges: Cboe Options

Cboe Options (the “Exchange”) will be accepting applications from interested Trading Permit Holders (“TPHs”) for the Lead Market-Maker (“LMM”) role in the Regular Trading Hours (“RTH”) session for Mini-SPX Index options (Symbol: XSP) for the purposes of the RTH XSP LMM Incentive Program (“Program”), subject to regulatory review. Interested parties must submit application materials to become a RTH XSP LMM no later than **4:00 p.m. ET on Thursday, February 15, 2024**, to Cboe Membership Services.

DETAILS

The Exchange intends to select up to three candidates to serve as the Program’s RTH XSP LMMs from **March 1, 2024 through May 31, 2024**, taking into consideration various factors including those set forth in [Cboe Options Rule 3.55](#).

As any Market-Maker, an LMM appointed to the Program has a regulatory obligation to maintain continuous two-sided quotes in 60% of the series with 270 days or less to expiration in its appointed products for at least 90% of the time it is quoting during all trading sessions (to be measured across all of its class appointments collectively) and satisfy all other Market-Maker obligations set forth in Cboe Options Rule 5.51.

The RTH XSP LMM Incentive Program that will be set forth in the Cboe Options Fee Schedule will provide that a RTH XSP LMM meeting or exceeding the Program’s heightened quoting standards (provided below) in a month will receive a compensation payment for that month in the amount of \$40,000 (subject to change and announced by Exchange Notice/Fee Schedule). Additionally, an RTH XSP LMM meeting the Program’s heightened quoting standards will receive a credit of \$0.27/contract applied to all XSP contracts executed in Market-Maker capacity which provide liquidity in the simple limit order book during RTH where the contra is a non-customer. To receive the monthly payments, 95% of the series must have qualifying post-opening-rotation quotes from the appointed LMM 93% of the time between 9:30 a.m. ET until 4:15 p.m. ET. Cboe Options notes that meeting or exceeding the heightened quoting standards to receive a compensation payment as described above is optional for a RTH XSP LMM. The Exchange may consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances. A “qualifying” quote is one that is no wider than the amount set forth in the table below, and such quotes will qualify only after the series is open (i.e., pre-opening quotes do not count).

		Width				
Moneyiness		Expiring Option	1 day	2 days to 5 days	6 days to 14 days	15 days to 35 days
VIX <= 30	[> 3% ITM)	\$0.20	\$0.25	\$0.25	\$0.50	\$1.00
	[3% ITM to 2% ITM)	\$0.10	\$0.15	\$0.15	\$0.25	\$0.75
	[2% ITM to 0.25% ITM)	\$0.04	\$0.05	\$0.05	\$0.06	\$0.10
	[0.25% ITM to ATM)	\$0.02	\$0.03	\$0.04	\$0.05	\$0.08
	[ATM to 1% OTM)	\$0.02	\$0.02	\$0.02	\$0.03	\$0.06
	[> 1% OTM]	\$0.02	\$0.02	\$0.02	\$0.02	\$0.04
VIX > 30	[> 3% ITM)	\$0.25	\$0.30	\$0.30	\$0.55	\$1.05
	[3% ITM to 2% ITM)	\$0.15	\$0.20	\$0.20	\$0.30	\$0.80
	[2% ITM to 0.25% ITM)	\$0.05	\$0.06	\$0.06	\$0.07	\$0.11
	[0.25% ITM to ATM)	\$0.03	\$0.04	\$0.05	\$0.06	\$0.09
	[ATM to 1% OTM)	\$0.03	\$0.03	\$0.03	\$0.04	\$0.07
	[> 1% OTM]	\$0.03	\$0.03	\$0.03	\$0.03	\$0.05

Moneyiness	Size (0 to 35 days to expiry)
[> 3% ITM)	5
[3% ITM to 2% ITM)	10
[2% ITM to 0.25% ITM)	15
[0.25% ITM to ATM)	20
[ATM to 1% OTM)	20
[>1% OTM]	20

Moneyiness is calculated as $1 - \text{strike}/\text{index}$ for calls, $\text{strike}/\text{index} - 1$ for puts. Negative numbers are Out of the Money (OTM), and positive values are In the Money (ITM). A Moneyiness value of zero for either calls or puts is considered At the Money (ATM). For example, if the index is at 400, the 396 call = $1 - 396/400 = 0.01 = 1\%$ ITM, whereas the 396 put = $396/400 - 1 = -0.01 = 1\%$ OTM.

In calculating whether an LMM meets the Program's heightened quoting standards, the Exchange will exclude from the calculation each month the business day in which the LMM missed the Program's heightened quoting standards in the highest number of series.

As pre-open quotes do not count towards the heightened quoting standards, the LMM should be aware that the system will not allow a series to open unless the composite market (i.e., the BBO comprised of appointed Market-Maker quotes in XSP) is no wider than the MCW/OCW widths defined in Cboe Options Rule 5.31(a) and presented in the below table, unless there are no orders to trade or limit orders that cross the mid-point of the composite market:

Composite Market Bid Price	Max Composite Width
\$0.00 - \$1.99	0.50
\$2.00 - \$5.00	0.80
\$5.01 - \$10.00	1.00
\$10.01 - \$20.00	2.00
\$20.01 - \$50.00	3.00
\$50.01 - \$100.00	5.00
\$100.01 - \$200.00	8.00
Greater than \$200.00	12.00

Interested parties must submit application materials to become a RTH XSP LMM no later than **4:00 p.m. ET on Thursday, February 15, 2024**, to Cboe Membership Services. The application link can be found [here](#). Please contact [Cboe Membership Services](#) with any application questions.

ADDITIONAL INFORMATION

Questions regarding this topic may be directed to the Cboe Market Structure and Functionality (MSF) group. Operational questions may be directed to Cboe Operations Support Center (OSC). Regulatory questions may be directed to the Cboe Regulatory Interpretations and Guidance team.

We appreciate your business. Our trading community inspires and drives our purpose of building trusted markets.

Cboe Market Structure and Functionality

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