



EXECUTE SUCCESSSM

Regulatory Circular RG16-088

Date: April 29, 2016

To: Trading Permit Holders
From: Regulatory Division
RE: LMM/DPM Rule Updates

The Securities and Exchange Commission recently approved Chicago Board Options Exchange, Incorporated ("CBOE") rule filing SR-CBOE-2016-009, which among other things, reorganized, simplified, and made consistent various provisions of CBOE Rules 8.15 – Lead Market-Makers and Supplemental Market-Makers in Hybrid 3.0 Classes, Rule 8.15A – Lead Market-Makers in Hybrid Classes and Rule 8.85 – DPM Obligations. The rule updates included in SR-CBOE-2016-009 will become effective as of May 2, 2016.

Changes to the above rules include, but are not limited to, the following:

- The continuous quote obligation for Lead Market-Makers ("LMMs") in Hybrid 3.0 classes is now the same as the continuous quote obligation of LMMs (and DPMs) in Hybrid classes. Specifically, LMMs (and DPMs) in Hybrid and Hybrid 3.0 classes must provide continuous electronic quotes (as defined in Rule 1.1 (ccc)) in at least the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair, with the term "call-put pair" referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price.¹
- Enter opening quotes within one minute of the initiation of an opening rotation in any series that is not open due to the lack of a quote (see Rule 6.2B(e)(i) or Interpretation and Policy .03(a)(i)) and participate in other rotations described in Rule 6.2B (including the modified opening rotations set forth in Interpretations and Policies .01 and .08) or 24.13, as applicable.
- Rules related to LMMs in Hybrid and Hybrid 3.0 classes have been consolidated into a single Rule 8.15.²
- Certain outdated rule provisions have been deleted.

Additional Information

For additional information regarding regulatory matters, please contact Regulatory Interpretations at reginterps@cboe.com or 312-786-8141.

For additional information regarding operational matters, please contact the CBOE Help Desk at helpdesk@cboe.com or 866-728-2263.

¹ Pursuant to Rule 1.1(ccc) the Hybrid Market-Maker shall be deemed to have provided "continuous electronic quotes" if the Hybrid Market-Maker provides electronic two-sided quotes for 90% of the time that the Hybrid Market-Maker is required to provide electronic quotes in an appointed option class on a given trading day during the applicable trading session

² CBOE Rule 8.15 – Lead Market-Makers and Supplemental Market-Makers in Hybrid 3.0 classes was deleted and CBOE Rule 8.15A was revised and renumbered as 8.15.