

CBOE Regulatory Circular RG16-063 C2 Regulatory Circular RG16-017

Date: March 29, 2016

To: CBOE and C2 Trading Permit Holders

From: Regulatory Division

Re: Submission of Subordination Agreements

This Circular updates CBOE Regulatory Circular RG15-084/C2 Regulatory Circular RG15-023

In accordance with Appendix D of the Securities Exchange Act of 1934 ("SEA") Rule 15c3-1, every broker or dealer registered pursuant to SEA Section 15 that enters into a proposed subordination agreement or secured demand note agreement must file such agreements with the firm's designated examining authority ("DEA") for review and approval, unless otherwise exempt.

Effective **April 1, 2016**, Trading Permit Holders for whom Chicago Board Options Exchange, Incorporated ("CBOE") or C2 Options Exchange, Incorporated ("C2" and, collectively with CBOE, the "Exchanges") is the Designated Examining Authority ("DEA")¹ will be required to electronically submit requests for approval of proposed subordination loan agreements and secured demand note agreements, including any renewals or amendments of existing agreements, to CBOE or C2 via Financial Industry Regulatory Authority, Inc.'s ("FINRA") Firm Gateway platform.² This submission method will replace the current submission of subordination agreement approval requests (which is via hardcopy or email to DMFRNotification@cboe.com).³ CBOE and C2 will no longer accept requests filed in hardcopy or via email.

No changes are being made to the subordination documentation and related requirements at this time. Firms should refer to SEA Rule 15c3-1 Appendix D for information regarding subordination filing requirements. Firms must use their current FINRA entitlement user ID and password to access the Firm Gateway to submit financial notifications and subordination requests. Firm personnel should contact their firm's Super Account Administrator (SAA) with any questions regarding how to access the Firm Gateway. For Firm Gateway technical questions, contact FINRA's Technical Support Group at +1 301 869 6699.

¹ Please note that this filing requirement applies only to Trading Permit Holders for whom CBOE or C2 is the DEA. (C2 is not currently the DEA for any of its Trading Permit Holders.)

² As previously announced via Regulatory Circular, CBOE and C2 have an agreement with FINRA under which FINRA performs certain regulatory services on behalf of the Exchanges. In connection with the regulatory services program, and as also previously announced, the submission of various regulatory filings by CBOE and C2 TPHs will transition to the electronic filing platform available via FINRA's Firm Gateway. FINRA's Firm Gateway (<https://firms.finra.org>) is a portal that provides consolidated access to various FINRA regulatory systems. (See CBOE Regulatory Circular RG15-084 / C2 Regulatory Circular RG15-023.)

³ Please note that notifications of financial arrangements of Market-Makers, including terminations and changes to such arrangements, under CBOE Rule 8.10 or C2 Rule 8.10 as applicable, should continue to be submitted to DMFRNotification@cboe.com.

Please note: With respect to documentation, please note that the existing CBOE and C2 subordination agreement template forms will continue to be utilized. The template forms are attached to this circular for reference. (The FINRA subordination agreement template forms that are available via the Firm Gateway – which forms are specifically tailored to broker-dealers that are FINRA members and subject to FINRA's filing requirements – are not applicable to firms for whom CBOE or C2 serve as DEA.) As a result of this distinction, CBOE and C2 Trading Permit Holders must use the non-standard form option when submitting subordination agreement forms via the Firm Gateway.

Additional Information:

Questions concerning this Regulatory Circular can be directed to the Regulatory Interpretations and Guidance line at (312) 786-8141 or RegInterps@cboe.com.

LaSalle at VanBuren
Chicago, Illinois 60605
312 786-5600

SUBORDINATED LOAN AGREEMENT (Equity) CBOE Loan No. _____

This Agreement is dated _____, 20____ and _____ is _____ between _____ a _____ (the "Borrower") and a _____ (the "Lender") (State whether individual, partnership, trust or corporation or other legal entity, and the State where registered.)

RECITALS

Borrower is a member organization of the Chicago Board Options Exchange (the "Exchange") and desires to borrow money to be used and dealt with as part of its capital under arrangements whereby such borrowing will be subordinate to the indebtedness of the Borrower to other creditors.

The Lender (a partner or stockholder of the Borrower) is willing to lend to the Borrower, in accordance with the agreements set forth below, money to be used in carrying on the business of the Borrower, which money will be subject in all respects to the risks of that business as it is now or may hereafter be conducted.

AGREEMENTS

Loan.

On the effective date of this Agreement, as provided in Section 13(b) hereof, the Lender shall lend to the Borrower, in cash, the sum of \$_____ which sum the Borrower shall pay to the Lender, subject to the terms and conditions hereof, on _____ (a date at least three years and not more than ten years from the effective date of the Agreement) (the "Scheduled Maturity Date"), which may be extended or accelerated as herein provided, with interest payable _____ at the rate of _____ percent per annum on the unpaid balance.

Subordination of Lender's Claims.

The Lender irrevocably agrees that any and all claims that the Lender, as creditor or otherwise, may now or at any time hereafter have against the Borrower under this Agreement with respect to the payment of principal and interest are and shall be subordinated in right of payment and subject to the prior payment or provision for payment in full of all claims of all other present and future creditors of the Borrower, whose claims are not similarly subordinated (claims hereunder shall rank pari passu with claims similarly subordinated) and to claims which are now or hereafter expressly stated in the instruments creating such claims to be senior in right of payment to the claims of the class of this claim, arising out of any matter occurring prior to the Scheduled Maturity Date (as defined in Section 1 and as extended or accelerated as herein provided) of this loan. In the event of the appointment of a receiver or trustee of the Borrower or in the event of its insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970, or otherwise, its bankruptcy assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the Borrower—the Lender shall not be entitled to participate or share, ratably or otherwise, in the distribution of the assets of the Borrower, until all claims of all present and future creditors of the Borrower, whose claims are senior hereto, have been fully satisfied, or provision has been made therefore.

Loan Subject To Risk of Borrower's Business.

The money loaned to the Borrower hereunder may be used and dealt with by the Borrower as part of its capital and shall in all respects be subject to the risks of the Borrower's business as now or hereafter in any way conducted. The Borrower shall have the right to deposit any cash proceeds of the loan made pursuant to this Agreement in an account or accounts in its own name in any bank or trust company.

Permissive Prepayment.

The Borrower at its option, but not at the option of the Lender, may make a payment of all or any portion of the payment obligation (being that obligation to return the sum loaned to the Borrower) hereunder prior to the Scheduled Maturity Date of such payment obligation (hereinafter referred to as a "Prepayment"), but in no event, may any Prepayment be made before the expiration of one year from the effective date of this Agreement. No Prepayment shall be made unless notice is given to the Lender and the Exchange at least three months (or any shorter period approved by the Exchange) prior to the intended date for such Prepayment. No Prepayment shall occur without the prior written approval of the Exchange. No Prepayment shall be made, if after giving effect thereto (and to all payments of payment obligations of outstanding subordination agreements of the Borrower, including the return of any Secured Demand Note and the collateral therefore held by the Borrower, the maturity or accelerated maturity of which are scheduled to occur within six months after the date such Prepayment is to occur pursuant to the provisions of this section, or on or prior to the Scheduled Maturity Date for payment of the principal amount hereof disregarding this section, whichever date is earlier) without reference to any projected profit or loss of the Borrower, EITHER the aggregate indebtedness of the Borrower would exceed the Borrower's net capital by more than one thousand (1000) percent as defined in 17CFR 240.15c3-1 or such lesser percent as may be provided in the Rules and Regulations of the Exchange, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required in 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the Exchange, OR in the case of a Borrower operating pursuant to paragraph (a)(1)(ii) of 17CFR 240.15c3-1, the net capital of the Borrower would be less than five (5) percent of the Borrower's aggregate debit items computed in accordance with the provisions of 17CFR 240.15c3-3a or such greater percentage as may be required in the Rules and Regulations of the Exchange, OR if registered as a futures commission merchant, one hundred twenty (120) percent of the risk based capital requirement calculated in accordance with CFTC Regulations, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required by paragraph (a)(1)(ii) of 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the Exchange, OR the sum of deductions required by 17CFR 240.15c3-1 (c)(2)(x)(A) and the equity required by 17CFR 240.15c3-1 (a) (6) (iii) would exceed the Borrower's net capital by more than one thousand (1000) percent or such lesser percent as may be provided in the Rules and Regulations of the Exchange or the minimum capital as required by the Borrower's Designated Self-Regulatory Organization ("DSRO").

Notwithstanding the consent of the Exchange, the Lender agrees that if Prepayment is made at any time when the conditions which would bar Prepayment under Section 4(a) exist or if Repayment is made at any time when the conditions which would bar Repayment under Section 5 exist (whether or not the Lender had any knowledge or notice of such fact at the time of any such return, reduction or withdrawal), the Lender shall promptly upon written notice by the Borrower or the Exchange repay to the Borrower the sum so returned.

The terms "aggregate indebtedness" and "net capital" are used in this Agreement as defined in 17CFR 240.15c3-1 or any successor rule as in effect at the time any Repayment or Prepayment is to be made under this Agreement. The term "aggregate debit items" is used in this agreement as defined in 17CFR 240.15c3-3a or any successor rule as in effect at the time any Repayment or Prepayment is to be made under this Agreement. It is understood that the definitions of such terms as "aggregate indebtedness," "net capital" and "aggregate debit items" and the minimum dollar amounts, percentages by which indebtedness is permitted to exceed net capital, and the percentages of aggregate debit items which net capital is required to exceed, may be modified at any time after the effective date of this Agreement by the Exchange in its Rules, Regulations and Policies or by the Securities and Exchange Commission in its Rules and Regulations and that the rights and obligations of the Borrower and the Lender throughout this agreement shall be subject to any such modification.

Repayment.

Subject to the terms and conditions hereof, the Lender shall have the right to demand payment of the sum loaned to Borrower ("Repayment") on _____ ("the Maturity Date"). (the date specified as the Scheduled Maturity Date in Section 1 of this Agreement)

The Borrower's obligation to make Repayment shall be suspended if, after giving effect to such Repayment (together with all repayments of the Borrower under any other subordination agreement(s) then outstanding which are scheduled to mature on or before such Repayment) EITHER the aggregate indebtedness of the Borrower would exceed the Borrower's net capital by more than twelve hundred (1200) percent, as defined in 17CFR 240.15c3-1 or such lesser percent as may be provided in the Rules and Regulations of the Exchange, OR the net capital of the Borrower would be less than one hundred and twenty (120) percent of the minimum dollar amount required in 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the

Exchange, OR in the case of the Borrower operating pursuant to paragraph (a)(1)(ii) of 17CFR 240.15c3-1, the net capital of the Borrower would be less than five (5) percent of the Borrower's aggregate debit items computed in accordance with the provisions of 17CFR 240.15c3-3a or such greater percentage as may be required in the Rules and Regulations of the Exchange, OR if registered as a futures commission merchant, (120) percent of the risk based capital requirement calculated in accordance with CFTC Regulations, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required by paragraph (a)(1)(ii) of 17CFR 240.15c3-1 or such greater minimum dollar amounts may be required in the Rules and Regulations of the Exchange, OR the sum of deductions required by 17CFR 240.15c3-1(c)(2)(x)(A) and the equity required by 17CFR 240.15c3-1(a)(6) (iii) would exceed the Borrower's net capital by more than one thousand (1000) percent or such lesser percent as may be provided in the Rules and Regulations of the Exchange or the minimum capital as required by the Borrower's Designated Self-Regulatory Organization ("DSRO"). If pursuant to the terms hereof, the Borrower's obligation to make Repayment is suspended, the parties hereto recognize and agree that the Exchange may suspend the Borrower. The Borrower agrees that, if its obligation to make Repayment is ever suspended for a period of not less than six months, it shall then commence the rapid and orderly complete liquidation of its entire business, but the right of the Lender to receive payment together with accrued interest or compensation, shall subordinate as required by the provisions of this Agreement.

In the event of the appointment of a receiver or trustee of the Borrower or in the event of its insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970 or otherwise, bankruptcy, assignment for the benefit of creditors, reorganizations whether or not pursuant to bankruptcy laws, or any other marshaling of the assets and liabilities of the Borrower, the payment obligation of the Borrower shall mature, and the holder hereof shall not be entitled to participate or share, ratably or otherwise, in the distribution of the assets of the Borrower until all claims of all other present and future creditors of the Borrower, whose claims are senior hereto, have been fully satisfied.

Limitation on Withdrawal of Equity Capital.

Notwithstanding any other provision of this agreement, no equity capital of the Borrower or a subsidiary or affiliate consolidated pursuant to Appendix (C), 17 CFR 240.15c3-1c, whether in the form of capital contributions by partners (excluding securities in the securities accounts of partners and balances in limited partners' capital accounts in excess of their stated capital contributions), par or stated value of capital stock, paid-in-capital in excess of par, retained earnings or other capital accounts, may be withdrawn by action of a stockholder or partner, or by redemption or repurchase of shares of stock by any of the consolidated entities or through the payment of dividends or any similar distribution, nor may any unsecured advance or loan be made to a stockholder, partner, sole proprietor, employee or affiliate, in contravention with the provisions of paragraph (e) of 17 CFR 240.15c3-1.

Default.

No default in the payment of interest or in the performance of any other covenant or condition of this Agreement by the Borrower shall have the effect of accelerating the Scheduled Maturity Date or of creating a cause of action against the Borrower prior to the Scheduled Maturity Date. Irrespective of any such default, payment of the principal and interest shall remain subordinate as herein provided.

Borrower's Records.

The Lender's claims under this Agreement and the subordinate nature thereof shall be accurately reflected on the books and financial reports of the Borrower which shall contain an appropriate reference to this Agreement.

Non-Liability of Exchange.

The loan is not being made and this Agreement is not being entered into in reliance upon the standing of the Borrower as a member organization of the Exchange or upon the Exchange's surveillance of the Borrower's financial position or its compliance with the Constitution, Rules and practices of the Exchange. The Lender has made such investigation of the Borrower and its partners, officers, directors and stockholders, as the Lender deems necessary and appropriate under the circumstances. The Lender is not relying upon the Exchange to provide, to cause to be provided, any information concerning or relating to the Borrower and agrees that the Exchange has no responsibility to disclose, to cause to be disclosed, to the Lender any information concerning or relating to the Borrower which it may now, or at any future time, have. The Lender agrees that neither the Exchange, the Options Clearing Corporation (the "Clearing Corporation"), nor any director, committee member, officer, trustee, or employee of the Exchange or the Clearing Corporation shall have any liability to the Lender for any matter related to or rising from this

Agreement, the loan made hereby, the payment obligation hereunder or the payment of any interest thereon and the Lender agrees not to assert any such liability or any claims based upon any such liability now or at any future time.

No Right of Set-Off.

The Lender agrees that it is not taking and will not take or assert as security for the payment of the loan made pursuant to this Agreement any security interest in or lien upon, whether created by contract, statute or otherwise, any property of the Borrower or any property in which the Borrower may have an interest, which is or at any time may be in the possession or subject to the control of the Lender. The Lender hereby waives, and further agrees that it will not seek to obtain payment of the loan made pursuant to this Agreement in whole or in any part by exercising any right of set-off it may assert or possess whether created by contract, statute or otherwise. Any agreement between the Borrower and the Lender (whether in the nature of a general loan and collateral agreement, a security or pledge agreement or otherwise) shall be deemed amended hereby to the extent necessary so as not to be inconsistent with the provisions of this paragraph.

Exchange Notification.

The Borrower shall immediately notify the Exchange if, after giving effect to all payments of payment obligations under subordination agreements then outstanding which are then due or mature within the following six (6) months without reference to any projected profit or loss of the Borrower, EITHER the aggregate indebtedness of the Borrower would exceed the Borrower's net capital by more than twelve hundred (1200) percent as defined in 17CFR 240.15c3-1 or such lesser percent as may be provided in the Rules and Regulations of the Exchange, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required in 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the Exchange, OR in the case of a Borrower operating pursuant to paragraph (a)(1)(ii) of 17CFR 240.15c3-1, the net capital of the Borrower would be less than five (5) percent of the Borrower's aggregate debit items computed in accordance with the provisions of 17CFR 240.15c3-3a or such greater percentage as may be required in the Rules and Regulations of the Exchange, OR if registered as a futures commission merchant, one hundred twenty (120) percent of the risk based capital requirement calculated in accordance with CFTC Regulations, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required by paragraph (a)(1)(ii) of 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required on the Rules and Regulations of the Exchange or the minimum capital as required by the Borrower's Designated Self-Regulatory Organization ("DSRO").

Futures Commission Merchants.

If the Borrower is a futures commission merchant, as that term is defined in the Commodity Exchange Act, the Borrower agrees, consistent with the requirements of Section 1.17(h) of the regulations of the CFTC, that:

Whenever prior written notice by the Borrower to the Exchange is required pursuant to the provisions of this Agreement, the same prior written notice shall be given by the Borrower to (i) the CFTC at its principal office in Washington, D.C., Attention Chief Accountant of Division of Trading and Markets, and/or (ii) the commodity exchange of which the Borrower is a member and which is then designated by the CFTC as the Borrower's designated self-regulatory organization (the "DSRO"), and

Whenever prior written consent, permission or approval of the Exchange is required pursuant to the provisions of this Agreement, the Borrower shall also obtain the prior written consent, permission or approval of the CFTC and/or of the DSRO, and

Whenever the Borrower receives written notice of acceleration of maturity pursuant to subparagraph (b)(9) of 17CFR 240.15c3-1d, the Borrower shall promptly give written notice thereof to the CFTC at the address above stated and/or to the DSRO.

Miscellaneous Provisions.

Transfer. The rights of the Lender hereunder may not be transferred, sold, assigned, pledged or otherwise disposed of, and no lien, charge or other encumbrance may be created or permitted to be created thereon without the prior written consent of the Borrower and the Exchange.

Effective Date. This Agreement shall be effective from the date that it is approved by the Exchange.

Definition of Borrower. The term "Borrower" as used in this Agreement shall mean the Borrower, its heirs, executors, administrators, successors and assigns.

On Whom Binding. This Agreement shall be binding upon the Lender and the Borrower, and their respective heirs, executors, administrators, successors and assigns.

Notices. Any notice required or permitted to be given under this Agreement shall be sufficiently given if in writing delivered to or sent registered mail or certified mail to the appropriate party at the address set forth in this Agreement, or at any such other address as such party may from time to time specify for the purpose in a notice similarly given.

Entire Agreement and Modification. This instrument embodies the entire agreement between the Borrower and the Lender with respect to the subject matter hereof and no other evidence of such agreement has been or shall be executed without the prior written consent of the Exchange. No provisions of this Agreement may be modified or amended by the parties without the prior written consent of the Exchange.

Arbitration. Any controversy arising out of or relating to this Agreement or the breach thereof shall be submitted to and settled by arbitration pursuant to the Constitution and Rules of the Exchange. The parties hereto and all who may claim under them, shall be conclusively bound by such arbitration.

Governing Law. This Agreement shall be deemed to have been made under, and shall be governed by, the laws of the State of Illinois in all respects including matters of construction, validity and performance.

Cancellation. This Agreement shall not be subject to cancellation by either party: no payment shall be made with respect hereto and this Agreement shall not be terminated, rescinded or modified by mutual consent or otherwise if the effect thereof would be inconsistent with the requirements of 17CFR 240.15c3-1 and 240.15c3-1d.

Redesignation of Examining Authority. The parties understand that the Exchange is, at the effective date of this Agreement the self-regulatory body designated to be responsible for inspecting or examining the Borrower for compliance with financial responsibility requirements under Section 9(c) of the Securities Investor Protection Act of 1970 and Section 17(d) of the Securities Exchange Act of 1934, as amended; however, in the event that another self-regulatory or regulatory body ("Examining Authority") is designated with such responsibility, any notice or consent required hereunder or by 17 CFR 240.15c3-1 will thenceforth be required to be given to or received from the Examining Authority.

Name of Lender _____ (State where individual, partnership, trust or corporation or other legal entity, and the State where registered.)

Address _____

Signature _____ Title _____

ACCEPTED AND CONFIRMED

Name of Borrower _____ a _____ (State whether individual, partnership, trust or corporation or other legal entity, and the State where registered.)

Address _____

Signature _____ Title _____

SUBORDINATION AGREEMENT INFORMATION STATEMENT

Business relationship of the Lender to Borrower:

Officer Partner Stockholder Other _____

Did the Borrower carry funds or securities for the Lender at or about the time the proposed subordination agreement was filed?

Yes No

APPROVED:

Chicago Board Options Exchange, Inc.
LaSalle at Van Buren
Chicago, Illinois 60605

Name _____

Title _____

Signature _____

Effective Date _____

STATE OF _____)

)
) SS
)
)

COUNTY OF _____)

On this _____ day of _____, 20_____, before me personally came
_____(person executing for Lender) known to me to be the individual described in
and who executed the forgoing instrument and he duly acknowledged to me that he executed the same.

Notary Public _____

(SEAL)

My Commission Expires _____

LaSalle at Van Buren
Chicago, Illinois 60605
312 786-5600

SUBORDINATED LOAN AGREEMENT (Debt) CBOE Loan No.

This Agreement is dated _____, 20____ and is between _____
a _____ (the "Borrower") and _____ a
_____ (the "Lender")
(State whether individual, partnership, trust or corporation or other legal entity, and the State where registered.)

RECITALS

Borrower is a member organization of the Chicago Board Options Exchange (the "Exchange") and desires to borrow money to be used and dealt with as part of its capital under arrangements whereby such borrowing will be subordinate to the indebtedness of the Borrower to other creditors.

The Lender is willing to lend to the Borrower in accordance with the agreements set forth below, money to be used in carrying the business of the Borrower, which money will be subject in all respects to the risks of that business as it is now or may hereafter be conducted.

AGREEMENTS

Loan.

On the effective date of this Agreement, as provided in Section 13(b) hereof, the Lender shall lend to the Borrower, in cash, the sum of \$ _____ which sum the Borrower shall pay to the Lender, subject to the terms and conditions hereof, on _____
(a date at least one year and not more than ten years from the effective date of the Agreement)

(the "Scheduled Maturity Date"), which may be extended or accelerated as herein provided, with interest payable _____ at the rate of _____ percent per annum on the unpaid balance.

Subordination of Lender's Claims.

The Lender irrevocably agrees that any and all claims that the Lender, as creditor or otherwise, may now or at any time hereafter have against the Borrower under this Agreement with respect to the payment of principal and interest are and shall be subordinated in right of payment and subject to the prior payment or provision for payment in full of all claims of all other present and future creditors of the Borrower, whose claims are not similarly subordinated (claims hereunder shall rank pari passu with claims similarly subordinated) and to claims which are now or hereafter expressly stated in the instruments creating such claims to be senior in right of payment to the claims of the class of this claim, arising out of any matter occurring prior to the Scheduled Maturity Date (as defined in Section 1 and as extended or accelerated as herein provided) of this loan. In the event of the appointment of a receiver or trustee of the Borrower or in the event of its insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970, or otherwise, its bankruptcy assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the Borrower—the Lender shall not be entitled to participate or share, ratably or otherwise, in the distribution of the assets of the Borrower, until all claims of all present and future creditors of the Borrower, whose claims are senior hereto, have been fully satisfied, or provision has been made therefore.

Loan Subject To Risk of Borrower's Business.

The money loaned to the Borrower hereunder may be used and dealt with by the Borrower as part of its capital and shall in all respects be subject to the risks of the Borrower's business as now or hereafter in any way conducted. The Borrower shall have the right to deposit any cash proceeds of the loan made pursuant to this Agreement in an account or accounts in its own name in any bank or trust company.

Permissive Prepayment.

The Borrower at its option, but not at the option of the Lender, may make a payment of all or any portion of the payment obligation (being that obligation to return the sum loaned to the Borrower) hereunder prior to the Scheduled Maturity Date of such payment obligation (hereinafter referred to as a "Prepayment"), but in no event, may any Prepayment be made before the expiration of one year from the effective date of this Agreement. No Prepayment shall be made unless notice is given to the Lender and the Exchange at least three months (or any shorter period approved by the Exchange) prior to the intended date for such Prepayment. No Prepayment shall occur without the prior written approval of the Exchange. No Prepayment shall be made, if after giving effect thereto (and to all payments of payment obligations of outstanding subordination agreements of the Borrower, including the return of any Secured Demand Note and the collateral therefore held by the Borrower, the maturity or accelerated maturity of which are scheduled to occur within six months after the date such Prepayment is to occur pursuant to the provisions of this section, or on or prior to the Scheduled Maturity Date for payment of the principal amount hereof disregarding this section, whichever date is earlier) without reference to any projected profit or loss of the Borrower, EITHER the aggregate indebtedness of the Borrower would exceed the Borrower's net capital by more than one thousand (1000) percent as defined in 17CFR 240.15c3-1 or such lesser percent as may be provided in the Rules and Regulations of the Exchange, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required in 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the Exchange, OR in the case of a Borrower operating pursuant to paragraph (a)(1)(ii) of 17CFR 240.15c3-1, the net capital of the Borrower would be less than five (5) percent of the Borrower's aggregate debit items computed in accordance with the provisions of 17CFR 240.15c3-3a or such greater percentage as may be required in the Rules and Regulations of the Exchange, OR if registered as a futures commission merchant, one hundred twenty (120) percent of the risk based capital requirement calculated in accordance with CFTC Regulations, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required by paragraph (a)(1)(ii) of 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the Exchange, OR the sum of deductions required by 17CFR 240.15c3-1 (c)(2)(x)(A) and the equity required by 17CFR 240.15c3-1 (a) (6) (iii) would exceed the Borrower's net capital by more than one thousand (1000) percent or such lesser percent as may be provided in the Rules and Regulations of the Exchange or the minimum capital as required by the Borrower's Designated Self-Regulatory Organization ("DSRO").

Notwithstanding the consent of the Exchange, the Lender agrees that if Prepayment is made at any time when the conditions which would bar Prepayment under Section 4(a) exist or if Repayment is made at any time when the conditions which would bar Repayment under Section 5 exist (whether or not the Lender had any knowledge or notice of such fact at the time of any such return, reduction or withdrawal), the Lender shall promptly upon written notice by the Borrower or the Exchange repay to the Borrower the sum so returned.

The terms "aggregate indebtedness" and "net capital" are used in this Agreement as defined in 17CFR 240.15c3-1 or any successor rule as in effect at the time any Repayment or Prepayment is to be made under this Agreement. The term "aggregate debit items" is used in this agreement as defined in 17CFR 240.15c3-3a or any successor rule as in effect at the time any Repayment or Prepayment is to be made under this Agreement. It is understood that the definitions of such terms as "aggregate indebtedness," "net capital" and "aggregate debit items" and the minimum dollar amounts, percentages by which indebtedness is permitted to exceed net capital, and the percentages of aggregate debit items which net capital is required to exceed, may be modified at any time after the effective date of this Agreement by the Exchange in its Rules, Regulations and Policies or by the Securities and Exchange Commission in its Rules and Regulations and that the rights and obligations of the Borrower and the Lender throughout this agreement shall be subject to any such modification.

Repayment.

Subject to the terms and conditions hereof, the Lender shall have the right to demand payment of the sum loaned to Borrower ("Repayment") on _____ ("the Scheduled Maturity Date") (the date specified as the Scheduled Maturity Date in Section 1 of this Agreement)

The Borrower's obligation to make Repayment shall be suspended if, after giving effect to such Repayment (together with all repayments of the Borrower under any other subordination agreement(s) then outstanding which are scheduled to mature on or before such Repayment) EITHER the aggregate indebtedness of the Borrower would exceed the Borrower's net capital by more than twelve hundred (1200) percent, as defined in 17CFR 240.15c3-1 or such lesser percent as may be provided in the Rules and Regulations of the Exchange, OR the net capital of the Borrower would be less than one hundred and twenty (120) percent of the minimum dollar amount required in 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the

Exchange, OR in the case of the Borrower operating pursuant to paragraph (a)(1)(ii) of 17CFR 240.15c3-1, the net capital of the Borrower would be less than five (5) percent of the Borrower's aggregate debit items computed in accordance with the provisions of 17CFR 240.15c3-3a or such greater percentage as may be required in the Rules and Regulations of the Exchange, OR if registered as a futures commission merchant, (120) percent of the risk based capital requirement calculated in accordance with CFTC Regulations, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required by paragraph (a)(1)(ii) of 17CFR 240.15c3-1 or such greater minimum dollar amounts may be required in the Rules and Regulations of the Exchange, OR the sum of deductions required by 17CFR 240.15c3-1(c)(2)(x)(A) and the equity required by 17CFR 240.15c3-1(a)(6) (iii) would exceed the Borrower's net capital by more than one thousand (1000) percent or such lesser percent as may be provided in the Rules and Regulations of the Exchange or the minimum capital as required by the Borrower's Designated Self-Regulatory Organization ("DSRO"). If pursuant to the terms hereof, the Borrower's obligation to make Repayment is suspended, the parties hereto recognize and agree that the Exchange may suspend the Borrower. The Borrower agrees that, if its obligation to make Repayment is ever suspended for a period of not less than six months, it shall then commence the rapid and orderly complete liquidation of its entire business, but the right of the Lender to receive payment together with accrued interest or compensation, shall subordinate as required by the provisions of this Agreement.

In the event of the appointment of a receiver or trustee of the Borrower or in the event of its insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970 or otherwise, bankruptcy, assignment for the benefit of creditors, reorganizations whether or not pursuant to bankruptcy laws, or any other marshaling of the assets and liabilities of the Borrower, the payment obligation of the Borrower shall mature, and the holder hereof shall not be entitled to participate or share, ratably or otherwise, in the distribution of the assets of the Borrower until all claims of all other present and future creditors of the Borrower, whose claims are senior hereto, have been fully satisfied.

Accelerated Maturity.

The Lender may, upon written notice to the Borrower and the Exchange, given no sooner than six months after the effective date of this Agreement, accelerate the date on which the Borrower's payment obligation together with accrued interest or compensation, is scheduled to mature, to the business day of a calendar month which is not less than six months after notice of acceleration is received by the Borrower and the Exchange. Notwithstanding the above, no such acceleration shall occur without the prior written approval of the Exchange. Any such accelerated obligation of the Borrower shall remain subordinated as provided in Section 2 hereof.

Default.

No default in the payment of interest or in the performance of any other covenant or condition of this Agreement by the Borrower shall have the effect of accelerating the Scheduled Maturity Date or of creating a cause of action against the Borrower prior to the Scheduled Maturity Date. Irrespective of any such default, payment of the principal and interest shall remain subordinate as herein provided.

Borrower's Records.

The Lender's claims under this Agreement and the subordinate nature thereof shall be accurately reflected on the books and financial reports of the Borrower which shall contain an appropriate reference to this Agreement.

Non-Liability of Exchange.

The loan is not being made and this Agreement is not being entered into in reliance upon the standing of the Borrower as a member organization of the Exchange or upon the Exchange's surveillance of the Borrower's financial position or its compliance with the Constitution, Rules and practices of the Exchange. The Lender has made such investigation of the Borrower and its partners, officers, directors and stockholders as the Lender deems necessary and appropriate under the circumstances. The Lender is not relying upon the Exchange to provide, to cause to be provided, any information concerning or relating to the Borrower and agrees that the Exchange has no responsibility to disclose, to cause to be disclosed, to the Lender any information concerning or relating to the Borrower which it may now, or at any future time, have. The Lender agrees that neither the Exchange, the Options Clearing Corporation (the "Clearing Corporation"), nor any director, committee member, officer, trustee, or employee of the Exchange or the Clearing Corporation shall have any liability to the Lender for any matter related to or rising from this Agreement, the loan made hereby, the payment obligation hereunder or the payment of any interest thereon and the Lender agrees not to assert any such liability or any claims based upon any such liability now or at any future time.

No Right of Set-Off.

The Lender agrees that it is not taking and will not take or assert as security for the payment of the loan made pursuant to this Agreement any security interest in or lien upon, whether created by contract, statute or otherwise, any property of the Borrower or any property in which the Borrower may have an interest, which is or at any time may be in the possession or subject to the control of the Lender. The Lender hereby waives, and further agrees that it will not seek to obtain payment of the loan made pursuant to this Agreement in whole or in any part by exercising any right of set-off it may assert or possess whether created by contract, statute or otherwise. Any agreement between the Borrower and the Lender (whether in the nature of a general loan and collateral agreement, a security or pledge agreement or otherwise) shall be deemed amended hereby to the extent necessary so as not to be inconsistent with the provisions of this paragraph.

Exchange Notification.

The Borrower shall immediately notify the Exchange if, after giving effect to all payments of payment obligations under subordination agreements then outstanding which are then due or mature within the following six (6) months without reference to any projected profit or loss of the Borrower, EITHER the aggregate indebtedness of the Borrower would exceed the Borrower's net capital by more than twelve hundred (1200) percent as defined in 17CFR 240.15c3-1 or such lesser percent as may be provided in the Rules and Regulations of the Exchange, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required in 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required in the Rules and Regulations of the Exchange, OR in the case of a Borrower operating pursuant to paragraph (a)(1)(ii) of 17CFR 240.15c3-1, the net capital of the Borrower would be less than five (5) percent of the Borrower's aggregate debit items computed in accordance with the provisions of 17CFR 240.15c3-3a or such greater percentage as may be required in the Rules and Regulations of the Exchange, OR if registered as a futures commission merchant, one hundred twenty (120) percent of the risk based capital requirement calculated in accordance with CFTC Regulations, OR the net capital of the Borrower would be less than one hundred twenty (120) percent of the minimum dollar amount required by paragraph (a)(1)(ii) of 17CFR 240.15c3-1 or such greater minimum dollar amount as may be required on the Rules and Regulations of the Exchange or the minimum capital as required by the Borrower's Designated Self-Regulatory Organization ("DSRO").

Futures Commission Merchants.

If the Borrower is a futures commission merchant, as that term is defined in the Commodity Exchange Act, the Borrower agrees, consistent with the requirements of Section 1.17(h) of the regulations of the CFTC, that:

Whenever prior written notice by the Borrower to the Exchange is required pursuant to the provisions of this Agreement, the same prior written notice shall be given by the Borrower to (i) the CFTC at its principal office in Washington, D.C., Attention Chief Accountant of Division of Trading and Markets, and/or (ii) the commodity exchange of which the Borrower is a member and which is then designated by the CFTC as the Borrower's designated self-regulatory organization (the "DSRO"), and

Whenever prior written consent, permission or approval of the Exchange is required pursuant to the provisions of this Agreement, the Borrower shall also obtain the prior written consent, permission or approval of the CFTC and/or of the DSRO, and

Whenever the Borrower receives written notice of acceleration of maturity pursuant to subparagraph (b)(9) of 17CFR 240.15c3-1d, the Borrower shall promptly give written notice thereof to the CFTC at the address above stated and/or to the DSRO.

Miscellaneous Provisions.

Transfer. The rights of the Lender hereunder may not be transferred, sold, assigned, pledged or otherwise disposed of, and no lien, charge or other encumbrance may be created or permitted to be created thereon without the prior written consent of the Borrower and the Exchange.

Effective Date. This Agreement shall be effective from the date that it is approved by the Exchange.

Definition of Borrower. The term "Borrower" as used in this Agreement shall mean the Borrower, its heirs, executors, administrators, successors and assigns.

On Whom Binding. This Agreement shall be binding upon the Lender and the Borrower, and their respective heirs, executors, administrators, successors and assigns.

Notices. Any notice required or permitted to be given under this Agreement shall be sufficiently given if in writing delivered to or sent registered mail or certified mail to the appropriate party at the address set forth in this Agreement, or at any such other address as such party may from time to time specify for the purpose in a notice similarly given.

Entire Agreement and Modification. This instrument embodies the entire agreement between the Borrower and the Lender with respect to the subject matter hereof and no other evidence of such agreement has been or shall be executed without the prior written consent of the Exchange. No provisions of this Agreement may be modified or amended by the parties without the prior written consent of the Exchange.

Arbitration. Any controversy arising out of or relating to this Agreement or the breach thereof shall be submitted to and settled by arbitration pursuant to the Constitution and Rules of the Exchange. The parties hereto and all who may claim under them, shall be conclusively bound by such arbitration.

Governing Law. This Agreement shall be deemed to have been made under, and shall be governed by, the laws of the State of Illinois in all respects including matters of construction, validity and performance.

Cancellation. This Agreement shall not be subject to cancellation by either party: no payment shall be made with respect hereto and this Agreement shall not be terminated, rescinded or modified by mutual consent or otherwise if the effect thereof would be inconsistent with the requirements of 17CFR 240.15c3-1 and 240.15c3-1d.

Redesignation of Examining Authority. The parties understand that the Exchange is, at the effective date of this Agreement the self-regulatory body designated to be responsible for inspecting or examining the Borrower for compliance with financial responsibility requirements under Section 9(c) of the Securities Investor Protection Act of 1970 and Section 17(d) of the Securities Exchange Act of 1934, as amended; however, in the event that another self-regulatory or regulatory body ("Examining Authority") is designated with such responsibility, any notice or consent required hereunder or by 17 CFR 240.15c3-1 will thenceforth be required to be given to or received from the Examining Authority.

Name of Lender _____ a _____ (State where individual, partnership, trust or corporation or other legal entity, and the State where registered.)

Address _____

Signature _____ Title _____

ACCEPTED AND CONFIRMED

Name of Borrower _____ a _____ (State whether individual, partnership, trust or corporation or other legal entity, and the State where registered.)

Address _____

Signature _____ Title _____

SUBORDINATION AGREEMENT INFORMATION STATEMENT

Business relationship of the Lender to Borrower:

Officer Partner Stockholder Other _____

Did the Borrower carry funds or securities for the Lender at or about the time the proposed subordination agreement was filed? Yes No

APPROVED:

Chicago Board Options Exchange, Inc.
LaSalle at Van Buren
Chicago, Illinois 60605

Name _____

Title _____

Signature _____

Effective Date _____

STATE OF _____)

)
) SS
)
)

COUNTY OF _____)

On this _____ day of _____, 20____ before me personally came
_____(person executing for Lender) known to me to be the individual described in
and who executed the forgoing instrument and he duly acknowledged to me that he executed the same.

Notary Public _____

(SEAL)

My Commission Expires _____

LaSalle at Van Buren
Chicago, Illinois 60605 312 786-5600

SUBORDINATED LOAN AGREEMENT (Market Maker) CBOE Loan No.

This Agreement is dated _____, 20____ and is between _____ a
_____(the "Borrower") and _____ a _____(the "Lender")
(State whether individual, partnership, trust or corporation or other legal entity, and the State where registered.)

RECITALS

Borrower is a member organization of the Chicago Board Options Exchange (the "Exchange") and desires to borrow money to be used and dealt with as part of its capital under arrangements whereby such borrowing will be subordinate to the indebtedness of the Borrower to other creditors.

The Lender is willing to lend to the Borrower in accordance with the agreements set forth below, money to be used in carrying the business of the Borrower, which money will be subject in all respects to the risks of that business as it is now or may hereafter be conducted.

AGREEMENTS

Loan.

On the effective date of this Agreement, as provided in Section 10(b) hereof, the Lender shall lend to the Borrower, in cash, the sum of \$_____ which sum the Borrower shall pay to the Lender, subject to the terms and conditions hereof, on _____(the "Scheduled Maturity Date") (a date at least one year and not more than ten years from the effective date of the Agreement), which may be extended or accelerated as herein provided, with interest payable _____ at the rate of _____ percent per annum on the unpaid balance.

Subordination of Lender's Claims.

The Lender irrevocably agrees that any and all claims that the Lender, as creditor or otherwise, may now or at any time hereafter have against the Borrower under this Agreement with respect to the payment of principal and interest are and shall be subordinated in right of payment and subject to the prior payment or provision for payment in full of all claims of all other present and future creditors of the Borrower, whose claims are not similarly subordinated (claims hereunder shall rank pari passu with claims similarly subordinated) and to claims which are now or hereafter expressly stated in the instruments creating such claims to be senior in right of payment to the claims of the class of this claim, arising out of any matter occurring prior to the Scheduled Maturity Date (as defined in Section 1 and as extended or accelerated as herein provided) of this loan. In the event of the appointment of a receiver or trustee of the Borrower or in the event of its insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970, or otherwise, its bankruptcy assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the Borrower-the Lender shall not be entitled to participate or share, ratably or otherwise, in the distribution of the assets of the Borrower, until all claims of all present and future creditors of the Borrower, whose claims are senior hereto, have been fully satisfied, or provision has been made therefore.

Loan Subject To Risk of Borrower's Business.

The money loaned to the Borrower hereunder may be used and dealt with by the Borrower as part of its capital and shall in all respects be subject to the risks of the Borrower's business as now or hereafter in any way conducted. The Borrower shall have the right to deposit any cash proceeds of the loan made pursuant to this agreement in an account or accounts in its own name in any bank or trust company.

Permissive Prepayment.

No prepayment shall occur without prior written approval of the Exchange and no prepayment shall be made if said prepayment would cause the Borrower's account equity, as defined in 17CFR 240.15c3-1 (c)(2)(x), to liquidate to a deficit.

Notwithstanding the consent of the Exchange, the Lender agrees that if Prepayment is made at any time when the conditions which would bar Prepayment under Section 4(a) exist or if Repayment is made at any time when the conditions which would bar Repayment under Section 5 exist (whether or not the Lender had any knowledge or notice of such fact at the time of any such return, reduction or withdrawal), the Lender shall promptly upon written notice by the Borrower or the Exchange repay to the Borrower the sum so returned.

Repayment.

Subject to the terms and conditions hereof, the Lender shall have the right to demand payment of the sum loaned to Borrower ("Repayment") on _____ ("the Scheduled Maturity Date") (the date specified as the Scheduled Maturity Date in Section 1 of this Agreement)

The Borrower's obligation to make Repayment shall be suspended if the said repayment would cause the Borrower's account equity, as defined in 17CFR 240.15c3-1(c)(2)(x), to liquidate to a deficit.

Default.

No default in the payment of interest or in the performance of any other covenant or condition of this Agreement by the Borrower shall have the effect of accelerating the Scheduled Maturity Date or of creating a cause of action against the Borrower prior to the Scheduled Maturity Date. Irrespective of any such default, payment of the principal and interest shall remain subordinate as herein provided.

Borrower's Records.

The Lender's claims under this Agreement and the subordinate nature thereof shall be accurately reflected on the books and financial reports of the Borrower which shall contain an appropriate reference to this Agreement.

Non-Liability of Exchange.

The loan is not being made and this Agreement is not being entered into in reliance upon the standing of the Borrower as a member organization of the Exchange or upon the Exchange's surveillance of the Borrower's financial position or its compliance with the Constitution, Rules and practices of the Exchange. The Lender has made such investigation of the Borrower and its partners, officers, directors and stockholders as the Lender deems necessary and appropriate under the circumstances. The Lender is not relying upon the Exchange to provide, to cause to be provided, any information concerning or relating to the Borrower and agrees that the Exchange has no responsibility to disclose, to cause to be disclosed, to the Lender any information concerning or relating to the Borrower which it may now, or at any future time, have. The Lender agrees that neither the Exchange, the Options Clearing Corporation (the "Clearing Corporation"), nor any director, committee member, officer, trustee, or employee of the Exchange or the Clearing Corporation shall have any liability to the Lender for any matter related to or rising from this Agreement, the loan made hereby, the payment obligation hereunder or the payment of any interest thereon and the Lender agrees not to assert any such liability or any claims based upon any such liability now or at any future time.

No Right of Set-Off.

The Lender agrees that it is not taking and will not take or assert as security for the payment of the loan made pursuant to this Agreement any security interest in or lien upon, whether created by contract, statute or otherwise, any property of the Borrower or any property in which the Borrower may have an interest, which is or at any time may be in the possession or subject to the control of the Lender. The Lender hereby waives, and further agrees that it will not seek to obtain payment of the loan made pursuant to this Agreement in whole or in any part by exercising any right of set-off it may assert or possess whether created by contract, statute or otherwise. Any agreement between the Borrower and the Lender (whether in the nature of a general loan and collateral agreement, a security or pledge

agreement or otherwise) shall be deemed amended hereby to the extent necessary so as not to be inconsistent with the provision

Miscellaneous Provisions.

Transfer. The rights of the Lender hereunder may not be transferred, sold, assigned, pledged or otherwise disposed of, and no lien, charge or other encumbrance may be created or permitted to be created thereon without the prior written consent of the Borrower and the Exchange.

Effective Date. This Agreement shall be effective from the date that it is approved by the Exchange.

Definition of Borrower. The term "Borrower" as used in this Agreement shall mean the Borrower, its heirs, executors, administrators, successors and assigns.

On Whom Binding. This Agreement shall be binding upon the Lender and the Borrower, and their respective heirs, executors, administrators, successors and assigns.

Notices. Any notice required or permitted to be given under this Agreement shall be sufficiently given if in writing delivered to or sent registered mail or certified mail to the appropriate party at the address set forth in this Agreement, or at any such other address as such party may from time to time specify for the purpose in a notice similarly given.

Entire Agreement and Modification. This instrument embodies the entire agreement between the Borrower and the Lender with respect to the subject matter hereof and no other evidence of such agreement has been or shall be executed without the prior written consent of the Exchange. No provisions of this Agreement may be modified or amended by the parties without the prior written consent of the Exchange.

Arbitration. Any controversy arising out of or relating to this Agreement or the breach thereof shall be submitted to and settled by arbitration pursuant to the Constitution and Rules of the Exchange. The parties hereto and all who may claim under them, shall be conclusively bound by such arbitration.

Governing Law. This Agreement shall be deemed to have been made under, and shall be governed by, the laws of the State of Illinois in all respects including matters of construction, validity and performance.

Cancellation. This Agreement shall not be subject to cancellation by either party: no payment shall be made with respect hereto and this Agreement shall not be terminated, rescinded or modified by mutual consent or otherwise if the effect thereof would be inconsistent with the requirements of 17CFR 240.15c3-1 and 240.15c3-1d.

Name of Lender _____ a _____ (State where individual, partnership, trust or corporation or other legal entity, and the State where registered.)

Address _____

Signature _____ Title _____

ACCEPTED AND CONFIRMED

Name of Borrower _____ a _____ (State whether individual, partnership, trust or corporation or other legal entity, and the State where registered.)

Address _____

Signature _____ Title _____

SUBORDINATION AGREEMENT INFORMATION STATEMENT

Business relationship of the Lender to Borrower:

Officer Partner Stockholder Other _____

Did the Borrower carry funds or securities for the Lender at or about the time the proposed subordination agreement was filed? Yes No

APPROVED:

Chicago Board Options Exchange, Inc.
LaSalle at Van Buren
Chicago, Illinois 60605

Name _____

Title _____

Signature _____

Effective Date _____

STATE OF _____)

)
) SS
)
)

COUNTY OF _____)

On this _____ day of _____ 20____, before me personally came
_____ (person executing for Lender) known to me to be the individual
described in and who executed the forgoing instrument and he duly acknowledged to me that he executed the same.

Notary Public _____

(SEAL)

My Commission Expires _____