

January 3, 2014

Volume 42, Number 1

The Bylaws and Rules of Chicago Board Options Exchange, Incorporated ("Exchange"), in certain specific instances, require the Exchange to provide notice to Exchange Trading Permit Holders. To satisfy this requirement, a copy of the Exchange Bulletin, including the Regulatory Bulletin, is delivered by e-mail or by hard copy free of charge to all effective Trading Permit Holders on a weekly basis.

Trading Permit Holders are encouraged to receive the Exchange and Regulatory Bulletin and Information Circulars via e-mail. E-mail subscriptions may be obtained by Trading Permit Holders by submitting your name, firm if applicable, e-mail address, and phone number, to registration@cboe.com. If you do sign up for e-mail delivery, please remember to inform the Registration Services Department of e-mail address changes. Subscriptions by Trading Permit Holders for hard copy delivery may be obtained by submitting your name, firm if any, mailing address and telephone number to: Chicago Board Options Exchange, Registration Services Department, 400 South LaSalle, Chicago, Illinois 60605, Attention: Bulletin Subscriptions.

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Trading Permit Information for 12/26/2013 THROUGH 1/1/2014

TRADING PERMIT APPLICATIONS RECEIVED FOR WHICH BULLETIN PUBLICATION IS REQUIRED

Individual Applicants

Tyler Crookston
Liquid Capital Markets LLC
 71 S. Wacker Drive, Suite 2300
 Chicago, IL 60606

TERMINATIONS

Individuals

Nominee:	Termination Date
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William J. Shimanek Sphinx Trading, LP	12/31/13
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Peter J Meyer (PMJ) Nico Securities, LLC	12/31/13
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Steven D Galanis (SDG) Belvedere Trading LLC	12/31/13
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TPH Organizations

Nico Securities, LLC	12/31/13
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EFFECTIVE TRADING PERMIT HOLDERS

Individuals

Nominee:	Effective Date
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David L Ellman Sphinx Trading, LP Type of Business to be Conducted: Proprietary Trading	12/31/13
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Research Circulars

The following Research Circulars were distributed between December 27, 2013 and January 3, 2014. If you wish to read the entire document, please refer to the CBOE website at www.cboe.com and click on the "Trading Tools" Tab. New listings and series information is also available in the Trading Tools section of the website. For questions regarding information discussed in a Research Circular, please call The Options Clearing Corporation at 1-888-OPTIONS.

Research Circular #RS13-719
December 27, 2013
RDA Microelectronics, Inc. ("RDA") Proposed Merger
with Tsinghua Unigroup Ltd.

Research Circular #RS14-008
Date: January 3, 2014
MasterCard Incorporated Class A ("MA")
10-for-1 Stock Split
Ex-Distribution Date: January 22, 2014

Research Circular #RS13-720
December 27, 2013
ViroPharma Incorporated ("VPHM")
Tender Offer EXTENDED by Venus Newco, Inc.

Research Circular #RS13-721
December 27, 2013
Santarus, Inc. ("SNTS")
Tender Offer by Willow Acquisition Sub Corporation

Research Circular #RS13-722
December 30, 2013
*****UPDATE*****UPDATE*****UPDATE*****
Lender Processing Services, Inc. ("LPS")
Proposed Merger With Fidelity National Financial, Inc.
Class A ("FNF")

Research Circular #RS13-723
December 30, 2013
Chimera Investment Corporation ("CIM")
CONTRACT ADJUSTMENT FOR SPECIAL CASH DIVIDEND
Ex-Date: January 6, 2014

Research Circular #RS13-724
December 31, 2013
PAA Natural Gas Storage, L.P. ("PNG")
Merger COMPLETED with
Plains All American Pipeline, L.P. ("PAA")

Research Circular #RS14-001
January 2, 2014
Santarus, Inc. (SNTS)
Merger Completed -- Cash Settlement

Research Circular #RS14-003
January 2, 2013
KapStone Paper and Packaging Corporation ("KS")
2-for-1 Stock Split
Ex-Distribution Date: January 8, 2014

Research Circular #RS14-004
January 2, 2014
Lender Processing Services, Inc. ("LPS") Merger
COMPLETED
with Fidelity National Financial, Inc. Class A ("FNF")

Research Circular #RS14-006
January 3, 2014
Novo-Nordisk A/S ("NVO")
5-for-1 ADS Split
Ex-Distribution Date: January 9, 2014

Research Circular #RS14-007
January 3, 2014
RLI Corp. ("RLI")
2-for-1 Stock Split
Ex-Distribution Date: January 16, 2014

January 3, 2014

Volume RB25, Number 1

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Regulatory Circulars

CBOE Regulatory Circular RG13-166 C2 Regulatory Circular RG13-068

Date: December 31, 2013
To: CBOE and C2 Trading Permit Holders
From: Regulatory Services Division
RE: Treatment of Non-Market-Maker Transactions

Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act") requires that every registered broker-dealer shall at all times maintain a minimum level of net capital. Paragraph (b)(1) of the Rule sets for an exemptive clause that provides that certain options market makers are not required to comply with the minimum net capital requirement (commonly referred to as the "(b)(1) exemption" or the "options market maker exemption"). The (b)(1) exemption is only available to an options market maker (i) whose securities business, **except for an occasional non-specialist related securities transaction for its own account**, is limited to that of acting as an options market maker on a national securities exchange; (ii) that is a member in good standing and subject to the capital requirements of a national securities exchange; (iii) that does not transact a business in securities with other than a broker-dealer registered with the SEC under section 15 or 15C of the Exchange Act or a member of a national securities exchange; and (iv) that is not a member of The Options Clearing Corporation and whose securities transactions are effected through and carried by another broker-dealer registered with the SEC under section 15 of the Exchange Act.

Trading Permit Holders are reminded that SEC guidelines permit market-makers to engage in hedging transactions if they are directly related to their market-making activity; however, market-makers are prohibited from trading in non-market-maker securities, except for an occasional investment account transaction. SEC Staff guidance clarifies the meaning of "occasional" as **no more than 10 investment account transactions per year**. (Previously the Exchange had viewed the determination of what is "occasional" as a matter of judgment applied on a case-by-case basis.)

Please note that active trading in non-market-maker securities, whether affected in an options market-maker account or the related customer sub-account carried at the market-maker clearing firm, would not be considered occasional. However, SEC Staff guidance provides that excess funds may be invested in reverse purchase agreement transactions as often as necessary, and not be counted as occasional investment transactions. In addition, SEC Staff guidance provides that a market-maker operating under the (b)(1) exemption will not lose the exemption solely through trading in commodity futures.¹

¹See <http://www.finra.org/web/groups/industry/@ip/@reg/@rules/documents/interpretationsfor/p037763.pdf> (a reproduction of Rule 15c3-1 incorporating SEC Staff guidance).

Should a market-maker initiate more than an occasional non-market-maker related transaction, the market-maker would lose the (b)(1) exemption. This would cause the market-maker to be subject to, among other things, maintenance of a minimum net capital, the filing with the Exchange of monthly FOCUS reports, an annual audit of financial statements prepared by an independent accounting firm, and restrictions on capital withdrawals. Engaging in non-market-making activity without also complying with all applicable financial responsibility requirements would be a serious matter subject to disciplinary action by the Exchange or the SEC.

Additional Information:

Please contact the Regulatory Interpretations and Guidance team at RegInterps@cboe.com or (312) 786-8141 for additional information.

Regulatory Circular RG14-001

Date: January 2, 2014

To: Trading Permit Holders
From: Business Development and Systems Divisions
RE: Back-Up Data Center Test on January 25, 2014

On Saturday, January 25, 2014, CBOE will conduct a test to simulate a failure at CBOE's Equinix NY4 primary data center and a recovery to back-up systems at CBOE's 400 South LaSalle Street data center. The Exchange is requiringⁱ participation in this test by all CBOE Trading Permit Holders (TPHs) required to connect to the back-up data center (see Regulatory Circular RG13-110):

- All Market-Makers in option classes exclusively listed on CBOE who are streaming quotes in such classes;
- All Designated Primary Market-Makers (DPMs) in multiply listed option classes; and
- All TPHs connected to the CBOE primary data center and transacting non-TPH customer business unless a TPH can demonstrate ready access to the back-up data center through another TPH connected to the back-up data center.

Since the primary objective of this simulation is to exercise a coordinated switch from CBOE's primary to its back-up data center (and gain an understanding of the amount of time required to do so by both CBOE and its TPHs), the test will begin with all participants connected to CBOE's primary data center. At some point after the start of the test, CBOE will simulate a disaster declaration via standard alerting mechanisms such as SendWordNow and Systems Status notifications, switch trading functions over to its back-up systems, and have all participants connect to the back-up systems. Participants will be asked to submit orders and/or quotes both before and after the switch. Post-test reporting requirements will consist of:

- The elapsed time between the disaster declaration and the TPH's connectivity to CBOE's back-up systems;
- Timestamps of TPH's first quotes and/or orders sent to CBOE's back-up systems; and
- Confirmation that messages sent and received were processed by the TPH correctly (or reports of any anomalies).

ⁱ Please see CBOE Rule 6.23A(f) for more information regarding the mandatory systems testing. TPHs that are subject to this rule and fail to conduct or participate in the testing may be subject to a summary suspension pursuant to Chapter XVI (Summary Suspension) and/or disciplinary action pursuant to Chapter XVII (Discipline).

Following the test, CBOE will switch trading functions back over to primary systems at NY4 to allow TPHs to validate normal production connectivity.

Additional materials will be distributed in advance of the test.

Additional Information:

Please contact the CBOE Help Desk at 866-728-2263, Anthony Montesano (312) 786-7365, or Matt Danaher at (312)786-8810 for additional information.

Rule Changes

APPROVED RULE CHANGE(S)

The Securities and Exchange Commission (“SEC”) has approved the following change(s) to Exchange rules pursuant to Section 19(b) of the Securities Exchange Act of 1934 (the “Act”). Below, any additions to rule text are underlined and any deletions are [bracketed]. Copies are available on the CBOE public website at www.cboe.com/legal/effectivefiling.aspx.
The effective date of the rule change is the date of approval unless otherwise noted.

SR-CBOE-2013-109 Market-Maker Appointment Cost Rebalances

On January 2, 2014, the SEC approved Rule Change File No. SR-CBOE-2013-109, which filing provides that, upon the Exchange’s rebalancing of class appointment costs, if a Market-Maker holds a combination of appointments whose aggregate revised appointment cost is greater than the number of Trading Permits that Market-Maker holds, the Market-Maker will be assigned as many Trading Permits as necessary to ensure that the Market-Maker no longer holds a combination of appointments whose aggregate revised appointment cost is greater than the number of Trading Permits that Market-Maker holds. Any questions regarding the rule change may be directed to Jeff Dritz, Legal Division, at 312-786-7070. The rule text is shown below and the rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-109.pdf>.

Rule 8.3. Appointment of Market-Makers

* * * * *

(c) Market-Maker Appointments. Absent an exemption by the Exchange, an appointment of a Market-Maker confers the right to quote electronically and in open outcry in the Market-Maker’s appointed classes as described below. Subject to paragraph (e) below, a Market-Maker may change its appointed classes upon advance notification to the Exchange in a form and manner prescribed by the Exchange.

* * * * *

(iv) Each Trading Permit held by a Market-Maker has an appointment credit of 1.0. A Market-Maker may select for each Trading Permit the Market-Maker holds any combination of Hybrid classes and Hybrid 3.0 classes, whose aggregate appointment cost does not exceed 1.0. The Exchange will rebalance the tiers (excluding the “AA” tier) set forth in subparagraph (i) above once each calendar quarter, which may result in additions or deletions to their composition, and announce such rebalances via Regulatory Circular at least ten (10) business days before the rebalance takes effect. When a class changes tiers it will be assigned the appointment cost of that tier. Upon rebalancing, each Market-Maker with a VTC appointment will be required to hold the appropriate number of Trading Permits reflecting the revised appointment costs of the Hybrid classes constituting the Market-Maker’s appointment. If a Market-Maker with a VTC appointment holds a combination of appointments whose aggregate revised appointment cost is greater than the number of Trading Permits that Market-Maker holds, the Market-Maker will be assigned as many Trading Permits as necessary to ensure that the Market-Maker no longer holds a combination of appointments whose aggregate revised appointment cost is greater than the number of Trading Permits that Market-Maker holds.

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SR-CBOE-2013-110 e-DPM Program

On January 2, 2014, the SEC approved Rule Change File No. SR-CBOE-2013-110, which filing eliminates the Electronic DPM (“e-DPM”) Program. Any questions regarding the rule change may be directed to Jeff Dritz, Legal Division, at 312-786-7070. The rule text is shown below and the rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-110.pdf>.

Rule 3.3. Qualifications of TPH Organizations

* * * * *

(b) An organization also must be approved to engage in one or more of the following trading functions authorized for TPH organizations under the Rules: (i) TPH organization approved to transact business with the public (Rule 9.1); (ii) Clearing Trading Permit Holder; (iii) order service firm (Rule 6.77); (iv) Market-Maker (Rule 8.1); (v) Lead Market-Maker (Rules 8.15 and Rule 8.15A) (v) Designated Primary Market-Maker (Rule 8.83); (vi) Reserved. [Electronic DPM (Rule 8.92)]; (vii) Proprietary Trading Permit Holder (Rule 1.1(kkk)); (viii) SBT Designated Primary Market-Maker and SBT Lead Market-Maker (Rule 41.2); and (ix) Trading Permit Holder eligible to trade securities traded pursuant to Chapter L (Rule 50.4)

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Rule 6.2B. Hybrid Opening System (“HOSS”)

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. . . Interpretations and Policies:

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.02 Market-Maker Quotes: The initial size of a Market-Maker’s opening quote must be for the minimum number of contracts determined by the Exchange on a class-by-class basis, which minimum shall be at least one contract. For purposes of this paragraph, the term “Market-Maker” includes a DPM,[e-DPM,] LMM, or Market-Maker.

* * * * *

Rule 6.45A. - Priority and Allocation of Equity Option Trades on the CBOE Hybrid System

Generally: The rules of priority and order allocation procedures set forth in this rule shall apply only to equity option classes designated by the Exchange to be traded on the CBOE Hybrid System and has no applicability to index option and options on ETF classes. The term “market participant” as used throughout this rule refers to a Market-Maker, a DPM,[an e-DPM,] and a floor broker or a PAR Official representing orders in the trading crowd. The term “in-crowd market participant” only includes an in-crowd Market-Maker, in-crowd DPM, and floor broker or PAR Official representing orders in the trading crowd.

* * * * *

Rule 6.45B - Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System

Generally: The rules of priority and order allocation procedures set forth in this rule shall apply only to index options and options on ETFs that have been designated for trading on the CBOE Hybrid System. The term “market participant” as used throughout this rule refers to a Market-Maker, a DPM or LMM[, an e-DPM] with an appointment in the subject class, and a floor broker or PAR Official representing orders in the trading crowd. The term “in-crowd market participant” only includes an in-crowd Market-Maker, in-crowd DPM or LMM, and floor broker or PAR Official representing orders in the trading crowd.

* * * * *

Rule 7.12. PAR Official

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(c) Compensation of PAR Officials. The PAR Official shall be compensated exclusively by the Exchange, which shall determine the amount and form of compensation. No DPM[, e-DPM,] or Market-Maker shall directly or indirectly compensate or provide any other form of consideration to a PAR Official.

* * * * *

Rule 8.3. Appointment of Market-Makers

* * * * *

(c) Market-Maker Appointments. Absent an exemption by the Exchange, an appointment of a Market-Maker confers the right to quote electronically and in open outcry in the Market-Maker’s

appointed classes as described below. Subject to paragraph (e) below, a Market-Maker may change its appointed classes upon advance notification to the Exchange in a form and manner prescribed by the Exchange.

* * * * *

(vi) A Market-Maker may not hold an appointment and submit electronic quotations in any class in which an affiliated DPM[,] or LMM[or e-DPM] is appointed, or in which an affiliated Market-Maker holds an appointment and submits electronic quotations, if CBOE uses in that class an allocation algorithm that allocates electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer. However, the foregoing restriction does not apply if CBOE uses in a particular options class an allocation algorithm that does not allocate electronic trades, in whole or in part, in an equal percentage based on the number of market participants quoting at the best bid or offer. Additionally, there is no restriction on affiliated Market-Makers holding an appointment in the same class for purposes of trading in open outcry.

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Rule 8.3A. Maximum Number of Market Participants Quoting Electronically per Product

With respect to products trading on the Hybrid Trading System, the Exchange will impose an upper limit on the aggregate number of Trading Permit Holders that may quote electronically in each product (“Class Quoting Limit” or “CQL”). (For purposes of this Rule, the term “product” refers to all options of the same single underlying security/value.) Interpretations and Policies .01 specifies the Class Quoting Limits for all products trading on Hybrid.

When a CQL is established for each product, the following criteria govern which Trading Permit Holders are entitled to quote electronically in that subject product. A Market-Maker [(excluding an e-DPM)] that is not eligible to quote electronically in a product may quote in open outcry in that product.

(a) Products Trading on the Hybrid Trading System

The DPM or LMM(s) [and e-DPMs (if applicable)] assigned to the product and Market-Makers who hold an appointment in the product are entitled to quote electronically in those products for as long as they maintain an appointment in those products.

All other Market-Makers[and approved e-DPMs] that request the ability to submit quotes electronically in the subject product will be entitled to quote electronically in that product in the order in which they so request provided the number of Trading Permit Holders quoting electronically in the product does not exceed the CQL. When the number of Trading Permit Holders in the product quoting electronically equals the CQL, all other Trading Permit Holders requesting the ability to quote electronically in that product will be wait-listed in the order in which they submitted the request.

The waiting list operates based on time priority. When the product can accommodate another electronic quoter (whether due to attrition or an increase in the CQL), the Trading Permit Holder at the “top” of the list (*i.e.*, the Trading Permit Holder that has been on the waiting list the longest amount of time) has priority. Once a Trading Permit Holder is wait-listed, the Exchange may not alter his/her position on the wait-list other than to improve such position (*i.e.*, the Exchange may not place other Trading Permit Holders ahead of a previously wait-listed Trading Permit Holder). If a wait-listed Trading Permit Holder is offered, yet refuses, the ability to quote electronically in the subject product, the Trading Permit Holder will be removed from that waiting list.

(b) Products Added to the Hybrid Trading System: With respect to a product that is added to the Hybrid Trading System, the DPM or LMM(s)[and e-DPMs] appointed to the product will be entitled to quote electronically. All Market-Makers holding an appointment in the product prior to its addition to the Hybrid Trading System will be entitled to quote electronically. If at the time a product is added to the Hybrid Trading System the aggregate number of DPMs or LMMs[, e-DPMs,] and Market-Makers entitled to quote electronically in the product exceeds the CQL, then the product will have an “increased CQL,” as described in Interpretations and Policies .01. Reduction of any “increased CQL” will be in accordance with the procedures described in Interpretations and Policies .01.

All other Trading Permit Holders will be entitled to quote electronically in that product in the order in which they so request provided the number of Trading Permit Holders quoting electronically in

the product does not exceed the CQL. When the number of Trading Permit Holders quoting electronically in the product equals the CQL, all other Trading Permit Holders will be wait-listed in the order in which they request the ability to quote electronically. The wait-list will operate as described above in paragraph (a).

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Rule 8.13. Preferred Market-Maker Program

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(c) *Entitlement Rate.* Provided the provisions of subparagraph (b) above have been met, the Preferred Market-Maker participation entitlement shall be 40% when there are two or more Market-Makers also quoting at the best bid/offer on the Exchange, and 50% when there is only one other Market-Maker quoting at the best bid/offer on the Exchange. In addition, the following shall apply:

* * * * *

(iii) If a Preferred Market-Maker receives a participation entitlement under this Rule, then no other participation entitlements set forth in Exchange Rules (e.g. Rule 8.87 Participation Entitlement of DPMs [and e-DPMs] and Rule 8.15B Participation Entitlement of LMMs) shall apply to such order.

* * * * *

Rule 8.14 Index Hybrid Trading System Classes: Market-Maker Participants

(a) Generally: The Exchange (i) may authorize for trading on the CBOE Hybrid Trading System or the Hybrid 3.0 Platform index options and options on ETFs trading on the Exchange and (ii) if that authorization is granted, shall determine the eligible categories of Market-Maker participants for those options. The Exchange shall also have the authority to determine whether to change the trading platform on which those options trade and to change the eligible categories of Market-Maker participants for those options. The eligible categories of Market-Maker participants may include:

* * * * *

[Electronic DPMs (“e-DPM”): Market-Makers as defined in Rule 8.92 whose activities are governed by, among other rules, CBOE Rules 8.92 - 8.94.]

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. . . *Interpretations and Policies:*

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(b) Market-Maker appointments will apply on a class basis, except DPM[,] and LMM [and e-DPM] appointments will apply only to the group of series to which the respective DPM[,] or LMM [or e-DPM] is assigned, if applicable.

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Section C: Designated Primary Market-Makers (Rules 8.80-8.91[4])

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Rule 8.85. DPM Obligations

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(e) *Requirement to Hold Trading Permit.* Each DPM organization shall hold such number of Trading Permits as may be necessary based on the aggregate “appointment cost” for the classes allocated to the DPM organization. Each Trading Permit held owned or leased by the DPM organization has an appointment credit of 1.0. The appointment costs for the classes allocated to the DPM organization are:

* * * * *

In the event the TPH organization approved as the DPM organization is also approved to act as Market-Maker [and/or e-DPM], and has excess Trading Permit capacity above the aggregate appointment cost for the classes allocated to it as the DPM, the TPH organization may utilize the excess Trading Permit capacity to quote electronically in an appropriate number of Hybrid classes in the capacity of a Market-Maker and not trade in open outcry[, or to quote electronically in the Hybrid classes in which it is appointed an e-DPM]. For example, if the DPM organization has

been allocated such number of option classes that its aggregate appointment cost is 1.6, the TPH organization could request an appointment as a Market-Maker in any combination of Hybrid classes whose aggregate “appointment cost” does not exceed .40. The TPH organization will not function as a DPM in any of these additional classes. In the event the TPH organization utilizes any excess Trading Permit capacity to quote electronically in some additional Hybrid classes as a Market-Maker[or e-DPM], it must comply with the provisions of Rule[s] 8.3[and Rule 8.93(vii), respectively].

* * * * *

Rule 8.87. Participation Entitlement of DPMs [and e-DPMs]

(a) Subject to the review of the Board of Directors, the Exchange may establish from time to time a participation entitlement formula that is applicable to all DPMs.

(b) The participation entitlement for DPMs [and e-DPMs (as defined in Rule 8.92)] shall operate as follows:

(1) *Generally.*

(i) To be entitled to a participation entitlement, the DPM[/e-DPM] must be quoting at the best bid/offer on the Exchange.

(ii) A DPM[/e-DPM] may not be allocated a total quantity greater than the quantity that the DPM[/e-DPM] is quoting at the best bid/offer on the Exchange.

(iii) The participation entitlement is based on the number of contracts remaining after all public customer orders in the book at the best bid/offer on the Exchange have been satisfied.

(iv) An Off-Floor DPM shall not receive a participation entitlement with respect to orders represented in open outcry on CBOE’s trading floor.

(2) *Participation Rates applicable to DPM Complex.* The collective DPM[/e-DPM] participation entitlement shall be: 50% when there is one Market-Maker also quoting at the best bid/offer on the Exchange; 40% when there are two Market-Makers also quoting at the best bid/offer on the Exchange; and, 30% when there are three or more Market-Makers also quoting at the best bid/offer on the Exchange.

(3) Reserved. [*Allocation of Participation Entitlement Between DPMs and e-DPMs.* The participation entitlement shall be as follows: If the DPM and one or more e-DPMs are quoting at the best bid/offer on the Exchange, the e-DPM participation entitlement shall be one-half (50%) of the total DPM/e-DPM entitlement and shall be divided equally by the number of e-DPMs quoting at the best bid/offer on the Exchange. The remaining half shall be allocated to the DPM. If the DPM is not quoting at the best bid/offer on the Exchange and one or more e-DPMs are quoting at the best bid/offer on the Exchange, then the e-DPMs shall be allocated the entire participation entitlement (divided equally between them). If no e-DPMs are quoting at the best bid/offer on the Exchange and the DPM is quoting at the best bid/offer on the Exchange, then the DPM shall be allocated the entire participation entitlement. If only the DPM and/or e-DPMs are quoting at the best bid/offer on the Exchange (with no Market-Makers at that price), the participation entitlement shall not be applicable and the allocation procedures under Rule 6.45A shall apply.]

(4) *Participation Entitlement In Instances Where a Preferred Market-Maker Receives a Participation Entitlement Pursuant to Rule 8.13.* The participation entitlement set forth in this Rule shall not apply in instances where a Preferred Market-Maker receives a participation entitlement pursuant to Rule 8.13.

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. . . *Interpretations and Policies:*

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.02 Rule 8.85(a)(i) and Rule 8.93(i) do not require a DPM[or e-DPM, respectively,] to provide continuous electronic quotes in intra-day add-on series on the day during which such series are added for trading. However, a DPM [or e-DPM] may still receive a participation entitlement in such series if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.87(b).

.03 Where the underlying security for a class is in a limit up-limit down state, as defined in Rule 6.3A, DPMs[and e-DPMs] shall have no quoting obligations in the class. However, a DPM[or e-DPM] may receive a participation entitlement in series of such a class when the underlying

security has entered a limit up limit down state if it elects to quote in such series and otherwise satisfies the requirements set forth in Rule 8.87(b).

* * * * *

[Rule 8.92. Electronic DPM Program

(a) *Definition.* An Electronic DPM (“e-DPM”) is a TPH organization that is approved by the Exchange to remotely function in allocated option classes as a DPM and to fulfill certain obligations required of DPMs except for Floor Broker and Order Book Official obligations. The DPM provisions of Rules 8.81 through 8.91 only apply to e-DPMs to the extent they are specifically referenced in Rules 8.92 through 8.94.

(b) *Approval to Act as an e-DPM.* Determinations regarding granting or withdrawing approval to act as an e-DPM shall be made by the Board of Directors or its designee. A TPH organization desiring to be approved to act as an e-DPM shall file an application with the Exchange on such form or forms as the Exchange may prescribe. The Exchange shall determine the appropriate number of approved e-DPMs per option class. Factors to be considered in approving an e-DPM may include any one or more of the following:

- (i) adequacy of resources including capital, technology, and personnel;
- (ii) history of stability, superior electronic capacity, and superior operational capacity;
- (iii) market-making and/or specialist experience in a broad array of securities;
- (iv) ability to interact with order flow in all types of markets;
- (v) existence of order flow commitments;
- (vi) willingness to accept allocations as an e-DPM in options underlying at least 400 securities; and
- (vii) willingness and ability to make competitive markets on the Exchange and otherwise to promote the Exchange in a manner that is likely to enhance the ability of the Exchange to compete successfully for order flow in the options it trades.

In selecting an applicant for approval as an e-DPM, the Exchange may place one or more conditions on the approval concerning the operations of the applicant and the number of option classes which may be allocated to the applicant.

Each e-DPM shall retain its approval to act as an e-DPM until the Exchange relieves the e-DPM of its approval and obligations to act as an e-DPM or the Exchange terminates the e-DPM’s approval to act as an e-DPM pursuant to Exchange Rules. An e-DPM may not transfer its approval to act as an e-DPM unless approved by the Exchange.

(c) *Allocation of Option Classes.* The Board of Directors or its designee shall grant e-DPMs allocations in option classes. Factors to be considered in granting allocations include performance, capacity, performance commitments, efficiency, competitiveness, and operational factors. In addition, the following shall apply:

- (i) More than one e-DPM may be allocated to the same option class;
- (ii) Option classes that have been allocated to a DPM may be concurrently allocated to e-DPMs.
- (iii) An e-DPM’s allocation in an option class or group of classes is non-transferable unless approved by the Exchange.
- (iv) The Exchange may impose a minimum number of option classes for which an e-DPM may be allocated.
- (v) An e-DPM may not be allocated an option class for which the e-DPM organization serves as DPM on the trading floor,
- (vi) The Exchange may remove any option class from the e-DPM Program at any time if certain factors no longer warrant its inclusion in the program. Factors to be considered in removing an option class include any of the following: market share, number of exchanges trading the product, average daily trading volume, and liquidity in the product. The Exchange shall give prior notice of any removal of an option class to the e-DPMs trading in that option class.

(d) *Trading Permit Requirement.* Each e-DPM organization is required to hold such number of Trading Permits as may be necessary based on the aggregate “appointment cost” for the classes allocated to the e-DPM organization. Each Trading Permit held by the e-DPM organization has an appointment credit of 1.0. The appointment costs for Hybrid classes allocated to e-DPMs are categorized by “tiers” and are set forth in Rule 8.3(c)(i). For example, if the e-DPM organization

has been allocated such number of option classes that its aggregate appointment cost is 6.6, the e-DPM organization would be required to hold seven Trading Permits.

As noted in Rule 8.3(c), the Exchange will rebalance the “tiers” (excluding the “AA” tier) once each calendar quarter, which may result in additions or deletions to their composition. When a class changes “tiers” it will be assigned the “appointment cost” of that tier. Upon rebalancing, each e-DPM organization will be required to hold the appropriate number of Trading Permits reflecting the revised “appointment costs” of the classes that have been allocated to it.

Except as provided below, Trading Permits used to satisfy this requirement may not be used for any other purpose. For purposes of this Rule, the term “product” refers to all options of the same single underlying security/value. In the event the TPH organization approved as the e-DPM organization is also approved to act as an RMM and/or DPM, and has excess Trading Permit capacity above the aggregate appointment cost for the classes allocated to it as the e-DPM, the TPH organization may utilize the excess Trading Permit capacity to quote electronically in an appropriate number of Hybrid classes in the capacity of a Remote Market-Maker (“RMM”) and not trade in open outcry, and/or to quote electronically and trade in open outcry in the classes in which it is appointed a DPM. For example, if the TPH organization has been allocated such number of option classes that its aggregate appointment cost is 6.6, the TPH organization could request an appointment as an RMM in any combination of Hybrid classes whose aggregate “appointment cost” does not exceed .40. The TPH organization will not function as an e-DPM in any of these additional classes. In the event the TPH organization utilizes any excess Trading Permit capacity to quote electronically in some additional Hybrid classes as an RMM or DPM, it must comply with the provisions of Rules 8.3 and Rule 8.85(a)(v), respectively.

(e) *Trade Participation.* e-DPMs shall participate in trades as set forth in Rules 6.45A and 8.87.

Rule 8.93. e-DPM Obligations

Each e-DPM shall fulfill all of the obligations of a Market-Maker and of a DPM under the Rules (except those contained in Rules 8.85(a)(i), (iv), (v), (vii)- (x), and (xii), 8.85(c)(i) and (v), and 8.85(e)), and shall satisfy each of the following requirements:

(i) provide continuous electronic quotes (as defined in Rule 1.1(ccc)) in at least the lesser of 99% of the non-adjusted option series or 100% of the non-adjusted option series minus one call-put pair of each allocated class, with the term “call-put pair” referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price. This obligation does not apply to intra-day add-on series on the day during which such series are added for trading;

(ii) assure that its market quotations are accurate;

(iii) comply with the bid/ask differential requirements determined by the Exchange on a class by class basis;

(iv) assure that its market quotations comply with the minimum size requirements prescribed by the Exchange, which minimum shall be at least one contract;

(v) continue to act as an e-DPM and to fulfill all of the e-DPM’s obligations as an e-DPM until the Exchange relieves the e-DPM of its approval and obligations to act as an e-DPM;

(vi) make competitive markets on the Exchange and otherwise to promote the Exchange in a manner that is likely to enhance the ability of the Exchange to compete successfully for order flow in the classes it trades;

(vii) Reserved;

(viii) immediately notify the Exchange of any material operational or financial changes to the e-DPM organization as well as obtain the Exchange’s approval prior to effecting changes to the ownership, capital structure, voting authority, distribution of profits/losses, or control of the e-DPM organization;

(ix) provide Trading Permit Holders with telephone access to a designated employee at all times during market hours for purposes of resolving problems involving trading on the Exchange;

(x) maintain information barriers that are reasonably designed to prevent the misuse of material, non-public information with any affiliates that may conduct a brokerage business in option classes allocated to the e-DPM or act as specialist or Market-Maker in any security underlying options allocated to the e-DPM, and otherwise comply with the requirements of Rule 4.18 regarding the misuse of material non-public information. However, an e-DPM in an option overlying an IPR, IPS

or TIR that meets the criteria set forth in Rule 54.7, Interpretation and Policy .03, is not required to maintain information barriers that restrict the flow of information between it and any affiliates that act as a specialist or market-maker in the underlying IPR, IPS or TIR; and
 (xi) ensure that a trading rotation is initiated promptly following the opening of the underlying security (or promptly after 8:30 a.m. (CT) in an index class) in accordance with Rule 6.2B in 100% of the series of each allocated class by entering opening quotes as necessary.

Rule 8.94. Review of e-DPM Operations and Performance

(a) *Review.* The Exchange may conduct a review of an e-DPM's operations or performance at any time. Such review may include an evaluation of the extent to which the e-DPM has satisfied its obligations under Rule 8.93. An e-DPM shall submit to the Exchange such information requested by the Exchange in connection with a review of the e-DPM's operations or performance on the Exchange.

(b) *Revocation of Fee Rate.* The Exchange may, pursuant to a rule change filed with the Commission under Section 19(b) of the Exchange Act, adopt rules detailing objective criteria upon which e-DPMs' fee rates shall be reviewed. The criteria may include average quote size, average quote width, the percentage of time an e-DPM is quoting at the NBBO, and other objective performance related measurements. e-DPMs that fail to meet the objective standards may be summarily required to adhere to fee rates applicable to non-e-DPM Market-Makers.

(c) *Termination and Other Limitations.* The Exchange may terminate, place conditions upon, or otherwise limit a TPH organization's approval to act as an e-DPM on the same basis that DPM privileges may be terminated and/or conditioned under Rules 8.60 and 8.90. If a TPH organization's approval to act as an e-DPM is terminated, conditioned, or otherwise limited by the Exchange pursuant to this Rule, the TPH organization may seek review of that decision under Chapter XIX of the Rules.]

* * * * *

Rule 17.50. Imposition of Fines for Minor Rule Violations

* * * * *

(g) The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant to, this Rule:

* * * * *

(14) Failure to Meet Exchange Quoting Obligations

A fine shall be imposed upon a Market-Maker, Designated Primary Market-Maker[, Electronic Designated Primary Market-Maker] or Lead Market Maker (as applicable) in accordance with the fine schedule set forth below for the following conduct:

- Failure to meet the continuous quoting obligation (Rule 8.7, 8.15A, and Rule 8.85[and Rule 8.93]);
- Failure to meet the applicable quote width requirements (Rule 8.7);
- Failure to meet the initial quote volume requirements (Rule 8.7);
- Failure of a Lead Market Maker[, Electronic Designated Market Maker] or Designated Primary Market-Maker to ensure that a trading rotation is initiated promptly following the opening of the underlying security (or promptly after 8:30 a.m. (CT) in an index class) in accordance with Rule 6.2B in 100% of the series of each allocated class by entering opening quotes as necessary (Rule 8.15A and Rule 8.85); and

* * * * *

EFFECTIVE-ON-FILING RULE CHANGE(S)

The following rule filings were submitted to the SEC "effective on filing," and may have taken effect pursuant to Section 19(b)(3) of the Act. They will remain in effect barring further action by the SEC within 60 days after publication in the Federal Register. Below, any additions to rule text are underlined, and any deletions are [bracketed]. Copies are available on the CBOE public website at www.cboe.org/legal/effectivefiling.aspx.

SR-CBOE-2013-127 Order Formats

On December 24, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-127, which filing proposes to change where Order Format 1 (“OF1”) orders are processed. Specifically, the Exchange proposes to have orders using the OF1 format pass through various processes, including the validation checks, in the trade engine as opposed to the Order Handling Service. Any questions regarding the rule change may be directed to Corinne Klott, Legal Division, at 312-786-7793. The rule text is shown below and the rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-127.pdf>.

Rule 6.53A. Types of Order Formats

Trading Permit Holders shall submit orders using the following order format(s):

- (i) Order Format 1. All orders submitted to CBOE shall be submitted using message type “Order Format 1.” Order Format 1 orders must pass through various processes, including validation checks in the [Order Handling Service (“OHS”)] trade engine, before execution, entry into the book, cancellation, or routing for manual handling. Order Format 1 supports all order types, including auction responses.
- (ii) No change.

SR-CBOE-2013-129 Fees Schedule

On December 31, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-129, which filing proposes to make a number of amendments to the CBOE Fees Schedule, including: (i) increasing the Clearing Trading Permit Holder Proprietary transaction fee (in non-proprietary products) to \$0.35 per contract, (ii) amending VIX options Customer fees, (iii) amending VIX options Market-Maker fees, (iv) raising the Hybrid 3.0 Execution Fee, (v) adopting Customer Priority Surcharges for SPXW and VIX, (vi) changing the tiers in the Liquidity Provider Sliding Scale and the Proprietary Products Sliding Scale to relative, percentage-based thresholds, (vii) lowering the fee in tier 1 of the Liquidity Provider Sliding Scale to \$0.23 per contract, (viii) deleting the Clearing Trading Permit Holder Proprietary VIX Options Sliding Scale, (ix) adopting a PULSe-to-PULSe routing fee of \$50 per month per receiving TPH, (x) lowering the HAL Step-Up Rebate to \$0.05 per contract, (xi) amending Linkage fees to pass through the away exchange fee for Customer contracts routed through Linkage, (xii) amending the Linkage fees for non-Customers to \$0.55 per contract, (xiii) adding a second tier to the Floor Broker Access Rebate, and (xiv) allowing the sharing of bandwidth between affiliated TPHs. Any questions regarding the rule change may be directed to Jeff Dritz, Legal Division, at 312-786-7070. The rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-129.pdf>.

SR-CBOE-2013-130 PULSe Workstation

On December 31, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-130, which filing proposes to allow a Trading Permit Holder to co-brand PULSe workstations used by its customers. Any questions regarding the rule change may be directed to Laura Dickman, Legal Division, at 312-786-7572. The rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-130.pdf>.

PROPOSED RULE CHANGE(S)

Pursuant to Section 19(b)(1) of the Act, and Rule 19b-4 thereunder, the Exchange has filed the following proposed rule change(s) with the SEC. Below, any additions to rule text are underlined and any deletions are [bracketed]. Copies of the rule change filing(s) are available at www.cboe.org/legal/submittedsecfilings.aspx. Trading Permit Holders may submit written comments to the Legal Division.

The effective date of a proposed rule change will be the date of approval by the SEC, unless otherwise noted.

SR-CBOE-2013-128 QRM Mechanism

On December 31, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-128, which filing proposes to enhance the Quote Risk Monitor Mechanism (“QRM Mechanism”). The Exchange proposes to adopt functionality that triggers the QRM Mechanism when a Market-Maker reaches a pre-set Cumulative Percentage Limit or Number of Series Fully Traded in that class (canceling quotes in a class). The Exchange also proposes to adopt functionality that triggers the QRM Mechanism when a Market-Maker has a certain number of QRM Incidents in a time period (canceling all the Market-Maker’s quotes and orders on the Exchange).² Any questions regarding the rule change may be directed to Jeff Dritz, Legal Division, at 312-786-7070. The rule text is shown below and the rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-128.pdf>.

Rule 8.18 Quote Risk Monitor Mechanism

Each Market-Maker who is obligated to provide and maintain continuous electronic quotes (as defined in Rule 1.1(ccc)) in an option class traded on the Hybrid Trading System (“Hybrid Market-Maker”), or the TPH organization with which the Hybrid Market-Maker is associated, may establish parameters by which the Exchange will activate the Quote Risk Monitor (“QRM”) Mechanism.

The functionality of the QRM Mechanism that is available to Hybrid Market-Makers [that use the QRM Mechanism shall specify] includes, for each such option class in which the Hybrid Market-Maker is engaged in trading[.]; (i) a maximum number of contracts for such option class (the “Contract Limit”) and a rolling time period in milliseconds within which such Contract Limit is to be measured (the “Measurement Interval”)[.]; (ii) a maximum cumulative percentage that the Hybrid Market-Maker is willing to trade (the “Cumulative Percentage Limit”), where the cumulative percentage is the sum of the percentages of the original quoted size of each side of each series that traded, and a Measurement Interval; and (iii) the maximum number of series for which either side of the quote is fully traded (the “Number of Series Fully Traded”) and a Measurement Interval. This functionality is optional and Hybrid Market-Makers are not required to set parameters for the aforementioned QRM Mechanism functions.

When the Exchange determines that the Hybrid Market-Maker has traded [more than] at least the Contract Limit or Cumulative Percentage Limit for such option class on a trading platform during any rolling Measurement Interval, or has traded at least the Number of Series Fully Traded on an option class on a trading platform during any rolling Measurement Interval, the QRM Mechanism shall cancel all electronic quotes [that are] being disseminated on the same trading platform with respect to that Hybrid Market-Maker in that option class and any other classes with the same underlying security until the Hybrid Market-Maker refreshes those electronic quotes. Such action by the Exchange is referred to herein as a QRM Incident. Once the QRM Mechanism is triggered, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all classes for which quotes were canceled for all parties for whom such quotes were canceled.

A Hybrid Market-Maker or a TPH organization may also specify a maximum number of QRM Incidents on an Exchange-wide basis. When the Exchange determines that such Hybrid Market-Maker or TPH organization has reached its QRM Incident limit during any rolling Measurement Interval, the QRM Mechanism shall cancel all of the Hybrid Market-Maker’s or TPH organization’s electronic quotes and Market-Maker orders resting in the Book in all option classes on the Exchange and prevent the Hybrid Market-Maker or TPH organization from sending additional quotes or orders to the Exchange until the Hybrid Market-Maker or TPH organization reactivates its ability to send quotes or orders in a manner prescribed by the Exchange. Once the QRM

² Rule Change File No. SR-CBOE-2013-128 replaces Rule Change File No. SR-CBOE-2012-120, which was included in the December 13, 2013 Bulletin.

Mechanism is triggered and quotes and orders are cancelled, all counters that determine whether the QRM Mechanism is triggered and a QRM Incident occurs will be reset for all parties for whom the QRM Mechanism was triggered and for all classes for which quotes and orders were canceled. If the Exchange cancels all of the Hybrid Market-Maker's or TPH organization's electronic quotes and Market-Maker orders resting in the Book, and the Hybrid Market-Maker or TPH organization does not reactivate its ability to send quotes or orders, the block will be in effect only for the trading day that the Hybrid Market-Maker or TPH organization reached its QRM Incident limit. Hybrid Market-Makers and TPH organizations are not required to set parameters for the Exchange-wide QRM.

SR-CBOE-2013-131 Complex Orders

On December 31, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-131, which filing proposes to amend various CBOE Rules related to complex orders to: (i) simplify the definitions of the complex order types that may be made available on a class-by-class basis and remove references to certain specific complex order types that will no longer be defined; (ii) with respect to complex orders eligible for electronic processing via the complex order book ("COB") and complex order RFR auction ("COA"), revise the definition of a complex order to set forth a revised permissible ratio for complex orders in single-listed index option classes; (iii) with respect to complex orders in open outcry, set forth permissible ratios and limit the number of component series legs for an order to be eligible for complex order priority; and (iv) with respect to complex orders in open outcry, make explicit the priority applicable when there are other complex orders or quotes represented at the same net price, whether such other orders or quotes are in the COB or being represented in open outcry. Any questions regarding the rule change may be directed to Jennifer Lamie, Legal Division, at 312-786-7576. The rule text is shown below and the rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-131.pdf>.

Rule 6.9. Solicited Transactions

A Trading Permit Holder or TPH organization representing an order respecting an option traded on the Exchange (an "original order"), including a [spread, combination, or straddle order as defined in Rule 6.53, a stock-option order as defined in Rule 1.1(ii), a security future-option order as defined in Rule 1.1(zz), or any other] complex order as defined in Rule 6.53[C], may solicit a Trading Permit Holder or TPH organization or a non-Trading Permit Holder customer or broker-dealer (the "solicited person") to transact in-person or by order (a "solicited order") with the original order. In addition, whenever a floor broker who is aware of, but does not represent, an original order solicits one or more persons or orders in response to an original order, the persons solicited and any resulting orders are solicited persons or solicited orders subject to this Rule. Original orders and solicited orders are subject to the following conditions.

(a) – (f) No change.

...*Interpretations and Policies:*

.01 - .02 - No change.

.03 In respect of any solicited order that is a [spread, straddle or combination order as defined in Rule 6.53, or any other] complex order as defined in Rule 6.53[C], the terms "bid" and "offer" as used in subparagraphs (a)-(d) of this Rule 6.9 mean "total net debit" and "total net credit," respectively.

.04 - .07 – No change.

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Rule 6.42. Minimum Increments for Bids and Offers

No change.

...*Interpretations and Policies:*

.01 For purposes of this rule, "complex order" means a [spread, straddle, combination or ratio order as defined in Rule 6.53, a stock-option order as defined in Rule 1.1(ii), a security future-option order as defined in Rule 1.1(zz), or any other] complex order as defined in Rule 6.53[C].

.02 - .04 No change.

* * * * *

Rule 6.45. Priority of Bids and Offers—Allocation of Trades

(a) – (d) No change.

(e) Complex Order Priority Exception: A complex order (as defined in Rule [6.42.01] 6.53) that satisfies the requirements of Rule 6.53D may be executed at a net debit or credit price with another Trading Permit Holder without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the public customer limit order book provided at least one leg of the order betters the corresponding bid (offer) in the public customer limit order book by at least one minimum trading increment as defined in Rule 6.42 (i.e., \$0.10 or \$0.05 or \$0.01, as applicable) or a \$0.01 increment, which increment shall be determined by the Exchange on a class-by-class basis. Stock-option orders and security future-option orders, as defined in Rule 6.53 [1.1(ii)(a) and Rule 1.1(zz)(a), respectively], have priority over bids (offers) of the trading crowd but not over bids (offers) in the public customer limit order book. In addition, if a complex order would trade at the same net debit or credit price as another complex order, priority goes first to public customer orders in the complex order book (with multiple public customer orders ranked based on time), then to complex order bids and offers represented in the trading crowd (with multiple bids and offers ranked in accordance with the allocation principles contained in paragraph (a) or (b)), and then to all other orders and quotes in the complex order book (with multiple bids and offers ranked in accordance with the allocation algorithm formula in effect pursuant to Rule 6.53C).

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Rule 6.45A. [-] Priority and Allocation of Equity Option Trades on the CBOE Hybrid System

(a) No change.

(b) Allocation of Orders Represented in Open Outcry:

(i) No change.

(ii) Exception: Complex Order Priority:

A complex order (as defined in Rule [6.42.01] 6.53) that satisfies the requirements of Rule 6.53D may be executed at a net debit or credit price with another Trading Permit Holder without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the public customer limit order book provided at least one leg of the order betters the corresponding bid (offer) in the public customer limit order book by at least one minimum trading increment as defined in Rule 6.42 (i.e., \$0.10 or \$0.05 or \$0.01, as applicable) or a \$0.01 increment, which increment shall be determined by the Exchange on a class-by-class basis. Stock-option orders and security future-option orders, as defined in Rule 6.53 [1.1(ii)(a) and Rule 1.1(zz)(a), respectively], have priority over bids (offers) of the trading crowd but not over bids (offers) in the public customer limit order book. In addition, if a complex order would trade at the same net debit or credit price as another complex order, priority goes first to public customer orders in the complex order book (with multiple public customer orders ranked based on time), then to complex order bids and offers represented in the trading crowd (with multiple bids and offers ranked in accordance with the allocation principles contained in subparagraphs (b)(i)(B) and (D) above), and then to all other orders and quotes in the complex order book (with multiple bids and offers ranked in accordance with the allocation algorithm formula in effect pursuant to Rule 6.53C).

(c) – (e) No change.

...*Interpretations and Policies:*

.01 - .03 No change.

Rule 6.45B. [-] Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System

(a) No change.

(b) Allocation of Orders Represented in Open Outcry:

(i) No change.

(ii) Exception: Complex Order Priority:

A complex order (as defined in Rule [6.42.01] 6.53) that satisfies the requirements of Rule 6.53D may be executed at a net debit or credit price with another Trading Permit Holder

without giving priority to equivalent bids (offers) in the individual series legs that are represented in the trading crowd or in the public customer limit order book provided at least one leg of the order betters the corresponding bid (offer) in the public customer limit order book by at least one minimum trading increment as defined in Rule 6.42 (i.e., \$0.10 or \$0.05 or \$0.01, as applicable) or a \$0.01 increment, which increment shall be determined by the Exchange on a class-by-class basis. Stock-option orders and security future-option orders, as defined in Rule 6.53 [1.1(ii)(a) and Rule 1.1(zz)(a), respectively], have priority over bids (offers) of the trading crowd but not over bids (offers) in the public customer limit order book. In addition, if a complex order would trade at the same net debit or credit price as another complex order, priority goes first to public customer orders in the complex order book (with multiple public customer orders ranked based on time), then to complex order bids and offers represented in the trading crowd (with multiple bids and offers ranked in accordance with the allocation principles contained in subparagraphs (b)(i)(B) and (D) above), and then to all other orders and quotes in the complex order book (with multiple bids and offers ranked in accordance with the allocation algorithm formula in effect pursuant to Rule 6.53C).

(c) – (d) No change.

...*Interpretations and Policies:*

.01 - .04 No change.

* * * * *

Rule 6.53. Certain Types of Orders Defined

(a) – (c) No change.

[(d) Spread Order. A spread order is an order to buy a stated number of option contracts and to sell the same number of option contracts, or contracts representing the same number of shares at option, of the same class of options.]

(d) Complex Order. A complex order is any order for the same account as defined below:

(i) A “complex order” is any order involving the purchase and/or sale of two or more different options series in the same underlying security within an applicable ratio that may be determined by the Exchange and for the purpose of executing a particular investment strategy.

(ii) A “stock-option order” is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (i) the same number of units of the underlying stock or convertible security, or (ii) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than an applicable ratio that may be determined by the Exchange (where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg). A stock-option order is also defined in Rule 1.1(ii).

(iii) A “security future-option order” is defined in Rule 1.1(zz).

[(e) Combination Order. A combination order is an order involving a number of call option contracts and the same number of put option contracts in the same underlying security. In the case of adjusted option contracts, a combination order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares at option.]

[(f) Straddle Order. A straddle order is an order to buy a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date; or an order to sell a number of call option contracts and the same number of put option contracts on the same underlying security which contracts have the same exercise price and expiration date. (E.g., an order to buy two XYZ July 50 calls and to buy two July 50 XYZ puts is a straddle order.) In the case of adjusted option contracts, a straddle order need not consist of the same number of put and call contracts if such contracts both represent the same number of shares at option.]

[(g)] (e) Not Held Order. No change.

[(h)] (f) One-Cancels-the-Other (OCO) Order. No change.

[(i)] (g) All-or-None Order. No change.

[(j)] (h) Fill-or-Kill Order. No change.

[(k)] (i) Immediate-or-Cancel Order. No change.

[(l)] (j) Opening Rotation Order. No change.
 [(m)] (k) Facilitation Order. No change.
 [(n)] Ratio Order. A Ratio Order is a spread, straddle, or combination order in which the stated number of option contracts to buy (sell) is not equal to the stated number of option contracts to sell (buy), provided that the number of contracts differ by a permissible ratio. For purposes of this section, a permissible ratio is any ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.00) ratio is permissible, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not.]
 [(o)] (l) Attributable Order. No change.
 [(p)] (m) Intermarket Sweep Order. No change.
 [(q)] (n) AIM Sweep Order. No change.
 [(r)] (o) Sweep and AIM Order. No change.
 [(s)] (p) CBOE-Only Order. No change.
 [(t)] (q) Reserve Order. No change.
 [(u)] (r) Qualified Contingent Cross Order: No change.
 [(v)] (s) Market-Maker Trade Prevention Order. No change.
 [(w)] (t) Minimum Volume Order. (w) Minimum Volume Order. A minimum volume order is an order represented in open outcry for which an execution must at least equal the minimum volume specified. To the extent there is any remaining balance of a minimum volume order after the minimum volume is executed, the remainder will no longer have a minimum fill contingency and will be represented, in open outcry or electronically, unless cancelled by the customer. A minimum volume order that has a minimum volume size equal to the full size of the original order will be considered an all-or-none order [as described in Rule 6.53(i)].
 [(x)] (u) Leg Order. No change.
 ... *Interpretations and Policies:*
 .01 No change.

Rule 6.53C. Complex Orders on the Hybrid System

(a) Definition: No change.

[(1)](i) A “complex order” is any order involving [the execution of] two or more different options series in the same underlying security [occurring at or near the same time in a] within the applicable ratio [that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00) (or such lower ratio as may be determined by the Exchange on a class-by-class basis)] and for the purpose of executing a particular investment strategy. The applicable ratio will be determined by the Exchange on a class-by-class basis. The applicable ratio will be equal to or greater than one-to-three (.333) or less than or equal to three-to-one (3.00) (or such lower ratio as may be determined by the Exchange on a class-by-class basis, except that the applicable ratio determined by the Exchange for complex orders in a single-listed index option class may be equal to or greater than one-to-twelve (.083) and less than or equal to twelve-to-one (12.00). Only those complex orders within the applicable ratio are eligible for processing. For the purpose of applying the aforementioned ratios to complex orders comprised of both mini-option contracts and standard option contracts, ten (10) mini-option contracts will represent one (1) standard option contract. Only those complex orders with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

[(2)](ii) A “stock-option order” is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of options contract(s) on the opposite side of the market representing either (i) the same number of units of the underlying stock or convertible security, or (ii) the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the option leg to the total number of units of the underlying stock or convertible security in the stock leg (or such lower ratio as may be determined by the Exchange on a class-by-class basis). Only those stock-option orders with no more than the applicable number of legs, as determined by the Exchange on a class-by-class basis, are eligible for processing.

(b) – (d) No change.

... *Interpretations and Policies:*

.01 - .07 No change.

.08 Price Check Parameters: On a class-by-class basis, the Exchange may determine (and announce to the Trading Permit Holders via Regulatory Circular) to not automatically execute an eligible complex order that is:

(a) – (c) No change.

(d) Buy-Buy (Sell-Sell) Strategy Parameters: A limit order where (1) all the components of the strategy are to buy and the order is priced at zero, any net credit price, or a net debit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order; or (2) all the components of the strategy are to sell and the order is priced at zero, any net debit price, or a net credit price that is less than the number of individual option series legs in the strategy (or applicable ratio) multiplied by the applicable minimum net price increment for the complex order. Such complex orders under this paragraph (d) will not be accepted. In classes where this price check parameter is available, it will also be available for stock-option orders (and the minimum net price increment calculation above will only apply to the individual option series legs). In addition, in classes where this price check parameter is available, it will also be available for COA responses under Rule 6.53 C(d), AIM and Solicitation Auction Mechanism complex orders and responses under Rule 6.74A and 6.74B, customer-to-customer immediate cross complex orders under Rule 6.74A.08, and qualified contingent cross orders under Rule 6.53[(u)]. Such paired complex orders and responses under these provisions will not be accepted except that, to the extent that only a paired contra-side order subject to an auction under Rule 6.74A or 6.74B exceeds this price check parameter, the contra-side order will not be accepted and the paired original Agency Order will not be accepted or, at the order entry firm's discretion, continue processing as an unpaired complex order.

(e) – (f) No change.

.09 - .12 No change.

Rule 6.53D. Complex Orders in Open Outcry

(a) Complex orders (as defined in Rule 6.53) that are entered on a single order ticket and that are limited to twelve (12) legs or less, one leg of which may be for an underlying security or security future, as applicable, are eligible to be represented and executed in open outcry accordance with Exchange Rules. A complex order that contains more than twelve (12) legs or that is split across multiple order tickets, although permissible, may not be represented or executed as a complex order in open outcry.

(b) Except as otherwise provided in the Exchange Rules, the permissible ratios for complex orders in open outcry are as follows:

(i) for a complex order involving two or more different options series, any ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00);

(ii) for a complex order in a single-listed index option class, any ratio that is equal to or greater than one-to-twelve (.083) and less than or equal to twelve-to-one (12.00);

(iii) for a stock-option order the options leg(s) must (1) represent the same number of units of the underlying stock or convertible security in the stock leg, or (2) represent the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock or convertible security in the options leg to the total number of units of stock or convertible security in the stock leg; and

(iv) for a security futures-option order the options leg(s) must (1) represent the same number of units of the underlying stock in the security future leg, or (2) represent the number of units of the underlying stock necessary to create a delta neutral position, but in no case in a ratio greater than eight-to-one (8.00), where the ratio represents the total number of units of the underlying stock in the options leg to the total number of units of stock or convertible security in the security-futures leg.

A complex order that exceeds these ratios, although permissible, may not be represented or executed as a complex order in open outcry.

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Rule 6.73. Responsibilities of Floor Brokers

(a) – (b) No change.

(c) [Combination] Combining orders at the opening or close. No change.

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Rule 6.74. Crossing Orders

Generally. No change.

(a) – (c) No change.

(d)

(i)-(ii) No change.

(iii) In determining whether an order satisfies the eligible order size requirement, any multi-part or [complex order (including a spread, straddle, combination, or ratio order (or a stock-option order or security future-option order, as defined in Rule 1.1(ii)(b) and Rule 1.1(zz)(b), respectively) or any] other complex order as defined in Rule 6.53[C)] must contain one leg alone which is for the eligible order size or greater. If the same TPH organization is the originating firm and also the Designated Primary Market-Maker (“DPM”) or Lead Market-Maker (“LMM”) for the particular class of options to which the order relates, then the DPM or LMM is not entitled to any of the DPM or LMM guaranteed participation rate with respect to the particular cross transaction.

(iv)-(viii) No change.

(e) No change.

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7.12. PAR Official

(a) No change.

(b) The PAR Official shall be responsible for the following obligations with respect to the classes of options assigned to him/her:

(i) Display Obligation: Each PAR Official shall display immediately the full price and size of any customer limit order that improves the price or increases the size of the best disseminated CBOE quote. For purposes of this Rule 7.12(b), “immediately” means, under normal market conditions, as soon as practicable but no later than 30 seconds after receipt (“30-second standard”) by the PAR Official. The term “customer limit order” means an order to buy or sell a listed option at a specified price that is not for the account of either a broker or dealer; provided, however, that the term “customer limit order” shall include an order transmitted by a broker or dealer on behalf of a customer.

The following are exempt from the Display Obligation as set forth under this Rule:

(A) – (D) No change.

(E) Orders received before or during a trading rotation (as defined in Rule 6.2, 6.2A, and 6.2B), including Opening Rotation Orders as defined in Rule 6.53[(I)], are exempt from the 30-second standard, however, they must be displayed immediately upon conclusion of the applicable rotation; and

(F) No change.

(ii) – (iv) No change.

(c) – (e) No change.

... *Interpretations and Policies:*

.01 No change.

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Rule 8.51 Firm Disseminated Market Quotes

No change.

... *Interpretations and Policies:*

.01 - .04 No change.

.05 The requirement of paragraph (b) of this Rule that the responsible broker or dealer must honor displayed quotations up to the firm quote requirement subject to the conditions of the Rule applies not only to orders to buy or sell options, but also to [two-part spread or straddle for all

option] complex orders, as defined in Rule 6.53, which may be executed at displayed quotations for [both parts] each leg of the complex order. This obligation of a responsible broker or dealer [applies to two-part orders where the two sides are on opposite sides of the market in a one-to-one ratio, and] with respect to a complex order extends to the amount of the firm quote requirement on each side of the order.

.06 - .11 No change.

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Rule 24.20. SPX Combination Orders

(a) For purposes of this rule, the following terms shall have the following meanings:

(1) – (2) No change.

(3) An “SPX Combo Order” is an order to purchase or sell SPX options and the offsetting number of SPX combinations defined by the delta. An SPX Combo Order must be entered on a single order ticket and is limited to twelve (12) legs or less.

(b) No change.

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Rule 24A.5. FLEX Trading Procedures and Principles

(a) – (f) No change.

This rule supersedes Exchange Rules 6.5, Rule 6.9(d) (in those situations where a Submitting Trading Permit Holder representing an eligible order determines to take advantage of the crossing participation entitlement provisions of this Rule), 6.41, 6.42 (paragraphs (1) through (3) and those provisions of paragraph (4) pertaining to complex orders in options on the S&P 500 Index or on the S&P100 Index that are not box/roll spreads), 6.44, 6.45, 6.53 (paragraphs [(l)](j) and [(m)](k)), 6.74, (except that the Exchange may designate a class to be eligible for the tied hedge procedures set forth in Interpretation and Policy .10), 24.8 and 24.9.

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Rule 24B.5. FLEX Trading Procedures and Principles

(a) – (e) No change.

This rule supersedes Exchange Rules 6.5, 6.9(d)(in those situations where a Submitting Trading Permit Holder representing an eligible order determines to take advantage of the crossing participation entitlement provisions of this Rule), 6.41, 6.42 (paragraphs (1) through (3) and those provisions of paragraph (4) pertaining to complex orders in options on the S&P 500 Index or on the S&P100 Index that are not box/roll spreads), 6.44, 6.45, 6.53(paragraphs [(l)](j) and [(m)](k)), 6.74, (except that the Exchange may designate a class to be eligible for the tied hedge procedures set forth in Interpretation and Policy .10), 24.8 and 24.9.

... *Interpretations and Policies:*

.01 - .03 No change.

SR-CBOE-2013-132 Reporting Duties

On December 31, 2013, the Exchange filed Rule Change File No. SR-CBOE-2013-132, which filing proposes to amend Rule 6.51, *Reporting Duties*, related to trade reporting duties to reduce the time for reporting transactions for time and sales reports from within 90 seconds to within 60 seconds (except for complex orders, which will remain 90 seconds) and to make other miscellaneous changes. Any questions regarding the rule change may be directed to Jennifer Lamie, Legal Division, at 312-786-7576. The rule text is shown below and the rule filing is available at <http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2013-132.pdf>.

Rule 6.51. Reporting Duties

(a) *Designated Trading Permit Holder must report transaction.* (i) A participant in each transaction to be designated by the Exchange must report or ensure the transaction is reported to the Exchange within [90] 60 seconds of the execution (or within 90 seconds of the execution in the case of complex orders, including complex strategies that are dependent upon an execution

on another market) in a form and manner prescribed by the Exchange so that the trade information may be reported to time and sales reports. (ii) Transactions not reported [within 90 seconds after execution] in accordance with the timeframes prescribed in Rule 6.51(a)(i) shall be designated as late. A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with just and equitable principles of trade and subject to summary fine under Rule 17.50 or to discipline under Chapter XVII of the Rules.

(b) – (d) No change.

. . . *Interpretations and Policies:*

.01 The Exchange has established the following procedure for reporting transactions pursuant to Rule 6.51(a) and (b).

For each transaction on the Exchange both the buyer and seller shall immediately record on a card or ticket, or enter in an electronic data storage medium acceptable to the Exchange, his assigned broker initial code and his clearing firm (if a Market-Maker), the symbol of the underlying security, the type, expiration month and exercise price of the option contract, the transaction price, the number of contract units comprising the transaction, the time of the transaction obtained from a source designated by the Exchange, the name of the contra Clearing Trading Permit Holder and the assigned broker initial code of the contra Trading Permit Holder. Such a record shall constitute the “transaction record.” The transaction record for any agency order shall also include the account origin code, as set forth in Interpretation .02 below. The seller in each transaction, or the buyer if designated by the Exchange, shall also within [90 seconds of the execution place a paper form copy of the transaction record in the price reporting belt provided at the station] the timeframes prescribed in Rule 6.51(a) provide a paper form copy of the transaction record to the Exchange in a form and manner prescribed by the Exchange or, alternatively, shall provide the transaction record information [provided for price reporting] through an electronic data transmission link approved by the Exchange. Then, the buyer and seller in each transaction will immediately provide the transaction record to the Trading Permit Holder for whom the transaction was executed and/or the Clearing Trading Permit Holder that will clear the transaction. Trading Permit Holders not using electronic medium to report trades are expected to provide the transaction record to the Trading Permit Holder for whom the transaction was executed and/or to the Clearing Trading Permit Holder that will clear the trade as promptly as possible. A Trading Permit Holder receiving a report of execution from another Trading Permit Holder shall immediately forward the report to the Clearing Trading Permit Holder that will clear the transaction. Before submitting the transaction record information for price reporting purposes in the manner prescribed above, the Trading Permit Holder shall use his best efforts to make sure that the Order Book Official or Designated Primary Market-Maker (“DPM”) acting in option contracts of the class involved, or the Order Book Official’s clerk or the DPM’s clerk, is aware of the transaction and its price. A Trading Permit Holder shall also submit the transaction record information for price reporting purposes in the manner prescribed above whenever the transaction represents the partial execution of a larger order. Any floor Trading Permit Holder failing to report a transaction in accordance with Rule 6.51(b) and this interpretation may be subject to discipline under Chapter XVII of the Rules.

.02 - .03 No change.
