

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73955; File No. SR-CBOE-2014-094)

December 30, 2014

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Fees for the CBOE Book Depth Data Feed and for Certain Other CBOE Real-Time Data Feeds

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 17, 2014, Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to establish fees for the CBOE Book Depth Data Feed and amend fees for certain other CBOE real-time data feeds. The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to: (1) amend fees for the CBOE BBO Data Feed and Complex Order Book (“COB”) Data Feeds; (2) establish fees for the CBOE Book Depth Data Feed; and (3) establish fees for distribution of CBOE data via a “Display Only Service” (as defined below). These data feeds are made available by CBOE’s affiliate Market Data Express, LLC (“MDX”).

BBO, Book Depth and COB Data Feeds

BBO Data Feed: The BBO Data Feed is a real-time, low latency data feed that includes the following content: (i) outstanding quotes and standing orders at the best available price level on each side of the market, with aggregate size (“BBO data”), and last sale data;³ (ii) totals of customer versus non-customer contracts at the BBO, (iii) All-or-None contingency orders priced better than or equal to the BBO, (iv) BBO and last sale data for complex strategies (e.g., spreads, straddles, buy-writes, etc.); (v) expected opening price (“EOP”) and expected opening size (“EOS”) information that is disseminated prior to the opening of the market and during trading rotations, (vi) end-of-day (“EOD”) summary messages that are disseminated after the close of a trading session that include summary information about trading in CBOE listed options (i.e., product name, opening price, high and low price during the trading session and last sale price),

³ “Best bid and offer” or “BBO” data is sometimes referred to as “top-of-book” data. Data with respect to executed trades is referred to as “last sale” data.

(vii) “recap messages” that are disseminated during a trading session any time there is a change in the open, high, low or last sale price of a CBOE listed option, as well as product name and total volume traded in the product during the trading session; and (viii) product IDs and codes for all CBOE listed options contracts. The data in the BBO Data Feed is refreshed periodically during the trading session. The BBO and last sale data contained in the BBO Data Feed is identical to the data sent to the Options Price Reporting Authority (“OPRA”) for redistribution to the public.⁴

Book Depth Data Feed: The Book Depth Data Feed is a real-time, low latency data feed that includes all data contained in the BBO Data Feed (as described above) plus outstanding quotes and standing orders up to the first four price levels on each side of the market, with aggregate size (“Book Depth”). The Book Depth Data Feed includes market data for simple options as well as complex strategies.⁵

COB Data Feed: The COB Data Feed is a subset of the Book Depth Data Feed. It is a real-time data feed that includes data regarding the Exchange’s Complex Order Book and related complex order information. The COB Data Feed includes BBO, Book Depth and last sale data for all CBOE-traded complex order strategies and identifies customer orders and trades.⁶

⁴ MDX makes available to Customers the BBO data and last sale data that is included in the BBO Data Feed no earlier than the time at which the Exchange sends that data to OPRA.

⁵ See Securities Exchange Act Release No. 71774 (March 24, 2014), 79 FR 17619 (March 28, 2014).

⁶ MDX also offers a real-time Flexible Exchange (“FLEX”) Options Data Feed that includes BBO and last sale data for FLEX options traded on the CBOE FLEX Hybrid Trading System, including BBO and last sale data for FLEX complex strategies. The FLEX Options Data Feed is currently made available at no charge. The Exchange is not proposing to establish fees for the FLEX Options Data Feed at this time.

Fees

BBO Data Feed Fees: MDX currently charges a “Data Fee”, payable by a Customer, of \$5,000 per month for internal use and external redistribution of the BBO Data Feed.⁷ The Data Fee entitles a Customer to provide the BBO Data Feed to an unlimited number of internal users and Devices⁸ within the Customer. A Customer receiving the BBO Data Feed from another Customer is assessed the Data Fee by MDX pursuant to its own market data agreement with MDX, and is entitled to use the Data internally and/or distribute it externally.⁹ All Customers have the same rights to utilize the data internally and/or distribute it externally as long as the Customer has entered into a written agreement with MDX for the data and pays the Data Fee.

The Exchange proposes to increase the Data Fee from \$5,000 per month to \$6,000 per month. The Exchange also proposes to establish a “User Fee”, payable by a Customer, of \$50 per month per Device or user ID for use of data in the BBO Data Feed by “Display Only Service” users. A “Display Only Service” would allow a natural person end-user to view and manipulate data using a Customer’s computerized service, but not to save, copy, export or transfer the data or any results of the manipulation to any other computer hardware, software or media, except for printing it to paper or other non-magnetic media. User fees would be payable only for “external” Display Only Service

⁷ A BBO Data Feed “Customer” is currently defined as any entity that receives the BBO Data Feed either directly from MDX’s system or through a connection to MDX provided by an approved redistributor (*i.e.*, a market data vendor or an extranet service provider) and distributes it externally or uses it internally. The MDX fee schedule for CBOE data is located at <https://www.cboe.org/MDX/CSM/OBOOKMain.aspx>.

⁸ A “Device” means any computer, workstation or other item of equipment, fixed or portable, that receives, accesses and/or displays data in visual, audible or other form.

⁹ A Customer may choose to receive the data from another Customer rather than directly from MDX’s system because it does not want to or is not equipped to manage the technology necessary to establish a direct connection to MDX.

users (Devices or user IDs of users who are not employees or natural person independent contractors of the Customer, the Customer's affiliates or an authorized service facilitator).

The Exchange proposes to amend the definition of a "Customer" to make it uniformly applicable to the BBO Data Feed and the other CBOE real-time data feeds described above. The term "Customer" would mean any person, company or other entity that, pursuant to a market data agreement with MDX, is entitled to receive data, either directly from MDX or through an authorized redistributor (i.e., a Customer or an extranet service provider), whether that data is distributed externally or used internally. An entity or person that receives BBO data from a Customer through a Display Only Service is not a "Customer" unless it has a market data agreement in place with MDX.

Book Depth Data Feed Fees: The Exchange proposes to amend the MDX fee schedule to establish fees for the Book Depth Data Feed. MDX would charge a "Data Fee", payable by a Customer (as defined above), of \$6,000 per month for internal use and external redistribution of the Book Depth Data Feed. The Data Fee for the Book Depth Data Feed would entitle a Customer to provide the Book Depth Data Feed to an unlimited number of internal users and Devices within the Customer. A Customer receiving the Book Depth Data Feed from another Customer would be assessed the Data Fee by MDX pursuant to its own market data agreement with MDX, and would be entitled to use the Data internally and/or distribute it externally. All Customers would have the same rights to utilize the Book Depth data internally and/or distribute it externally as long as the Customer has entered into a written agreement with MDX for the data and pays the Data

Fee. BBO Data Feed Customers could upgrade to become Book Depth Data Feed Customers without paying any additional Data Fee.¹⁰

MDX would also charge a Book Depth Data Feed Customer a User Fee of \$50 per month per Device or user ID for use of the data in the Book Depth Data Feed by Display Only Service users (as defined above). User Fees would be payable only for “external” Display Only Service Users (as defined above). An entity or person that receives Book Depth data from a Customer through a Display Only Service is not a “Customer” unless it has a market data agreement in place with MDX.

COB Data Feed Fees: MDX currently charges Customers of the COB Data Feed a Data Fee of \$3,000 per month plus applicable User Fees.¹¹ The Data Fee for the COB Data Feed is waived for Customers of the BBO Data Feed.¹²

MDX currently charges a Customer User Fees of \$25 per month per Device or user ID for receipt of the data by “Professional Users”¹³ and \$1 per month for receipt of the data by “Non-Professional Users.”¹⁴ User Fees are subject to a cap of \$2,000 per month (i.e., a Customer pays no more than \$2,000 in User Fees for a given month).

¹⁰ Such Customers would still be subject to Display Only Service User Fees as described below.

¹¹ A COB Data Feed Customer is currently defined as any entity that receives the COB Data Feed, either directly from MDX’s system or through a connection to MDX provided by an approved redistributor (i.e., a market data vendor or an extranet service provider), and distributes it externally or uses it internally, except that an entity or person that receives the COB Data Feed from a Customer and only uses it internally is not a “Customer” if it receives the COB Data Feed from a Customer subject to a form of “Subscriber Agreement” that has been approved by MDX.

¹² Such COB Data Feed Customers are still subject to User Fees as described below.

¹³ A “Professional User” is any natural person recipient of Data who is not a Non-Professional User. User Fees for Professional Users are payable for both “internal” Professional Users (Devices or user IDs of employees of a Customer) and “external” Professional Users (Devices or user IDs of Professional Users who receive the Data from a Customer and are not employed by the Customer). (Non-Professional Users must be external since a person who uses the COB Data Feed for a commercial purpose cannot be a Non-Professional User.)

¹⁴ A “Non-Professional User” is a natural person who uses the COB Data Feed only for personal

The Exchange proposes to reduce the Data Fee from \$3,000 per month to \$100 per month. The Data Fee would be waived for Customers of the Book Depth Data Feed. The Exchange proposes to reduce the User Fee for Non-Professional Users from \$1 per month to zero.¹⁵ For the purpose of consistency, the Exchange proposes to amend the definition of a COB Data Feed Customer so that it is the same definition that is applicable to the BBO and Book Depth Data Feeds.¹⁶

Systems Fees: MDX currently charges a Port Fee of \$500 per data port per month for receipt of a data feed through a connection to MDX. The Exchange proposes to amend the MDX Fee Schedule to clarify how the Port Fee is assessed. First, the Exchange proposes to clarify that the Port Fee applies to the receipt of any data feed

purposes and not for any commercial purpose and who, if he or she works in the United States, is not: (i) registered or qualified in any capacity with the Securities and Exchange Commission, the Commodities Futures Trading Commission, any state securities agency, any securities exchange or association, or any commodities or futures contract market or association; (ii) engaged as an “investment adviser” as that term is defined in Section 201(11) of the Investment Advisors Act of 1940 (whether or not registered or qualified under that Act); or (iii) employed by a bank or other organization exempt from registration under federal or state securities laws to perform functions that would require registration or qualification if such functions were performed for an organization not so exempt; or, if he or she works outside of the United States, does not perform the same functions as someone who would qualify as a Non-Professional User if he or she worked in the United States.

¹⁵ The Exchange proposes to amend the definition of “Non-Professional User” so that it is consistent with the definition of “Non-Professional User” used by OPRA. See OPRA Addendum for Nonprofessionals, which is part of Attachments B-1 and B-2 to OPRA’s Vendor Agreement. A “Non-Professional User” would mean a natural person or qualifying trust that uses Data only for personal purposes and not for any commercial purpose and, for a natural person who works in the United States, is not: (i) registered or qualified in any capacity with the Securities and Exchange Commission, the Commodities Futures Trading Commission, any state securities agency, any securities exchange or association, or any commodities or futures contract market or association; (ii) engaged as an “investment adviser” as that term is defined in Section 201(11) of the Investment Advisors Act of 1940 (whether or not registered or qualified under that Act); or (iii) employed by a bank or other organization exempt from registration under federal or state securities laws to perform functions that would require registration or qualification if such functions were performed for an organization not so exempt; or, for a natural person who works outside of the United States, does not perform the same functions as would disqualify such person as a Non-Professional User if he or she worked in the United States.

¹⁶ For the same reason, the Exchange proposes to amend the definition of a FLEX Options Data Feed Customer so that it is the same definition that is applicable to the BBO, Book Depth and COB Data Feeds.

through a connection to MDX, not only for the receipt of the BBO Data Feed. Second, the Exchange proposes to amend the description of the fee to clarify that it is payable by any Customer that receives data through a direct connection to MDX or through a connection to MDX provided by an extranet service provider. Lastly, the Exchange proposes to clarify that the port fee applies to receipt of any data feed but is only assessed once per data port. For example, if a Customer receives two data feeds over the same port, the Port Fee is only assessed once for that port.

The Exchange also proposes to delete from the MDX Fee Schedule the statements that MDX will not charge fees for any of the data feeds (or the port fee) for any calendar month in which Customer commences receipt of the data after the 15th day of the month (or in the case of the port fee, establishes the connection after the 15th day of the month) or discontinues receipt of the data before the 15th day of the month (or in the case of the port fee, disconnects before the 15th day of the month). The Exchange believes it would be more appropriate for billing policies to be located within MDX's written agreement with Customers.

All of the proposed fee changes would be effective on January 1, 2015.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁷ Specifically, the Exchange believes the proposed rule change is consistent with Section

¹⁷ 15 U.S.C. 78f(b).

6(b)(4) of the Act,¹⁸ which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders and other persons using its facilities. The Exchange also believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

BBO Data Fees

The Exchange believes the proposed increase in the Data Fee for BBO data is equitable and not unfairly discriminatory because it would apply equally to all Customers. The Exchange believes the proposed Data Fee is reasonable because it compares favorably to fees that other markets charge for similar products. For example, NASDAQ OMX PHLX charges Internal Distributors a monthly fee of \$4,000 per organization and External Distributors a monthly fee of \$5,000 per organization for its “TOPO Plus Orders” data feed, which like the BBO Data Feed includes top-of-book data (including orders, quotes and trades) and other market data. The International Securities Exchange offers a “Top Quote Feed”, which includes top-of-book data, and a separate “Spread Feed”, which like the BBO Data Feed includes order and quote data for complex strategies. ISE charges distributors of its Top Quote Feed a base monthly fee of \$3,000 and distributors of its Spread Feed a base monthly fee of \$3,000. NYSE charges a \$3,000 per month Access Fee and \$2,000 per month External Redistribution fee for each of its market data products entitled “NYSE ArcaBook for Amex Options” and “NYSE

¹⁸ 15 U.S.C. 78f(b)(4).

¹⁹ Id.

ArcaBook for Arca Options” that include top-of-book and last sale data similar to the data in the BBO Data Feed.

The Exchange believes the proposed Display Only Service User Fee for the BBO Data Feed is equitable and not unfairly discriminatory because it would apply equally to all Customers that distribute data via a Display Only Service. The Exchange believes the proposed User Fee is reasonable because it compares favorably to usage fees that other markets charge for similar products. For example, NASDAQ OMX PHLX charges a \$40 per month Professional Subscriber Fee for use of its market data products by each of internal and external users. The International Securities Exchange charges a \$20 per month Controlled Device Fee for use of its Top Quote Feed and a separate \$25 per month Controlled Device Fee for use of its Spread Feed. NYSE charges a \$50 per month Professional User Fee for use of each of its NYSE ArcaBook for Amex Options and NYSE ArcaBook for Arca Options market data products that include top-of-book and last sale data similar to the data in the BBO Data Feed.

The Exchange believes it is equitable and not unfairly discriminatory to charge a lower fee for use of BBO data via a Display Only Service because such use would be limited to display use only. The Display Only Service would only allow a natural person end-user to view and manipulate data using the Customer’s computerized service, but not to save, copy, export or transfer the data or any results of the manipulation to any other computer hardware, software or media, except for printing it to paper or other non-magnetic media. The Exchange notes other exchanges charge fees for market data products based on distinctions between “display” and “non-display” usage.²⁰

²⁰ See e.g., Securities Exchange Act Release No. 69554 (May 10, 2013), 78 FR 28917 (May 16, 2013), (SR-NYSEArca-2013-47); Securities Exchange Act Release No. 69553 (May 10, 2013), 78

Book Depth Data Fees

The Exchange believes the proposed Data Fee for the Book Depth Data Feed is equitable and not unfairly discriminatory because it would apply equally to all Customers. All Customers would have the same rights to utilize the data (i.e., use the data internally and/or distribute it externally) as long as the Customer has entered into a market data agreement with MDX for the data and pays the Data Fee.

The Exchange believes the proposed Data Fee is reasonable because it compares favorably to fees that other markets charge for similar products. For example, BATS BZX Exchange charges a \$1,000 per month Internal Use Access Fee and a \$5,000 per month External Distribution Access Fee for Multicast PITCH, which is its depth of market and last sale feed. NASDAQ OMX PHLX charges Internal Distributors a monthly fee of \$4,000 and External Distributors a monthly fee of a \$4,500 for its Depth of Market data feed that includes full depth of quotes and orders and last sale data for options listed on PHLX. NYSE charges a \$3,000 per month Access Fee and \$2,000 per month External Redistribution fee for each of its NYSE ArcaBook for Amex Options and NYSE ArcaBook for Arca Options market data products that include top-of-book, last sale and depth of quote data.

The Exchange believes the proposal to allow BBO Data Feed Customers to upgrade to become Book Depth Data Feed Customers without any additional Data Fee is equitable and not unfairly discriminatory because it would apply equally to all BBO Data Feed Customers. BBO Data Feed Customers currently pay MDX \$5,000 per month for

FR 28926 (May 16, 2013), (SR-NYSEMKT-2013-40); Securities Exchange Act Release No. 68576 (January 3, 2013), 78 FR 1886 (January 9, 2013), (SR-PHLX-2012-145); and Securities Exchange Act Release No. 64652 (June 13, 2011), 76 FR 35498 (June 17, 2011), (SR-NASDAQ-2011-45).

the right to use and redistribute the data in the BBO Data Feed. The Book Depth Data Feed includes all of the data in the BBO Data Feed. The proposed fee arrangement would allow a Book Depth Data Feed Customer who has upgraded from a BBO Data Feed to use and redistribute Book Depth data for no additional charge, thereby incentivizing further redistribution of the data in the Book Depth Data Feed. The Exchange notes other exchanges offer similar fee arrangements.²¹

The Exchange believes the proposed Display Only Service User Fee for the Book Depth Data Feed is equitable and not unfairly discriminatory because it would apply equally to all Customers that distribute data via a Display Only Service. The Exchange believes the proposed User Fee is reasonable because it compares favorably to usage fees that other markets charge for similar products. For example, NASDAQ OMX PHLX charges a \$40 per month Professional Subscriber Fee for use of its market data products by each of internal and external users. The International Securities Exchange charges a \$50 per month Controlled Device Fee for use of its Depth of Market Feed. NYSE charges a \$50 per month Professional User Fee for use of each of its NYSE ArcaBook for Amex Options and NYSE ArcaBook for Arca Options market data products.

The Exchange believes it is equitable and not unfairly discriminatory to charge a lower fee for use of Book Depth data via a Display Only Service because such use would be limited to display use only. The Display Only Service would only allow a natural person end-user to view and manipulate data using the Customer's computerized service,

²¹ For example, the Exchange believes the NASDAQ Options Market charges only one distributor fee to allow a subscriber access to its "NASDAQ ITCH-to-Trade Options" (ITTO) and "Best of NASDAQ Options" (BONO) products. The Exchange believes NASDAQ OMX BX charges only one distributor fee to allow a subscriber access to its "BX Options Depth of Market" (BX Depth) and "BX Options Top of Market" (BX Top) products. In addition, the Exchange believes the International Securities Exchange charges no additional fee to subscribers of its "Depth of Market" Feed that also access its Top Quote Feed.

but not to save, copy, export or transfer the data or any results of the manipulation to any other computer hardware, software or media, except for printing it to paper or other non-magnetic media. As noted above, other exchanges charge fees for market data products based on distinctions between “display” and “non-display” usage.²²

COB Data Fees: The Exchange believes the proposed reductions of the Data Fee and Non-professional User Fee for the COB Data Feed are equitable and not unfairly discriminatory because they would apply equally to all Customers of the COB Data Feed. The Exchange believes the proposed Data Fee is reasonable because it compares favorably to fees that other markets charge for similar products. For example, as noted above, the International Securities Exchange charges distributors of its Spread Feed a base monthly fee of \$3,000. The proposed lower Data Fee may permit wider distribution of the COB Data Feed at a lower cost to Customers, and the reduced User Fee may make it less costly for Customers to distribute data to Non-professional Users, thereby benefitting both Customers and Non-professional Users, including public investors.

The Exchange believes the proposal to allow Book Depth Data Feed Customers to become COB Data Feed Customers without any additional Data Fee is equitable and not unfairly discriminatory because it would apply equally to all Book Depth Data Feed Customers. Book Depth Data Feed Customers would pay MDX \$6,000 per month for the right to use and redistribute the data in the Book Depth Data Feed. The COB Data Feed is a subset of the Book Depth Data Feed. The proposed fee arrangement would allow a Book Depth Data Feed Customer to use and redistribute the COB Data Feed for no

²² Supra footnote 20.

additional charge, thereby incentivizing further redistribution of the data in the COB Data Feed. The Exchange notes other exchanges offer similar fee arrangements.²³

Systems Fees and Billing Policy: The Exchange believes the proposed changes to the description of the Port Fee are equitable, reasonable and not unfairly discriminatory because they would benefit all Customers by clarifying how the Port Fee is assessed. The Exchange believes removing the billing policy from the MDX Fee Schedule is equitable, reasonable and not unfairly discriminatory because MDX believes it would be more appropriate for billing policies to be located within MDX's written agreement with Customers along with other policies related to MDX's market data services.

For the reasons cited above, the Exchange believes the proposed fees for the BBO, Book Depth and COB Data Feeds are equitable, reasonable and not unfairly discriminatory. In addition, the Exchange believes that no substantial countervailing basis exists to support a finding that the proposed fees for the BBO, Book Depth and COB Data Feeds fail to meet the requirements of the Act.

B. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

An exchange's ability to price its proprietary data feed products is constrained by (1) the existence of actual competition for the sale of such data, (2) the joint product nature of exchange platforms, and (3) the existence of alternatives to proprietary data.

The Existence of Actual Competition. The Exchange believes competition provides an effective constraint on the market data fees that the Exchange, through MDX,

²³ Supra footnote 21.

has the ability and the incentive to charge. CBOE has a compelling need to attract order flow from market participants in order to maintain its share of trading volume. This compelling need to attract order flow imposes significant pressure on CBOE to act reasonably in setting its fees for market data, particularly given that the market participants that will pay such fees often will be the same market participants from whom CBOE must attract order flow. These market participants include broker-dealers that control the handling of a large volume of customer and proprietary order flow. Given the portability of order flow from one exchange to another, any exchange that sought to charge unreasonably high data fees would risk alienating many of the same customers on whose orders it depends for competitive survival. CBOE currently competes with eleven options exchanges (including CBOE's affiliate, C2 Options Exchange) for order flow.²⁴

In addition, in the case of products that are distributed through market data vendors, the market data vendors themselves provide additional price discipline for proprietary data products because they control the primary means of access to certain end users. These vendors impose price discipline based upon their business models. For example, vendors that assess a surcharge on data they sell are able to refuse to offer proprietary products that their end users do not or will not purchase in sufficient numbers. Internet portals, such as Google, impose price discipline by providing only data that they believe will enable them to attract "eyeballs" that contribute to their advertising revenue. Similarly, Customers will not offer the BBO, Book Depth or COB Data Feeds unless these products will help them maintain current users or attract new ones. For example, a

²⁴ The Commission has previously made a finding that the options industry is subject to significant competitive forces. *See e.g.*, Securities Exchange Act Release No. 59949 (May 20, 2009), 74 FR 25593 (May 28, 2009) (SR-ISE-2009-97) (order approving ISE's proposal to establish fees for a real-time depth of market data offering).

broker-dealer will not choose to offer the BBO, Book Depth or COB Data Feeds to its retail customers unless the broker-dealer believes that the retail customers will use and value the data and the provision of such data will help the broker-dealer maintain the customer relationship, which allows the broker-dealer to generate profits for itself.

Professional users will not request any of these feeds from Customers unless they can use the data for profit-generating purposes in their businesses. All of these operate as constraints on pricing proprietary data products.

Joint Product Nature of Exchange Platform. Transaction execution and proprietary data products are complementary in that market data is both an input and a byproduct of the execution service. In fact, market data and trade executions are a paradigmatic example of joint products with joint costs. The decision whether and on which platform to post an order will depend on the attributes of the platforms where the order can be posted, including the execution fees, data quality, and price and distribution of their data products. The more trade executions a platform does, the more valuable its market data products become. The costs of producing market data include not only the costs of the data distribution infrastructure, but also the costs of designing, maintaining, and operating the exchange's transaction execution platform and the cost of regulating the exchange to ensure its fair operation and maintain investor confidence. The total return that a trading platform earns reflects the revenues it receives from both products and the joint costs it incurs. Moreover, an exchange's broker-dealer customers view the costs of transaction executions and market data as a unified cost of doing business with the exchange.

Analyzing the cost of market data product production and distribution in isolation from the cost of all of the inputs supporting the creation of market data and market data products will inevitably underestimate the cost of the data and data products. Thus, because it is impossible to obtain the data inputs to create market data products without a fast, technologically robust, and well-regulated execution system, system costs and regulatory costs affect the price of both obtaining the market data itself and creating and distributing market data products. It would be equally misleading, however, to attribute all of an exchange's costs to the market data portion of an exchange's joint products. Rather, all of an exchange's costs are incurred for the unified purposes of attracting order flow, executing and/or routing orders, and generating and selling data about market activity. The total return that an exchange earns reflects the revenues it receives from the joint products and the total costs of the joint products.

The level of competition and contestability in the market is evident in the numerous alternative venues that compete for order flow, including 12 options self-regulatory organization ("SRO") markets, as well as internalizing broker-dealers ("BDs") and various forms of alternative trading systems ("ATs"), including dark pools and electronic communication networks ("ECNs"). Competition among trading platforms can be expected to constrain the aggregate return that each platform earns from the sale of its joint products, but different platforms may choose from a range of possible, and equally reasonable, pricing strategies as the means of recovering total costs. For example, some platforms may choose to pay rebates to attract orders, charge relatively low prices for market data products (or provide market data products free of charge), and charge relatively high prices for accessing posted liquidity. Other platforms may choose a

strategy of paying lower rebates (or no rebates) to attract orders, setting relatively high prices for market data products, and setting relatively low prices for accessing posted liquidity. In this environment, there is no economic basis for regulating maximum prices for one of the joint products in an industry in which suppliers face competitive constraints with regard to the joint offering.

The Existence of Alternatives. CBOE is constrained in pricing the BBO, Book Depth and COB Data Feeds by the availability to market participants of alternatives to purchasing these products. CBOE must consider the extent to which market participants would choose one or more alternatives instead of purchasing the exchange's data. Other options exchanges can and have produced their own top-of-book, book depth and complex strategies market data products, and thus are sources of potential competition for MDX. For example, as noted above, BATS, ISE, NASDAQ OMX PHLX and NYSE offer market data products that compete with the BBO, Book Depth and COB Data Feeds. The large number of SROs, BDs, and ATSS that currently produce proprietary data or are currently capable of producing it provides further pricing discipline for proprietary data products. Each SRO, ATS, and BD is currently permitted to produce proprietary data products, and many currently do. In addition, the OPRA data feed is a significant competitive alternative to the BBO and last sale data included in the BBO and Book Depth Data Feeds.

Further, data products are valuable to professional users only if they can be used for profit-generating purposes in their businesses and valuable to non-professional users only insofar as they provide information that such users expect will assist them in tracking prices and market trends and making trading decisions.

The existence of numerous alternatives to the Exchange's products, including proprietary data from other sources, ensures that the Exchange cannot set unreasonable fees, or fees that are unreasonably discriminatory, when vendors and subscribers can elect these alternatives or choose not to purchase a specific proprietary data product if its cost to purchase is not justified by the returns any particular vendor or subscriber would achieve through the purchase.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²⁵ and paragraph (f) of Rule 19b-4²⁶ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with

²⁵ 15 U.S.C. 78s(b)(3)(A).

²⁶ 17 CFR 240.19b-4(f).

the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CBOE-2014-094 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2014-094. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change;

the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2014-094 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Brent J. Fields
Secretary

²⁷ 17 CFR 200.30-3(a)(12).