

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-74491; File No. SR-CBOE-2015-025)

March 12, 2015

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change 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 March 2, 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 amend its Fees Schedule. 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 Exchange proposes to amend its Fees Schedule, effective March 2, 2015. Currently, the Exchange assesses a \$0.60 per contract fee for electronic executions by broker-dealers, non-Trading Permit Holders (“non-TPHs”) Market-Makers, Professionals/Voluntary Professionals and Joint Back-Offices (“JBOs”) in non-Penny Pilot equity, ETF, ETN and index options (excluding Underlying Symbol List A³) classes. The Exchange proposes increasing this transaction fee from \$0.60 to \$0.65 per contract. The Exchange notes that this increase is in line with the amount assessed by another exchange for similar transactions.⁴

The Exchange also seeks to append Footnote 16 to “Clearing Trading Permit Holder Proprietary” rows in the equity, ETF, ETN, Index, Specified Proprietary Index Options and Mini-Options rate tables. Footnote 16 of the Fees Schedule provides that “Broker-Dealer transaction fees apply to broker-dealer orders (orders with “B” origin code), non-Trading Permit Holder market-maker orders (orders with "N" origin code), orders from specialists in the underlying security (orders with “Y” origin code) and certain orders with “F” origin code (orders from OCC members that are not CBOE Trading Permit Holders).” The Exchange believes appending Footnote 16 to the row in

³ Underlying Symbol List A consists of OEX, XEO, SPX (including SPXW), SPXpm, SRO, VIX, VXST, Volatility Indexes and binary options.

⁴ See NASDAQ OMX PHLX LLC (“PHLX”) Pricing Schedule, Section II, Multiply Listed Options Fees.

which the “F” origin code is listed clarifies that, in some instances, orders with the “F” origin code designation will be assessed Broker-Dealer transaction fees if the orders are from the Options Clearing Corporation (“OCC”) members that are not CBOE Trading Permit Holders (“TPHs”). The Exchange notes no substantive changes are being made by this change, rather the Exchange merely seeks to add further clarification and alleviate potential confusion.

On January 2, 2015, the Exchange established an FBW fee for an updated version of FBW (“FBW2”), which the Exchange had anticipated making available shortly thereafter to all TPHs.⁵ The Exchange at that time also proposed adopting a fee waiver for the months of January and February 2015, as well as provide that, after March 1, 2015, the monthly fee for FBW2 login IDs would be waived for the first month.⁶ The Exchange notes that FBW2 has not yet become available to TPHs, but that it intends to make it available shortly. In light of this delay, the Exchange proposes to delete the now outdated language and extend the fee waiver for the months of March and April 2015. Additionally, the Exchange will provide that after May 1, 2015 (instead of March 1, 2015) the monthly fee for FBW2 login IDs will be waived for the first month.⁷ The purpose of the proposed fee waivers is to give new users time to become familiar with and fully acclimated to the new FBW workstation functionality. The Exchange notes that

⁵ See Securities Exchange Act Release No. 74134 (January 26, 2015), 80 FR 20 (January 30, 2015) (SR-CBOE-2015-005). The adopted fee for FBW2 is the same as the existing FBW fee (i.e., \$400 per month (per login ID)).

⁶ For example, if a user added a new login ID in March 2015, the user would have received a fee waiver for that login ID for March 2015.

⁷ For example, if a user adds a new login ID in May 2015, the user would receive a fee waiver for that login ID for May 2015.

after May 2015 (and absent an applicable fee waiver noted above), TPHs will be charged each of \$400 for FBW and FBW2 (i.e., total of \$800) if such users continue to use both FBW and FBW2.

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.⁸ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)⁹ 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 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,¹⁰ 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.

Increasing the fee for electronic executions by broker-dealers, non-TPHs, [sic] Market-Makers, Professionals/Voluntary Professionals and JBOs in non-Penny Pilot equity, ETF, ETN and Index options (excluding Underlying Symbol List A) classes is

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

¹⁰ 15 U.S.C. 78f(b)(4).

reasonable because the proposed fee amount is in line with the amount assessed by another exchange for similar transactions.¹¹

The Exchange believes that this proposed change is equitable and not unfairly discriminatory because the Exchange will assess broker-dealers, non-TPH Market-Makers, Professionals/Voluntary Professionals and JBOs the same electronic options transaction fees in non-Penny Pilot options classes. The Exchange notes that it does not assess Customers the electronic options transaction fees in non-Penny Pilot options because Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Specifically, Customer liquidity benefits all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in the activity of these market participants in turn facilitates tighter spreads, which may cause an additional corresponding increase in order flow from other market participants. The Exchange notes that Market-Makers are assessed lower electronic options transaction fees in non-Penny Pilot options as compared to Professionals, JBOs, Broker Dealers and non-Trading Permit Holder Market-Makers because they have obligations to the market and regulatory requirements, which normally do not apply to other market participants (e.g., obligations to make continuous markets). Further, Market-Makers pay a \$0.65 per contract Marketing Fee for many non-Penny Pilot transactions, which broker-dealers, non-Trading Permit Holder Market-Makers, Professionals/Voluntary Professionals and JBOs do not pay.¹² Clearing Trading Permit Holder Proprietary orders are assessed lower options transaction fees in non-Penny Pilot options because they also have

¹¹ See PHLX Pricing Schedule, Section II, Multiply Listed Options Fees.

¹² See CBOE Fees Schedule, Marketing Fee.

obligations, which normally do not apply to other market participants (e.g., must have higher capital requirements, clear trades for other market participants, must be members of OCC). Accordingly, the differentiation between electronic transaction fees for Customers, Market-Makers, Clearing Trading Permit Holders and other market participants recognizes the differing obligations and contributions made to the liquidity and trading environment on the Exchange by these market participants.

Assessing higher fees for transactions in electronic, non-Penny Pilot classes is equitable and not unfairly discriminatory because in non-Penny Pilot classes the spreads are naturally larger than in Penny Pilot classes, and these wider spreads allow for greater profit potential. Limiting this fee increase to electronic transactions is equitable and not unfairly discriminatory because electronic trading requires constant system development and maintenance.

The Exchange always strives for clarity in its rules and Fees Schedule, so that market participants may best understand how rules and fees apply. The Exchange believes appending Footnote 16 to “Clearing Trading Permit Holder Proprietary” in the rates tables alleviates potential confusion. The alleviation of potential confusion will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

Finally, the Exchange believes it is reasonable to provide a waiver for the months of March and April 2015 because it allows new users time to become familiar with and fully acclimated to the new FBW functionality and incentivizes the users to begin this process as soon as the new functionality becomes available. The Exchange believes it is reasonable to provide a waiver for the first month for a new login ID beginning May 1,

2015, because it allows a new user after April 2015 to fully acclimate to the new FBW functionality. Additionally, the Exchange notes it is merely extending existing waivers to correspond with a delayed launch of FBW2.

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

The Exchange 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 fee increase will apply only to certain market participants, market participants have different obligations and different circumstances (as described in the "Statutory Basis" section above). The Exchange does not believe that the proposed rule change relating to the FBW 2 fee waivers will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, because it applies to all Trading Permit Holders. The Exchange believes this proposal will not cause an unnecessary burden on intermarket competition because the electronic non-Penny Pilot transaction fee and fee amount is similar to fees assessed at other exchanges.¹³ Additionally, the proposal relating to the FBW2 fee waivers only affect trading 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.

¹³ See e.g., PHLX Pricing, Section II, Multiply Listed Options Fees.

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 Act¹⁴ and paragraph (f) of Rule 19b-4¹⁵ 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-2015-025 on the subject line.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f).

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-2015-025. 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-2015-025 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.¹⁶

Brent J. Fields
Secretary

¹⁶ 17 CFR 200.30-3(a)(12).