



CBOE Holdings
Customer Integration Conference Call
Wednesday, March 29, 2017
11:30 am – 12:30 pm CT

Welcome

Brendan Murphy, Senior Business Analyst

Thank you operator. Good morning all and thank you for your time. Joining us today are: Chris Isaacson, Chief Information Officer; Andy Lowenthal, Head of Global Derivatives and Bryan Harkins, Head of U.S. Equities and Global FX.

Following their prepared remarks, we will hold a Q&A session for customers only. Also joining us for the Q&A will be Anthony Montesano, Vice President, Trading Operations; Troy Yeazel, Senior Vice President, U.S. Electronic Trading Operations; Michael Mollet, Director, Product Development; and Jay Caauwe, Managing Director, CBOE Futures Exchange.

Customers on the phone can queue up for questions by following the operator instructions at the end of today's remarks. If you are online, you may submit a question via the box and "Submit Question" button on the right side of your screen.

If you're a journalist or analyst, please reach out to our corporate communications and investor relations teams and they will address any queries you may have separately.

In addition, I'd like to point out that this presentation will include the use of several slides, which are available on the integration website.

As a preliminary note, you should be aware that this presentation contains forward-looking statements which involve some risks and uncertainties. Actual results may vary. Please refer to our filings with the SEC for more detailed information about the risks and uncertainties.

Now, I'd like to turn the call over to Chris Isaacson.

Chris Isaacson, Chief Information Officer

Thank you Brendan, and a second welcome to everyone on the call today. I'm excited to join CBOE as part of this transformative combination and look forward to sharing the details of our integration plan today.

This will be the first in a series of conference calls we'll be holding for our customers as we begin the migration of the CBOE exchanges onto Bats' technology platform. With our two companies now united as CBOE, our team is focused on executing a seamless technical and operational integration. We are committed to ensuring you continue to enjoy the same great trading experience and customer service you've always enjoyed working with CBOE and Bats.

To that end, as we move through this multi-year integration, I want to make clear that your continued feedback, opinions, ideas and questions are welcome at every level of CBOE.

On today's call, Andy and Bryan will provide an overview of the customer benefits we see as a result of the CBOE-Bats combination and I'll jump back on at the end to provide an overview of the technology and operations integration, which will begin with the migration of CBOE Futures Exchange (CFE). With that, I'll turn it over to Andy.

Andy Lowenthal, Head of Global Derivatives

Thank you Chris, and welcome to everybody on the call today.

We believe this combination of two market innovators cements CBOE's position as your go-to partner for cutting-edge trading and investment resources. Bringing together CBOE's and Bats' different – yet complementary – businesses will provide many benefits and enable CBOE to better serve our marketplace and you, our valued customers.

We see many areas of expected benefit through the combination of CBOE and Bats. I will walk through a couple of those benefits, and my new colleague, Bryan Harkins, will touch on a few others.

First, it significantly expands our product line into new asset classes and geographies by combining Bats' U.S. and European equities, options, ETF trading, and global FX platform with CBOE's wide array of equity, ETP and index options, futures, and multi-asset volatility products.

In the options space, we will continue operating the CBOE, C2, BZX and EDGX exchanges. By providing four distinct exchanges with unique market models, trading ecosystems and pricing structures, we'll afford you greater choice when it comes to your

trading needs. And, as we've announced previously, the CBOE trading floor will remain open to continue serving our CBOE options market, and in particular, our SPX and VIX products.

Second, we'll have the ability to provide more customers with greater access to more markets, asset classes and products. Given our two companies offer very distinct product lines and that Bats operates extensively in Europe, the combination allows us to bring CBOE flagship products, such as SPX options and our suite of VIX and volatility-related products, to existing Bats customers in the U.S. and abroad.

Further, with our extended reach via Bats' global platform, we intend to use CBOE's extensive education resources to work with our global customer base, ensuring new and existing Bats customers fully understand our products and markets.

And third, over time, this deal will streamline technology. Our aim is to make your trading experience more efficient and user-friendly. We plan to incorporate the functionality already offered by both platforms into the migration of CBOE, C2 and CFE to the Bats' state-of-the-art technology platform. Ultimately, we expect that this will enable you to trade through a single platform and enjoy a consistent trading experience across all of our markets.

I'll wrap up here by saying that we are excited about the opportunities that lie ahead. By leveraging the collective products and resources of CBOE and Bats, and working closely with customers like you, we will be better able to create the trading tools and services that add value to your trading experience.

I'll be happy to take any questions later on, but for now, I'll hand off to Bryan.

Bryan Harkins, Head of U.S. Equities and Global FX

Thank you Andy. And thanks to everyone for joining us today.

I'm excited to join the talented CBOE team as we bring these two successful companies together. As Andy outlined, we expect to see many benefits resulting from the combination of our two dynamic companies and are excited by the exponential opportunities we'll be creating for you, our valued customers.

One such example is that we think the addition of Bats' global ETF listing and trading venues makes us an even better innovator by allowing CBOE to touch every aspect of the product development and trading cycle -- from designing, listing and trading products... to generating and packaging market data... to educating customers.

The ability to develop, list and trade new products brings us closer to customers, enabling us to better anticipate and respond to your needs throughout the trading cycle.

We also want to create what I call “links.” We want to create strong links between asset classes that are increasingly interdependent. There is, of course, the linkage between equities and equity options with our expanded footprint in both asset classes. There are also the links between ETPs and derivative, equity and future underlyings. There are links that we have yet to define but offer exciting opportunities: linking our FX products and liquidity to our strong futures and ETP suite. The possibilities are endless and we look forward to engaging with you on creating even more links to best serve your trading needs.

As Chris mentioned at the onset of the call, maintaining open lines of communication with all of you is a top priority. We hope you will stay in close contact with us as we work through the integration. It will be a long process and your engagement and feedback along the way will be critical to its success.

I want to stress that even though the combined company is getting bigger, with more asset classes, geographies and business lines to offer our clients, we will ensure that we are servicing, communicating and supporting our customers in a coordinated manner. Take for example, the close relationship between our options and equities businesses. Even though Andy is primarily responsible for options, and I am primarily responsible for equities, we stand committed to ensure that you, the customer, has an efficient and strategic relationship with us in these intertwined asset classes.

Lastly, I'd like to echo the sentiments of Chris as we aim to execute a smooth integration of CBOE and Bats. Ensuring that you experience a seamless integration is vitally important to us. Chris and the technical and operations teams have designed a timeline that gives everyone ample time to plan and test for CFE's migration, given all the moving parts. We thank you in advance for your attention to all the details and supporting us through this process so that we can deliver the planned benefits and efficiencies this integration promises.

Now, let me hand it back to Chris, who will provide an overview of the integration plan and the specifics on CFE's migration.

Chris Isaacson, Chief Information Officer

Thanks, Bryan. I want to emphasize that while we're busy working behind the scenes integrating the two companies this year, there will be no significant operational changes in 2017.

Before we dive into some of the details, I'd like to begin with an overview of our plan for the integration. CFE will be the first market to migrate onto Bats technology with a targeted switch-over date of Sunday, February 25, 2018. The CBOE and C2 options exchanges will continue to operate as they do today and are planned to migrate to Bats technology at dates to be announced in the future. C2 will be first, followed by CBOE.

We expect most CBOE, C2 and CFE order types and functionality will be supported by Bats technology. This is based on customer demand, so I would like to take this opportunity again to ask all of you to maintain an open dialogue with our business development and operations teams so we can create a marketplace that best serves your trading needs.

All four of our options exchanges – CBOE, C2, BZX Options and EDGX Options – as well as the Bats equities exchanges, ETF venue and FX platforms are expected to continue to operate as they do today. At this time, we do not anticipate any changes to their trading hours. However, we are expecting a slight modification to the trading hours of CFE's extended trading session upon migration to Bats technology.

Turning to our data center and disaster recovery plans, all production trading platforms will remain within the NY5 and NY4 data centers at the Equinix campus in Secaucus, New Jersey. Customers within either data center will have latency equalized access to the CBOE, C2 and CFE trading platforms in NY5 once transitioned to Bats technology and network infrastructure.

CBOE, C2 and CFE connections on Bats technology require new physical connectivity to be established in NY5 or NY4 for production system access in order to access the new latency equalized network infrastructure. Firms may utilize existing CBOE physical connections. However, it should be noted existing connections will be disadvantaged because we are requiring existing network infrastructure to be rerouted to pass through the new latency equalized infrastructure. CBOE will not assess physical port fees for new connections to the new trading platforms on the new latency equalized infrastructure until the new trading platforms are activated for live production trading.

All CBOE and Bats exchanges will operate on their respective existing technology in their existing data centers until their migration. Each CBOE exchange will move from NY4 to NY5 on Bats technology upon its migration date.

There are no planned changes to our Disaster Recovery centers in Chicago prior to the completion of migration. The CBOE, C2 and CFE DR markets will remain in 400 South LaSalle and all of the Bats markets will remain in 350 East Cermak.

Regarding market data feeds and order entry -- Bats multicast PITCH will be used to provide depth-of-book data for CBOE, C2 and CFE upon completion of their migrations. A new multicast TOP feed will be implemented to provide top-of-book quotes and trades for CBOE, C2 and CFE.

The current CBOE order entry protocols, CMI2 and FIX, will be retired upon platform migration in favor of the Bats Binary Order Entry (BOE) and Bats FIX protocols. The Bats BOE and FIX protocols will be augmented to support order types specific to CBOE, C2 and CFE. All firms will be required to recertify to the new BOE and FIX specifications.

It is also worth noting that upon migration of CBOE, C2 and CFE, Bats FIX DROP will be used to provide both trade-only and Order-by-Order drop copies. Each customer will be automatically assigned a single FIX DROP port in production in October, but can certainly request more via the Customer Web Portal.

Lastly, should any material technology or functionality changes be required now, during the migration, or post-migration, we plan to provide ample notice to you. These include any changes to pricing, as well as any changes to order types and product offerings. Our combined team is currently reviewing these details to ensure we leverage the best-in-class innovations of both organizations.

Now, let's turn to the planned timeline and targeted key dates you need to be aware of for CFE's migration. We have an aggressive and comprehensive schedule in place as we build toward CFE's targeted switch-over to Bats technology on Sunday, February 25, 2018. We plan to notify you if there are any significant changes to our targeted timeline outlined here. Please note that until that time, CFE is expected to operate as it does today on the current platform.

Later this week, we'll publish a Technical Integration FAQ regarding CFE-specific functionality. Topics will include connectivity, certifications, market data and billing. In May, we plan to issue updated technical specifications and a platform change matrix summarizing any platform feature updates. Both will be posted to the integration website.

Beginning July 3rd, CFE TPHs will be able to request access to the Customer Web Portal, which will provide tools for ordering physical and logical connectivity. In September, CFE TPHs may begin ordering logical ports to the new certification environment, and basic connectivity testing will begin. In October, full functional testing of the new trading platform within the certification environment will be available and

logical ports will be created on the new production trading platform for every login that exists today.

And, throughout the remainder of the fourth quarter of 2017 and running into the first quarter of 2018, there will be a number of technical dress rehearsals to ensure preparedness for CFE's switch-over on February 25.

As CFE will be running on Bats technology, it is important to note that all CFE certification sessions are being decommissioned and cannot be used to certify to the new CFE trading platform. There will be no automatic transfer of certification sessions from the legacy platform to the new platform.

Once a firm has established physical connectivity within either the NY5 or NY4 data centers, free of charge certification order entry, market data and drop sessions may be requested via the Logical Port Request form found on the Customer Web Portal. Firms must specify any desired port settings other than the port defaults. These defaults can be found in the FIX or BOE specifications that will be made available on the integration website on May 1. Firms must also complete and return the certification questionnaire to the CFE Trade Desk at cfetradedesk@cboe.com.

Certification sessions will be available per CFE's defined production trading schedule, however, trade desk certifications will be scheduled to occur during regular trading hours. In order to avoid delays and/or undesired rescheduling, firms are expected to complete sufficient unattended testing prior to their certification appointment. Firms can trade all symbols available in production on their certification sessions.

All firms will be required to certify for basic functionality, including establishing and maintaining connectivity, order entry and disconnect recovery. While firms are expected to certify for all functionalities they expect to use, they are only required to certify for order types and order modifiers they intend to use in production.

Post-certification, please be aware of the following. Once certified, firms will receive an emailed copy of their completed certification script. From that point, firms will be able to request and connect to FIX or BOE sessions created in the production NY5 data center with those functionalities enabled.

It is important to note that all new production sessions will be created with the Bats default session settings – regardless of any prior production or certification settings. Firms must specify any desired non-default settings when they request their new production sessions.

A list of default port settings will be included in the certification script and is also available within the FIX and BOE specifications located on the integration website. Firms can also view all their ports and port settings through the Customer Web Portal, within the Port Status tool.

We've given you a lot of information in relatively short order, so while the operator prepares for questions, I'd like to sum up the most salient points at this stage...

- Our team is focused on executing a seamless technical and operational integration.
- We are committed to ensuring you continue to enjoy the same great trading experience and customer service you've always enjoyed working with CBOE and Bats.
- CFE will be the first market to migrate onto Bats technology with a target date of February 25, 2018. Until the switch-over, CFE is expected to continue to operate as it does today. C2 and CBOE are planned to migrate at dates to be announced in the future.
- We've created a detailed roadmap for the CFE migration, along with a host of other resources, which will be available on the integration website tomorrow.
- Please don't hesitate to contact our business development or operations teams with any questions you have on the integration.

With that, I'll hand the call over to our operator to begin the Q&A session....

Closing

Chris Isaacson, Chief Information Officer

Thank you for joining us today. Andy, Bryan and I and the entire CBOE team stand ready to help you through this integration to ensure you are prepared for all the key dates. If you have any questions, please don't hesitate to reach out to anyone on our team. Thank you.

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Cautionary Statements Regarding Forward-Looking Information

This communication contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve a number of risks and uncertainties. You can identify these statements by forward-looking words such as “may,” “might,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” and the negative of these terms and other comparable terminology. All statements that reflect our expectations, assumptions or projections about the future other than statements of historical fact are forward-looking statements. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements.

We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Some factors that could cause actual results to differ include: the loss of our right to exclusively list and trade certain index options and futures products; economic, political and market conditions; compliance with legal and regulatory obligations; increasing price competition in our industry; decreases in trading volumes or a shift in the mix of products traded on our exchanges; legislative or regulatory changes; increasing competition by foreign and domestic entities; our dependence on third party service providers; our index providers’ ability to maintain the quality and integrity of their indexes and to perform under our agreements; our ability to operate our business without violating the intellectual property rights of others and the costs associated with protecting our intellectual property rights; our ability to accommodate trading volume and transaction traffic, including significant increases, without failure or degradation of performance of our systems; our ability to protect our systems and communication networks from security risks, including cyber-attacks; the accuracy of our estimates and expectations; our ability to maintain access fee revenues; our ability to meet our compliance obligations, including managing potential conflicts between our regulatory responsibilities and our for-profit status; the ability of our compliance and risk management methods to effectively monitor and manage our risks; our ability to attract and retain skilled management and other personnel; our ability to manage our growth and strategic acquisitions or alliances effectively; restrictions imposed by our debt obligations; unanticipated difficulties or expenditures relating to the recently-completed acquisition of Bats Global Markets, Inc., including, without limitation, difficulties that result in the failure to realize expected synergies, efficiencies and cost savings from the acquisition within the expected time period (if at all), whether in connection with integration, combining trading platforms, broadening distribution of product offerings or otherwise; our ability to maintain an investment grade credit rating; disruptions of our current plans, operations and relationships with market participants caused by the Bats acquisition; and potential difficulties in our ability to retain employees as a result of the Bats acquisition. More detailed information about factors that may affect our actual results to differ may be found in our filings with the SEC, including in our Annual Report on Form 10-K for the year ended December 31, 2016 and other filings made from time to time with the SEC.

We do not undertake, and expressly disclaim, any duty to update any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.