

## Regulatory Circular RG12-180

**Date:** December 28, 2012

**To:** Trading Permit Holders

**From:** Finance and Administration

**RE:** 2013 Fee Changes

**Explanatory Note:** The Exchange is reissuing the 2013 Fee Changes circular to reflect removal of the 10/10 Incentive Program for 2013. Otherwise, the content of the 2013 Fee Changes Circular remains unchanged. This circular replaces CBOE Regulatory Circular RG12-172.

This circular explains 2013 changes to the Fees Schedule for Chicago Board Options Exchange, Inc. (the "Exchange" or "CBOE").

Subject to rule filings with the Securities and Exchange Commission ("SEC"), the changes summarized below will be effective January 1, 2013.

### Volume Incentive Program (VIP)

The Exchange will be introducing four changes to the VIP. First, the VIP tier structure will change from the current *Nominal Contracts Per Day* Thresholds (i.e. 250,000-375,000 CPD, etc.) to a *Relative Contracts Per Month* Threshold Structure (i.e. 2.25% - 3.50% of Total National Customer Multiply Listed Volume). Second, CBOE will be increasing the credit rate at the second VIP tier, from \$0.05/contract to \$0.07/contract, while reducing the credit rate at the fourth VIP tier from \$0.20/contract to \$0.18/contract. Third, CBOE will be lowering the effective volume threshold at which the second VIP tier begins, while adjusting the remaining tiers moderately. Finally, CBOE will introduce an additional VIP credit of \$0.10/contract, on top of regular VIP credits, at every tier (including the \$0.00/contract level), on each leg, for customer, complex multiply-listed options contracts, when executing electronically against a non-public customer origin, including in the Complex Order Book (COB), Complex Order Auction (COA) and Automated Improvement Mechanism (AIM).

VIP will continue to offer credits only for customer, multiply-listed option volume executed electronically, but with the new relative structure, both the count and the credit for each Trading Permit Holder will be calculated using the following formula: a) TPH Total Customer, Multiply-Listed Electronic Option Volume per Month, divided by b) Total National Customer Multiply-Listed Option Volume.

### Volume Incentive Program Table

Tiers	Percentage Thresholds of National Customer Multiply-Listed Monthly Volume	Rate
First	0.00% - 0.75%	\$0.00
Second	Greater than 0.75% - 2.25%	\$0.07
Third	Greater than 2.25% - 3.50%	\$0.12
Fourth	Greater than 3.50% - 5.00%	\$0.18
Fifth	Above 5.00%	\$0.05

*Example A: Trading Permit Holder A transmits and executes electronically 7,500,000 customer, multiply-listed options contracts in January 2013. In January 2013, 250,000,000 national customer multiply-listed options contracts were executed. Trading Permit Holder A's 7,500,000 contracts represent 3% of the total national customer multiply-listed options volume. Trading Permit Holder A receives a credit of \$0.00 per contract on the first 1,875,000 contracts (0.75% x 250,000,000), a credit of \$0.07 per contract on the next 3,750,000 contracts (2.25% - 0.75% = 1.5% x 250,000,000), or \$262,500, and a credit of \$0.12 per contract on the remaining 1,875,000 contracts, or \$225,000, for a total credit of \$487,500 or \$0.065/contract.*

*Example B: Trading Permit Holder B transmits and executes electronically 2,000,000 customer, multiply-listed complex order options contracts in January 2013, all of which execute against non-public customer origin contra parties. In January 2013, 250,000,000 national customer multiply-listed options contracts were executed. Trading Permit Holder B's 2,000,000 contracts represent 0.80% of the total national customer multiply-listed options volume. Trading Permit Holder B receives a credit of \$0.10 per contract, or \$187,500, on the first 1,875,000 contracts, because of the complex order bonus, and a credit of \$0.17 per contract, or \$21,250, on the next 125,000 contracts (\$0.07 per contract plus the \$0.10/contract complex order VIP bonus) for a total credit of \$208,750 or \$0.104/contract.*

**Complex Order Surcharge**

CBOE will assess a \$0.10/contract surcharge, on top of regular transaction fees, for all origins except public customer, on each leg, when such origin executes electronically against a public customer, complex, multiply-listed options order, including in the Complex Order Book (COB), Complex Order Auction (COA) and Automated Improvement Mechanism (AIM). However, when a public customer, complex, multiply-listed option order trades electronically against individual leg markets, CBOE will not assess this surcharge to the individual leg markets.

**VIX Customer (“C” Origin Code) Transaction Fees**

Effective January 1, 2013, customer transaction fees for VIX contracts with premium less than \$1.00 will be \$0.25 per contract and customer transaction fees for VIX contracts with premium greater than or equal to \$1.00 will be \$0.45 per contract. In the case of complex orders, CBOE will apply the premium test to each individual leg.

**Clearing Trading Permit Holder Proprietary VIX Sliding Scale**

Currently Clearing Trading Permit Holders (F origin code at the Exchange) proprietary product (SPX, VIX and other volatility indexes, OEX and XEO) transaction fees for a billing month may be reduced provided the Firm attains certain monthly contract volume in multiply-listed products (at least 375,000 but less than 1,500,000 contracts in a month; or multiply listed contracts of 1,500,000 or greater per month). This is known as the CBOE Proprietary Products Sliding Scale for Clearing Trading Permit Holder Proprietary Orders (or the “Sliding Scale”).

CBOE will introduce a Clearing Trading Permit Holder Proprietary VIX Sliding Scale (“VIX Sliding Scale”). The new VIX Sliding Scale will allow Clearing Trading Permit Holder Proprietary and Non-Trading Permit Holder Affiliates to reduce their transaction fees in VIX provided certain volume thresholds in VIX options are attained during a month. The VIX Sliding Scale will be as follows:

Tiers	VIX Option Contracts per Month	Rate
First	Contracts 1 – 250,000	\$0.25
Second	Contracts 250,001 – 500,000	\$0.15
Third	Contracts 500,001 – 750,000	\$0.10
Fourth	Contracts 750,001 and above	\$0.05

For purposes of calculating a Clearing Trading Permit Holder’s total proprietary product transaction fees for a month, the Exchange will use the following methodology: If using the VIX Sliding Scale plus the Sliding Scale (minus VIX volume) results in lower total Clearing Trading Permit Holder transaction fees than just using the Sliding Scale, CBOE will apply the new VIX Sliding Scale plus the Sliding Scale, and deduct the VIX volume from the Sliding Scale. If using the VIX Sliding Scale plus the Sliding Scale (minus VIX Volume) results in higher Clearing Trading Transaction fees than just using the Sliding Scale, CBOE will apply only the Sliding Scale.

*Example A: Clearing Trading Permit Holder A has qualifying multiply-listed volume of 450,000 contracts in January 2013. Clearing Trading Permit Holder A also has qualifying VIX volume of 850,000 contracts, qualifying SPX volume of 500,000 contracts. Clearing Trading Permit Holder A would thus be billed \$154,500. The calculation would be as follows:*

**1) Clearing Trading Permit Holder A Proprietary Transaction Fees using Sliding Scale = \$154,500**

or

**2) Total Clearing Trading Permit Holder A Proprietary Transaction Fees = \$220,000**  
*Clearing Trading Permit Holder A VIX Transaction Fees using VIX Sliding Scale = \$130,000*  
*Clearing Trading Permit Holder A VIX Transaction Fees using Sliding Scale with VIX Options Volume Removed = \$90,000*

**2013 Liquidity Provider (“LP”) Sliding Scale For All Products Except SPX, SPXW, SRO, OEX, XEO, VIX or other volatility indexes**

Effective January 1, 2013, a LP’s rate per contract is reduced if certain volume thresholds are reached in a month. Contracts traded in all products except SPX, SPXW, SRO, OEX, XEO, VIX or other volatility indexes are eligible for the plan.

Tiers	Contracts per Month	Rate
First	Contracts 1 – 100,000	25 cents
Second	Contracts 100,001 – 2,000,000	17 cents
Third	Contracts 2,000,001 – 4,000,000	10 cents
Fourth	Contracts 4,000,001 – 6,000,000	5 cents
Fifth	Contracts 6,000,001 and above	3 cents

The Exchange is amending each of the tiers (for contract quantity and transaction fee per contract) in the LP Sliding Scale and reducing the number of tiers from six to five. Additionally, CBOE is eliminating the prepayment option for four tiers of the LP Sliding Scale and instead requiring only a prepayment of the first two tiers in order for an LP to proceed further down the LP Sliding Scale.

Prepayment Incentive: To be eligible to participate in the sliding scale above 2,000,000 contracts per month, a LP must prepay their entire fees for the first two tiers of the sliding scale for the entire year (\$4,176,000). 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 2013, prepayment election and wired payment must take place during the period January 1 through January 8, 2013.

**SPX Surcharge Fees**

The SPX Surcharge Fee increases from \$0.10/contract to \$0.13/contract and for SROs, from \$0.20/contract to \$0.26/contract. As is currently the case, the Surcharge Fee is assessed, in addition to any applicable transaction fees, on orders from any origin code except Customer (“C”).

Note: As previously announced, CBOE intends to move options on SPXpm from C2 Options Exchange, Inc. to CBOE beginning in January 2013. At that time, the Surcharge Fee for SPXpm will also be \$0.13/contract.

**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, indexes, ETFs, ETNs and HOLDRs options (excluding SPX, SPXW, SRO, OEX, XEO, VIX and volatility indexes) from \$0.20 to \$0.25, except for executions within the CBOE’s Automated Improvement Mechanism (AIM).

**Joint Back-Office Orders (“J” Origin Code)**

Joint Back-Office transaction fees as of January 1, 2013 will be as follows:

- Equity options, ETF, ETN and HOLDRs and all Index Products excluding SPX, SPXW, SRO, OEX, XEO, VIX and volatility indexes:

	Manual	Electronic	AIM Agency/ Primary	AIM Contra	QCC	CFLEX AIM
Per contract side.....	\$0.25	\$0.30	\$0.20	\$0.05	\$0.20	\$0.30
Surcharge Fee-License Fees:						
DJX.....	\$0.10					
MNX, NDX and RUT.....	\$0.15					

- SPX, SPXW, SRO, OEX, XEO, VIX and volatility indexes:

	SPX, SPXW	SRO	OEX, XEO, VIX and volatility indexes	Credit Default Options
Per contract side.....	\$0.40	\$0.80	\$0.40	\$0.85
Surcharge Fee-License Fees:				
SPX and SPXW	\$0.13			
OEX, XEO, VIX and volatility indexes.....	\$0.10			
SRO.....	\$0.26			

**Extra CMI CAS Server**

For every fifteen Trading Permits that a TPH accessing CBOE Command via CMI holds, that TPH will receive one CAS Server. All TPHs will also receive one total backup CAS Server regardless of the number of Trading Permits that the TPH holds.

The Exchange will aggregate the Trading Permits from affiliated TPHs (TPHs with at least 75% common ownership between the firms as reflected on each firm’s Form BD, Schedule A) for purposes of determining the number of Trading Permits a TPH holds.

A TPH may acquire additional CMI CAS Servers, beyond their allocation allowance, for a fee of \$10,000 per extra server per month.

**Facility Fees**

The Exchange is reducing all the fees per square foot for all Non-Standard Booth Rental Fees. Non-Standard Booth Rental Fee will be as follows:

Booth Size	Per Sq. Ft	Per Sq. Ft	Per Sq. Ft
Extra Large	\$2.83	\$2.75	\$2.69
Large	\$4.12	\$4.00	\$3.91
Medium	\$4.89	\$4.74	\$4.65
Small	\$7.72	\$7.49	\$7.33
Length of Lease	1 Year	2 Years (97%)	3 Years (95%)

**Web CRD<sup>SM</sup> Fees**

Web CRD<sup>SM</sup> fee changes are as follows (including the addition of electronic submission for fingerprint processing fees):

General Registration Fees:

FINRA Non-member Processing Fee	Increase from \$85.00 to \$100.00
FINRA Disclosure Processing Fee (U-4, U-5, Form BD and amendments)	Increase from \$95.00 to \$110.00
FINRA Annual System Processing Fee Assessed only during Renewals	Increase from \$30.00 to \$45.00

Fingerprint Processing Fees:

Initial Submission	
Paper	Increase from \$27.50 to \$44.50
Electronic	\$29.50
Second Submission	
Paper	Increase from \$13.00 to \$30.00
Electronic	\$15.00
Third Submission	
Paper	Increase from \$27.50 to 44.50
Electronic	\$29.50
Other <sup>(1)</sup>	Increase from \$13.00 to \$30.00

<sup>(1)</sup> Submitted by Trading Permit Holders or TPH organizations on behalf of associated persons who have had their prints processed through a self-regulatory organization other than FINRA.

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**CBOE Fees Schedule**

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

**Additional Information:**

Please direct VIP questions to Eric Frait at (312) 786-7747 or [frait@cboe.com](mailto:frait@cboe.com). Other questions may be directed to Don Patton at (312) 786-7026 or [patton@cboe.com](mailto:patton@cboe.com), Colleen Laughlin at (312) 786-8390 or [laughlin@cboe.com](mailto:laughlin@cboe.com), or John Mavindidze at (312) 786-7689 or [mavindidze@cboe.com](mailto:mavindidze@cboe.com).