



## CBOE Regulatory Circular RG16-198

**Date:** December 16, 2016  
**To:** Trading Permit Holders  
**From:** Finance and Administration  
**RE:** January 2017 Changes to CBOE Fee Schedule

This circular explains 2017 changes to the Fees Schedule for Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”).

Subject to Securities and Exchange Commission (“SEC”) review, the changes summarized below will be effective January 3, 2017.

### 2017 Liquidity Provider (“LP”) Sliding Scale For All Underlying Symbols Excluding Underlying Symbol List A<sup>1</sup> and Mini-Options; Prepayment Incentive; and Make/Take, Penny/Non-Penny Adjustments to the LP Fee Per Contract

There are no changes to the number of Tiers, the Tier Volume Thresholds or the base Fee Per Contract for the LP Sliding Scale for 2017 as compared to 2016; however, the Exchange is introducing Make/Take Penny/Non-Penny Adjustments to the base Fee Per Contract which will increase (or decrease) the LP’s rate per contract from the LP Sliding Scale Fee Per Contract to the Adjusted Fee Per Contract.

**LP Sliding Scale:** An LP’s rate per contract is reduced if certain relative volume thresholds are reached in a month, with both the count and the reduced rate per contract calculated using the following formula: a) Market-Maker Trading Permit Holder Contract Volume Excluding Underlying Symbol List A and Mini-Options executed at CBOE, divided by b) Total National Market-Maker Contract Volume Excluding Underlying Symbol List A and Mini-Options.

Tier	Percentage Thresholds of National Market-Maker Contract Volume Excluding Underlying Symbol List A and Mini-Options	Rate
1	0.00% - 0.05%	23 cents
2	Greater than 0.05% - 0.70%	17 cents
3	Greater than 0.70% - 1.40%	10 cents
4	Greater than 1.40% - 2.00%	5 cents
5	Above 2.00%	3 cents

**Prepayment Incentive:** To be eligible to participate in the sliding scale above 0.70% of National Market-Maker Monthly Volume Excluding Underlying Symbol List A and Mini-Options, a LP must submit a non-refundable prepay of \$200,000/month (or \$2,400,000 for the full calendar year) of their Market-Maker transaction fees for the year. Pro-rated prepayments are accepted later in the year, as long as the payment is received at least five business days prior to the month in which the application of the discount is to begin.

<sup>1</sup> As of the date of this Circular, Underlying Symbol List A consists of OEX, XEO, RUT, RLG, RLV, RUI, AWDE, FTEM, FXTM, UKXM SPX/SPXW, SPXpm, SRO, VIX, VXST, Volatility Indexes and binary options.

For LP's interested in participating in the sliding scale for all of 2017, prepayment election and wired payment must take place during the period January 3, 2017 through January 9, 2017.

**LP Sliding Scale Adjustment Table:** An LP's rate per contract may be further adjusted based on whether the LP's executed contract is a maker (which may decrease the per contract fee) or a taker (which may increase the per contract fee), subject to the following table. The per contract adjustments will be calculated based on the following formula: a) Prior month's Market-Maker Trading Permit Holder **electronically executed non-auction Maker** contract volume Excluding Underlying Symbol List A executed at CBOE divided by b) Prior month's Market-Maker Trading Permit Holder **electronically executed non-auction** total contract volume Excluding Underlying Symbol List A executed at CBOE.

Tier	Make/Take Penny/Non-Penny Adjustments Increase/(Decrease)					
	Make (% based on prior month)		Maker Rebate		Take Fee	
	Maker % From	Maker % To	Penny Classes	Non-Penny Classes	Penny Classes	Non-Penny Classes
1	0%	50%	(\$0.00)	(\$0.00)	\$0.04	\$0.08
2	51%	75%	(\$0.00)	(\$0.00)	\$0.03	\$0.06
3	76%	85%	(\$0.00)	(\$0.00)	\$0.02	\$0.04
4	86%	90%	(\$0.00)	(\$0.00)	\$0.01	\$0.02
5	91%	100%	(\$0.01)	(\$0.00)	\$0.00	\$0.00

For purposes of the Make/Take Penny/Non-Penny Adjustments, the following transactions will be considered **Maker**:

- Execution of Resting Quotes and Orders
- AIM/CAIM Response
- Trades on Open
- COA Response
- HAL Response (Rebate)

For purposes of the Make/Take Penny/Non-Penny Adjustments, the following transactions will be considered **Taker**:

- HAL Primary

*Example A: Trading Permit Holder A prepays \$2,400,000 on January 4, 2017 and executes 5,162,500 market-maker options contracts excluding Underlying Symbol List A at CBOE in January 2017. In January 2017, 295,000,000 national market-maker options contracts excluding Underlying Symbol List A and Mini-Options were executed. Trading Permit Holder A's 5,162,500 contracts represent 1.75% of the total national market-maker contracts. Trading Permit Holder A's transaction fees for January 2017 are \$0.23 per contract on the first 147,500 contracts (0.05% x 295,000,000), or \$33,925, \$0.17 per contract on the next 1,917,500 contracts ((0.70% x 295,000,000) – 147,500), or \$325,975, \$0.10 per contract on the next 2,065,000 contracts ((1.40% x 295,000,000) – 2,065,000), or \$206,500, \$0.05 per contract on the remaining 1,032,500 contracts, or \$51,625. Because Trading Permit Holder A prepaid, the January 2017 invoice is \$495,463 (\$695,463 less the prepayment of \$200,000 (\$2,400,000 / 12 months)). Prepaying resulted in a reduction in transaction fees of \$268,458, exclusive of any additional surcharges.*

*Additionally, Trading Permit Holder A's electronic, non-AIM Maker contract volume in the previous month (December) was 1,800,000 contracts out of a total electronic, non-AIM executed contract volume of*

3,000,000 contracts, resulting in a 60% Maker qualification for the adjustment table. This would result in the application of a \$.03/contract in all of Trading Permit Holder A's taker volume in penny classes, and \$.06/contract in all of Trading Permit Holder A's taker volume in non-penny classes. In January 2017, Trading Permit Holder A had the following breakdown of all Market-Maker Volume:

- 1,162,500 contracts from AIM responses
- 2,000,000 contracts from electronic Maker activity in Penny Classes
- 1,000,000 contracts from electronic Maker activity in Non-Penny Classes
- 500,000 contracts from electronic Taker activity in Penny Classes
- 100,000 contracts from electronic Taker activity in Non-Penny Classes
- 200,000 contracts from responses to Complex Order Auctions in Penny Classes
- 200,000 contracts from responses to HAL in Penny Classes

The adjustment table indicates a taker fee adjustment for the 500,000 contracts from electronic Taker activity in Penny Classes at \$.03/contract or \$15,000, and 100,000 contracts from electronic Taker activity in Non-Penny Classes at \$.06/contract or \$6,000, resulting in an additional charge of \$21,000.

### Volume Incentive Program (“VIP”)

The Exchange is amending the VIP by establishing separate per contract credits for executions within the AIM and Complex AIM channels. All other credit levels will remain the same.

VIP will continue to offer credits only for customer, multiply-listed option volume<sup>2</sup> executed electronically, with the volume thresholds calculated using the following formula: a) TPH Total Customer, Multiply-Listed Electronic Option Volume per Month divided by b) Total National Customer Multiply-Listed Option Volume. The credit for each Trading Permit Holder will be calculated in accordance with the following table:

**Volume Incentive Program Table**

		Per Contract Credit			
		Simple		Complex	
Tier	Percentage Thresholds of National Customer Multiply-Listed Monthly Volume	AIM	Non-AIM	AIM	Non-AIM
1	0.00% - 0.75%	\$0.00	\$0.00	\$0.00	\$0.00
2	Above 0.75% to 1.80%	\$0.09	\$0.10	\$0.20	\$0.21
3	Above 1.80% to 3.00%	\$0.11	\$0.12	\$0.23	\$0.24
4	Above 3.00%	\$0.14	\$0.15	\$0.24	\$0.25

*Example A: Trading Permit Holder A transmits and executes electronically 7,500,000 customer, multiply-listed options contracts in January 2017. In January 2017, 250,000,000 national customer multiply-listed options contracts were executed. Trading Permit Holder A's 7,500,000 contracts represent 3% of the total national customer multiply-listed options volume. Trading Permit Holder A receives a credit of \$0.11 for all contracts executed in Simple AIM, \$0.12 for all non-complex contracts executed outside of AIM, \$0.23 for all contracts executed in Complex AIM, and \$0.24 per contract for all contracts executed as part of a complex order outside of AIM.*

<sup>2</sup> Includes all underlying symbols excluding Underlying Symbol List A, DJX, MXEA, MXEF, MNX, NDX, XSP, XSPAM and mini-options.



**Electronic Penny Classes and Non-Penny Classes Transaction Fees (all products excluding Underlying Symbol List A) for Clearing Trading Permit Holder Proprietary**

Electronic executions in Penny Classes and Non-Penny Classes are currently assessed a transaction fee of \$0.35/contract for Clearing Trading Permit Holder Proprietary (origin codes “F” and “L”) orders. The revised schedule will assess transaction fees of \$0.38 per contract in penny classes and \$0.65 per contract in non-penny classes.

**Complex Surcharge (Complex Taker Fee)**

The Complex Surcharge for non-customer complex order executions will increase from \$0.08 per contract to \$0.10 per contract.

**Order Router Subsidy Program (ORS) and Complex Order Router Subsidy Program (CORS)**

The subsidy per contract for contracts with a) C origin code will decrease from \$0.02 per contract to \$0.00 per contract; and b) origin codes other than C origin code will increase from \$0.06 to \$0.07 per contract.

**Linkage Fees**

The Exchange will assess public customer orders the specific away exchange transaction fees for that order plus an additional \$0.10 per contract, an increase from \$0.05 per contract.

**Index License Surcharge Fee on SPX (including SPXW) and SPXpm Index Options**

The Index License Surcharge Fee on SPX (including SPXW) and SPXpm will increase from \$0.13 per contract to \$0.14 per contract for non-customer transactions.

**Market-Maker Sliding Scale for SPX (including SPXW)**

CBOE will introduce a Sliding Scale for Market-Maker transaction fees in SPX, and SPXW (“MM SPX Sliding Scale”). The new MM SPX Sliding Scale will assess Market-Makers progressively lower transaction fees in SPX provided certain volume thresholds in SPX options are attained during a month.

The MM SPX Sliding Scale will be as follows:

<b>Tier</b>	<b>Percentage Thresholds of Total Market-Maker SPX (including SPXW) Contract Volume</b>	<b>Rate</b>
1	0.00% - 1.50%	\$.25
2	Greater than 1.50% - 10.0%	\$.23
3	Above 10.0%	\$.21

This scale will not require a prepay or any other preregistration.

### Frequent Trader Program

The Exchange is amending both the qualifying volume thresholds and the rebate per contract rates of the Frequent Trader Program. The monthly customer, professional customer, and voluntary professional (origin codes “C” and “W”) contract thresholds for VIX, SPX (including SPXW), SPXpm and RUT are increasing, with the exception of Tier 3 for RUT which is decreasing. Additionally, the Exchange is reducing the fee rebate percentages for each tier to the levels indicated in the table below.

Tier	VIX		SPX, SPXW, and SPXpm		RUT	
	Monthly Contracts Traded	Fee Rebate	Monthly Contracts Traded	Fee Rebate	Monthly Contracts Traded	Fee Rebate
1	10,000 – 49,999	3%	10,000 – 49,999	3%	5,000 – 9,999	3%
2	50,000 – 99,999	6%	50,000 – 99,999	6%	10,000 – 13,000	6%
3	100,000 and above	9%	100,000 and above	9%	13,000 and above	9%

### Market-Maker Trading Permit Sliding Scale and Floor Broker Trading Permit Sliding Scale

Trading Permit Sliding Scale Programs for 2017, including any changes to permit fees, are disclosed in [CBOE Regulatory Circular RG16-194](#).

### CBOE Command Connectivity Charges

The Exchange is increasing the monthly fee for Network Access Ports (10 Gbps) from \$3,500 per port to \$4,000 per port and the fee for CMI and FIX Login IDs from \$500 per Login ID to \$750 per Login ID.

### Extended Trading Hours (“ETH”) Trading Permit Fees

Currently the Exchange is waiving all ETH trading permit and bandwidth packet fees for one of each type of trading permit and one of each type of bandwidth packet, per affiliated Trading Permit Holder, through December 31, 2016. The Exchange is extending the waiver period through June 30, 2017.

Unless extended further at that time, CBOE intends to assess the following charges:

- ETH Market-Maker Trading Permits - \$1,000/month
- ETH Electronic Access Trading Permits - \$500/month
- ETH Quoting and Order Entry Bandwidth Packet - \$500/month
- ETH Order Entry Only Bandwidth Packet - \$250/month

### Extended Trading Hours--CBOE Command Connectivity Fees

Currently the Exchange is waiving fees for CMI/Fix Login IDs associated with waived ETH trading permits and/or waived ETH bandwidth packets through December 31, 2016. The Exchange is extending the waiver for CMI/Fix Login IDs associated with waived ETH trading permits and/or waived ETH bandwidth packets through June 30, 2017.

### Transaction Fees for RLG, RUI, AWDE, FTEM, FXTM and UKXM

Currently the Exchange is waiving transaction fees for RLG, RUI, AWDE, FTEM, FXTM and UKXM through December 31, 2016. The Exchange is extending the transaction fee waiver for these option classes through June 30, 2017.

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**CBOE Fees Schedule**

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

**Additional Information:**

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