

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74422; File No SR-CBOE-2015-020)

March 4, 2015

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend its Fees Schedule to Adopt Fees for Extended Trading Hours

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 February 18, 2015, 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 fees for its Extended Trading Hours session. 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Exchange recently amended its rules to offer trading in two exclusively listed options (SPX, including SPXW, and VIX) during extended trading hours from 2:00 a.m. to 8:15 a.m. Chicago time Monday through Friday (“Extended Trading Hours” or “ETH”). The Exchange intends to commence trading in the ETH session on Monday, March 2, 2015 for VIX and Monday, March 9, 2015 for SPX/SPXW. As such, the Exchange proposes to establish fees for the trading of SPX, SPXW and VIX options during ETH (all fees referenced herein are per-contract unless otherwise stated). First, the Exchange proposes to adopt Footnote 37, which provides general information regarding the two trading sessions and indicates which products will be available in ETH.

Transaction Fees

The Exchange proposes to assess the same fees regarding SPX, SPXW and VIX in the ETH session as are assessed regarding SPX, SPXW and VIX in the Regular Trading Hours session (“RTH”)³ (with a few exceptions, which shall be explained herein). As in RTH, the Proprietary Index Options Rate Table will apply during ETH. Transaction fees for SPX (including SPXW) options will be as follows (all listed rates are per contract):

Customer (Premium > or = \$1)	\$0.44
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³ Rule 1.1(qqq) defines “Regular Trading Hours” as the hours during which transactions in options may be made on the Exchange as set forth in Rule 6.1 (which hours are from 8:30 a.m. to either. 3:00 p.m. or 3:15 p.m. Chicago time).

Customer (Premium < \$1)	\$0.35
Clearing Trading Permit Holder Proprietary	\$0.25
CBOE Market-Maker/LMM	\$0.20
Joint Back-Office, Broker-Dealer, Non-Trading Permit Holder Market-Maker	\$0.40
Professional/Voluntary Professional (Premium > or = \$1)	\$0.40
Professional/Voluntary Professional (Premium < \$1)	\$0.40

Transaction fees for VIX options will be as follows (all listed rates are per contract):

Customer (Premium > or = \$1)	\$0.48
Customer (Premium \$0.11-\$0.99)	\$0.27
Customer (Premium < \$0.11)	\$0.10
Clearing Trading Permit Holder Proprietary	\$0.25
CBOE Market-Maker/LMM (Premium > or = \$0.11)	\$0.23
CBOE Market-Maker/LMM (Premium < \$0.11)	\$0.05
Joint Back-Office, Broker-Dealer, Non-Trading Permit Holder Market-Maker	\$0.40
Professional/Voluntary Professional	\$0.40

Surcharges

The Exchange also proposes to apply in ETH, like RTH, an Index License Surcharge Fee of \$0.13 per contract for SPX options, including SPXW, and \$0.10 per contract for VIX options for all non-customer orders. The surcharges are assessed to help the Exchange recoup license fees the Exchange pays to index licensors for the right to list S&P 500 Index-based products and

volatility index options for trading. Additionally, in order to have consistency and to avoid a cost differential between the ETH and RTH sessions, the Exchange proposes to apply the Customer Priority Surcharges for VIX and SPXW in ETH. Specifically, as in RTH, all customer (C) contracts in VIX that have a premium of \$0.11 or greater, are executed electronically and that are Maker non-Turner will be assessed a \$0.10 surcharge.⁴ As in RTH, all customer (C) contracts in SPXW executed electronically will be assessed a \$0.05 surcharge. The Exchange notes that as ETH opening trades will not affect the Index Settlement price for VXST, the exception from the SPXW Customer Priority Surcharge in RTH for SPXW options in the SPXW electronic book that are executed during opening rotation on the final settlement day of VXST options and futures and which have the expiration that contribute to the VXST settlement calculation will not exist in ETH.

Exceptions

All of the proposed transaction fees and surcharges listed above are the same amounts as those currently assessed for SPX, SPXW and VIX during RTH, with certain exceptions. The first exception relates to Professional/Voluntary Professional (“W” origin code) fees.⁵ Particularly, the Exchange notes that SPX is traded on the Exchange’s Hybrid 3.0 system (“Hybrid 3.0”) during RTH, and the Professional and Voluntary Professional designation is not available in Hybrid 3.0 classes. As such, Professionals and Voluntary Professionals trading SPX are currently assessed the same fee amounts as customers during RTH. During ETH however, SPX will be traded on the Hybrid Trading System (“Hybrid”), which recognizes the difference

⁴ As of the date of this filing, the Customer Priority Surcharge for VIX is waived for complex orders. This waiver will also apply during ETH and will remain in effect until and unless a rule filing is submitted reinstating the surcharge for VIX complex orders. See Exchange Fees Schedule, Customer Priority Surcharge.

⁵ See Exchange Fees Schedule, Proprietary Index Options Rate Table – Underlying Symbol List A.

between Professionals/Voluntary Professionals and Customers. Accordingly, the Exchange proposes to assess to Professionals/Voluntary Professionals the same fee amount for SPX transactions during ETH as apply to the majority of other proprietary index options trading on Hybrid (i.e., \$0.40 per contract). The Exchange also proposes to assess the Index License Surcharge to SPX orders with the “W” origin code during ETH.

In order to have consistency between the two trading sessions, the Exchange also proposes to provide that SPX orders that have a Professional/Voluntary Professional designation (“W” origin code) during RTH will be assessed the same transaction fees as apply to the other Underlying Symbol List A⁶ Products (i.e., \$0.40 per contract). The Exchange also proposes to apply the Index License Surcharge to SPX orders that have a Professional/Voluntary Professional designation during RTH (i.e., \$0.13 per contract). The purpose of these proposed rule changes is to minimize cost differentials between the two trading sessions, as well as provide consistent fees for similar products. Specifically, similarly situated Trading Permit Holders (“TPHs”) (i.e., Professional/Voluntary Professionals) will be assessed the same transaction fees and Index License Surcharges regardless of session.

Next, the Exchange notes that during RTH, the Automated Improvement Mechanism (“AIM”) is activated for VIX options, but not SPX (or SPXW) options. During ETH however, AIM will be activated for both VIX and SPX (including SPXW) options. As such, SPX and SPXW transactions executed via AIM during ETH will be assessed AIM Agency/Primary and AIM Contra fees based on an order’s origin code. As in RTH, the current AIM Agency/Primary and AIM Contra fees for VIX options will apply during ETH. The Exchange also proposes to make a minor, non-substantive change to the title of the AIM fees column. Particularly, the

⁶ As of the date of this filing, “Underlying Symbol List A” consists of OEX, XEO, SPX (including SPXW), SPXpm, SRO, VIX, VXST, Volatility Indexes and binary options.

Exchange notes that throughout the Fees Schedule, when listing proprietary products, “VIX” generally precedes “VXST.” To remain consistent, the Exchange proposes switching the order of these products in the AIM fees column.

The Exchange next notes that the Hybrid 3.0 Execution Surcharge will not apply in ETH. As described above, while SPX is traded on Hybrid 3.0 during RTH, SPX will be traded on Hybrid during ETH, and thus the Hybrid 3.0 Execution Surcharge would not be applicable. Additionally, the Exchange notes that as the ETH session will not support trading in FLEX options, all fees relating to FLEX in RTH, would not apply in ETH. Finally, unlike RTH, the Exchange does not propose to assess a Tier Appointment Fee⁷ to SPX/SPXW or VIX at this time, as the Exchange does not want to discourage Market-Makers from participating in ETH.

LMM Rebate

In the filing that adopted Extended Trading Hours, CBOE stated that it would submit a separate rule filing to adopt all fees applicable to Extended Trading Hours, including the amount of a rebate to be provided to Lead Market-Makers (“LMMs”) that satisfy a heightened quoting standard.⁸ Accordingly, the Exchange proposes to provide that LMM’s that meet a certain heightened quoting standard (which shall be explained herein), will receive a pro-rata share of a “compensation pool” equal to \$25,000 times the number of LMMs in that class.

By way of background, pursuant to subparagraph (e)(iii)(A) of Rule 6.1A, the Exchange may approve one or more Market-Makers to act as LMMs in each class during Extended Trading Hours in accordance with Rule 8.15A for terms of at least one month.⁹ However, to the extent

⁷ See Exchange Fees Schedule, Trading Permit and Tier Appointment Fees Table.

⁸ See Securities Exchange Act Release No. 34-73704 (November 28, 2014), 79 FR 233 (December 4, 2014) (SR-CBOE-2014-062)

⁹ On September 22, 2014, the Exchange issued Regulatory Circular RG14-134 which announced that the Exchange had appointed 3 LMMs in SPX options and 3 LMMs in

the Exchange approves Market-Makers to act as LMMs during ETH, subparagraph (e)(iii)(B) of Rule 6.1A provides that LMMs must comply with the continuous quoting obligation and other obligations of Market-Makers described in subparagraph (ii) of Rule 6.1A¹⁰, but not the obligations set forth in Rule 8.15A¹¹ during Extended Trading Hours for their allocated classes. It further provides that LMMs do not receive a participation entitlement as set forth in Rules 6.45B and 8.15B during ETH. Rather, pursuant to subparagraph (e)(iii)(C) of Rule 6.1A, if an LMM (1) provides continuous electronic quotes in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair in an ETH allocated class (excluding intra-day add-on series on the day during which such series are added for trading) during ETH in a given month and (2) ensures an opening of the same percentage of series by 2:05 a.m. for at least 90% of the trading days during ETH in a given month, the LMM will receive a rebate for that month in an amount to be set forth in the Fees Schedule.¹² Specifically,

VIX options during ETH. The LMM appointments will be effective for a one-year period, beginning on the launch date for ETH trading of the applicable class.

¹⁰ Rule 6.1A(e)(ii) provides that notwithstanding the 20% contract volume requirement in Rule 8.7(d)(ii), Market-Makers with appointments during Extended Trading Hours must comply with the quoting obligations set forth in Rule 8.7(d)(ii) (except during ETH the Exchange may determine to have no bid/ask differential requirements as set forth in subparagraph (A) and there will be no open outcry quoting obligation as set forth in subparagraph (C)) and all other obligations set forth in Rule 8.7 during that trading session. Additionally, notwithstanding the 90-day and next calendar quarter delay requirements in Rule 8.7(d), a Market-Maker with an ETH appointment in a class must immediately comply with the quoting obligations in Rule 8.7(d)(ii) during ETH.

¹¹ Rule 8.15A (and Rule 1.1(ccc)) requires LMMs to provide continuous electronic quotes in at least the lesser of 99% of the non-adjusted series or 100% of the non-adjusted series minus one call-put pair within their appointed classes, with the term call-put pair referring to one call and one put that cover the same underlying instrument and have the same expiration date and exercise price, for 90% of the time.

¹² Notwithstanding Rule 1.1(ccc), for purposes of subparagraph (C) of Rule 6.1A, an LMM is deemed to have provided "continuous electronic quotes" if the LMM provides electronic two-sided quotes for 90% of the time during Extended Trading Hours in a

the Exchange proposes to provide in the Fees Schedule (new Footnotes 38) that if a LMM meets the heightened standard described above, the LMM will receive a pro-rata share of an LMM compensation pool totaling an amount of \$25,000 per month, per LMM, per class. To clarify how the rebate will work, the Exchange proposes to include in the Fees Schedule the following example: “if three LMMs are appointed in SPX, a compensation pool will be established each month totaling \$75,000. If each LMM meets the heightened continuous quoting standard in SPX during a month, each will receive \$25,000. If two LMM’s meet the heightened continuous quoting standard in SPX during a month, those two LMM’s would each receive \$37,500 and the third LMM would receive nothing. If only one LMM meets the heightened continuous quoting standard in SPX during a month, that LMM would receive \$75,000 and the other two would receive nothing.”

In establishing the rebate, the Exchange believed it was more fitting to implement an incentive program with a rebate during ETH, rather than the obligation/benefit structure that currently exists during RTH. LMMs will not be obligated to satisfy heightened continuous quoting and opening quoting standards during ETH. Instead, LMMs must satisfy a heightened standard to receive a rebate, which the Exchange believes will encourage LMMs to provide significant liquidity during ETH. Additionally, the Exchange notes that it expects that TPHs may need to undertake significant expenses to be able to quote at a significantly heightened standard during ETH, such as performing system work and adding personnel. The Exchange

given month. If a technical failure or limitation of a system of the Exchange prevents the LMM from maintaining, or prevents the LMM from communicating to the Exchange, timely and accurate electronic quotes in a class, the duration of such failure shall not be considered in determining whether the LMM has satisfied the 90% quoting standard with respect to that option class. The Exchange may consider other exceptions to this quoting standard based on demonstrated legal or regulatory requirements or other mitigating circumstances.

believes providing a rebate will incent appointed LMMs to increase liquidity during ETH, as the rebate could offset the costs that accompany providing quotes during ETH.

CBOE Proprietary Products Sliding Scale

Next, the Exchange proposes to apply the CBOE Proprietary Products Sliding Scale in ETH. The CBOE Proprietary Products Sliding Scale table provides that Clearing Trading Permit Holder Proprietary transaction fees and transaction fees for Non-Clearing Trading Permit Holder Affiliates in Underlying Symbol List A¹³ are reduced provided a Clearing Trading Permit Holder (“Clearing TPH”) reaches certain average daily volume (“ADV”) thresholds in all underlying symbols excluding Underlying Symbol List A and mini-options on the Exchange in a month. The Exchange proposes to provide that if a TPH reaches these thresholds in RTH, that TPH would be entitled to reduced proprietary transaction fees during both RTH and ETH. Specifically, if a TPH meets the ADV thresholds in all underlying symbols excluding Underlying Symbol List A and mini-options, the Exchange would then calculate the proprietary product volume thresholds by aggregating VIX and SPX/SPXW volume in ETH with RTH volume in Underlying Symbol List A (i.e., a TPH’s total volume in Underlying Symbol List A during both RTH and ETH in a calendar month would be divided by the total volume in Underlying Symbol List A executed with an “F” or “L” origin code during both RTH and ETH in the same calendar month)¹⁴. The Exchange proposes to apply the Proprietary Products Sliding Scale during ETH

¹³ SROs are currently excluded from the CBOE Proprietary Products Sliding Scale. See Exchange Fees Schedule, CBOE Proprietary Products Sliding Scale.

¹⁴ For example, Clearing Trading Permit Holder A executes ADV of 25,000 options contracts on CBOE across all classes excluding Underlying Symbol List A and Mini-Options during RTH in March 2015. Clearing Trading Permit Holder A also executes a total of 600,000 Firm (F or L origin code) contracts in Underlying Symbol List A during RTH and 200,000 Firm (F or L origin code) contracts in SPX and/or VIX during ETH in March 2015. In March 2015, 7,605,000 total Firm (F or L origin code) options contracts in Underlying Symbol List A are executed on CBOE during RTH and 4,095,000 total

in order to avoid a cost differential between the two sessions. Additionally, the Exchange believes applying the CBOE Proprietary Products Sliding Scale to the ETH session will encourage Clearing TPHs to provide liquidity during ETH.

Customer Large Trade Discount

The Customer Large Trade Discount program (the “Discount”) provides a discount in the form of a cap on the quantity of customer (“C” origin code”) contracts that are assessed transactions fees in certain options classes. The Discount table currently in the Fees Schedule sets forth the quantity of contracts necessary for a large customer trade to qualify for the Discount, which varies by product. Currently, under the “Products” section in the Discount table, the following S&P products for which the Discount is in effect are listed: “SPX, SPXw, SPXpm, SRO.” Customer transaction fees for each of these products are currently charged up to the first 15,000 contracts in a qualifying customer transaction. Additionally, the Fees Schedule currently provides that regular customer transaction fees will only be assessed for the first 10,000 VIX options contracts in a qualifying customer transaction. The Exchange proposes to apply the Discount in ETH, the same as RTH. The Exchange notes however, that as the trading sessions will have separate order books and require separate logins for access, and as there will be no “rolling” of orders by the Exchange between the two sessions, in order to be eligible to qualify for the Discount, an order must be executed in its entirety in either RTH or ETH, but not partly

Firm (F or L origin code) options contracts in SPX and VIX are executed during ETH (for a monthly total of 11,700,000 Firm contracts). Clearing Trading Permit Holder A’s total 800,000 contracts represents 6.84% of the total monthly Firm (F or L origin code) options contracts volume in Underlying Symbol List A. Trading Permit Holder A’s transaction fees for classes in Underlying Symbol List A for January 2015 are \$0.20 per contract on the first 760,500 contracts (6.50% x 11,700,000), or \$152,100, and \$0.10 per contract on the remaining 39,500 contracts, or \$3,950, for a total of \$156,050, or \$0.195/contract.

in both. As in many cases there will be separate personnel staffing the ETH and RTH sessions, with different logins, different systems and different customer relationships, and as orders entered into each session will have different Order Routing System (ORS) IDs, and as there will be no Floor Broker participants in ETH who, during a normal RTH session may need to execute a large and/or complex order using different means and mechanisms, the Exchange does not wish to offer a cross-session Discount program at this time.

Trading Permits

The Exchange next seeks to set forth the access fees for ETH Trading Permit types as well as a description of each Trading Permit type. Specifically, the Exchange proposes to charge \$1,000 per month for each ETH Market-Maker Trading Permit and \$500 per month for each ETH Electronic Access Trading Permit. The ETH Market-Maker Trading Permit will entitle the holder to act as a Market-Maker in ETH and will provide an appointment credit of 1.0, a quoting and order entry bandwidth allowance, and up to three logins. The ETH Electronic Access Permit will entitle the holder to electronic access to the Exchange during the ETH session. The Exchange notes that as during the RTH session, holders of an ETH Electronic Access Permit must be broker-dealers registered with the Exchange in one or more of the following capacities: (a) Clearing Trading Permit Holder; (b) TPH organization approved to transact business with the public; and (c) Proprietary Trading Permit Holder. Additionally, the Exchange notes that a Proprietary Trading Permit Holder is a Trading Permit Holder with electronic access to the Exchange to submit proprietary orders that are not Market-Maker orders (i.e., that are not M orders for the Proprietary Trading Permit Holder's own account or an affiliated Market-Maker account). Finally, the ETH Electronic Access Permit provides an order entry bandwidth allowance and up to three logins. The Exchange notes, that similar to RTH, Trading Permits

purchased for the ETH session will be renewed automatically for the next month unless the Trading Permit Holder submits written notification to the Registration Services Department by 4:00 pm Central Standard Time on the second-to-last business day of the prior month to cancel the Trading Permit effective at or prior to the end of the applicable month. Additionally, if a Trading Permit is issued during a calendar month after the first trading day of the month, the access fee for the ETH Trading Permit for that calendar month is prorated based on the remaining trading days in the calendar month. Finally, the Exchange notes that as in RTH, Market-Maker Trading Permits in ETH will not be eligible for the the Market-Maker Trading Permit Sliding Scale, as the scale does not apply to Trading Permits used for appointments in SPX/SPXW and VIX.¹⁵

Bandwidth Packets

The Exchange also proposes to establish fees for Bandwidth Packets that may be used during ETH. By way of background, each RTH and ETH Trading Permit entitles the holder to a maximum number of orders and quotes per second(s) as determined by the Exchange. Bandwidth Packets provide TPHs with additional bandwidth. As during RTH, Market-Makers in ETH will be provided the opportunity to purchase one or more Quoting and Order Entry Bandwidth Packets. Each Quoting and Order Entry Bandwidth Packet will entitle the TPH up to three additional logins and contain the standard Market-Maker quoting and order entry bandwidth allowance, which may then be added onto the total bandwidth pool for a Market-Maker's acronym(s) and ETH Trading Permit(s) without the Market-Maker having to obtain additional ETH Trading Permits. Additionally, all TPHs will have the opportunity to purchase one or more Order Entry Bandwidth Packets. Each Order Entry Bandwidth Packet will entitle

¹⁵ See Exchange Fees Schedule, Market-Maker Trading Permit Sliding Scale.

the TPH up to three additional logins and an order entry bandwidth allowance to use during the ETH session. The Exchange notes that Bandwidth Packets purchased for RTH may not be applied during ETH and Bandwidth Packets purchased for ETH may not be applied during RTH. Similar to RTH, Bandwidth Packets purchased for the ETH session will be renewed automatically for the next month unless the Trading Permit Holder submits written notification to the Registration Services Department by the last business day of the prior month to cancel the bandwidth packet effective at or prior to the end of the applicable month. Additionally, as in RTH, if a bandwidth packet is issued during a calendar month after the first trading day of the month, the bandwidth packet fee for that calendar month is prorated based on the remaining trading days in the calendar month. The Exchange notes that a TPH will only be able to request Bandwidth Packets during RTH. To request an additional Bandwidth Packet, a TPH must submit the ETH Trading Permit & Bandwidth Packet Additions/Removals form indicating the date on which it intends to begin trading during ETH.

Additionally, the Exchange notes that the Fees Schedule states that the quoting bandwidth allowance for a Market-Maker Trading Permit is equivalent to a maximum of 35,640,000 quotes over the course of a trading day. The Exchange intends to amend the Fees Schedule to clarify that quoting bandwidth allowance for a Market-Maker Trading Permit is equivalent to a maximum of 35,640,000 quotes over the course of a trading session (i.e., a RTH and ETH Market-Maker Trading Permit each have a quoting bandwidth allowance of 35,640,000 quotes over the course of the RTH and ETH session, respectively).

Waiver of Trading Permit and Bandwidth Packet Fees

In order to promote and encourage trading during the ETH session, the Exchange proposes to waive ETH Trading Permit and Bandwidth Packet fees for one (1) of each initial

Trading Permits and one (1) of each initial Bandwidth Packet, per affiliated TPH, through the first six (6) calendar months immediately following the implementation of ETH, including the month ETH is launched (i.e., August 31, 2015). Any Trading Permits and Bandwidth Packets purchased in excess of one each, will be assessed the fees described above.

Extra CAS Server Fees

In order to connect to CBOE Command, which will allow a TPH to trade on the CBOE System during ETH, a TPH must connect via either a CMI or FIX interface (depending on the configuration of the TPH's own systems). TPHs that connect via a CMI interface must use CMI CAS Servers. The Exchange proposes to provide that each TPH in ETH will receive one CAS Server (plus access to a pool of shared backup CAS Servers). If a TPH elects to connect via an extra CMI CAS Server (in order to segregate TPH users for business or availability purposes) beyond the one CAS server, the Exchange proposes to provide that the TPH will be assessed a fee of \$10,000 per month for each additional CMI CAS Server. The purpose of the fee for extra CMI CAS Servers is to cover the costs related to the provision, management and upkeep of such CMI CAS Servers for the ETH session. Additionally, the proposed change prevents the Exchange from being required to expend large amounts of resources (the provision and management of the CMI CAS Servers can be costly) in order to provide TPHs with an unlimited amount of CMI CAS Servers.

CBOE Command Connectivity Charges

By way of background, CBOE market participants can access the Exchange's trading systems via Network Access Ports, and can elect for a Network Access Port (or Ports) of either 1 gigabit per second ("Gbps") or 10 Gbps. Currently, the Exchange assesses a fee of \$750 per month for a 1 Gbps Network Access Port and a fee of \$3,500 per month for a 10 Gbps Network

Access Port. The Exchange notes that these fees would also be applicable to a TPH that holds an ETH Trading Permit. More specifically, if a TPH that holds an ETH Trading Permit, also holds an RTH Trading Permit(s) and already is assessed this fee, it would not be charged twice. A TPH that holds only an ETH Trading Permit (or only an RTH Trading Permit) would be subject to these fees (i.e., any Trading Permit Holder that accesses the exchange via Network Access Ports would be subject to the fee).

Additionally, the CMI Login ID and FIX Login ID fees, which are currently \$500 per Login ID, per month, will also be applicable to ETH. However, the Exchange notes that the fees related to waived ETH trading permits and/or waived ETH bandwidth packets will also be waived through August 31, 2015.¹⁶

PULSe Fees

The Exchange currently charges a fee of \$400 per month per PULSe TPH login ID for the first 15 login IDs and \$100 per month for all subsequent login IDs. The Exchange anticipates making PULSe available during ETH. The Exchange notes that these fees would also be applicable to a TPH during ETH. Particularly, if a TPH is already being assessed the PULSe login ID fees during RTH, the TPH would not be charged again for using the same login ID during ETH.

Miscellaneous Fees

The Exchange notes that a number of fees apply the same in ETH as in RTH. For example, the fees set forth in the Trading Permit Holder Application Fees table are applicable for the ETH session (i.e., if a non-CBOE TPH seeks to become a CBOE TPH and hold an ETH

¹⁶ For example, if a TPH has 2 ETH Market-Maker Trading Permits and enables 5 logins, the CMI and/or FIX Login IDs for the first 3 logins will be waived and the TPH will be assessed \$1,000 per month for the logins associated with the second Trading Permit (\$500 per login).

Trading Permit only, the applicable application fees would apply). Similarly, Web CRD Fees would also apply to TPHs that hold ETH Trading Permits only to the extent applicable. The Trading Permit Holder Transaction Fee Policies and Rebate Programs table in the Fees Schedule will also apply during ETH.¹⁷

The Trade Processing Services fee will also be assessed during the ETH session. Currently, the Exchange assesses a \$0.0025 fee per contract side for each matched trade. The Exchange notes that the Regulatory Fees also are applicable to TPHs who hold ETH Trading Permits. Specifically, the Options Regulatory Fee (“ORF”) will include options transactions executed or cleared by the TPH that are cleared by the Options Clearing Corporation (OCC) in the customer range during both RTH and ETH. The “DPM’s and Firm Designated Examining Authority Fee” will also continue to apply to applicable TPHs.

The Exchange lastly notes that fees, rebates and programs that excluded SPX, SPXW and VIX during RTH will also not apply in ETH.¹⁸

The proposed changes are to take effect on March 2, 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.¹⁹ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)²⁰ requirements

¹⁷ See Exchange Fees Schedule, Trading Permit Holder Transaction Fee Policies and Rebate Programs table.

¹⁸ See e.g. Exchange Fees Schedule, Liquidity Provider Sliding Scale, Marketing Fee, Clearing Trading Permit Holder Fee Cap, and Volume Incentive Program (“VIP”).

¹⁹ 15 U.S.C. 78f(b).

²⁰ 15 U.S.C. 78f(b)(5).

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 facilitation 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 investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with Section 6(b)(4) of the Act,²¹ 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 proposed transaction fee amounts for SPX, SPXW and VIX orders during the ETH session are reasonable, equitable and not unfairly discriminatory because they are the same as the amounts of corresponding fees for SPX, SPXW and VIX orders during the RTH session, with the exception of the current Professional and Voluntary Professional fees and AIM Agency/Primary and Contra fees. The Exchange notes that the fee amounts for each separate type of market participant will be assessed equally for each product to all such market participants (i.e. all Broker-Dealer orders will be assessed the same amount, all Joint Back-Office orders will be assessed the same amount, etc.). The Exchange believes it's reasonable, equitable and not unfairly discriminatory to assess Professional/Voluntary Professionals the same fee amounts, including the Index License Surcharge Fee, for SPX transactions during ETH as apply to the majority of other proprietary index options trading on Hybrid (including SPXW), because unlike RTH, SPX will trade on Hybrid and the Professional and Voluntary Professional designation exists on Hybrid. The Exchange also believes it's reasonable, equitable and not

²¹ 15 U.S.C. 78f(b)(4).

unfairly discriminatory to assess the same fee amounts, including the Index License Surcharge Fee, for SPX transactions with a Professional/Voluntary Professional designation during RTH as apply to the majority of other proprietary index options, because it provides for consistent fees for similar products, as well as avoids a cost differential between the two trading sessions (i.e., orders with a “W” origin code will be treated the same during RTH and ETH). Applying the AIM Agency/Primary and Contra Fees to SPX and SPXW orders in RTH is reasonable, equitable and not unfairly discriminatory because the amount of the AIM Agency/Primary and Contra fees will be the same for SPX and SPXW orders as it is for non-AIM Agency/Primary and Contra orders and because unlike, RTH, AIM will be active in SPX and SPXW during ETH. Not applying any RTH fees related to FLEX options in ETH is reasonable, equitable and not unfairly discriminatory because ETH will not support trading in FLEX options.

Assessing the Index License Surcharge Fee of \$0.13 per contract to SPX and SPXW and \$0.10 per contract to VIX transactions during ETH is reasonable because the amounts are the same as the amounts of the corresponding surcharge for SPX, SPXW and VIX orders during RTH. The Surcharge fees are equitable and not unfairly discriminatory because they will be assessed to all market participants to whom the SPX, SPXW and VIX Surcharges apply and will apply in both RTH and ETH. Similarly, assessing the Customer Priority Surcharge of \$0.05 per contract for SPXW and \$0.10 per contract for VIX options that are Maker, non-Turner during ETH is also reasonable, equitable and not unfairly discriminatory because the surcharges are the same as the amounts of the Customer Priority Surcharges during RTH and will be assessed to all market participants to whom these surcharges apply. Additionally the Customer Priority Surcharges for SPXW and VIX will apply in both RTH and ETH.

Not applying the SPX/SPXW and VIX Tier Appointment Fees as well as the Hybrid 3.0 Execution Fee is reasonable because market participants involved in the trading of SPX, SPXW and VIX will not have to pay such fees. Particularly, not applying Tier Appointment Fees during ETH, as compared to RTH is equitable and not unfairly discriminatory because ETH is a new trading session and the Exchange desires to encourage Market-Makers to register for SPX/SPXW and VIX tier appointments, and the more Market-Makers that do so, the more SPX/SPXW and VIX quoting there will be, which benefits all market participants. Not applying the Hybrid 3.0 Execution Fee during ETH is reasonable, equitable and not unfairly discriminatory because SPX will be not traded on Hybrid 3.0 during ETH.

The Exchange believes it is reasonable, equitable and not unfairly discriminatory to offer LMM's that meet a certain heightened quoting standard (described above) a pro-rata share of a compensation pool equal to \$25,000 times the number of LMMs in that class given the potential added costs that an LMM may undertake in order to satisfy that heightened quoting standard. Additionally, if an LMM does not satisfy the heightened quoting standard, then it will not receive the proposed rebate. The Exchange believes it is equitable and not unfairly discriminatory to only offer the rebate to LMMs because it benefits all market participants in ETH to encourage LMMs to satisfy the heightened quoting standards, which may increase liquidity during those hours and provide more trading opportunities and tighter spreads. The Exchange also believes it is more fitting, as well as equitable and not unfairly discriminatory to implement an incentive program with a rebate during ETH, rather than the obligation/benefit structure that exists during RTH. Particularly, the Exchange notes that creating an incentive program in which LMMs must satisfy a heightened standard to receive the rebate, encourages LMMs to provide significant liquidity during ETH, which is important as the Exchange expects

lower trading liquidity and trading levels during ETH and thus fewer opportunities for an LMM to receive a participation entitlement (as they currently do during RTH). Without the possibility of receiving a participation entitlement on a sufficient volume of trades, there would not be sufficient incentive for Trading Permit Holders to undertake an obligation to quote at heightened levels, which could result in even lower levels of liquidity. Therefore, a rebate is more appropriate than imposing an obligation to receive a participation entitlement. The Exchange notes that offering a rebate during ETH is merely a different type of financial benefit that may be given to LMMs during ETH if it achieves a heightened quoting level.

Applying to SPX, SPXW and VIX the CBOE Proprietary Products Sliding Scale and the Customer Large Trade Discount during ETH is reasonable, equitable and not unfairly discriminatory because these items apply to SPX, SPXW and VIX during RTH. Applying the CBOE Proprietary Products Sliding Scale during ETH avoids a cost differential between RTH and ETH. Moreover, the Exchange notes that all thresholds in the CBOE Proprietary Products Sliding Scale will be the same in ETH as it is in RTH. The Exchange believes requiring an order be executed in its entirety in either RTH or ETH, but not partly in both to qualify for the Customer Large Trade Discount is reasonable, equitable and not unfairly discriminatory because the RTH and ETH trading sessions will have separate order books and require separate logins for access, and as there will be no “rolling” of orders by the Exchange between the two sessions.

The Exchange believes the Trading Permit fees for Market-Maker and Electronic Access Trading Permits are reasonable as they are lower than the Trading Permit fees assessed during RTH. The Exchange believes it is equitable and not unfairly discriminatory to charge lower Trading Permit fees for ETH than RTH because ETH is a new trading session and the Exchange seeks to encourage market participants to participate in ETH. The Exchange notes that the more

ETH Trading Permit Holders there are during ETH, the more liquidity there will be, which benefits all market participants. The Exchange also believes it is equitable to assess different access fees for trading permits that provide differential access as long as the same access fee is assessed to all Holders of the same type of Trading Permit. The Exchange notes that different types of Trading Permits during RTH are also assessed different amounts.²²

The Exchange believes the proposed Bandwidth Packet fees are reasonable because they are within the range of the cost of Bandwidth Packet fees during RTH. The Exchange believes it is equitable and not unfairly discriminatory to charge lower fees for Bandwidth Packets during ETH than RTH because ETH is a new trading session and the Exchange seeks to encourage market participants to participate in ETH. The Exchange also believes it is equitable to assess different fees for different types of Bandwidth Packets as long as the same access fee is assessed to all Holders of the same type of Bandwidth Packet. Additionally, the Exchange believes it is equitable to assess higher Quoting and Order Bandwidth Packet fees than Order Bandwidth Packet fees, because Quoting and Order Bandwidth Packets provide quoting bandwidth in addition to order bandwidth. The Exchange notes that different types of Bandwidth Packets during RTH are also assessed different amounts.²³ Finally, the Exchange believes amending the Fees Schedule to clarify that the maximum quoting bandwidth allowance of each Market-Maker Trading Permit is over the course of a trading session, instead of a trading day alleviates confusion, thereby removing impediments to and perfecting the mechanism of a free open market and a national market system, and, in general, protect investors and the public interest.

²² See e.g., Exchange Fees Schedule, Trading Permit Fees. Market-Maker Trading Permits during RTH are assessed \$5,500 per month per permit while Electronic Access Permits during RTH are assessed \$1,600 per month per permit.

²³ See e.g., Exchange Fees Schedule, Bandwidth Packet Fees.

The Exchange believes waiving ETH Trading Permit and Bandwidth Packet fees for one of each type of Trading Permit and Bandwidth Packet, per affiliated TPH through August 31, 2015 is reasonable, equitable and not unfairly discriminatory, because it promotes and encourages trading during the ETH session and applies to all ETH TPHs.

The Exchange believes the proposed monthly fee of \$10,000 for each extra CMI CAS Server that a TPH requests is reasonable because it is necessary to recoup the costs related to the provision, maintenance and upkeep of such Servers, and is equitable and not unfairly discriminatory because the fee will be applied to all TPHs that request an extra CMI CAS Server to be used during ETH. Additionally, TPHs during RTH that request an additional CMI CAS Server are assessed the same monthly amount.

The Exchange believes it is reasonable to apply the Network Access Port fees to the ETH session because the Exchange has expended significant resources setting up, providing and maintaining this connectivity and the Exchange seeks to recoup those costs. The Exchange believes it's reasonable, equitable and not unfairly discriminatory to assess these costs per port regardless of session (i.e., not assess a TPH twice if using the same port for RTH and ETH), as the costs associated with using the port do not increase if a TPH uses that port for both sessions.

Similarly, the Exchange believes it is reasonable, equitable, and not unfairly discriminatory to assess the same PULSe fees to the ETH session, but not charge a TPH twice if using the same PULSe login ID for both sessions, because the Exchange expended significant resources developing PULSe and desires to recoup some of those costs, but does not wish to charge TPHs twice if using the same login ID.

The Exchange believes assessing the CMI Login ID and FIX Login ID fees to Login IDs for ETH is reasonable because the fee amounts are the same as in RTH. The Exchange believes

it's equitable and not unfairly discriminatory because all TPHs will be assessed the Login ID fees for each Login ID they have for both RTH and ETH. The Exchange believes it's reasonable, equitable and not unfairly discriminatory to waive fees for Login IDs related to waived Trading Permits and/or Bandwidth Packets in order to promote and encourage initial participation in ETH.

The Exchange believes it's reasonable to assess a \$0.0025 fee per contract side for each matched trade because the same fee amount is assessed during RTH. The Exchange believes it's equitable and not unfairly discriminatory to assess such fee because it applies to all TPHs and applies in both RTH and ETH.

The proposed ORF during the ETH session is reasonable, equitable and not unfairly discriminatory because it is the same amount assessed during the RTH session. The Exchange believes the ORF is equitable and not unfairly discriminatory in that it is charged to all TPHs during both sessions on all their transactions that clear in the customer range at the OCC. Moreover, the Exchange believes the ORF ensures fairness by assessing higher fees to those TPHs that require more Exchange regulatory services based on the amount of customer options business they conduct in each trading session. Regulating customer trading activity is much more labor intensive and requires greater expenditure of human and technical resources than regulating non-customer trading activity, which tends to be more automated and less labor-intensive. As a result, the costs associated with administering the customer component of the Exchange's overall regulatory program are materially higher than the costs associated with administering the non-customer component (e.g., Trading Permit Holder proprietary transactions) of its regulatory program.²⁴

²⁴ If the Exchange changes its method of funding regulation or if circumstances otherwise

Having Trading Permit Holder Application fees, Web CRD fees Trading Permit Holder Transaction Fee Policies and Rebate Programs apply the same in ETH as RTH is reasonable, equitable and not unfairly discriminatory because the fees, rebates and programs are the same in both sessions and are based on a market participant's status as a TPH and not based upon which trading session a TPH participates.

Not applying in ETH fees, rebates and programs that exclude SPX, SPXW and VIX during RTH is reasonable because these fees rebates and programs will not apply to all TPHs and will be consistent across sessions.

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

The Exchange does not believe that the proposed rule changes will impose any burden on competition that are not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that the proposed rule change will impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because, while different fees and rebates are assessed to different market participants in some circumstances, these different market participants have different obligations and different circumstances. For example, Clearing TPHs have clearing obligations that other market participants do not have. Market-Makers have quoting obligations that other market participants do not have. There is a history in the options markets of providing preferential treatment to Customers, as they often do not have as sophisticated trading operations and systems as other market participants, which often makes other market participants prefer to trade with Customers. Further, the proposed fees, rebates and programs for ETH are intended to encourage market

change in the future, the Exchange may decide to modify the ORF or assess a separate regulatory fee on Trading Permit Holder proprietary transactions if the Exchange deems it advisable.

participants to bring liquidity to the Exchange during ETH (which benefits all market participants), while still covering Exchange costs (including those associated with the upgrading and maintenance of Exchange systems). The Exchange does not believe that the proposed rule changes will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the products offered during ETH (SPX, SPXW and VIX), are proprietary products that will only be 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 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.

²⁵ 15 U.S.C. 78s(b)(3)(A).

²⁶ 17 CFR 240.19b-4(f).

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-2015-020 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.

All submissions should refer to File Number SR-CBOE-2015-020. 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, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such 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-2015-020 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).