CBOE EXECUTE SUCCESS℠

EXCHANGE BULLETIN

January 17, 2014 Volume 42, Number 3

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.

Trading Permit Information for 1/9/2014 THROUGH 1/15/2014

TERMINATIONS

Individuals

Nominee:	Termination Date
Robert M. Beck Citigroup Global Markets Inc.	1/9/14
Andrew R. Dexter (HTC) HAP Trading, LLC	1/10/14
Bruce Didominicis (BID) X-Change Financial Access LLC	1/13/14
John P O'Grady (OGR) Associated Options Inc	1/13/14

EFFECTIVE TRADING PERMIT HOLDERS

Individuals

Nominee:	Effective Date
Peter T. Lambrakis (LAM) **Citigroup Global Markets Inc.** Type of Business to be Conducted: Proprietary Trading	**1/9/14**
Thomas D. Tracy (TRC) **X-Change Financial Access LLC** Type of Business to be Conducted: Floor Broker	**1/14/14**

Research Circulars

The following Research Circulars were distributed between January 14, 2013 and January 17, 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 #RS13-692
Date: December 18, 2013
AsiaInfo-Linkage, Inc. ("ASIA") Proposed Merger
with Skipper Limited

Research Circular #RS14-027
January 14, 2014
Concord Medical Services Holdings Limited ("CCM")
CONTRACT ADJUSTMENT FOR SPECIAL CASH DIVIDEND
Ex-Date: January 16, 2014

Research Circular #RS14-029
January 15, 2014
AsiaInfo-Linkage, Inc. ("ASIA") Merger COMPLETED
with Skipper Limited – Cash Settlement

Research Circular #RS14-030
January 16, 2014
ProShares Short VIX Short-Term Futures ETF ("SVXY")
2-for-1 ETF Split
Ex-Distribution Date: January 24, 2014

Research Circular #RS14-031
January 16, 2014
ProShares Ultra Nasdaq Biotechnology ETF ("BIB")
2-for-1 ETF Split
Ex-Distribution Date: January 24, 2014

Research Circular #RS14-032
January 16, 2014
ProShares UltraPro QQQ ETF ("TQQQ")
2-for-1 ETF Split
Ex-Distribution Date: January 24, 2014

Research Circular #RS14-033
January 17, 2014
AFC Enterprises, Inc. ("AFCE")
Name, Stock and Option Symbol Change to
Popeyes Louisiana Kitchen, Inc. ("PLKI")
Effective Date: January 21, 2014

January 17, 2014 Volume RB25, Number 3

Regulatory Circulars

CBOE Regulatory Circular RG14-004
CFE Regulatory Circular RG14-001

Date: January 10, 2014

To: **CBOE Trading Permit Holders and CFE Trading Privilege Holders**
From: **Research and Product Development Department**
Regulatory Services Division
Re: **Strategy Order Cut-Off Time for All Options Used to Calculate Volatility Indexes**

CBOE recently amended CBOE Rules 6.2B.01 and 6.2B.08 to provide that on the expiration / final settlement date for volatility index options and (security) futures, modified Hybrid Opening System (HOSS) opening procedures will be utilized for all CBOE option series that are used to calculate volatility indexes. Previously, the modified HOSS opening procedures were only utilized for standard S&P 500 index options used to calculate the CBOE Volatility Index (VIX). Beginning with the January 22, 2014 volatility index expiration and going forward, modified HOSS opening procedures (including the below mentioned 8:15 a.m. (Chicago time) cut-off time for strategy orders) will be utilized for all constituent option series used to calculate volatility indexes on the expiration / final settlement date for the applicable volatility index options and (security) futures.

Pursuant to Rules 6.2B.01 and 6.2B.08, the applicable cut-off time for the entry of strategy orders in all constituent option series used to calculate a volatility index exercise / final settlement value on volatility index derivative expiration / final settlement days is **8:15 a.m.** (Chicago time). A strategy order is an order related to positions in, or a trading strategy involving, volatility index options or (security) futures.[1]

Additional Information:

For a more comprehensive description of the modified HOSS opening procedures, CBOE and CFE TPHs should review the information provided at: http://cfe.cboe.com/Products/Settlement_VIX.aspx. Please contact the Regulatory Interpretations and Guidance Team at reginterps@cboe.com or (312) 786-8141 with any questions concerning this circular.

(Replaces CBOE Regulatory Circular RG13-147 and CFE Regulatory Circular CFERG13-035)

[1] See CBOE Rules 6.2B.01(c) and 6.2B.08(c) for characteristics of strategy orders.

Regulatory Circular RG14-005

Date: **January 10, 2014**

To: **All Volatility Index Derivatives Market Participants**
From: **Regulatory Services Division**
Research and Product Development Department
RE: **Modified HOSS Opening Procedures for All Volatility Index Option Components**

Chicago Board Options Exchange, Incorporated (CBOE or Exchange) recently amended CBOE Rule 6.2B (Hybrid Opening System (HOSS)) to establish modified HOSS opening procedures for all option series that are used to calculate the exercise / final settlement value for expiring volatility index options and futures contracts (including volatility index security futures). These option series are referred to in this circular as "constituent option series".[1] Previously, standard (3rd Friday) option series on the S&P 500 index ("standard SPX option series"), used to calculate the CBOE Volatility Index (VIX), were the only series for which modified HOSS opening procedures were utilized on VIX expiration dates. **Beginning with the January 22, 2014 volatility index expiration and going forward, the modified HOSS opening procedures described below shall apply to all constituent option series on any expiration / final settlement date for volatility index options and futures.** This regulatory circular replaces CBOE Regulatory Circular RG08-42.

Modified HOSS Opening Procedures and Special Opening Quotation

The exercise / final settlement value for volatility index contracts is a Special Opening Quotation (SOQ) of the respective volatility index calculated from the sequence of opening prices, as traded on CBOE, of a single strip of the constituent option series used to calculate the volatility index on the exercise / final settlement date. The opening price for any constituent option series in which there is no trade on CBOE will be the average of that option's bid price and ask price as determined at the opening of trading.

The opening prices for the constituent option series used in calculating the SOQ are determined through an automated auction mechanism (modified HOSS opening procedures) that matches buy and sell orders residing on the electronic order book prior to the opening of trading. Immediately after the series is opened, but prior to dissemination of an opening bid/ask quote, the mechanism automatically cancels all un-executed "OPG" (Opening) contingency orders. As a result, the first market disseminated by CBOE may differ from the bid/ask quote used in the calculation of the SOQ of the respective volatility index. For example, assume a constituent open series has only 1 order to buy, and that order is priced at $.05 (OPG), and the best offer is $0.15. The first market disseminated by CBOE would be $0 - $0.15, but the bid/ask quote used to calculate the SOQ would be $.05 - $0.15.

Expiration / Final Settlement Date for Volatility Index Derivatives

30-Day Volatility Index Contracts

The expiration / final settlement date for volatility index contracts measuring a 30-day implied volatility period is on the Wednesday that is 30 days prior to the third Friday of the calendar month immediately following the month in which the applicable volatility index option or futures contract expires. If the third Friday of the month subsequent to expiration of the applicable volatility index contract is a CBOE holiday, the expiration / final settlement date for the respective contract shall be 30 days prior to the CBOE business day immediately preceding that Friday. If the expiration / final settlement date (a

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[1] Options expire on an expiration date and settle to an exercise settlement value and futures settle on a final settlement date and settle to a final settlement value.

Wednesday) is an Exchange holiday, the expiration / final settlement date for the respective contract shall be on the business day immediately preceding the Wednesday.[2]

Short-Term (Nine Day) Volatility Index Contracts

For short-term volatility index options, the expiration date will be on the specific date (usually a Wednesday) identified in the option ticker symbol for the specific series. For short-term volatility index futures, the final settlement date will be on the Wednesday of the week denoted in the ticker symbol of the futures contract.[3] If that Wednesday or the Friday in the business week following that Wednesday (i.e., nine days away) is a CBOE holiday, the expiration / final settlement date will be on the business day immediately preceding that Wednesday.[2]

Order Submission Deadlines for Participation in Modified HOSS Opening Procedures

Strategy Orders

On the days that the modified HOSS opening procedures are utilized, all option orders for participation in the modified HOSS opening procedures that are related to positions in, or a trading strategy involving, volatility index options or futures ("strategy order"), and any change to or cancellation of any such strategy order:

1) Must be received prior to 8:15 a.m. (Chicago time) for all constituent option series; and

2) May not be cancelled or changed after 8:15 a.m. (Chicago time), unless the strategy order is not executed in the modified HOSS opening procedures and the cancellation or change is submitted after the modified HOSS opening procedures are concluded. Strategy orders may be changed or cancelled after 8:15 a.m. (Chicago time) and prior to the opening of trading in order to correct a legitimate error. In this event, the Trading Permit Holder shall send an email (by no later than the next business day) setting forth the circumstances that resulted in the change or cancellation to the Regulatory Services Division at stratordercancels@cboe.com and to the CBOE Help Desk at helpdesk@cboe.com.

Non-Strategy Orders

All other option orders for participation in the modified HOSS opening procedures, and any change or cancellation to any such order, must be received prior to opening the series.

Strategy Order Characteristics

In general, the Exchange shall consider option orders to be related to positions in, or a trading strategy involving, volatility index options or futures for purposes of Rules 6.2B.01 and 6.2B.08 if the orders possess the following three characteristics:

1) The orders are for option series with the expiration that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index contract. For example, in the case of VIX options, the orders would be in standard SPX option series that expire one month following the expiration date of the expiring VIX option.

[2] When CBOE is closed on Wednesday due to a CBOE holiday, the amount of time until expiration for the constituent option series used to calculate the exercise settlement / final settlement value would be increased to reflect the extra day of trading in the constituent option series.
[3] CBOE and CBOE Futures Exchange, LLC plan to list short term volatility index contracts during the first half of 2014.

2) The orders are for option series spanning the full range of strike prices in the appropriate expiration for option series that will be used to calculate the exercise or final settlement value of the applicable volatility contract, but not necessarily every available strike price.

3) The orders are for put options with strike prices less than the “at-the-money” strike price and for call options with strike prices greater than the “at-the-money” strike price. The orders may also be for put and call options with “at-the-money” strike prices.

Whether option orders are related to positions in, or a trading strategy involving, volatility index options or futures for purposes of Rules 6.2B.01 and 6.2B.08 depends upon the specific facts and circumstances. Other types of orders may also be deemed by the Exchange to fall within this category of orders if the Exchange determines that to be the case based upon the applicable facts and circumstances.

Order Eligibility for Modified HOSS Opening Procedures

All orders for participation in the modified HOSS opening procedures must be submitted electronically into the book and orders with any valid origin code are eligible to participate.

Hybrid 3.0 Option Series

Non-customer orders in Hybrid 3.0 option series must include an “OPG” contingency to be accepted into the book and to participate in the modified HOSS opening procedures. Examples of Hybrid 3.0 option series used to calculate volatility indexes include standard SPX option series and Quarterly Index Expirations (QIX)[4] on the S&P 500 index (SPXQ).

Hybrid Option Series

Non-customer orders in Hybrid option series may (but are not required to) include an “OPG” contingency to be accepted into the book and to participate in the modified HOSS opening procedures. Examples of Hybrid option series used to calculate volatility indexes include End-of-Week (weekly) expirations on the S&P 500 index (SPXW), standard iShares MSCI Emerging Markets ETF (EEM) options, standard Russell 2000 index (RUT) options and standard SPDR Gold Shares (GLD) options.

Both Hybrid 3.0 and Hybrid Option Series

For Hybrid 3.0 and Hybrid option series, CBOE's trading systems will automatically cancel any unexecuted remainder OPG orders after the opening of the series.

[4] SPXQ are constituent option series in the CBOE Short-Term Volatility Index when the last business day of a quarter is the last trading day (usually a Friday) in a week.

Certain DPM or LMM Requirements in Connection with Modified HOSS Opening Procedures

Hybrid 3.0 Option Series

For Hybrid 3.0 series (e.g., standard SPX and SPXQ), only LMMs are required to enter opening quotes that must comply with the best opening bid/ask differential requirements in the modified HOSS opening procedures. LMMs are permitted to enter orders, in addition to quotes, to participate in the opening. All other market participants interested in participating in the opening must use orders and may not submit quotes.

Hybrid Option Series

For Hybrid series, Market-Makers with an appointment in the constituent option series may enter opening quotes and orders in the modified HOSS opening procedures. Market-makers without an appointment in the constituent option series may not enter quotes and may only enter orders in the modified HOSS opening procedures.

Both Hybrid 3.0 and Hybrid Option Series

For Hybrid 3.0 and Hybrid series, in series where there will be an opening trade, the best composite quote must be within the published Opening Exchange Prescribed Width (OEPW).

Prohibition Against Submission of Orders with Improper Purpose

Market participants that submit orders for participation in the modified HOSS opening procedures may not do so for the purpose of creating or inducing a false, misleading, or artificial appearance of activity or for the purpose of unduly or improperly influencing the opening price or settlement or for the purpose of making a price which does not reflect the true state of the market.

Violations of these requirements and other requirements with regard to the modified HOSS opening procedures are subject to disciplinary action.

Publication of Certain Information in Connection with Modified HOSS Opening Procedures

For certain constituent option series, prior to the opening of these series, the system will generate "Expected Opening Price/Size" (EOP/S) messages for series which have quantity to trade, have buy or sell imbalances or do not have a best composite Market-Maker quote that is within an acceptable width.

EOP/S messages are disseminated via the CBOE CMI and FIX APIs and CBOE's proprietary market data feed, called CBOE Streaming Markets (CSM). EOP/S messages are also published periodically for certain constituent series at: http://cfe.cboe.com/data/EOSPage.aspx on exercise / final settlement days.

Settlement Methodology for Volatility Index Contracts

The CBOE Research Department calculates the SOQ for volatility index contracts using the following procedure:

A. Collect the following information for each eligible option series of the applicable volatility index from CBOE's Time & Sales:

   1. The opening traded price, if any; and

   2. The best bid and best ask prices of quotes and orders remaining in the electronic order book upon completion of the constituent option series opening for the applicable volatility index. In the case of Hybrid 3.0 option series (e.g., standard SPX, SPXQ), the best bid and best ask

prices reflect broker dealer orders prior to the automatic cancellation of all broker dealer orders by the modified HOSS procedures.

B. Determine the applicable forward index level, (F), for each eligible contract expiration based on at-the-money put and call option prices. The at-the-money strike is the strike price at which the difference between the call and put mid-quote prices is smallest.

C. Determine K_0 - the strike price immediately below the forward index level.

D. Select the constituent option series - Sort all of the options in ascending order by strike price. Select call options that have strike prices greater than K_0 and have bid prices greater than zero, beginning with the strike price closest to K_0 and moving to the next higher strike prices in succession. After encountering two consecutive calls with a bid price of zero, do not select any other calls. Next, select put options that have strike prices less than K_0 and have bid prices greater than zero, beginning with the strike price closest to K_0 and then moving to the next lower strike prices in succession. After encountering two consecutive puts with a bid price of zero, do not select any other puts. Select both the put and call with strike price K_0.

E. Calculate the volatility index SOQ using the options selected.[5] The price of each option used in the calculation is the opening traded price of that option. For volatility indexes that are composed of multiply listed constituent option series, **the volatility index SOQ uses only the opening prices of the constituent option series traded on CBOE.** In the event that there is no opening traded price for an option, the price used in the SOQ calculation is the average of the first bid/ask quote for that option immediately following completion of the series opening, but before any OPG orders are cancelled.

F. The "time to expiration" used to calculate the SOQ for volatility indexes varies depending on the settlement type (A.M.-settlement, P.M.-settlement) of the constituent option series and the trading hours of the constituent option series. For example, the "time to expiration" used to calculate the SOQ for VIX contracts, which is based on A.M.-settled standard SPX option series, is exactly 30 days. Another example, is the "time to expiration" use to calculate the SOQ for short-term (nine day) volatility index contracts based on P.M.-settled SPXW options is exactly nine days, *plus* 390 minutes in order to reflect the extra time to trade the constituent SPXW option series until 3:00 p.m. (Chicago time).

   The "time to expiration" used to calculate the SOQ accounts for the actual number of days and minutes from the opening of trading in the constituent option series on the expiration / final settlement day until expiration for the constituent option series. For example, if CBOE announces that the opening of trading in the constituent option series is delayed, the amount of time until expiration for the constituent option series used to calculate the exercise / final settlement value would be reduced to reflect the actual opening time of the constituent option series. Another example would be when the Exchange is closed on a Wednesday due to an Exchange holiday, the amount of time until expiration for the constituent option series used to calculate the exercise / final settlement value would be increased to reflect the extra day of trading in the constituent option series

G. The exercise / final settlement value for the applicable volatility index contract is equal to the respective volatility index SOQ.

[5] All volatility indexes are calculated in the same manner as VIX. A more detailed description of the VIX formula and methodology is available on the CBOE's website at: http://www.cboe.com/micro/vix/vixwhite.pdf.

The exercise / final settlement value is rounded to the nearest $0.01. If the exercise / final settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the exercise / final settlement value will be determined in accordance with the rules and bylaws of The Options Clearing Corporation.

Additional Information

Market participations are advised to refer to the Options Disclosure Document (ODD) for information concerning the risks associated with volatility index options. The ODD may be accessed at: http://www.optionsclearing.com/about/publications/character-risks.jsp

For regulatory questions, please contact the Regulatory Interpretations and Guidance team at RegInterps@cboe.com or (312) 786-8141 for additional information. For operational questions, please contact the Help Desk at helpdesk@cboe.com or (866) 728-2263 for additional information. For product-related questions, please contact Bill Speth at spethw@cboe.com or (312) 786-7141 or John Hiatt at hiatt@cboe.com or (312) 786-7779 for additional information.

(Replaces CBOE Regulatory Circular RG08-42)

Regulatory Circular RG14-006

Date: **January 14, 2014**

To: **Trading Permit Holders**
From: **CBOE Help Desk**
RE: **Bid-Ask Differentials for Intercept Pharmaceuticals Inc. (ICPT)**

CBOE's rules allow it to set the bid-ask differential requirements on a class by class basis. CBOE will announce the bid-ask differentials via Regulatory Circular. Except as provided below and as set forth in other Regulatory Circulars, the current differentials for all option classes are set forth on page 2 of this Regulatory Circular.

Requests for bid-ask relief on a class by class basis should be directed to the CBOE Help Desk. Requests must include an explanation as to why bid-ask relief is needed. Please note that if a particular option class was granted bid-ask relief through an expiration period and the relief is greater than the below bid-ask differentials, the relief granted will continue through the expiration period.

Additionally, due to the volatility in the underlying stocks and other factors affecting both the options and the underlying, CBOE by its authority under the provisions of Exchange Rules 8.7(b)(iv) and 8.7(d), has temporarily established modified bid-ask differentials and minimum quote size in the options series of the following option class(es).* This relief is granted from the opening of business on January 15, 2014 through February 21, 2014 unless withdrawn by the CBOE prior to that time.

	Class	Relief for near term options	Relief for LEAP options	Name	DPM
1	ICPT	$20.00 Wide	N/A	Intercept Pharmaceuticals Inc.	Susquehanna

**Relief granted is $20.00 wide bid-ask differential for opening rotation, open outcry, and intraday electronic quoting widths. Minimum quote size is reduced from ten (10) contracts to one (1) contract.*

CBOE granted this relief with the contingency that the disseminated markets in these classes will be competitive and in many instances will be narrower than the relief granted below. CBOE will continue to monitor the activity in the underlying securities of these options, and will modify the bid-ask differentials in the respective options accordingly.

		1	2	3	4
		All classes excluding LEAPS, NDX, PCLN, RUT, SPX, SPXPM, UltraShorts & UltraLongs, Direxion 3x, Direxionshares 3x	**LEAPS, NDX, PCLN, RUT, SPX and SPXPM**	**UltraShorts, UltraLongs, Direxion 3x, Direxionshares 3x**	**Short Sale Circuit Breaker in Effect**[1]
A	**Opening Rotation & Open Outcry Quote Widths**	$0.50 if the bid is less than $2, $0.80 where the bid is at least $2 but does not exceed $5, $1.00 where the bid is more than $5 but does not exceed $10, $2.00 where the bid is more than $10 but does not exceed $20 $3.00 where the bid is more than $20 but does not exceed $50, $5.00 where the bid is more than $50 but does not exceed $100, $8.00 where the bid is more than $100 but does not exceed $200, and $12.00 where the bid is more than $200	2x Row A Column 1	$10 wide, unless the bid is more than $200, in which case the bid-ask differential is $12 wide.	3x Row A Column 1, 2 or 3, as applicable
B	**Intraday Electronic Quoting Widths**	$5 where the bid does not exceed $100, $8.00 where the bid is more than $100 but does not exceed $200, and $12.00 where the bid is more than $200	2x Row B Column 1	$10 wide, unless the bid is more than $200, in which case the bid-ask differential is $12 wide	3x Row B Column 1, 2 or 3, as applicable

The bid-ask differentials do not apply to at-the-money or in-the-money series where the quote width on the primary market of the underlying security, or the quote width calculated by the Exchange or its agent for various indices, is wider than the differentials set forth above. For these series, the bid-ask differential may be as wide as the quote width on the primary market of the underlying security or calculated by the Exchange or its agent, as applicable. "In-the-money series" are defined as follows: for call options, all strike prices below the offer or last sale in the underlying security (whichever is higher); and for put options, all strike prices above the bid or last sale in the underlying security (whichever is lower).

Additional Information:

Please contact John Haffner at Haffner@cboe.com or Jim Corsey at corseyj@cboe.com or (800) 405-3277 for additional information regarding bid-ask relief.

[1] The bid-ask differentials may be 3x wider for the option class overlying an NMS stock while the underlying stock is subject to a short sale circuit breaker under Rule 201 of Regulation SHO under the Exchange Act. The bid-ask differentials shall set forth in Column 1, 2 or 3 above, as applicable, shall recommence once the short sale circuit breaker is no longer in effect for the underlying NMS stock. *For example*, when a circuit breaker is triggered in the underlying stock XYZ, the $0.50 opening rotation and open outcry quoting width requirement if the bid in an XYZ option series is less than $2 will change to $1.50, then revert back to $0.50 once the circuit breaker is no longer in effect.

Regulatory Circular RG14-007

Date: January 15, 2014

To: Trading Permit Holders
From: CBOE Help Desk
RE: Bid-Ask Differentials

This Regulatory Circular updates RG 13-161

CBOE's rules allow it to set the bid-ask differential requirements on a class by class basis. CBOE will announce the bid-ask differentials via Regulatory Circular. Except as provided below and as set forth in other Regulatory Circulars, the current differentials for all option classes are set forth on page 2 of this Regulatory Circular.

Requests for bid-ask relief on a class by class basis should be directed to the CBOE Help Desk. Requests must include an explanation as to why bid-ask relief is needed. Please note that if a particular option class was granted bid-ask relief through an expiration period and the relief is greater than the below bid-ask differentials, the relief granted will continue through the expiration period.

Additionally, due to the volatility in the underlying stocks and other factors affecting both the options and the underlying, CBOE by its authority under the provisions of Exchange Rule 8.7(b)(iv), has temporarily established modified bid-ask differentials in the options series of the following option class(es).* This relief is granted from the opening of business on January 21, 2014 through February 21, 2014 unless withdrawn by the CBOE prior to that time.

	Class	Relief for near term options	Relief for LEAP options	Name	DPM
1	SVXY	1.5	1.5	Pro Shares Trust II	Group One

**Relief granted is 1.5x the current bid-ask differential requirement specified on page 2 for opening rotation only. Open outcry and intraday electronic quoting widths apply unchanged.*

CBOE granted this relief with the contingency that the disseminated markets in these classes will be competitive and in many instances will be narrower than the relief granted below. CBOE will continue to monitor the activity in the underlying securities of these options, and will modify the bid-ask differentials in the respective options accordingly.

		1	2	3	4
		All classes excluding LEAPS, NDX, PCLN, RUT, SPX, SPXPM, UltraShorts & UltraLongs, Direxion 3x, Direxionshares 3x	**LEAPS, NDX, PCLN, RUT, SPX and SPXPM**	**UltraShorts, UltraLongs, Direxion 3x, Direxionshares 3x**	**Short Sale Circuit Breaker in Effect[1]**
A	**Opening Rotation & Open Outcry Quote Widths**	$0.50 if the bid is less than $2, $0.80 where the bid is at least $2 but does not exceed $5, $1.00 where the bid is more than $5 but does not exceed $10, $2.00 where the bid is more than $10 but does not exceed $20 $3.00 where the bid is more than $20 but does not exceed $50, $5.00 where the bid is more than $50 but does not exceed $100, $8.00 where the bid is more than $100 but does not exceed $200, and $12.00 where the bid is more than $200	2x Row A Column 1	$10 wide, unless the bid is more than $200, in which case the bid-ask differential is $12 wide.	3x Row A Column 1, 2 or 3, as applicable
B	**Intraday Electronic Quoting Widths**	$5 where the bid does not exceed $100, $8.00 where the bid is more than $100 but does not exceed $200, and $12.00 where the bid is more than $200	2x Row B Column 1	$10 wide, unless the bid is more than $200, in which case the bid-ask differential is $12 wide	3x Row B Column 1, 2 or 3, as applicable

The bid-ask differentials do not apply to at-the-money or in-the-money series where the quote width on the primary market of the underlying security, or the quote width calculated by the Exchange or its agent for various indices, is wider than the differentials set forth above. For these series, the bid-ask differential may be as wide as the quote width on the primary market of the underlying security or calculated by the Exchange or its agent, as applicable. "In-the-money series" are defined as follows: for call options, all strike prices below the offer or last sale in the underlying security (whichever is higher); and for put options, all strike prices above the bid or last sale in the underlying security (whichever is lower).

Additional Information:

[1] The bid-ask differentials may be 3x wider for the option class overlying an NMS stock while the underlying stock is subject to a short sale circuit breaker under Rule 201 of Regulation SHO under the Exchange Act. The bid-ask differentials set forth in Column 1, 2 or 3 above, as applicable, shall recommence once the short sale circuit breaker is no longer in effect for the underlying NMS stock. *For example*, when a circuit breaker is triggered in the underlying stock XYZ, the $0.50 opening rotation and open outcry quoting width requirement if the bid in an XYZ option series is less than $2 will change to $1.50, then revert back to $0.50 once the circuit breaker is no longer in effect.

Please contact John Haffner at Haffner@cboe.com or Jim Corsey at corseyj@cboe.com or (800) 405-3277 for additional information regarding bid-ask relief.

Regulatory Circular RG14-008

Date: January 16, 2014

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

Updates Regulatory Circular RG14-001

This circular updates and provides clarification on certain information contained in RG14-001 regarding mandatory back-up data center testing to be held on Saturday, January 25, 2014.

Details are as follows:

- Per CBOE Rule 6.23A(f), participation in this test is required by all CBOE Trading Permit Holders (TPHs) required to connect to CBOE's back-up data center.
- TPH firms will initially connect to the CBOE primary data center, at NY4.
- At a non-preannounced time, CBOE will switch trading functions to its back-up datacenter, at 400 S. LaSalle. At that time, CBOE will announce, through standard communication channels such as SendWordNow and the CBOE System Status Page, to participating TPH firms that CBOE's primary datacenter is unavailable and that TPH firms should switch connections to the CBOE back-up datacenter.
- Assuming the TPH firm was initially successful in logging in to the CBOE primary datacenter, a switch by the TPH firm to connect to the CBOE back-up datacenter will constitute "successful" participation in the test.
- A login by a TPH firm to the CBOE primary datacenter and an attempt to login to the CBOE back-up datacenter will constitute participation in the test.
- Following the test, participating TPHs will be required to provide information to the CBOE identifying the elapsed time between CBOE's announcement of the failure of its primary datacenter and the TPH's connectivity to CBOE's back-up datacenter.
- TPH firms are very strongly encouraged, but not required, to test the following both before and after the CBOE switch from the primary to the back-up datacenter.
    - Entry of quotes (Market-Makers only), orders and cancel requests
    - Receipt of cancel report messages
    - Receipt of fill report messages
    - Receipt of Market-Maker Trade Notifications (MMTNs)
    - Connectivity and logins to other back-up systems, including:
        - Class Appointments
        - CTMI (Continuous Trade Match web-based interface)
        - CTM RTC (Real-Time Connection for trade match drop copies)
        - Flex
        - Market Replay
        - Risk Controls

After the test, firms are encouraged to supply documentation of this additional testing to the CBOE.

The January 25th DR test script is available on the API systems website at https://systems.cboe.com/. Please refer to Regulatory Circular RG14-001 for further details on the mandatory back-up data center test. Except as modified by this circular, the information in Regulatory Circular RG14-001 remains in effect.

Additional Information:

Please contact the API Group at api@cboe.com or (312) 786-7300 or the CBOE Help Desk at helpdesk@cboe.com or (866) 728-2263 for additional information.

Rule Changes

EFFECTIVE-ON-FILING RULE CHANGE(S)

The following rule filings were submitted to the Securities and Exchange Commission ("SEC") "effective on filing," and may have taken effect pursuant to Section 19(b)(3) of the Securities Exchange Act of 1945 (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-2014-002 QRM Mechanism

On January 15, 2014, the Exchange filed Rule Change File No. SR-CBOE-2014-002, 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).[1] 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-2014-002.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.

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[1] Rule Change File No. SR-CBOE-2014-002 replaces Rule Change File No. SR-CBOE-2012-128, which was included in the January 3, 2014 Bulletin.

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 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-2014-004 SPXPM and PM-Settled XSP Pilot Program

On January 16, 2014, the Exchange filed Rule Change File No. SR-CBOE-2014-004, which filing proposes to extend the SPXpm and PM-settled XSP pilot program through November 3, 2014. 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-2014-004.pdf.

Rule 24.9. Terms of Index Option Contracts

* * * * *

. . . *Interpretations and Policies:*

* * * * *

.14 In addition to A.M.-settled Standard & Poor's 500 Stock Index options approved for trading on the Exchange pursuant to Rule 24.9, the Exchange may also list options on the S&P 500 Index whose exercise settlement value is derived from closing prices on the last trading day prior to expiration ("SPXPM"). The Exchange may also list options on the Mini-SPX Index ("XSP") whose exercise settlement value is derived from closing prices on the last trading day prior to expiration ("P.M.-settled"). SPXPM options and P.M.-settled XSP options will be listed for trading for a pilot period ending [February 8]November 3, 2014.

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-2014-003 VXST Options

On January 16, 2014, the Exchange filed Rule Change File No. SR-CBOE-2014-003, which filing proposes to amend certain CBOE rules to permit the listing and trading of options on the CBOE Short-Term Volatility Index (VXST). The VXST is based on real-time prices of S&P 500 index options that expire every week and is designed to reflect investors' consensus of future (nine day) expected stock market volatility. VXST option will be cash-settled contracts with European-style exercise that expire every week (generally on Wednesdays). Any questions regarding the rule change may be directed to Jenny Golding, Legal Division, at 312-786-7466. The rule text is shown below and the rule filing is available at http://www.cboe.com/publish/RuleFilingsSEC/SR-CBOE-2014-003.pdf.

Rule 5.5. Series of Option Contracts Open for Trading

No changes.

…Interpretations and Policies

.01 - .22 No changes.

<u>.23 Notwithstanding Interpretation and Policy .01 above, the intervals between strike prices for CBOE Short-Term Volatility Index (VXST) option series shall be determined in accordance with Interpretation and Policy .01(i) to Rule 24.9.</u>

* * * * *

Rule 6.2B. Hybrid Opening System ("HOSS")

No changes.

…Interpretations and Policies

.01 *Modified Opening Procedures for Hybrid 3.0 Classes*: Notwithstanding paragraph (a) to Rule 6.2B, for purposes of Hybrid 3.0 classes, the following shall apply:

(a) Only the DPM or LMM will be required to enter opening quotes in opening rotations. Public customers, broker-dealers, Exchange Market-Makers, away Market-Makers and Specialists will not be permitted to enter opening quotes but may enter opening orders in opening rotations.

(b) The DPM or LMM must enter opening quotes that comply with the bid/ask differential requirements determined by the Exchange on a class-by-class basis.

(c) All provisions set forth in Rule 6.2B shall remain in effect unless superseded or modified by this Rule 6.2B.01. To facilitate the calculation of exercise or final settlement values for options or futures contracts on volatility indexes <u>and the CBOE Short-Term Volatility Index ("VXST")</u>, the Exchange shall utilize a modified HOSS opening procedure for any Hybrid 3.0 index option series with respect to which a volatility index <u>(including VXST)</u> is calculated. This modified HOSS opening procedure will be utilized only on the expiration and final settlement dates of the options or futures contracts on the applicable volatility index <u>(including VXST)</u> for each expiration.

On the expiration and final settlement dates for options or futures on a volatility index <u>(including VXST)</u>, public customers, broker-dealers, Exchange Market-Makers, away Market-Makers and Specialists may enter orders in any index options series used to calculate the exercise settlement or final settlement value of that volatility index <u>(including VXST)</u> ("modified HOSS opening procedures"). The following provisions shall be applicable for an index option with respect to which a volatility index <u>(including VXST)</u> is calculated:

(i) All orders (including public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist orders), other than spread or non-OPG contingency orders, will be eligible to be placed on the electronic book for those option contract expirations whose prices are used to derive the volatility indexes <u>(including VXST)</u> on which options and futures are traded, for the purpose of permitting those orders to participate in the opening price calculation for the applicable index option series.

(ii) In addition to the LMM quoting requirement, all LMMs, if applicable, shall be required to enter opening orders during the modified HOSS opening procedures.

(iii) All index option orders for participation in the modified HOSS opening procedure that are related to positions in, or a trading strategy involving, volatility index <u>(including VXST)</u> options or futures, and any change to or cancellation of any such order:

(A) must be received prior to the applicable strategy order cut-off time for the affected index option series (established by the Exchange on a class-by-class basis), provided that the strategy order cut-off time will be no earlier than 8:00 a.m. and no later than the opening of trading in the option series. All pronouncements regarding changes to the applicable strategy order cut-off time will be announced at least one day prior to implementation.

(B) may not be cancelled or changed after the applicable strategy order cut-off time established in accordance with paragraph (A) to Rule 6.2B.01(c)(iii), unless the order is not executed in the modified HOSS opening procedure and the cancellation or change is submitted after the modified HOSS opening procedure is concluded (provided that any such order may be changed or cancelled after the applicable strategy order cut-off time established in accordance with paragraph (A) to Rule 6.2B.01(c)(iii) and prior to applicable cut-off time established in accordance with paragraph (iv) to Rule 6.2B.01(c) in order to correct a legitimate error, in which case the Trading Permit Holder submitting the change or cancellation shall prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and shall file a copy of the memorandum with the Exchange no later than the next business day in a form and manner prescribed by the Exchange).

In general, the Exchange shall consider index option orders to be related to positions in, or a trading strategy involving, volatility index (including VXST) options or futures for purposes of this Rule 6.2B.01(c) if the orders possess the following three characteristics:

(1) The orders are for option series with the expirations that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index (including VXST) option or futures contract.

(2) The orders are for option series spanning the full range of strike prices for the appropriate expiration for option series that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index (including VXST) option or futures contract, but not necessarily every available strike price.

(3) The orders are for put options with strike prices less than the "at-the-money" strike price and for call options with strike prices greater than the "at-the-money" strike price. The orders may also be for put and call options with "at-the-money" strike prices.

Whether index option orders are related to positions in, or a trading strategy involving, volatility index (including VXST) options or futures for purposes of this Rule 6.2B.01(c) depends upon specific facts and circumstances. Order types other than those provided above may also be deemed by the Exchange to fall within this category of orders if the Exchange determines that to be the case based upon the applicable facts and circumstances.

The provisions of this Rule 6.2B.01(c) may be suspended by two Floor Officials in the event of unusual market conditions.

(iv) All other index option orders for participation in the modified HOSS opening procedures, and any change to or cancellation of any such order, must be received prior to the applicable cut-off time in order to participate at the opening price for the applicable index option series. The applicable cut-off time for the affected index option series will be established by the Exchange on a class-by-class basis, provided the cut-off time will be no earlier than 8:25 a.m. and no later than the opening of trading in the option series. All pronouncements regarding changes to the applicable cut-off time will be announced at least one day prior to implementation.

(v) The HOSS system shall automatically generate cancels immediately prior to the opening of the applicable index option series for broker-dealer, Exchange Market-Maker, away Market-Maker, and Specialist orders which remain on the electronic book following the modified HOSS opening procedures.

(vi) Any imbalance of contracts to buy over contracts to sell in the applicable index option series, or vice versa, as indicated on the electronic book, will be published as soon as practicable up through the opening of trading in the affected series on days that the modified HOSS opening procedures are utilized.

.02 - .07 No changes.

.08 *Modified Opening Procedures For Hybrid Classes and Series Used to Calculate Volatility Indexes*: Notwithstanding paragraph (a) to Rule 6.2B, for purposes of Hybrid classes and series that are used to calculate a volatility index, the following shall apply:

(a) *Applicable Days.* All provisions set forth in Rule 6.2B shall remain in effect unless superseded or modified by this Rule 6.2B.08. The modified HOSS opening procedures described below shall apply on the following days:

(i) *30-Day Volatility Indexes.* On the dates that the exercise settlement and final settlement values are calculated for options (as determined under Rule 24.9(a)(5)) or (security) futures contracts on volatility indexes measuring a 30-day volatility period; and

(ii) *CBOE Short-Term Volatility Index[es] (VXST).* [Every Wednesday for Hybrid classes and series that are used to calculate volatility indexes measuring a 9-day volatility period. If a Wednesday is an Exchange holiday or if the Friday in the business week following a Wednesday is an Exchange holiday, then the modified HOSS opening procedures shall be utilized on Tuesday.] On the dates that the exercise settlement and final settlement values are calculated for VXST options (as determined under Rule 24.9(a)(6)) or futures.

(b) On applicable days, all orders in Hybrid classes and series used to calculate 30-day and short-term volatility indexes (including public customer, broker-dealer, Exchange Market-Maker, away Market-Maker and Specialist orders), other than spread or contingency orders, are eligible to be placed on the electronic book for the purpose of permitting those orders to participate in the opening price calculation for the applicable option class or series.

On the days that the modified HOSS opening procedures are utilized, the following provisions shall apply to volatility index option components:

(c) All option orders for participation in modified HOSS opening procedures that are related to positions in, or a trading strategy involving, volatility index options or (security) futures, and any change to or cancellation of any such order:

(i) must be received prior to the applicable strategy order cut-off time for the affected option series (established by the Exchange on a class-by-class basis), provided that the strategy order cut-off time will be no earlier than 8:00 a.m. and no later than the opening of trading in the option series. All pronouncements regarding changes to the applicable strategy order cut-off time will be announced at least one day prior to implementation.

(ii) may not be cancelled or changed after the applicable strategy order cut-off time established in accordance with paragraph (c)(i) to Rule 6.2B.08, unless the order is not executed in the modified HOSS opening procedures and the cancellation or change is submitted after the modified HOSS opening procedures are concluded (provided that any such order may be changed or cancelled after the applicable strategy order cut-off time established in accordance with paragraph (c)(i) to Rule 6.2B.08 and prior to applicable cut-off time established in accordance with paragraph (d) to Rule 6.2B.08 in order to correct a legitimate error, in which case the Trading Permit Holder submitting the change or cancellation shall prepare and maintain a memorandum setting forth the circumstances that resulted in the change or cancellation and shall file a copy of the memorandum with the Exchange no later than the next business day in a form and manner prescribed by the Exchange).

In general, the Exchange shall consider option orders to be related to positions in, or a trading strategy involving, volatility index options or (security) futures for purposes of this Rule 6.2B.08 if the orders possess the following three characteristics:

(A) The orders are for option series with the expirations that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index option or (security) futures contract.

(B) The orders are for options series spanning the full range of strike prices for the appropriate expiration for options series that will be used to calculate the exercise settlement or final settlement value of the applicable volatility index option or (security) futures contract, but not necessarily every available strike price.

(C) The orders are for put options with strike prices less than the "at-the-money" strike price and for call options with strike prices greater than the "at-the-money" strike price. The orders may also be for put and call options with "at-the-money" strike prices.

Whether option orders are related to positions in, or a trading strategy involving, volatility index options or (security) futures for purposes of this Rule 6.2B.08 depends upon specific facts and circumstances. Order types other than those provided above may also be deemed by the Exchange to fall within this category of orders if the Exchange determines that to be the case based upon the applicable facts and circumstances.

The provisions of this Rule 6.2B.08 may be suspended by two Floor Officials in the event of unusual market conditions.

(d) All other option orders for participation in the modified HOSS opening procedures, and any change to or cancellation of any such order, must be received prior to the applicable cut-off time in order to participate at the opening price for the applicable option series. The applicable cut-off time for the affected option series will be established by the Exchange on a class-by-class basis, provided the cut-off time will be no earlier than 8:25 a.m. and no later than the opening of trading in the option series. All pronouncements regarding changes to the applicable cut-off time will be announced at least one day prior to implementation.

(e) Any imbalance of contracts to buy over contracts to sell in the applicable option series, or vice versa, as indicated on the electronic book, will be published as soon as practicable up through the opening of trading in the affected series on days that the modified HOSS opening procedures are utilized.

* * * * *

Rule 24.1. Definitions

No changes.

…Interpretations and Policies:

.01 The reporting authorities designated by the Exchange in respect of each index underlying an index option contract traded on the Exchange are as follows:

Index Reporting Authority

(Add the following to the current list:)

<u>CBOE Short-Term Volatility Index….Chicago Board Options Exchange, Incorporated</u>

* * * * *

Rule 24.4. Position Limits for Broad-Based Index Options

(a) In determining compliance with Rule 4.11, there shall be no position limits for broad-based index option contracts (including reduced-value option contracts) on CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility and on the BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, <u>VXST,</u> S&P 500 Dividend Index, SPX and SPXPM classes. All other broad-based index option contracts shall be subject to a contract limitation fixed by the Exchange, which shall not be larger than the limits provided in the chart below.

* * * * *

(b) – (e) No changes.

…Interpretations and Policies:

.01 - .02 No changes.

.03 Reporting Requirement

Each Trading Permit Holder (other than CBOE Market-Makers) or TPH organization that maintains a broad-based index option position on the same side of the market in excess of 100,000 contracts for OEX, XEO, NDX, RUT, VIX, VXN, VXD, <u>VXST,</u> S&P 500 Dividend Index, SPX, SPXPM, CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance or CBOE S&P 500 Three-Month Realized Volatility and 1 million contracts for BXM (1/10th value) and DJX, for its own account or for the account of a customer, shall report information as to whether the positions are hedged and provide documentation as to how such contracts are hedged, in the manner and form required by the Department of Market Regulation. In calculating the applicable contract-reporting amount, reduced-value contracts will be aggregated with full-value contracts and counted by the amount by which they equal a full-value contract (e.g., 10 XSP options equal 1 SPX full-value contract). The Exchange may specify other reporting requirements of this interpretation as well as the limit at which the reporting requirement may be triggered.

. 04 Margin and Clearing Firm Requirements

Whenever the Exchange determines, based on a report by the Department of Market Regulation or otherwise, that additional margin is warranted in light of the risks associated with an under-hedged BXM (1/10th value), SPX, SPXPM, OEX, XEO, NDX, RUT, DJX, VIX, VXN, VXD, <u>VXST,</u> S&P 500 Dividend Index, CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance or CBOE S&P 500 Three-Month Realized Volatility option position, the Exchange may consider imposing additional margin upon the account maintaining such under-hedged position

pursuant to its authority under Exchange Rule 12.10. Additionally, it should be noted that the clearing firm carrying the account will be subject to capital charges under SEC Rule 15c3-1 to the extent of any margin deficiency resulting from the higher margin requirements.
.05 No changes.

* * * * *

Rule 24.5. Exercise Limits
In determining compliance with Rule 4.12, exercise limits for index option contracts shall be equivalent to the position limits prescribed for option contracts with the nearest expiration date in Rule 24.4, 24.4A, or 24.4C. There shall be no exercise limits for broad-based index options (including reduced-value option contracts) on CBOE S&P 500 AM/PM Basis, CBOE S&P 500 Three-Month Realized Variance, CBOE S&P 500 Three-Month Realized Volatility and on the BXM (1/10th value), DJX, OEX, XEO, NDX, RUT, VIX, VXN, VXD, <u>VXST,</u> S&P 500 Dividend Index, SPX, or SPXPM.
…Interpretations and Policies:
.01 - .04 No changes.

* * * * *

Rule 24.9. Terms of Index Option Contracts
(a) General.

(1) No changes.

(2) *Expiration Months <u>and Weeks</u>*. Index option contracts may expire at three-month intervals or in consecutive months. The Exchange may list up to six expiration months at any one time, but will not list index options that expire more than twelve months out. Notwithstanding the preceding restriction, the Exchange may list up to twelve expiration months at any one time for any broad-based security index option contracts, including reduced-value and jumbo option contracts, (e.g., DJX, NDX, RUT, SPX and SPXpm) upon which the Exchange calculates a volatility index and for CBOE S&P 500 AM/PM Basis options. <u>For VXST options, the Exchange may list up to 12 near-term VXST option expiration weeks.</u>

(A) – (B) No change.

(3) "*European-Style Exercise*". The following European-style index options, some of which are A.M.-settled as provided in paragraph (a)(4), are approved for trading on the Exchange:

(i)- (cvi) No changes.

<u>(cvii) CBOE Short-Term Volatility Index (VXST)</u>

(4) *A.M.-Settled Index Options*. The last day of trading for non-Volatility A.M.-settled index options shall be the business day preceding the last day of trading in the underlying securities prior to expiration. The last day of trading for Volatility Index, Individual Stock or ETF Based Volatility Index options <u>that measure a 30-day volatility period</u> is governed by subparagraph (5) below <u>and the last day of trading for VXST options is governed by subparagraph (6) below</u>. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from the opening prices of the underlying securities on such day, as determined by the market for such security selected by the Reporting Authority pursuant to Interpretation and Policy .09 to Rule 24.9, except that in the event that the primary market for an underlying security does not open for trading, halts trading prematurely, or otherwise experiences a disruption of normal trading on that day, or in the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading, halts trading prematurely, or otherwise experiences a disruption of normal trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Rule 24.7(e). The current index level at the expiration of an A.M.- settled S&P 500 Dividend Index option shall be a special quotation of the S&P 500 Dividend Index as determined by the Reporting Authority pursuant to Interpretation and Policy .09 to Rule 24.9, except that in the event that the Reporting Authority is unable to calculate a special quotation of the S&P 500 Dividend Index, the special quotation shall

be determined, for the purposes of calculating the current index value at expiration, as set forth in Rule 24.7(e).

The following A.M.-settled index options are approved for trading on the Exchange:

(i)- (xcv) No changes.

<u>(xcvi) CBOE Short-Term Volatility Index (VXST)</u>

(5) No changes.

<u>(6) *Method of Determining Day that Exercise Settlement Value will be Calculated and of Determining Expiration Date and Last Trading Day for CBOE Short-Term Volatility Index (VXST) Options*. The exercise settlement value of a VXST option for all purposes under these Rules and the Rules of the Clearing Corporation, shall be calculated on the specific date (usually a Wednesday) identified in the option symbol for the series. If that Wednesday or the Friday in the business week following that Wednesday (i.e., nine days away) is an Exchange holiday, the exercise settlement value would be calculated on the business day immediately preceding the Wednesday.</u>

<u>The exercise settlement value of a VXST option for all purposes under these Rules and the Rules of the Clearing Corporation shall be calculated by the Exchange as a Special Opening Quotation (SOQ) of VXST using the sequence of opening prices of the options that comprise the VXST index. The opening price for any series in which there is no trade shall be the average of that option's bid price and ask price as determined at the opening of trading. The "time to expiration" used to calculate the SOQ shall account for the actual number of days and minutes until expiration for the constituent option series. For example, if the Exchange announces that the opening of trading in the constituent option series is delayed, the amount of time until expiration for the constituent option series used to calculate the exercise settlement value would be reduced to reflect the actual opening time of the constituent option series. Another example would be when the Exchange is closed on a Wednesday due to an Exchange holiday, the amount of time until expiration for the constituent option series used to calculate the exercise settlement value would be increased to reflect the extra day of trading in the constituent option series.</u>

<u>The expiration date of a VXST option shall be the same day that the exercise settlement value of the VXST option is calculated. The last trading day for a VXST option shall be the business day immediately preceding the expiration date of the VXST option. When the last trading day is moved because of an Exchange holiday, the last trading day for an expiring VXST option contract will be the day immediately preceding the last regularly scheduled trading day.</u>

(b) – (e) No changes.

…Interpretations and Policies:

.01 The procedures for adding and deleting strike prices for index options are provided in Rule 5.5 and Interpretations and Policies related thereto, as otherwise generally provided by Rule 24.9, and include the following:

(a) - (b) No changes.

(c) New series of index option contracts may be added up to the fifth business day prior to expiration. <u>Notwithstanding the preceding restriction, the Exchange may list new VXST option series up to and including on the last day of trading for an expiring VXST option contract.</u>

(d) – (h) No changes.

(i) [Reserved.] <u>The interval between strike prices for CBOE Short-Term Volatility Index (VXST) options will be $0.50 or greater where the strike price is $75 or less, $1 or greater where the strike price is $200 or less and $5 or greater where the strike price is more than $200.</u>

(j) – (m) No changes.

.02 - .11 No changes.

.12 *$0.50 and $1 Strike Price Intervals for Index Options Used to Calculate Volatility Indexes*. Notwithstanding Interpretation and Policy .01(a) to Rule 24.9, the Exchange may open for trading series at $0.50 or greater strike price intervals where the strike price is less than $75 and $1.00 or greater strike price intervals where the strike price is between $75 <u>and $150</u> for index options that are used to calculate a volatility index.

.13 - .14 No changes.