



Cboe Options Regulatory Circular RG18-011

Date: March 28, 2018

To: Trading Permit Holders

From: Regulatory Division and Cboe Trading Systems Development

RE: April 2, 2018 Effective Date for Changes to Market-Maker Continuous Electronic Quoting Obligation

Updates Cboe Options Regulatory Circular RG18-008

Changes to the Market-Maker continuous electronic quoting obligation previously announced in Cboe Regulatory Circular RG18-008 will become effective on April 2, 2018.

Effective April 2, 2018, Cboe Options's continuous electronic quoting obligation may be satisfied by Market-Makers either individually or collectively with the Market-Makers of the same TPH Organization. Compliance with the continuous electronic quoting obligation of Cboe Options will continue to apply to all of a Hybrid Market-Maker's appointed classes collectively with respect to each Market-Maker type as the Hybrid Market-Maker is approved to act (e.g., Lead Market-Maker, Designated Primary Market-Maker, etc.) and per trading session (i.e., Regular Trading Hours or Extended Trading Hours).

For more information, please see rule change filing [SR-CBOE-2018-021](#), and Cboe Rule 8.7(d)(ii)(B) with respect to Market-Makers, 8.13(d) with respect to Preferred Market-Makers, 8.15(b)(i) with respect to Lead Market-Makers, and 8.85(a)(i) with respect to Designated Primary Market-Makers.

Example under Proposed Change

The following example illustrates how a TPH Organization may meet the Market-Maker continuous electronic quoting obligation in Cboe Options Rule 8.7(d)(ii)(B) after the proposed change is effective.¹ Assume the TPH Organization has three Market-Makers – ABC, DEF, and XYZ – and they each have a separate appointment in the same class. The class contains 100 series with a time to expiration of less than 9 months.

¹ Pursuant to Cboe Options Rule 8.7(d)(ii)(B), a Market-Maker is required to maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in 60% of the non-adjusted option series of the Market-Maker's appointed classes that have a time to expiration of less than nine months. Under Cboe Options Rule 1.1(ccc) a Hybrid Market-Maker is 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. Compliance with this quoting obligation applies to all of a Hybrid Market-Maker's appointed classes collectively (with respect to each Market-Maker type as the Hybrid Market-Maker is approved to act).

Example:

From 8:30 AM until 3:00 PM, each of the three Market-Makers is continuously electronically quoting 25 different series within the class and there is no overlap between the Market-Makers in the series quoted. Collectively, the three Market-Makers have electronically quoted 75% of the series within the class.

Please note, this proposed change will only be applicable to the continuous electronic quoting obligation. Each Market-Maker is still responsible for individually meeting the Exchanges' bid-ask differentials, initial quote volume, and other Market-Maker obligation, as applicable.

Each Market-Maker acronym may only have one quote in each series at a time; however, if the TPH Organization has multiple Market-Makers appointed in the same class, each Market-Maker acronym may submit its own quote in each series. To meet the continuous electronic quoting obligation the Market-Makers, collectively, must have at least one quote in the minimum percentage of series (e.g., in Example 1 above, if ABC and XYZ were quoting in the same 25 series the three Market-Makers would collectively be quoting only 50% of the series in the class).

Additional Information

For questions related to this circular, please email RegInterps@cboe.com or call (312) 786-8141.