



Regulatory Circular RG11-153

To: Trading Permit Holders
From: Finance and Administration
Date: December 1, 2011
Re: 2012 Fee Changes

This circular explains 2012 changes to the Fees Schedule for Chicago Board Options Exchange, Inc. (the Exchange or CBOE). The CBOE Volume Incentive Program is discussed in Regulatory Circular RG11-152, available here: <https://www.cboe.org/legal/crclReg.aspx>.

Subject to rule filings with the Securities and Exchange Commission (SEC), the changes summarized below will be effective January 3, 2012.

2012 Liquidity Provider Sliding Scale For All Products Except SPX, VIX or other volatility indexes, OEX or XEO

Summary of Changes: The Exchange is amending the existing Liquidity Provider (LP) Sliding Scale, which currently applies to transaction fees in all products, so that it will apply only to transaction fees in all products except SPX, VIX or other volatility indexes, OEX or XEO. In connection with this change in applicable products, the Exchange is also reducing the existing contract volume sliding scale tiers, as well as the annual prepayment amounts and the prepayment discount incentive to prepay tiers one through four for the entire year.

Effective January 3, 2012, a LP's rate per contract is reduced if certain volume thresholds are reached in a month. Contracts traded in all products except SPX, VIX or other volatility indexes, OEX and XEO are eligible for the plan.

Tiers	Contracts per Month	Rate
First	Contracts 1 – 51,000	20 cents
Second	Contracts 51,001 – 810,000	18 cents
Third	Contracts 810,001 – 2,055,000	15 cents
Fourth	Contracts 2,055,001 – 3,285,000	10 cents
Fifth	Contracts 3,285,001 – 6,300,000	3 cents
Sixth	Contracts 6,300,001 and above	1 cent

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

- To be eligible to participate in the sliding scale above 810,000 contracts per month, a LP must prepay their entire fees for the first two levels of the sliding scale for the entire year (\$1,761,840). 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 2012, prepayment elections and wired payments must take place during the period January 3 through January 7, 2012.
- Another incentive option is to prepay tiers one through four for the entire year to capture a \$410,913 (7.5%) prepayment discount. After deducting the discount, a net payment amount of \$5,067,927 must be paid in early January 2012.

2012 Clearing Trading Permit Holder Proprietary Orders—Non-Facilitation and Facilitation Transactions

Summary of Changes:

- a. **Non-Facilitation Transactions Multiply-Listed Option Fee Cap:** The Exchange is amending the existing Multiply-Listed Option Fee Cap for Clearing Trading Permit Holder Proprietary and/or their Non-Trading Permit Holder Affiliates which currently applies to all non-AIM electronic and open outcry transactions in all products except SPX, VIX or other volatility indexes, OEX or XEO. The new cap will apply only to **non-facilitation** business executed in AIM or in open outcry in all products except SPX, VIX or other volatility indexes, OEX or XEO. In addition, AIM Execution Fees, previously excluded from the cap, will now be included.
- b. **Facilitation Transactions:** For facilitation orders¹, whether executed in AIM or open outcry, the Exchange will not assess Clearing Trading Permit Holder Proprietary transaction fees.

Effective January 3, 2012, for all non-facilitation business executed in AIM or open outcry, transaction fees for Clearing Trading Permit Holder Proprietary and/or their Non-Trading Permit Holder Affiliates in all products except SPX, VIX or other volatility indexes, OEX or XEO in the aggregate are capped at \$75,000 per month per Clearing Trading Permit Holder. For facilitation orders, whether executed in AIM or open outcry, the Exchange will not assess Clearing Trading Permit Holder Proprietary transactions fees and, accordingly, these trades will not count towards the cap. AIM Execution Fees on non-facilitation AIM volume will not be charged after reaching the cap in a month.

JBO firms are not eligible for the Multiply-Listed Option Fee Cap or the facilitation fee waiver. Surcharge fees on certain licensed products are not subject to the fee cap or the facilitation fee waiver.

2012 CBOE Proprietary Products Sliding Scale For Clearing Trading Permit Holder Proprietary Orders

The CBOE Proprietary Products Sliding Scale For Clearing Trading Permit Holders Proprietary Orders was implemented in 2011. A Firm's (F origin code) rate per contract on proprietary product (SPX, VIX or other volatility indexes, OEX and XEO) execution is reduced provided the Firm attains certain monthly contract volume in multiply-listed contracts.

The 2012 Firm CBOE proprietary product sliding scale and the monthly threshold in multiply-listed contract volume is the **same** as that for 2011, except that AIM volume in multiply-listed classes will now count towards these thresholds.

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

Tiers	Contracts per Month	Rate
First	Contracts 1 – 750,000	18 cents
Second	Contracts 750,001 – 1,000,000	5 cents
Third	Contracts 1,000,001 and above	2 cents

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

Tiers	Contracts per Month	Rate
First	Contracts 1 – 750,000	15 cents
Second	Contracts 750,001 and above	1 cent

Firms with less than 375,000 multi-listed contracts in the month are not eligible for the reduced fees on proprietary

¹ The Exchange defines facilitation orders for purposes of the fee waiver to be any paired order in which a Clearing Trading Permit Holder (F) origin code is contra to any other origin code, provided the same executing broker and clearing firm are on both sides of the order.

products transactions and will pay the per contract rate of 25 cents.

JBO firms are not eligible for the Proprietary Products Transaction Fee Sliding Scale. Surcharge fees on certain licensed products are in addition to the sliding scale.

2012 Marketing Fee for SPY

Previously, effective July 1, 2011 through December 31, 2011, CBOE suspended the collection of the marketing fee on electronic transactions in SPY options, with the exception of those electronic transactions conducted in AIM. CBOE continued to collect the marketing fee for open outcry transactions in SPY. The level of the marketing fee in SPY options for qualifying transactions remained at \$0.25 per contract.

CBOE is extending the suspension of the collection of the marketing fee as described above through March 31, 2012.

2012 Options Transactions Fees

1) **Equity Options**—There are no changes to options transaction fees for Equity Options.

<i>Equity Options</i>	<i>Per Contract</i>
Customer	\$0.00
Voluntary Professional	\$0.20
Professional	\$0.20
Market Maker/DPM/E-DPM	\$0.20
Clearing Trading Permit Holder Proprietary	\$0.20
Broker-Dealer	
Manual (open outcry)	\$0.25
Electronic	\$0.45
Qualified Contingent Cross	\$0.20
AIM Agency/Primary	\$0.20
CFLEX Surcharge Fee	\$0.10
AIM Contra Execution Fee	\$0.05

2) ETF, ETN and HOLDRs Options –

Summary of Changes:

- a. **QQQQ Customer Orders**—The customer transaction fee is increased from \$0.00 to \$0.18 per contract.
- b. **Customer Orders Executed in Open Outcry or in Automated Improvement Mechanism (AIM) or as Qualified Contingent Cross (QCC)**—The Exchange is expanding the waiver of transaction fees for public customer orders from only SPY and XLF to all ETF, ETN and HOLDRs options executed in open outcry, AIM, or QCC and is eliminating the waiver termination date (which was December 31, 2011).

As a result of the above changes, the Fees Schedule for ETF, ETN and HOLDRs as of January 3, 2012 is as follows:

<i>ETF, ETN and HOLDRs Options</i>	<i>Per Contract</i>
Customer	
Any Order Size Executed in Open Outcry, AIM or QCC	\$0.00
Order Size of 99 or less (electronic, non-AIM, non-QCC)	\$0.00
Order Size of 100 or more (electronic, non-AIM, non-QCC)	\$0.18
Voluntary Professional	\$0.20
Professional	\$0.20
Market Maker/DPM/E-DPM	\$0.20
Clearing Trading Permit Holder Proprietary	\$0.20
Broker-Dealer	
Manual (open outcry)	\$0.25
Electronic	\$0.45
QCC	\$0.20
AIM Agency/Primary	\$0.20
CFLEX Surcharge Fee	\$0.10
AIM Contra Execution Fee	\$0.05

3) **Cash Settled Index Options** There are no changes to options transaction fees for Cash Settled Index Options.

<i>CBOE Proprietary Cash Settled Index Options SPX, VIX, OEX and XEO</i>	<i>Per Contract</i>
Customer	
SPX, premium > = \$1	\$0.44
SPX, premium < \$1	\$0.35
VIX, OEX, DVS and XEO	\$0.40
OEX and XEO Weeklys	\$0.30
Professional	\$0.40
Market Maker/DPM/E-DPM/LMM	\$0.20
Clearing Trading Permit Holder Proprietary	\$0.25
Broker-Dealer	\$0.40
CFLEX Surcharge Fee	\$0.10
Floor Brokerage Fee-SPX, OEX and XEO (crossed orders \$0.02)	\$0.04
Floor Brokerage Fee—VIX (crossed orders \$0.015)	\$0.03
Surcharge Fee (customer orders not assessed)	\$0.10
<i>CBOE Licensed and Other Cash Settled Index Options DJX, MNX, RUT, NDX, XSP, MVR, Other</i>	<i>Per Contract</i>
Customer	\$0.18
Professional	\$0.20
Market Maker/DPM/E-DPM	\$0.20
Clearing Trading Permit Holder Proprietary	\$0.20
Broker-Dealer	
Manual (open outcry)	\$0.25
Electronic	\$0.45
QCC	\$0.20
AIM Agency/Primary	\$0.20
CFLEX Surcharge Fee	\$0.10
AIM Contra Execution Fee	\$0.05
Surcharge Fee	
DJX (customer orders not assessed)	\$0.10

2012 Facility Fees

4) Trading Floor Terminal Rentals—Monthly fee changes are as follows:

- a. Floor Broker Workstation (FBW) (per login ID) Increase from \$225 to \$350

2012 Trading Permit, Tier Appointment and Bandwidth Packet Fees

Effective January 3, 2012, the Exchange is modifying trading permit and tier appointment monthly fees for Market-Maker Trading Permits (decrease), VIX Tier Appointments (increase) and Floor Broker Trading Permits (increase). In addition, Quoting and Order Entry Bandwidth Packet monthly fees are decreasing from \$3,000 to \$2,750. In connection with the reduction in the monthly Market-Maker Trading Permit fee, the Exchange is modifying the existing Market-Maker Trading Permit Sliding Scale. In connection with the increase in the monthly Floor Broker Trading Permit fee, the Exchange is implementing a Floor Broker Trading Permit Sliding Scale.

5) Trading Permit and Tier Appointment Fees—Monthly fee changes are as follows:

- | | |
|--------------------------------|-----------------------------------|
| a. Market-Maker Trading Permit | Decrease from \$6,000 to \$5,500 |
| b. VIX Tier Appointment | Increase from \$1,000 to \$2,000 |
| c. Floor Broker Trading Permit | Increase from \$6,000 to \$12,000 |
| d. VIX Floor Broker Surcharge | Increase from \$1,000 to \$2,000 |

As a result of the above changes, the fee schedule for Trading Permit, Tier Appointment and Bandwidth Packet Fees as of January 3, 2012 is as follows:

<i>Trading Permit and Tier Appointment Fees</i>	<i>Per Month</i>
Market-Maker Trading Permit (subject to sliding scale)	\$ 5,500
SPX Tier Appointment	\$ 3,000
VIX Tier Appointment⁽¹⁾	\$ 2,000
Floor Broker Trading Permit (subject to sliding scale)	\$12,000
VIX Floor Broker Surcharge⁽²⁾	\$ 2,000
Electronic Access Permit	\$ 1,600

<i>Bandwidth Packet Fees</i>	<i>Per Month</i>
Quoting and Order Entry Bandwidth Packet	\$ 2,750
Order Entry Bandwidth and Packet Fees for Trading Permit Holders	
1 st – 5 th Packet	\$ 1,600
6 th – 8 th Packet	\$ 800
9 th – 13 th Packet	\$ 400
14 th Packet and each additional Packet	\$ 200
Fees for Order Entry Bandwidth Packet(s) Assigned to Sponsored User	
1 st – 6 th Packet	\$ 1,600
7 th – 9 th Packet	\$ 800
10 th – 14 th Packet	\$ 400
15 th Packet and Each Additional Packet	\$ 200

- ⁽¹⁾ Assessed to any Market-Maker Trading Permit Holder that either (a) has a VIX Tier Appointment at any time during a calendar month and trades at least 100 VIX contracts electronically during the calendar month; or (b) trades at least 1,000 VIX options contracts in open outcry during a calendar month.

- (2) An additional monthly fee will apply when any affiliated firm, through their affiliated Floor Brokers, executes more than 20,000 VIX contracts during a calendar month. The additional monthly fee is capped at \$2,000 per affiliated firm regardless of the number of affiliated Floor Brokers.

Market-Maker Trading Permit Sliding Scale—The following sliding scale will be available 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 Trading Permits used for these four classes, whether in whole or in part, are excluded from this sliding scale and will be at \$5,500 per month. To qualify for the rates set forth in Tiers 1 and 2 in the sliding scale, the applicable Trading Permit Holder(s) and/or TPH organization must commit in advance to a specific tier that includes a minimum number of eligible Market-Maker Trading Permits for each calendar year (either eleven permits or twenty-one permits). To do so, a Market-Maker Trading Permit Holder must notify the Registration Services Department of the Tier of eligible Market-Maker Trading Permits committed to by that Market-Maker Trading Permit Holder for that year. Market-Makers are not obligated to commit to either tier. However, the discounts will apply only to those that do commit to Tier 1 or Tier 2 for the calendar year.

Market-Maker Permit Sliding Scale	From	To	Amount Per Month Per Permit	
			2012	2011
	1 permit	10 permits	\$5,500	\$6,000
Tier 1	11 permits	20 permits	\$4,000	\$4,800
Tier 2	21 or more permits		\$2,500	\$3,000

Market-Makers may commit at any time during the year and will be responsible for the minimum number of permits in the commitment tier for the remainder of the calendar year.

Floor Broker Trading Permit Sliding Scale—The Exchange is implementing a sliding scale for Floor Broker Trading Permits effective January 3, 2012 for all Floor Broker Trading Permits held by affiliated Trading Permit Holders and TPH organizations. To qualify for the rates set forth in Tiers 1 and 2 in the sliding scale, the applicable Trading Permit Holder(s) and/or TPH organization must commit in advance to a specific tier that includes a minimum number of eligible Floor Broker Trading Permits for the calendar year (either two permits or eight permits). To do so, a Floor Broker Trading Permit Holder must notify the Registration Services Department of the Tier of Floor Broker Trading Permits committed to by that Floor Broker Trading Permit Holder for that year. Floor Brokers are not obligated to commit to either tier. However, the discounts will apply only to those that do commit to Tier 1 or Tier 2 for the calendar year.

Floor Broker Trading Permit Sliding Scale	From	To	Amount per Month Per Permit
	1 permit	1 permit	\$12,000
Tier 1	2 permits	7 permits	\$ 6,000
Tier 2	8 or more permits		\$ 3,000

Floor Brokers may commit at any time during the year and will be responsible for the minimum number of permits in the commitment tier for the remainder of the calendar year.

2012 Trading Permit Holder Application Fees

- 6) Proprietary Trader (PT) Registration Fees**—The Exchange is implementing fees for the proprietary trader (PT) registration consisting of an initial proprietary trader registration fee of \$50 and an annual proprietary trader registration fee of \$25.

In addition to the implementation of a proprietary trader registration fee, Trading Permit Holder Application Fees will change as follows:

a. Individual	Increase from \$2,500 to \$3,000
b. Non-Trading Permit Holder Customer Business	Increase from \$2,500 to \$3,000
c. Associated Person	Increase from \$350 to \$500
d. TPH Organization Application	Increase from \$4,000 to \$5,000
e. Subject to Statutory Disqualification	Increase from \$2,750 to \$5,000
f. Inactive Nominee Status Change (Trading Permit Swap)	
a. Submission before 4pm (day prior to effective date)	Increase from \$50 to \$55
b. Submission after 4pm (day prior to effective date)	Increase from \$100 to \$110
c. Submission after effective date	Increase from \$200 to \$220
g. TPH Organization Renewal Fee	Increase from \$2,000 to \$2,500

2012 CBOEdirect Connectivity Charges

7) CBOEdirect Connectivity Charges—Monthly fee changes are as follows:

a. Network Access Port (1Gigabyte)	Increase from \$250 to \$500
b. Network Access Port (1Gigabyte) (Sponsored User)	Increase from \$500 to \$1,000
c. CMI Login ID	Increase from \$80 to \$500
d. CMI Login ID (Sponsored User)	Increase from \$160 to \$1,000
e. FIX Login ID	Increase from \$80 to \$500
f. FIX Login ID (Sponsored User)	Increase from \$160 to \$1,000

The complete January 2012 Fees Schedule will be posted on the Exchange website at <http://www.cboe.com/publish/feeschedule/CBOEFeeSchedule.pdf>

Transaction fee questions may be directed to Don Patton at (312) 786-7026 or patton@cboe.com, Colleen Laughlin at 312-786-8390 or laughlin@cboe.com, or John Mavindidze at (312) 786-7689 or mavindidze@cboe.com. Questions on Trading Permits, Tier Appointments, Bandwidth Packages, the Market-Maker Permit Sliding Scale and Floor Broker Trading Permit Sliding Scale may be directed to Stan Leimer at 312-786-7299 or leimer@cboe.com). Questions on CBOEdirect Connectivity Charges may be directed to Mathew Danaher (network access) at 312-786-8810 or danaher@cboe.com or Matt Vliet (logins) at 312-786-7447 or vliet@cboe.com.