



Cboe BZX Equities Introduces new Choice Program for Lead Market Makers (LMMs)

Reference ID: C2021012500

Overview

Applicable Cboe Exchanges: BZX Equities

Effective February 1, 2021, Cboe will provide Lead Market Makers (LMMs) the ability to opt-in to the LMM Add Liquidity Rate program monthly on a symbol-by-symbol basis, *subject to regulatory review*. On the effective date, LMMs will be able to opt-in to the LMM Add Liquidity Rate program which provides an outsized rebate per share model for ETPs that have a CADV of 1,000,000 or greater. LMMs will be able to opt-in to the LMM Add Liquidity Rate program from the current LMM Liquidity Provision Rates on a monthly basis throughout the current month for the upcoming month using the new LMM Choice Program tool within the Cboe ETP Portal. Assigned symbols added intra-month will automatically be applied to the current LMM Liquidity Provision Rates program. LMMs will continue to transact for free in the Closing Auction in assigned ETPs.

LMM Quoting Requirement Changes

Upon the effective date, enhanced LMM requirements will change for securities priced \geq \$5. There will be no changes to the base metrics.

- LMM Quote at the National Best Bid & Offer (NBBO)
 - 50% of the RTH for securities with CADV < 500,000 shares/day
 - 10% of the RTH for securities with CADV \geq 500,000 shares/day
- LMM Depth of Book
 - Asset class: US Equity, LMM must maintain at least of \$150,000 displayed liquidity within 0.25% of the NBB and NBO at least 90% of RTH
 - Asset class: Other, LMM must maintain at least of \$150,000 displayed liquidity within .50% of the NBB and NBO at least 90% of RTH
- Market-wide NBBO Size
 - Asset class: US Equity, minimum market-wide NBBO size required: 750 shares on NBB and 750 shares on NBO
 - Asset class: Other, minimum market-wide NBBO size required: 500 shares on NBB and 500 shares on NBO
- Market-wide NBBO Spreads
 - Asset class: US Equity, maximum market-wide NBBO spread required: 0.25%

- Asset class: Other, maximum market-wide NBBO spread required: .50%
- LMM Auction Participation
 - Open Auction Price must be within 1% of last Auction Reference Price
 - Close Auction Price must be within .50% of last Auction Reference Price

Incentive Options and Payout Structure

Option 1: LMM Liquidity Provision Rates

Daily payouts will follow a tiered structure based on the number of qualifying ETPs along with the average aggregate daily auction volume (“AADV”) as detailed in the updated table below. LMMs will receive a flat dollar stipend based on the AADV of assigned ETPs that are opted into this model.

Daily incentive for Qualifying ETPs	Average Aggregate Daily Auction Volume in LMM Assigned ETPs				
	0 -10,000	10,001 - 100,000	100,001 - 500,000	500,001 - 1,000,000	1,000,001 or greater
1-5	\$10	\$25	\$40	\$50	\$100
6-25	\$10	\$25	\$25	\$30	\$70
26-50	\$10	\$10	\$20	\$25	\$50
51-100	\$10	\$10	\$15	\$20	\$25
>= 101	\$10	\$10	\$15	\$15	\$20

LMMs will receive the following rates on a daily basis per qualifying ETP for which they also meet certain enhanced market quality standards in addition to the base payment above:

Daily incentive for Enhanced ETPs	Average Aggregate Daily Auction Volume in LMM Assigned ETPs				
	0 -10,000	10,001 - 100,000	100,001 - 500,000	500,001 - 1,000,000	1,000,001 or greater
1-5	\$3	\$7.50	\$12	\$15	\$30
6-25	\$3	\$7.50	\$7.50	\$9	\$21
26-50	\$3	\$3	\$6	\$7.50	\$15
51-100	\$3	\$3	\$4.50	\$6	\$7.50
>= 101	\$3	\$3	\$4.50	\$4.50	\$6

Option 2: LMM Add Liquidity Rebate

LMMs are rewarded with outsized rebates for executed added liquidity in the assigned ETPs for which the LMM is a Qualified LMM that are opted into this model. LMMs will still be eligible for additional incremental tiers on top of the LMM Add Liquidity Rebate, such as LMM Add Volume Tiers or Tape B Volume and Quoting Tiers.

- The LMM Add Liquidity Rebate program will have a fixed cap of \$0.0039 per share in orders yielding fee code B.

- LMMs must be a Qualified LMM in the security to receive the rebate on a daily basis. If the LMM is not a Qualified LMM in the security, the normal Add Volume Tier in that specific symbol for that day will be assessed.
- Only ETPs with a CADV \geq 1,000,000 will be eligible for this incentive option.

Reporting

The existing LMM Daily and Month-to-Date reports will be updated to include a column indicating the incentive model selected for each assigned symbol. The LMM Report will also contain an updated payout column to account for the LMM Add Liquidity Rebate.

Additional Information

Please contact the Cboe Trade Desk or listings@cboe.com for support or with any questions.

We appreciate your business. Our trading community inspires and drives our mission of defining markets.

Cboe Trade Desk

913.815.7001

tradedesk@cboe.com