



Regulatory Circular RG10-131

Date: December 17, 2010

To: All Chicago Board Options Exchange Trading Permit Holders

From: Finance and Administration

Subject: **2011 Liquidity Provider Transaction Fee Sliding Scale,  
2011 Clearing Firm Trading Permit Holder Proprietary Orders Fees,  
AIM Contra-Party Fee,  
Market-Maker Trading Permit Sliding Scale,  
VIX Surcharges,  
PAR Officials Execution Fee,  
Linkage Fees, and  
2011 Fee Changes**

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This circular explains 2011 changes to the Fees Schedule for Chicago Board Options Exchange. Separate circulars will be issued to announce 2011 changes, if any, to the Fees Schedules for C2 Options Exchange and for CBOE Futures Exchange. Subject to rule filings with the SEC, the changes summarized below will be effective January 3, 2011. The complete January 2011 Fee Schedule will be posted on the Exchange website at <http://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf>.

### **2011 Liquidity Provider Sliding Scale**

The Liquidity Providers (LP) Transaction Fee Sliding Scale program was launched in 2007 for LPs. A LP's rate per contract is reduced if certain volume thresholds are reached in a month. Contracts traded in all products are eligible for the plan. The sliding scale is effective for all LPs (MM, DPM, eDPM and LMM).

The 2011 LP transaction fee sliding scale is the **same** as the LP transaction fee sliding scale in effect during 2010.

Tiers	Contracts per Month	Rate
First	First 85,000	20 cents
Second	Next 1,265,000	18 cents
Third	Next 2,075,000	15 cents
Fourth	Next 2,050,000	10 cents
Fifth	Next 5,025,000	3 cents
Sixth	Above 10,500,000	1 cent

Prepayment Incentives - In order to capture the lower rates in tiers three through six, a LP must prepay transaction fees as noted on the following page:

- To be eligible to participate in the sliding scale above 1.35 million contracts per month, a LP must prepay their entire fees for the first two levels of the sliding scale for the entire year (\$2,936,400).
- Another incentive option is to prepay tiers one through four for the entire year to capture a \$685,000 (7.5%) prepayment discount. After deducting the discount, a net payment amount of \$8,446,400 must be paid in early January 2011.

Prepayment elections and wired payments must take place during the period January 3 through January 7, 2011.

### **Clearing Trading Permit Holder Proprietary Orders—Multi-Listed Option Firm Fee Cap and CBOE Proprietary Products Transaction Fee Sliding Scale**

Effective January 3, 2011, the Exchange is eliminating the existing Clearing Trading Permit Holders Proprietary Sliding Scale and a) implementing a new Clearing Firm Trading Permit Holder Multi-Listed Option Firm Fee Cap, which will apply to all products except SPX, VIX, OEX and XEO, and b) a new Clearing Firm Trading Permit Holder Proprietary Products Transaction Fee Sliding Scale. These are discussed below:

**Multi-Listed Option Firm Fee Cap:** Effective January 3, 2011, Firm (F origin code) multi-listed transaction fees are subject to a monthly maximum fee of \$75,000 (“Multi-Listed Option Firm Fee Cap”). Multi-listed option transaction charges, in the aggregate, for one billing month will not exceed the Multi-Listed Option Firm Fee Cap per Firm, except for orders of joint back-office (“JBO”) participants. JBO firms are not eligible for the Multi-Listed Option Firm Fee Cap. AIM Executions where the Firm is the contra-party are also excluded from the cap and aggregation.

**CBOE Proprietary Products Transaction Fee Sliding Scale:** Effective January 3, 2011, Firm (F origin code) proprietary product (SPX, VIX, OEX and XEO) transaction fees for one billing month may be reduced provided the Firm attains certain monthly contract volume in multi-listed contracts:

- For Firms with multi-listed contracts of at least 375,000 in the month but less than 1,500,000 contracts in the month, transaction fees for proprietary products will be reduced to the following:

Tiers	Contracts per Month	Rate
First	First 750,000	18 cents
Second	Next 250,000	5 cents
Third	Above 1,000,000	2 cents

- For Firms with multi-listed contracts of 1,500,000 or greater in the month, transaction fees for proprietary products will be reduced to the following:

Tiers	Contracts per Month	Rate
First	First 750,000	15 cents
Second	Above 750,000	1 cent

Firms with less than 375,000 multi-listed contracts in the month are not eligible for the reduced fees on proprietary products transactions and will pay the per contract rate of 25 cents. Any applicable surcharge fees will apply to both the \$0.25 per contract rate and the sliding scale contract rate. JBO firms are not eligible for the Proprietary Products Transaction Fee Sliding Scale. The firm transaction fee rate on the S&P 500 Dividend Index (DVS) is \$0.20 per contract plus a \$0.10 surcharge fee.

### **AIM (Automated Improvement Mechanism) Contra-Party Transaction Fee**

Effective January 3, 2011, AIM Executions per contract fee for contra-parties for all options except SPX, VIX, OEX and XEO will be \$0.05 per contract plus any applicable surcharges.

### **Market-Maker Trading Permit Sliding Scale**

**Market-Maker Trading Permit**– The Exchange is implementing a sliding scale for Market-Maker Trading Permit Access Fees effective January 3, 2011 for all Market-Maker Trading Permits held by affiliated Trading Permit Holders and TPH organizations that are used for appointments in any options classes other than SPX, VIX, OEX and XEO. Any Market-Maker Permits used for these four classes, whether in whole or in part, are excluded from this sliding scale and will be priced at \$6,000/month. For all other Market-Maker permits, the fees assessed to affiliated Trading Permit Holders and TPH Organizations may be reduced as shown in the following sliding scale based on the aggregate permit level per month, subject to certain conditions:

From	To	Amount per Month per Permit
1 permit	10 permits	\$6,000
11 permits	20 permits	\$4,800
Above 20 permits		\$3,000

Further details on qualifying terms for the Market-Maker Trading Permit Sliding Scale will be provided in the near future.

### **VIX Surcharge**

The Exchange is implementing a VIX Market-Maker Tier Appointment of \$1,000 per month effective January 3, 2011.

In addition, a \$1,000 per month fee will be assessed to any Floor Broker Trading Permit Holder who (a) executes more than 20,000 VIX contracts in one billing month and; (b) their aggregate VIX executed contracts in the month make up more than 30% of their exchange wide total executed contracts.

### **PAR Officials Execution Fee**

Effective January 3, 2011, a PAR Officials Execution Fee of 2 cents per contract (crossed orders 1 cent per contract) will be added to the Fee Schedule. The fee will be assessed on all contracts executed by PAR Officials, excluding contracts that are Customer Origin and were not Direct Routed to the trading floor. The fee will be assessed to the originating firm when it can be identified, or the executing

clearing firm in the trade record if the originating firm cannot be identified.

### **Linkage Fees**

Effective January 3, 2011, a fee of \$0.35 will be assessed for each contract that executes on an away exchange, in whole or in part, as a result of a linkage order sent by CBOE, where the original order received by CBOE is a public customer order of 500 contracts or greater. This represents a change from the current qualifying public customer order size of 1,000 or more contracts

### **PULSe On-Floor Workstation**

As part of the roll-out of PULSe Workstations, an on-floor version is now available for \$225 per month, per login.

### **2011 Fee Changes**

#### ***Options Transaction Fees***

- 1) **Equity Options and ETF and HOLDRs options** – Other than the Multi-Listed Option Firm Fee Cap, the AIM Execution Fee for contra-parties and the PAR Officials Execution Fee discussed above, there are no changes to options transaction fees for Equity Options or ETF and HOLDRs options.

<i>Equity Options</i>	<i>Per Contract</i>
<b>Customer</b>	\$0.00
<b>Voluntary Professional</b>	\$0.20
<b>Professional</b>	\$0.20
<b>Market Maker/DPM/E-DPM</b>	\$0.20
<b>Clearing Trading Permit Holder Proprietary</b>	\$0.20
<b>Broker-Dealer</b>	
Manual	\$0.25
Electronic	\$0.45
<b>AIM Contra-Party</b> (customer orders not assessed)	\$0.05
<b>PAR Officials Execution Fee</b> (crossed orders \$0.01)	\$0.02
<b>CFLEX Surcharge Fee</b>	\$0.10

<i>ETF and HOLDRs Options</i>	<i>Per Contract</i>
<b>Customer</b>	
QQQQ of any order size	\$0.00
All other ETF and HOLDRs:	
Order Size of 99 or less	\$0.00
Order Size of 100 or more	\$0.18
<b>Voluntary Professional</b>	\$0.20
<b>Professional</b>	\$0.20
<b>Market Maker/DPM/DPM</b>	\$0.20
<b>Clearing Trading Permit Holder Proprietary</b>	\$0.20
<b>Broker-Dealer</b>	
Manual	\$0.25
Electronic	\$0.45
<b>AIM Contra-Party</b> (QQQQ customer orders of any size, customer orders in SPY executed in open outcry or AIM and all other ETF and HOLDRs customer orders of order size of 99 or less not assessed)	\$0.05
<b>PAR Officials Execution Fee</b> (crossed orders \$0.01 per side)	\$0.02
<b>CFLEX Surcharge Fee</b>	\$0.10

**2) Cash Settled Index Options –**

- a. **Surcharge Fee on VIX** – The surcharge fee on VIX is increased from 8 cents per contract to 10 cents per contract. Customer orders are not assessed a surcharge fee.
- b. **VIX Floor Brokerage Fee** – Floor Brokerage Fees for VIX is increased from 2 cents per contract to 4 cents per contract. VIX crossed order will be assessed a reduced rate of 2 cents per contract.
- c. **Fee Changes for Clearing Trading Permit Holder Proprietary** – The transaction fee is increased from 20 cents to 25 cents for SPX, VIX, OEX and XEO, subject to the Clearing Trading Permit Holder CBOE Proprietary Products Transaction Fee Sliding Scale described earlier in this Circular.

As a result of the above fee changes, the fee schedule for Cash Settled Index Options as of January 3, 2011 is as follows:

<i>CBOE Proprietary Cash Settled Index Options</i> SPX, VIX, OEX, DVS and XEO	<i>Per Contract</i>
<b>Customer</b>	
SPX, premium > = \$1	\$0.44
SPX, premium < \$1	\$0.35
VIX, OEX, DVS and XEO	\$0.40
OEX and XEO Weeklys	\$0.30
<b>Professional</b>	\$0.40
<b>Market Maker/DPM/eDPM</b>	\$0.20
<b>Clearing Trading Permit Holder Proprietary (DVS S&amp;P 500 Dividend Index rate is \$0.20)</b>	\$0.25
<b>Broker-Dealer</b>	\$0.40
<b>CFLEX Surcharge Fee</b>	\$0.10
<b>Floor Brokerage Fee</b> (crossed orders \$0.02)	\$0.04
<b>PAR Officials Execution Fee</b> (crossed orders \$0.01 per side)	\$0.02
<b>Surcharge Fee</b> (customer orders not assessed)	\$0.10

<i>CBOE Licensed and Other Cash Settled Index Options</i> DJX, MNX, RUT, NDX, XSP, MVR, Other	<i>Per Contract</i>
<b>Customer</b>	\$0.18
<b>Professional</b>	\$0.20
<b>Market Maker/DPM/eDPM</b>	\$0.20
<b>Clearing Trading Permit Holder Proprietary</b>	\$0.20
<b>Broker-Dealer</b>	
Manual	\$0.25
Electronic	\$0.45
<b>AIM Contra-Party (includes DVS, excludes DJX and XSP)</b>	\$0.05
<b>CFLEX Surcharge Fee</b>	\$0.10
<b>PAR Officials Execution Fee</b> (crossed orders \$0.01 per side)	\$0.02
<b>Surcharge Fee</b>	
DJX (customer orders not assessed)	\$0.10
MNX, RUT, NDX (customer orders not assessed)	\$0.15

**Facility Fees:**

- 3) **Booths** – Effective January 3, 2011, the monthly rental fee for Perimeter Booths is increased from \$185 per month to \$195 per month and for OEX Booths (now VIX Booths) from \$330 per month to \$550 per month.

- 4) **Forms Storage** – The fee for Forms Storage is increased from \$10 per month to \$11 per month.
- 5) **5-Part and 2-Part Paper** – To reflect the Exchange’s current cost, the monthly fee for 5-part and 2-part paper is increased from \$35 to \$50.
- 6) **Access Badges** – The charges for Access Badges by type and per occurrence will change as follows:
- a. *Type:* Floor Manager Access Badge charge increases from \$110 per month to \$120 per month and both Firm Clerk and Firm Crowd Clerk Access Badge charges increase from \$55 per month to \$60 per month.
  - b. *Charges per Occurrence:*
    - i. Access Badge Issuance Increase from \$15.00 to \$16.50
    - ii. Replacement Badge Increase from \$15.00 to \$16.50
    - iii. Unreturned Security Access Badge Increase from \$75.00 to \$82.50
    - iv. Temporary Badge-Non-Trading Permit Holder Increase from \$10.00 to \$11.00
    - v. Temporary Badge-Trading Permit Holder Increase from \$10.00 to \$11.00  
(1<sup>st</sup> 3 free per year)
- 7) **Coat Room Services** – Coat Room Checking fees increase from \$15 per month to \$25 per month.
- 8) **Communications** – The following monthly fee increases are effective January 3, 2011:
- a. Exchangefone Increase from \$52.00 to \$57.00
  - b. Single Line Maintenance Increase from \$10.50 to \$11.50
  - c. PhoneMail with Outcall & Pager Increase from \$17.00 to \$18.75
  - d. Intra-Floor Lines Increase from \$52.50 to \$57.75
  - e. Voice Circuits Increase from \$14.40 to \$16.00
  - f. Data Circuits at Local Carrier (entrance) Increase from \$14.40 to \$16.00
  - g. Lines Between Local Carrier and Communications Center Increase from \$11.60 to \$12.75
  - h. Lines Direct From Local Carrier to Trading Floor Increase from \$11.60 to \$12.75
  - i. Lines Between Communications Center and Trading Floor Increase from \$11.60 to \$12.75
- 9) **Communications** – The following changes for installation, relocation and removal are effective January 3, 2011:
- a. Data Circuits at In-House Frame:
    - i. Lines Between Local Carrier and Communications Center – The installation fee increases from \$200 to \$550, with the fee to include the removal fee. The existing removal fee of \$100 is eliminated.
    - ii. Lines Direct From Local Carrier to Trading Floor – The installation fee increases from \$350 to \$725, with the fee to include the removal fee. The existing removal fee of \$200 is eliminated. The relocation fee of \$425 is increased to \$625.
    - iii. Lines Between Communications Center and Trading Floor – The installation fee increases from \$350 to \$725, with the fee to include the removal fee. The existing removal fee of \$200 is eliminated. The relocation fee of \$425 is increase to \$625.
- 10) **Miscellaneous** – Because of differences in costs incurred in the installation between the various trading crowds, the Exchange is implementing a Market Maker Handheld Terminal Tethering

Services-Indexes fee for installation of \$900. The Market Maker Handheld Terminal Tethering Services Fee other than Indexes for installation is increased from \$350 to \$450.

**11) Trading Floor Terminal Rentals** – Monthly fees changes are as follows:

- |                               |                              |
|-------------------------------|------------------------------|
| a. Floor Broker Workstation   | Increase from \$200 to \$225 |
| b. PULSe On Floor Workstation | \$225                        |
| c. Satellite TV               | Increase from \$35 to \$50   |
| d. PAR Workstation            | Increase from \$100 to \$125 |

**12) Co-Location** – Effective January 3, 2011, the Co-location of Equipment Fee (per “U” – 1.75 inches) increases from \$10 per month to \$20 per month and for Sponsored Users from \$20 per month to \$40 per month. The fees are charged in increments of 4 “U” (7 inches).

***Trading Permit, Tier Appointment and Bandwidth Packet Fees:***

As a result of the implementation of the VIX Tier Appointment and Floor Broker Trading Permit fee discussed above, the fee schedule for Trading Permit, Tier Appointment and Bandwidth Packet Fees as of January 3, 2011 is as follows:

<i>Trading Permit and Tier Appointment Fees</i>	<i>Per Month</i>
<b>Market-Maker Trading Permit</b> (subject to sliding scale)	\$6,000
<b>SPX Tier Appointment</b>	\$3,000
<b>VIX Tier Appointment</b>	\$1,000
<b>Floor Broker Trading Permit (1)</b>	\$6,000
<b>Electronic Access Permit</b>	\$1,600
<b>CBSX Trading Permit</b>	No Access Fee

<i>Bandwidth Packet Fees</i>	<i>Per Month</i>
<b>Quoting and Order Entry Bandwidth Packet</b>	\$3,000
<b>Order Entry Bandwidth and Packet Fees for Trading Permit Holders</b>	
1 <sup>st</sup> – 5 <sup>th</sup> Packet	\$1,600
6 <sup>th</sup> – 8 <sup>th</sup> Packet	\$ 800
9 <sup>th</sup> – 13 <sup>th</sup> Packet	\$ 400
14 <sup>th</sup> Packet and each additional Packet	\$ 200
<b>Fees for Order Entry Bandwidth Packets(s) Assigned to Sponsored User</b>	
1 <sup>st</sup> – 6 <sup>th</sup> Packet	\$1,600
7 <sup>th</sup> – 9 <sup>th</sup> Packet	\$ 800
10 <sup>th</sup> – 14 <sup>th</sup> Packet	\$ 400
15 <sup>th</sup> Packet and Each Additional Packet	\$ 200

(1) An additional fee of \$1,000 per month will be assessed to any Floor Broker Trading Permit Holder who (a) executes more than 20,000 VIX contracts in one billing month and; (b) their aggregate VIX executed contracts in the month make up more than 30% of their exchange wide total executed contracts.



The Trading Permit Descriptions and the assessment of trading permit and tier appointment fees are fully described in the Fees Schedule. The Market-Maker Trading Permit Sliding Scale is described above and details will be set forth in the Fees Schedule. Bandwidth Packet Descriptions and Assessment of Bandwidth Packet Fees are fully described in the Fees Schedule.

***Trading Permit Holder Application Fees:***

- 13) Fingerprint Processing Fee** – To reflect the Exchanges current costs, the Fingerprint Processing Fee is increased from \$50 to \$60.
- 14) Inactive Nominee Status (Per Quarter – Parking Space)** – The Inactive Nominee Status Fee is increased from \$750 to \$900.

***Regulatory Fees:***

- 15) Options Regulatory Fee** – Effective January 3, 2011, the Options Regulatory Fee (“ORF”) is increased from \$.004 per contract to \$.0045 per contract. The ORF is assessed to each Trading Permit Holder for all options transactions cleared in the customer range, excluding Linkage orders, regardless of the exchange on which the transaction occurs.
- 16) DPM’s & Firm Designated Examining Authority Fee** – The DPM’s & Firm Designated Examining Authority Fee is increased from \$0.40 per \$1,000 of gross revenue to \$0.50 per \$1,000 of gross revenue.

***CBOEdirect Connectivity Charges:***

- 17) CBOEdirect Connectivity Charges** – Monthly fee changes are as follows:
- |   |                             |
|---|-----------------------------|
| a. Network Access Port                          | Increase from \$40 to \$80  |
| b. Network Access Port/Sponsored User           | Increase from \$80 to \$160 |
| c. CMI Client Application Server                | Increase from \$40 to \$80  |
| d. CMI Client Application Server/Sponsored User | Increase from \$80 to 160   |
| e. FIX Port                                     | Increase from \$40 to \$80  |
| f. FIX Port/Sponsored User                      | Increase from \$80 to \$160 |

***Hybrid Fees:***

- 18)** Effective January 3, 2011, the Quoting Infrastructure User Fee is increased from \$150 per month to \$200 per month and the Enhanced TickerXpress User Fee is increased from \$300 per month to \$350 per month.

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Questions on Trading Permits, Tier Appointments, Bandwidth Packages and the Market-Maker Permit Sliding Scale can be directed to Stan Leimer at 312-786-7299 ([Leimer@cboe.com](mailto:Leimer@cboe.com)). Questions can be directed to Don Patton at (312) 786-7026 ([patton@cboe.com](mailto:patton@cboe.com)), Colleen Laughlin at 312-786-8390 ([laughlin@cboe.com](mailto:laughlin@cboe.com)), John Mavindidze at (312) 786-7689 ([mavindidze@cboe.com](mailto:mavindidze@cboe.com)) or Cheryl Ahrens at 312-786-7450 ([ahrens@cboe.com](mailto:ahrens@cboe.com)).