SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77554; File No. SR-CBOE-2016-023)

April 7, 2016

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule to Amend the Fees Schedule

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 April 1, 2016, 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

The Exchange proposes to adopt the Frequent Trader Program. 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 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.

---

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

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

1. Purpose

The Exchange proposes to amend its Fees Schedule, effective April 1, 2016. Specifically, the Exchange proposes to adopt a program that offers transaction fee rebates to Customers (origin code "C") that meet certain volume thresholds in CBOE VIX Volatility Index options ("VIX options") and S&P 500 Index options ("SPX"), weekly S&P 500 options ("SPXW") and p.m.-settled SPX Index options ("SPXpm") (collectively referred to as "SPX options") provided the Customer registers for the program (the "Frequent Trader Program" or "Program"). A Customer for purposes of this program would be any non-Trading Permit Holder, non-broker dealer non-Professional.

To participate in the Frequent Trader Program, Customers would have to register with the Exchange at the Frequent Trader website by providing certain information such as their name and contact information. Once registered, the Customer would be provided a unique identification number ("FTID") that can be affixed to each of its orders.[3] The FTID allows the Exchange to identify and aggregate all electronic and manual trades during both the Regular Trading Hours and Extended Trading Hours sessions from that Customer for purposes of determining whether the Customer meets any of the various volume thresholds. The Customer would have to provide its FTID to the Trading Permit Holder ("TPH") submitting that Customer's order to the Exchange ("executing agent" or "executing TPH") and that executing

[3] The Exchange notes that it will not disclose the list or details of customers who have a FTID to any party, and there will be no public record of FTID owners. Any personal information provided to the Exchange in connection with the Frequent Trader Program will be handled in a manner consistent with the Frequent Trader Program Privacy Policy, a copy of which can be accessed through the Frequent Trader Program website at https://www.cboe.com/ftid/registration.aspx.

TPH would have to enter the Customer's FTID on each of that Customer's orders. The Exchange notes that it would be the responsibility of the Customer to request that the executing TPH affix its FTID to its order(s), but that it would be voluntarily for the executing TPH to do so. The Exchange would then aggregate the Customer's volume (for which their FTID was entered) on a monthly basis for each of VIX and SPX options. If the Customer meets the thresholds shown below, it would receive a rebate on its VIX and/or SPX options transaction fees, respectively, as indicated below.[4] The Exchange notes that although all executed contracts with an FTID will count towards the qualifying volume thresholds, the rebates will be based on the actual amount of fees assessed in accordance with the Fees Schedule (e.g., if a Customer submits a VIX order for 30,000 contracts, pursuant to the current Fees Schedule, that customer would be assessed fees for only the first 15,000 contracts under the Customer Large Trade Discount Program. Therefore, while all 30,000 contracts would count when determining the tier, the customer's rebate would be based on the amount of the fees assessed for 15,000 contracts, not on the value of the total 30,000 contracts executed). The thresholds and rebates are as follows:

VIX			**SPX, SPXW, SPXpm**		
Tier	**Monthly VIX Contracts Traded**	**VIX Fee Rebate**	**Tier**	**Monthly SPX, SPXW, SPXpm Contracts Traded**	**SPX, SPXW, SPXpm Fee Rebate**
1	5,000-9,9999	5%	1	12,000-19,999	5%
2	10,000-19,999	10%	2	20,000-49,999	10%
3	20,000 and above	15%	3	50,000 and above	15%

4 The Exchange notes that only transaction fees would be discounted (i.e., no other surcharges, such as the Customer Priority Surcharges, would be rebated or discounted).

The Exchange notes that the highest achieved threshold rebate rate will apply from the first executed contract (e.g., if a Customer executes 14,000 VIX contracts in a month, the Tier 2 10% rebate rate would apply to all 14,000 VIX contracts). The Exchange believes the tiered program incentivizes the sending of Customer orders to the Exchange while maintaining an incremental incentive for Customer's to strive for the highest tier level**.** The Exchange also notes that the volume thresholds for SPX options is higher than for VIX in light of its mature and established position in the industry.

Lastly, the Exchange proposes to provide that it will distribute a customer's rebate pursuant to the customer's instructions, which may include receiving the rebate as a direct payment or via a distribution to one or more of its executing Clearing Trading Permit Holders.

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.[5] Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)[6] requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect

5 15 U.S.C. 78f(b).

6 15 U.S.C. 78f(b)(5).

investors and the public interest. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,[7] which provides that Exchange rules may provide for the equitable allocation of reasonable dues, fees, and other charges among its Trading Permit Holders.

The adoption of the Frequent Trader Program is reasonable because it will allow Customers who register for the program an opportunity to receive certain rebates for reaching certain trading volume thresholds. The Exchange notes that it is voluntary for Customers to choose whether or not to register for the program and whether to request that their unique FTID be appended to their orders. The Program is also voluntary for executing TPHs who have the option of choosing not to participate (i.e., they may decline to append FTID numbers on Customer orders). Additionally, the Exchange notes that incentive programs based on Customer volume already exist elsewhere within the industry.[8]

The Exchange believes it's equitable and not unfairly discriminatory to establish the program for Customers only because this is designed to attract a greater number of customer VIX and SPX orders. This increased volume creates greater trading opportunities that benefit all market participants. Specifically, while only Customer orders qualify for the proposed rebates under the Frequent Trader Program, an increase in customer order flow will bring greater volume and liquidity, which benefit all market participants by providing more trading opportunities and tighter spreads. Moreover, the options industry has a long history of providing preferential pricing to Customers. In addition the Exchange believes the proposed program is equitable and

---

7 15 U.S.C. 78f(b)(4).

8 See e.g., CBOE Fees Schedule, the Volume Incentive Program; and NASDAQ PHLX LLC Pricing Schedule, Section B. Customer Rebate Program.

not unfairly discriminatory because any Customer (that is not a CBOE TPH, broker-dealer or Professional) may avail itself of this program provided it registers with the Exchange.

The Exchange believes limiting the Program to VIX and SPX options is equitable and not unfairly discriminatory because the Exchange has expended considerable time and resources in developing these products. The Frequent Trader Program is designed to encourage greater customer VIX and SPX options trading, which, along with bringing greater VIX and SPX options trading opportunities to all market participants, would bring in more fees to the Exchange, and such fees can be used to recoup the Exchange's costs and expenditures from developing and maintaining VIX and SPX options. The Exchange believes it's equitable and not unfairly discriminatory to establish higher threshold tiers for the SPX product group because the SPX product group has reached a mature and established level while VIX has not.

The Exchange believes it's reasonable, equitable and not unfairly discriminatory to include all of a customer's VIX and SPX executed contracts with an FTID towards the respective qualifying thresholds because the Exchange wishes to support and encourage customers to provide greater order flow in these classes, which allows for price improvement and has a number of positive impacts on the market system. The Exchange also believes however, that it's reasonable, equitable and not unfairly discriminatory to base the rebate off the amount of transaction fees that would be assessed pursuant to the Fees Schedule (as opposed to being based off the "theoretical" fee value of all contracts executed) because the Exchange does not want to provide rebates on contracts for which it is not also collecting transaction fees.

Lastly, the Exchange believes it's reasonable, equitable and not unfairly discriminatory to provide Customers a choice as to how their payment is delivered. Providing Customers with the option of requesting to receive their rebates under the Frequent Trader Program as separate direct payments or via a distribution to one or more of its executing Clearing Trading Permit Holders will provide Customers with a convenient manner in which to receive their rebates, which perfects the mechanism for a free and open market.

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 because, while the rebates apply only to Customers, the Program is designed to encourage increased Customer VIX and SPX options volume, which provides greater trading opportunities for all market participants. Additionally, there is a history in the options markets of providing preferential treatment to Customers. The Exchange believes that the proposed rule change will not cause an unnecessary burden on intermarket competition because VIX and SPX products are only traded on CBOE. To the extent that the proposed changes make CBOE a more attractive marketplace for market participants at other exchanges, such market participants are welcome to become CBOE market participants.

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 Act[9] and paragraph (f) of Rule 19b-4[10] 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 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-2016-023 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-CBOE-2016-023. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

9 15 U.S.C. 78s(b)(3)(A).

10 17 CFR 240.19b-4(f).

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, DC 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-2016-023, 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.[11]

Robert W. Errett
Deputy Secretary

---

[11] 17 CFR 200.30-3(a)(12).