

Regulatory Circular RG16-040

Date: February 26, 2016

To: Trading Permit Holders
From: Business Development
RE: Frequent Trader Program

Overview

On April 1, 2016, subject to SEC review, Chicago Board Options Exchange, Incorporated ("CBOE") will activate a new initiative called the Frequent Trader ("FT") Program. FT will offer incentives for trading activity in certain CBOE proprietary products (i.e., VIX, SPX, SPXW and SPXpm) and will be available to non-trading permit holder, non-broker/dealer (i.e. customer) users, such as managed funds, hedge funds, etc. based on their individual levels of activity. FT will allow these users to obtain a unique identification number ("FTID") which can be appended to orders delivered to CBOE during both Regular Trading Hours and Extended Trading Hours for either electronic or manual execution. The volume associated with each FTID will be aggregated to qualify for partial rebates of CBOE customer transaction fees.

The FTID will be recorded only on the Exchange's internal order tracking system and will not be disclosed or otherwise discoverable by any other party. Additionally, CBOE will not disclose the list or details of customers having a FTID to any party, and there will be no public record of FTID owners. Any personal information provided to the Exchange in connection with the Frequent Trader Program will be handled in a manner consistent with the Frequent Trader Program Privacy Policy, a copy of which can be accessed through the Frequent Trader Program website <https://www.cboe.com/ftid/registration.aspx>. Each customer will be responsible for ensuring their executing agent appends the FTID to the customer's qualifying orders. Executing agents, however, will not be required by the Exchange to append FTIDs to orders, as the program will be voluntary.

FAQs

1. What is the process to obtain a Frequent Trader ID?

Beginning on February 29th, customers can obtain an ID by registering at <https://www.cboe.com/ftid/registration.aspx>

2. Where will the FTID be entered on the order?

Trading Permit Holders wishing to facilitate participation in the FT Program will need to enter the assigned FTID in the appropriate field of the specific API used for trade submission. The CMi2 API will use the extensions field for entering the assigned six character alphanumeric FTID. The FIX API will use tag 21097 for entering the assigned six character alphanumeric FTID. For orders executed via manual handling, a Floor Broker will also be able to append an FTID by entering it in the Frequent Trader field available on both FBW and PULSe.

3. How many total contracts need to be traded in a month to receive a transaction fee rebate?

VIX Options			SPX / SPXW / SPXpm Options		
Tier	Monthly Contracts Traded	Fee Rebate	Tier	Monthly Contracts Traded	Fee Rebate
1	5,000	5%	1	12,000	5%
2	10,000	10%	2	20,000	10%
3	20,000	15%	3	50,000	15%

4. What fees will be rebated?

Standard customer transaction fees will be rebated excluding any surcharges or transaction fees that would not be assessed due to the Customer Large Trade Discount.

5. Will there be a way for customers to track their activity?

FTID owners will receive a daily statement via email including contracts traded and total estimated fees with potential rebate. There will also be an option to request customized reports through our web site at <https://www.cboe.org/tphreports/default.aspx>.

6. How will a customer receive their rebate?

The FTID owner may request payment either by:

- a) pro-rata distribution to its executing firm(s); or
- b) wire transfer.

Payment instructions can be submitted using the link provided on the customer's daily statement.

7. Will there be a process for providing multiple FTIDs for a single trade?

A form will need to be submitted within 3 business days containing the following trade information:

- a) ORS ID
- b) Trade date
- c) Product symbol
- d) Executing firm/CMTA
- e) Total volume
- f) FTIDs where the contracts are to be assigned along with the total number of contracts split into premium price buckets

8. Will there be a process for correcting a FTID that was entered in error?

A form will need to be submitted within 3 business days containing the following trade information:

- a) Erroneous FTID
- b) Correct FTID
- c) Approval from both parties that the ID was assigned in error and should be corrected

Additional Information

Questions may be directed to Jennifer Gillund at (312) 786-7771 or gillundj@cboe.com.