



Hybrid

The MM program allows a Trading Permit Holder (“TPH”) with one or more MM Trading Permits to stream quotes into Hybrid classes from locations on or off of the trading floor. All Market Maker participants (MMs and DPMs, on and off-floor) use this same program, which allows MM TPHs to create customized class appointments, called virtual trading crowds (“VTCs”). All option classes on CBOE are Hybrid classes, except SPX, which contains both Hybrid series (SPX Weeklys under trading symbol SPXW) and Hybrid 3.0 series (all other SPX series under trading symbol SPX). All CBOE classes are divided into various tiers and the tiers are arranged from highest to lowest based on the national average daily volume for the most recent three months, except for proprietary and other certain classes (such as SPY) for which CBOE has determined to place in a specific tier.

MM Class Appointments

Each MM Trading Permit has an “appointment credit” of 1.0, and all classes have been assigned an “appointment cost” as set forth in the following chart.

Tier	Classes	Appointment Cost
SPX	SPX (which includes SPX and SPXW series) and SPXPM	1.00
AA	NDX	0.50 or 1/2
AA	VIX	0.4999
AA	OEX	0.4 or 2/5
AA	IWM, RUT, SPY	0.25 or 1/4
AA	XEO, VXX	0.10 or 1/10
A	1-60	0.10 or 1/10
B	61-120	0.05 or 1/20
C	121-345	0.04 or 1/25
D	346-570	0.02 or 1/50
E	571-999	0.01 or 1/100
F	1000+	0.001 or 1/1000

Using this chart, MMs are able to construct a VTC using any combination of classes for which the aggregate appointment cost does not exceed the total appointment credits of their MM Trading Permits. For example, a MM who holds one MM Trading Permit could request six Tier A classes (6 x .10), four Tier B classes (4 x .05), three Tier C classes (3 x .04), six Tier E classes (6 x .01) and twenty Tier F classes (20 x .001) to constitute the MM’s appointment. If a MM holds multiple MM Trading Permits, the MM’s potential appointment could expand accordingly. CBOE’s appointment calculator (a tool for calculating the appointment cost of an appointment) can be found using the following link: <https://www.cboe.org/members/generalinfo/rmmmain.aspx>.

The Exchange rebalances the volume-based tiers (all excluding the “AA” and SPX tiers) once each calendar quarter. This rebalancing may result in additions or deletions to the available class list or movement of classes among the tiers. When a class changes tiers it will be assigned a new appointment cost based on its new tier location, and MMs will be required to hold the appropriate number of MM Trading Permits reflecting the revised appointment cost, or reduce their appointment cost by modifying their appointments. Otherwise, a MM firm will be automatically assessed as many additional MM Trading Permits as necessary to cover the appointment cost. MMs will be notified in advance of any changes to the list of option classes available for MM appointment after a rebalancing in order to make appropriate changes to either their appointments or to the number of MM Trading Permits held. MMs can make real-time changes to their appointments at any time using the appointment website located at <http://appointments.cboe.com>. As new classes are listed, MMs may request that the subject class be added to their appointments, provided that the MM has

sufficient appointment credits for the new class and the appointment is within the Class Quoting Limit (discussed below).

SPX Tier Appointment

CBOE has established an SPX Tier Appointment fee that is assessed monthly to any MM TPH that either (a) has an SPX Tier Appointment at any time during a calendar month; or (b) conducts any open outcry transactions in SPX at any time during a calendar month and trades at least 100 contracts while active; or (c) conducts any open outcry or electronic transaction in SPX or SPX Weeklys at any time during a calendar month. SPX Tier Appointments will be renewed automatically for the following month unless the TPH logs onto the appointments website (<https://appointments.cboe.com/>) and removes the SPX Tier Appointment by the last business day of the month.

VIX Tier Appointment

CBOE has established a VIX Tier Appointment fee that is assessed monthly to any MM TPH that either (a) has a VIX Tier Appointment at any time during a calendar month and trades at least 100 electronically; or (b) trades at least 1,000 VIX options contracts in open outcry during any calendar month. VIX Tier Appointments will be renewed automatically for the following month unless the TPH logs onto the appointments website (<https://appointments.cboe.com/>) and removes the VIX Tier Appointment by the last business day of the month.

Single Trading Acronyms

MM TPH organizations that have more than one MM nominee may wish to consolidate their electronic quotes and orders under a single trading acronym. In order to take advantage of the use of a single trading acronym, please contact the Registration Services Department, at (312) 786-7449.

Class Quoting Limit

The Exchange limits the number of MM TPHs quoting electronically in each class trading on the Hybrid platform. The Class Quoting Limit (“CQL”) is currently 50 MM TPHs per class, unless CBOE’s President has determined to increase the CQL. A list containing the classes with an increased CQL is available upon request. Note that all MM TPHs with an appointment in a class count towards the CQL, whether they are on-floor or off-floor, and whether they are a DPM or MM. Thus, if class XYZ in Tier A currently has 25 MMs appointed to the class that are located in the physical trading crowd, including the DPM, the maximum number of new MM TPHs that can be appointed to that class is 25, whether they are on-floor or off-floor.

Waitlists

As stated previously, MM TPHs can make real-time changes to their appointments at any time using the appointment website located at <http://appointments.cboe.com>. If a class that is selected has reached its CQL, the TPH will be prompted to be added to the wait list for that class. The wait list will operate on time priority. When a class can accommodate another MM TPH (whether due to attrition or to an increase in the CQL), the TPH at the top of the list will have priority. Once a MM TPH is wait-listed, the Exchange may not alter their position on the wait list other than to improve it as a result of attrition or an increase in the CQL or to cancel it at the request of the TPH.

Affiliated MMs in the Same Class

There is no restriction on affiliated MMs, or MMs affiliated with a DPM or LMM, holding an appointment and submitting electronic quotations in the same class provided CBOE uses an allocation algorithm in the class that does not allocate electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer. (See Rule 8.3(c)(vi).)

MM Obligations

The minimum quoting obligations in Hybrid option classes (including SPXW series trading on the Hybrid platform but not including SPX series trading on the Hybrid 3.0 platform) for MMs, DPMs and LMMs are outlined in Regulatory Circular RG13-058 <https://www.cboe.org/publish/regcir/rg13-058.pdf>.

. The quoting obligations for MMs apply only when quoting in a particular class. The quoting obligations for DPMs and LMMs apply throughout the trading day. For further detail on quoting obligations, please review Rule 8.7 relating

to MMs, Rule 8.85 relating to DPMs and Rule 8.15A relating to LMMs. The Exchange will periodically conduct evaluations of all market makers to determine whether they have fulfilled performance standards relating to, among other things, market quality (size, width), competition among market makers, observance of ethical standards, administrative factors and quoting frequency. Any market maker who fails to adhere to minimum quoting and market quality requirements may be subject to revocation of a class appointment.

Registration and Trading Permit Requirements

A MM must be an effective TPH when requesting MM class appointments. New TPH organizations are required to designate a Nominee (Responsible Person). The Nominee (Responsible Person) is responsible for the actions of the Firm and acts as the liaison between the Firm and the CBOE. Under CBOE Rule 3.9(g), any person applying to have an authorized trading function must complete the Exchange's Trading Permit Holder Orientation Program and pass the Trading Permit Holder Qualification Exam prior to approval. There are two ways to complete this requirement.

- 1) The person may attend the regularly scheduled Orientation Program at The Options Institute at CBOE. Orientation is a one-day review program that includes the qualification exam administered at the end of the day. Individuals with experience in each of the topics teach all sessions.
- 2) TPHs that do not require trading floor access may study exam materials and take the exam online through CBOE's online learning system.

In addition and, as applicable, individual Trading Permit Holders and individual associated persons must comply with the registration and qualification requirements as prescribed by the Exchange in accordance with Exchange Rule 3.6A. Please contact the Registration Services Department, at (312) 786-7449 for information regarding the CBOE Trading Permit application process or go to the Trading Permit Holder Forms Library at <http://www.cboe.org/>.

Fee Structure

CBOE utilizes a declining fee schedule based on the monthly volume of all MM TPHs registered to the same affiliate firm. The CBOE Fee Schedule is located at <http://www.cboe.com/AboutCBOE/FeeSchedule.aspx>.

Marketing Fee Program and Preferred MM Program

As described in the CBOE Fee Schedule, transactions of MMs and DPMs resulting from customer orders from payment accepting firms, and customer orders that have designated a Preferred MM under CBOE Rule 8.13¹, may be assessed a marketing fee, depending on the class. For a more in-depth explanation on the marketing fee program, please see the CBOE Fee Schedule at <http://www.cboe.com/AboutCBOE/FeeSchedule.aspx>.

Connectivity

Connections to CBOEdirect, whether from locations on or away from the trading floor, must be requested through a MM TPH or MM TPH organization's clearing firm. CBOE will work with the MM TPH and its clearing firm to process requests for connections. Co-location within the CBOE facilities is available. Please contact Keith Kiley of the API Test Group, at (312) 786-7245 if you have any questions about this subject.

Additional Information

If you have any questions regarding the Market-Maker program, please contact Allison Kile, Director of Market Maker and DPM Administration, at (312) 786-7210 or contact the MDA Department directly at mqa@cboe.com or (312) 786-7198.

¹ An order flow provider may designate any MM type (DPM, MM) as the Preferred MM for orders sent to the Exchange. A Preferred MM will receive a participation entitlement on an order if it has met certain obligations. The participation entitlement is 40% when there are 2 or more MMs also quoting at the best bid/offer on the Exchange. For further information on the Preferred MM Program, please see CBOE Rule 8.13. To register as a Preferred MM, TPHs must fill out a form located under the [Apply for Registration](#) link, at <https://www.cboe.org>.