

Regulatory Circular RG13-158

Date: December 13, 2013

To: Trading Permit Holders
From: Finance and Administration
RE: 2014 Fee Changes

This circular explains 2014 changes to the Fees Schedule for Chicago Board Options Exchange, Incorporated (the "Exchange" or "CBOE").

Subject to Securities and Exchange Commission ("SEC") review, the changes summarized below will be effective January 2, 2014.

2014 Liquidity Provider ("LP") Sliding Scale For All Products Except SPX, SPXW, SPXPM, SRO, OEX, XEO, VIX or Other Volatility Indexes

The Exchange will be introducing two changes to the LP Sliding Scale. First, the LP tier structure will change from the current Nominal Contracts Per Month Thresholds (i.e. 1 – 100,000 CPM in Multiply-Listed Volume, etc.) to a Relative Contracts Per Month Threshold Structure (i.e. 0.00% - 0.05% of Total National Market Maker Multiply-Listed Volume, etc.). Second, CBOE is decreasing the first tier transaction rate from \$0.25 to \$0.23.

Effective January 1, 2014, an LP's rate per contract is reduced if certain relative volume thresholds are reached in a month, with both the count and the reduced rate per contract calculated using the following formula: a) Market-Maker Trading Permit Holder Multiply-Listed Contract Volume executed at CBOE, divided by b) Total National Market-Maker Multiply-Listed Contract Volume. Contracts traded in all products except SPX, SPXW, SPXPM, SRO, OEX, XEO, VIX or other volatility indexes are eligible for the plan.

Tiers	Percentage Thresholds of National Market-Maker Multiply-Listed Monthly Volume	Rate
First	0.00% - 0.05%	23 cents
Second	Greater than 0.05% - 0.70%	17 cents
Third	Greater than 0.70% - 1.40%	10 cents
Fourth	Greater than 1.40% - 2.00%	5 cents
Fifth	Above 2.00%	3 cents

Prepayment Incentive: To be eligible to participate in the sliding scale above 0.70% of National Market-Maker Multiply-Listed Monthly Volume, a LP must prepay \$2,400,000 of their market-maker transaction fees for the year. Pro-rated prepayments are accepted later in the year, as long as the payment is received at least five business days prior to the month in which the application of the discount is to begin. For LP's interested in participating in the sliding scale for all of 2014, prepayment election and wired payment must take place during the period January 1 through January 10, 2014.

Example A: Trading Permit Holder A prepays \$2,400,000 on January 1, 2014 and executes 5,162,500 market-maker multiply-listed options contracts at CBOE in January 2014. In January 2014, 295,000,000 national market-maker multiply-listed options contracts were executed. Trading Permit Holder A's 5,162,500 contracts represent 1.75% of the total national market-maker multiply-listed options volume. Trading Permit Holder A's transaction fees for January 2014 are \$0.23 per contract on the first 147,500 contracts ($0.05\% \times 295,000,000$), or \$33,925, \$0.17 per contract on the next 1,917,500 contracts ($(0.70\% \times 295,000,000) - 147,500$), or \$325,975, and \$0.10 per contract on the remaining 3,097,500 contracts, or \$309,750, for a total of \$669,650 or \$0.1297/contract. Because Trading Permit Holder A prepaid, the January 2014 invoice is \$469,650 (\$669,650 less the prepayment of \$200,000 (\$2,400,000 / 12 months)).

Example B: Trading Permit Holder B executes 2,000,000 market-maker multiply-listed options contracts in February 2014. In February 2014, 250,000,000 national market-maker multiply-listed options contracts were executed. Trading Permit Holder B's 2,000,000 contracts represent 0.80% of the total national market-maker multiply-listed options volume. Trading Permit Holder B transaction fees for February 2014 are \$0.23 per contract on the first 125,000 contracts ($0.05\% \times 250,000,000$), or \$28,750, and \$0.17 per contract on the remaining 1,875,000 (because Trading Permit Holder B did not prepay, Trading Permit Holder B is not eligible to participate in the sliding scale above 0.70%), or \$318,750, for a total of \$347,500, or \$0.1738/contract. Prepaying would have resulted in a reduction in transaction fees of \$17,500 for February 2014.

Hybrid Agency Liaison ("HAL") Step Up Rebate

CBOE currently provides a \$0.10 per contract rebate to market-makers who execute transactions in HAL in response to auction messages, provided those market-makers have, in the previous calendar month, submitted at least 70% of their total quotes in the subject penny pilot class (not including LEAPS) on either side of the NBBO.

The rebate will be reduced to \$0.05 per contract, with all other qualifying standards remaining unchanged.

Clearing Trader Permit Holder Proprietary Transaction Fees ("F" Origin Code)

The Exchange is increasing transaction fees for electronic executions by Clearing Trader Permit Holder Proprietary in equity options, ETF and ETN options and index options (excluding SPX, SPXW, SPXPM, SRO, OEX, XEO, VIX and volatility indexes), from \$0.25 to \$0.35, except for executions within CBOE's Automated Improvement Mechanism (AIM).

Clearing Trading Permit Holder Proprietary VIX Options Sliding Scale

The Clearing Trading Permit Holder Proprietary VIX Options Sliding Scale, implemented in 2013, is eliminated.

Other Volatility Indexes

Effective January 2, 2014, all transaction fees for other volatility indexes will be the same as VIX transaction fees.

VIX Customer ("C" Origin Code) Transaction Fees

The Exchange is introducing a separate rate for VIX customer transactions where the premium is less than or equal to \$0.10 and increasing the customer transaction fees for the remaining two tiers.

Effective January 2, 2014, customer transaction fees for VIX contracts with a) premium less than or equal to \$0.10 will be \$0.10 per contract; b) premium between \$0.11 and \$0.99 will be \$0.27; and c) premium greater than or equal to \$1.00 will be \$0.48. In the case of complex orders, CBOE will apply the premium test to each individual leg.

VIX Market-Maker ("M" Origin Code) Transaction Fees

Effective January 2, 2014, market-maker transaction fees for VIX contracts with premium less than or equal to \$0.10 will be \$0.05 per contract and market-maker transaction fees for VIX contracts with premium greater than \$0.10 will be \$0.23 per contract. In the case of complex orders, CBOE will apply the premium test to each individual leg. As in 2013, a VIX surcharge fee of \$0.10 is also assessed to all non-customer VIX contracts.

Customer Priority Surcharge for SPXW (electronic only)

The Exchange is implementing a customer priority surcharge for SPXW (electronic only) of \$0.05.

Customer Priority Surcharge for VIX (maker non-turner)

The Exchange is implementing a customer priority surcharge for VIX (maker, non-turner) of \$0.00 for premium less than or equal to \$0.10 and \$0.05 for premium greater than or equal to \$0.11.

SPX Hybrid 3.0 Execution Fee

The SPX Hybrid 3.0 Execution Fee is increasing from \$0.18 to \$0.20 per contract.

Floor Broker Access Rebate

The Exchange is introducing a second tier access rebate for Floor Brokers. Currently, any Floor Broker Trading Permit Holder that executes an average of 15,000 customer open-outcry contracts per day over the course of a calendar month in multiply-listed options classes receives a rebate of \$7,500 on their Floor Broker Trading Permit fees. Effective January 2, 2014, any Floor Broker Trading Permit Holder with two or more Floor Broker Trading Permits that executes an average of 25,000 or more customer open-outcry contracts per day over the course of a calendar month in multiply-listed options classes will receive an additional rebate of \$7,500 on their Floor Broker Trading Permit fees.

Linkage Fees

Currently, public customer orders of an original size of 99 contracts or fewer are assessed the specific away exchange transaction fees for that order less \$0.05/contract. Effective January 2, 2014, for such orders, CBOE will assess the specific away exchange transaction fees for that order.

The per contract routing fee for any size non-customer order, including voluntary professionals and professionals, which CBOE executes via inter-market linkage in whole or in part, is increasing from \$0.50 to \$0.55.

Clearing Trading Permit Holder Proprietary ("F" Origin Code) CBOE Proprietary Products Sliding Scale ("Firm SS")

The Exchange will be introducing two changes to the Firm SS. First, the multiply-listed qualifying volume for reduced fees will change from the current monthly volume to average daily volume ("ADV"). Second, the Firm SS tier structure will change from the current Nominal Contracts per Month Thresholds (i.e. first 750,000, etc.) to a Relative Contracts per Month Threshold Structure (i.e. 0.00% - 6.50% of Total Firm Proprietary Volume, etc.).

Clearing Trading Permit Holder Proprietary transaction fees in SPX, SPXW, SPXPM, SRO, OEX, XEO, VIX or other volatility indexes in a month will be reduced to the fees shown in the following tables provided a Clearing Trading Permit Holder reaches certain ADV volume thresholds in multiply-listed options on the Exchange in a month:

Multiply-Listed Volume between 18,000 ADV and 71,999 ADV

Tiers	Percentage Thresholds of Total Firm Proprietary Volume	Rate
First	0.00% - 6.50%	18 cents
Second	Greater than 6.50% - 8.50%	5 cents
Third	Above 8.50%	2 cents

Multiply-Listed Volume 72,000 and Above ADV

Tiers	Percentage Thresholds of Total Firm Proprietary Volume	Rate
First	0.00% - 6.50%	15 cents
Second	Above 6.50%	1 cent

Example A: Trading Permit Holder A executes an ADV of 25,000 multiply-listed options contracts and total monthly 800,000 proprietary products in January 2014. In January 2014, 11,700,000 total firm proprietary options contracts were executed. Trading Permit Holder A's total monthly 800,000 proprietary contracts represent 6.84% of the total monthly firm proprietary options contracts volume. Trading Permit Holder A's proprietary products transaction fees for January 2014 are \$0.18 per contract on the first 760,500 contracts (6.50% x 11,700,000), or \$136,890, and \$0.05 per contract on the remaining 39,500 contracts, or \$1,975, for a total of \$138,865, or \$0.1736/contract.

Example B: Trading Permit Holder B executes an ADV of 107,000 multiply-listed options contracts and total monthly 1,100,000 proprietary products in February 2014. In February 2014, 11,800,000 total firm proprietary options contracts were executed. Trading Permit Holder B's 1,100,000 proprietary contracts represent 9.32% of the total firm proprietary options contracts volume. Trading Permit Holder B's proprietary product transaction fees for February 2014 are \$0.15 per contract for the first 767,000 contracts (6.50% x 11,800,000), or \$115,050, and \$0.01 per contract on the remaining 333,000 contracts, or \$3,330, for a total of \$118,380, or \$0.108/contract.

CBOE Fees Schedule

<http://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf>

Additional Information:

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