



Cboe Options Exchange Announces Select Customer Options Reduction (“SCORE”) Program

Overview

This notice explains the new Select Customer Options Reduction (“SCORE”) program being introduced on Cboe Options Exchange. Subject to Securities and Exchange Commission (“SEC”) review, SCORE will be effective March 1, 2018 based on February 2018 Qualifying Tier volume as described below.

Background

Cboe Options Exchange is introducing the SCORE program, which is a new discount program for Retail, Non-FLEX Customer (“C” origin code) volume in the following options classes: SPX (including SPXW), VIX, RUT, MXEA, MXEF & XSP (“Qualifying Classes”). For purposes of this program “Retail” orders will be defined as Customer orders for which the original order size (in the case of a simple order) or largest leg size (in the case of a complex order) is 100 contracts or less. Volume executed during Extended Trading Hours (“ETH”) will be aggregated with volume executed during Regular Trading Hours (“RTH”).

The SCORE program is available to any Trading Permit Holder (“TPH”) Originating Clearing Firm or non-TPH Originating Clearing Firm. For this program, an “Originating Clearing Firm”, will be defined as either (a) the executing clearing OCC number on any transaction which does not also include a Clearing Member Trading Agreement (“CMTA”) OCC clearing number or (b) the CMTA in the case of any transaction which does include a CMTA OCC clearing number. In order to participate, an Originating Firm must complete the attached SCORE Registration Form by the 25th day of the month preceding the month in which their participation in the SCORE program will commence. The Exchange will aggregate an Originating Firm’s volume with volume of their OCC clearing affiliates if such affiliates are reported to the Exchange via the SCORE Registration Form and there is at least 75% common ownership between the firms as reflected on each firm’s Form BD, Schedule A. “Originating Firm” will refer to both an Originating Clearing Firm and any applicable affiliates.

SCORE Thresholds and Discounts

The SCORE program will utilize two measures for participation and discounts: 1) the Qualifying Tiers, which determine whether a firm qualifies for the discounts in either Tier A or Tier B and 2) the Discount Tiers, which determine the Originating Firm’s applicable discount tiers and corresponding discounts.

Qualifying Tiers: To determine an Originating Firm’s Qualifying Tier, the Originating Firm’s total Retail volume in the Qualifying Classes will be divided by the Originating Firm’s total Customer volume, Retail and non-Retail, in the Qualifying Classes. If an Originating Firm’s Retail volume is between 35% and 69.99%, the Originating Firm will qualify for Tier B discounts. If an Originating Firm’s Retail volume is at or above 70%, the Originating Firm will qualify for Tier A discounts. The Qualifying Tier that is applied in a given month is based on an Originating

Firm's Retail volume in the prior month (e.g., an Originating Firm's volume in January determines which Qualifying Tier applies in February).

Discount Tiers: For the Discount Tier, an Originating Firm's Retail volume in the Qualifying Classes will be divided by total Retail volume in the Qualifying Classes executed on the Exchange. Additionally, SCORE will employ the use of "product multipliers" for the Discount Tier only. Multipliers will be applied to MXEF, MXEA, RUT and XSP volume only, as reflected below. Specifically, Retail volume in these products will be multiplied by the values indicated below so that any volume executed by an Originating Firm in these classes will be increased for purposes of the Discount Tier calculation, but not for purposes of calculating the Qualifying Tiers. Additionally, Discounts will be applied on executed volume only, not on multiplied volume. If an Originating Firm's volume in a given month includes volume from MXEF, MXEA, RUT or XSP, an average rate will be calculated using the Discount Tiers, as described in the examples below.

The Clearing TPH(s) that is billed for an Originating Firm's transactions will receive the applicable discounts, reflected below. Particularly, all discounts will be applied pro-rata to any Clearing TPH that executed volume for an Originating/Firms.

Qualifying Tier B

Retail Volume Percentage in Qualifying Classes between 35.0% and 69.9%

Discount Tier	Percentage of All Customer Retail Volume in Qualifying Classes	Discount Per Retail Contract
B3	0.00% - 5.00%	\$0.00
B2	Above 5.00% - 26.00%	\$0.04
B1	Above 26.00%	\$0.08

Qualifying Tier A

Retail Volume Percentage in Qualifying Classes at or above 70%

Discount Tier	Percentage of All Customer Retail Volume in Qualifying Classes	Discount Per Retail Contract
A5	0.00% - 5.00%	\$0.00
A4	Above 5.00% - 37.00%	\$0.08
A3	Above 37.00% - 41.00%	\$0.15
A2	Above 41.00% - 47.00%	\$0.19
A1	Above 47.00%	\$0.23

Volume Multiplier

MXEA/MXEF	XSP	RUT
99	99	2

Example 1: In January, Originating Firm A executes a total of 1,000,000 Customer (C) contracts in the Qualifying Classes in January, of which 600,000 contracts qualify as Retail volume. Originating Firm B executes a total of 1,000,000 Customer (C) contracts in the Qualifying Classes in January, of which 800,000 contracts qualify as Retail volume. Originating Firm A therefore has a retail percentage of 60% and qualifies for the B tier discounts, while Originating Firm B has a retail percentage of 80% and qualifies for the A tier discounts.

In February, Originating Firm A executes 500,000 contracts from orders which qualify as Retail volume. Out of a total

1.4 million qualifying contracts, Originating Firm A has 35.7% of all qualifying contracts, and thus receives a discount up to Tier B1. Specifically, Originating Firm A receives \$.00 on 70,000 (5%) contracts, \$.04/contract on 294,000 (21%) contracts (i.e. above 5.00% to 26%) (\$11,760) and \$.08/contract on the remaining 136,000 contracts (\$10,880), resulting in a total discount of \$22,640 (\$11,760+10,880) (average discount of approximately \$.045/contract (\$22,640/500,000)).

In February, Originating Firm B executes 900,000 contracts from orders which qualify as Retail volume. Out of a total of 1.4 million total Retail volume executed on the Exchange in the Qualifying Classes, Originating Firm B has 64.3% of all qualifying contracts, and thus receives a discount of up to Tier A1. Specifically, Originating Firm B receives \$.00 on 70,000 (5%) contracts, \$.08/contract on 448,000 (32%) contracts (\$35,840), \$.15/contract on 56,000 (4%) contracts (i.e. above 37.00% to 41%) (\$8,400), \$.19/contract above that on 84,000 (6%) contracts (i.e., above 41% - 47%) (\$15,960), and \$.23/contract on the remaining 242,000 contracts (\$55,660), resulting in a total discount of \$115,860 (\$35,840+\$8,400+\$15,960+\$55,660) (average discount of \$.129/contract (\$115,860/900,000)).

Example 2: Based on January volume, Originating Firm A qualifies for the B tier discounts and Originating Firm B qualifies for the A tier discounts. The total qualifying contracts for February is 1.4 million contracts.

In February, Originating Firm A executes 500,000 contracts from orders which qualify as Retail, of which 100,000 were in RUT. The February RUT volume of Originating Firm A is multiplied by 2 (i.e. adding an additional 100,000 contracts to the qualifying total). Originating Firm A's recalculated contracts is now "600,000" contracts (i.e., 42.9% of the total 1,400,000), and thus receives a discount up to Tier B1. In Example 2, Originating Firm A receives an average rate using the following formula: the average of \$.00 on 70,000 (5%) contracts, \$.04/contract on 294,000 (21%) contracts (i.e. above 5.00% to 26%) and \$.08/contract on the remaining "236,000" contracts, resulting in an average discount rate of \$.051/contract (\$30,640/600,000) and a total discount of \$25,500 (\$.051x500,000).

In February, Originating Firm B executes 900,000 contracts from orders which qualify as Retail volume, of which 10,000 contracts were in XSP. The February XSP volume of Originating Firm B is multiplied by 99 (i.e. adding an additional 980,000 contracts to the qualifying total). Originating Firm B's recalculated contracts is now "1,880,000" contracts (i.e., 134.3% of the total 1,400,000), and thus receives a discount up to Tier A1. In Example 2, Originating Firm A receives an average rate using the following formula: the average of \$.00 on 70,000 (5%) contracts, \$.08/contract on 448,000 (32%) contracts (\$35,840), \$.15/contract on 56,000 (4%) contracts (i.e. above 37.00% to 41%) (\$8,400), \$.19/contract above that on 84,000 (6%) contracts (i.e., above 41% - 47%) (\$15,960), and \$.23/contract on the remaining "1,222,000" contracts (\$281,060), resulting in an average discount rate of \$0.182 contract (341,260/1,880,000) and a total discount of \$163,800 (\$0.182x900,000).

Additional Information

Please contact Jennifer Gillund at 312.786.7771 or gillundj@cboe.com, or John Mavindidze at 312.786.7689 or mavindidze@cboe.com with any questions. Additionally, you may refer to the Cboe Exchange Fees Schedule for more details at <http://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf>.

We appreciate your continued support and will work hard every day to keep earning your business by powering your potential to stay ahead of an evolving market. As always, we are committed to our customers and to making markets better as your partner in trading.

Cboe Operations Support Center

312.786.7100

helpdesk@cboe.com

**Cboe Options Exchange
Registration of Originating Clearing Firm(s)
For Select Customer Options Reduction (“SCORe”) Program**

Any Trading Permit Holder (“TPH”) Originating Clearing Firm or non-TPH Originating Clearing Firm that wishes to participate in Select Customer Options Reduction (“SCORe”) must provide the information below by the 25th day of the month preceding the month in which their participation in the SCORe discount program will commence. For this program, an “Originating Clearing Firm”, will be defined as either (a) the executing clearing OCC number on any transaction which does not also include a Clearing Member Trading Agreement (“CMTA”) OCC clearing number or (b) the CMTA in the case of any transaction which does include a CMTA OCC clearing number.

The Exchange will aggregate an Originating Clearing Firm’s volume with volume of their OCC clearing affiliates if such affiliates are reported to the Exchange and there is at least 75% common ownership between the firms as reflected on each firm’s Form BD, Schedule A. Any changes to such affiliations must be provided to the Exchange via this form immediately.

ORIGINATING CLEARING MEMBER	
Firm Name:	
OCC Firm No:	
AFFILIATED CLEARING MEMBER	
Firm Name:	
OCC Firm No:	
AFFILIATED CLEARING MEMBER	
Firm Name:	
OCC Firm No:	
BILLING CONTACT FOR ORIGINATING CLEARING MEMBER	
Name:	Title:
Phone:	Email:

Please fill out the above information and e-mail the completed form as an attachment to registration@cboe.com.

Additional Information:

Questions may be directed to Jennifer Gillund at 312.786.7771 or gillundj@cboe.com or Nycole Rodriguez at 312.786.7451 or rodrigu3@cboe.com.

Originating Clearing Firm Authorizing Signature¹

Printed Name

Title

Date

¹ Must be an Executive Officer and/or Director listed on Form BD, Schedule A